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The directors are pleased to present their report to the members together with the audited financial statements of United Engineers Limited (the Company) and its subsidiary companies (the Group) for the financial year ended 31 December 2004, the balance sheet of the Company as at 31 December 2004 and the changes in equity of the Company for the financial year ended 31 December 2004.

DIRECTORS

The directors of the Company in office at the date of this report are as follows:

Tang I-Fang (Chairman)
 Dr Tan Eng Liang
 Thai Chee Ken
 Lai Teck Poh
 Jackson Chevalier Yap Kit Siong (Group Managing Director)
 Dr Michael Lim Chun Leng

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as disclosed in this report, neither at the end of the financial year, nor at any time during that year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors who held office at the end of the financial year had, according to the register required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in the ordinary stock units and share options of the Company as stated below:

Name of Director	Held in the name of director		Deemed interest	
	At the beginning of the year	At the end of the year	At the beginning of the year	At the end of the year
	Ordinary Stock Units of \$1.00 each			
Tang I-Fang	40,000	40,000	–	–
Thai Chee Ken	–	–	3,288	3,288
Jackson Chevalier Yap Kit Siong	153,000	273,000	–	–
	No. of Unissued Shares Under Option			
Jackson Chevalier Yap Kit Siong (Group Managing Director)	595,000	575,000	–	–

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (continued)

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2005.

Except as disclosed in this report, no director who held office at the end of the financial year had an interest in shares, share options or debentures of the Company or its subsidiary companies either at the beginning of the financial year or at the end of the financial year.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except as disclosed in the notes to the financial statements and set out below under "Interested Person Transactions".

INTERESTED PERSON TRANSACTIONS

Details of interested person transactions during the financial year under review are as follows:

Name of Interested Person	Aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all Interested Person Transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Chemtech Industries (Pte) Ltd	\$240,000	–

OPTIONS

United Engineers Share Option Scheme 2000 (Scheme 2000)

The United Engineers Share Option Scheme 2000 was approved by the members of the Company at an Extraordinary General Meeting held on 21 June 2000. Scheme 2000 incorporated features designed to enhance the efficacy of share options as incentive tools, and to reinforce the use of a share option scheme as a means to encourage long-term staff retention.

Scheme 2000 is administered by the Remuneration Committee. During the financial year, options were granted pursuant to Scheme 2000 in respect of 2,486,800 unissued ordinary shares of \$1.00 each to 82 executives of the Company and its subsidiaries.

The aggregate number of new ordinary shares over which options may be granted pursuant to Scheme 2000, when added to the number of ordinary shares issued and issuable in respect of all options granted under the Scheme 2000 shall not exceed 10% of the issued share capital of the Company on the day preceding the grant. Options are granted to executives taking into account criteria such as the executive's performance, seniority, years of service and potential for future development.

OPTIONS

United Engineers Share Option Scheme 2000 (Scheme 2000)

As at 31 December 2004, unissued shares granted under Scheme 2000 were as follows:

Date of Grant	Exercise Period	Exercise Price	Balance as at 31.12.03	No. of shares under option granted during the financial year	No. of shares under option exercised during the financial year	No. of shares under option lapsed during the financial year	Balance as at 31.12.04
6.12.00	6.12.01 to 5.12.10	\$1.14	1,746,200	–	624,340	25,500	1,096,360
5.11.01	5.11.02 to 4.11.11	\$1.01	1,847,460	–	548,060	31,400	1,268,000
4.10.02	4.10.03 to 3.10.12	\$1.07	2,005,700	–	670,500	41,500	1,293,700
12.12.03	12.12.04 to 11.12.13	\$1.61	2,569,000	–	–	111,800	2,457,200
25.11.04	25.11.05 to 24.11.14	\$1.59	–	2,486,800	–	–	2,486,800

The aggregate number of options granted since the commencement of the Scheme 2000 in year 2000 to 31 December 2004 is 12,967,500.

As at 31 December 2004, the status of the options granted under Scheme 2000 to the executive director of the Company was as follows:

Name of Participant	No. of shares under Scheme 2000 granted during the financial year	Aggregate options granted since commencement of Scheme 2000 to end of financial year	Aggregate options exercised since commencement of Scheme 2000 to end of financial year	Aggregate options outstanding as at end of financial year
Jackson Chevalier Yap Kit Siong (Group Managing Director)	100,000	575,000	–	575,000

DIRECTORS' REPORT

OPTIONS (continued)

United Engineers Share Option Scheme 2000 (Scheme 2000) (continued)

Controlling shareholders of the Company and their associates are not eligible to participate in Scheme 2000. No participant has received 5% or more of the total number of options available under Scheme 2000. No options were granted at a discount since the commencement of Scheme 2000.

The options granted by the Company do not entitle the holders of the options, by virtue of such options, any right to participate in any share issue of any other company. The exercise price in respect of which an option is exercisable shall be equal to the average of the last dealt price for a stock unit of the Company for the 3 consecutive days immediately preceding the date of grant of that option. In no event will the exercise price be less than the nominal (par) value of the share.

AUDIT COMMITTEE

The members of the Audit Committee during the financial year and at the date of this report are:

Thai Chee Ken	–	Chairman, non-executive director
Dr Tan Eng Liang	–	non-executive director
Dr Michael Lim Chun Leng	–	non-executive director

The Audit Committee reviewed the Company's accounting policies and internal controls on behalf of the Board of Directors and performed the functions specified in the Singapore Companies Act and Singapore Exchange Listing Manual. In performing its functions, the Committee reviewed the overall scope of both internal and external audits. It met with the Company's internal auditors and external auditors to discuss the results of their examinations and their evaluation of the Company's system of internal accounting controls.

The Audit Committee also reviewed the financial statements of the Company and the consolidated financial statements of the Group as well as the auditors' report thereon.

The Audit Committee nominates Ernst & Young as auditors of the Company for the financial year ending 31 December 2005 to be approved and appointed by the Company at the forthcoming Annual General Meeting.

AUDITORS

Ernst & Young have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board,

TANG I-FANG
Director

JACKSON CHEVALIER YAP KIT SIONG
Director

28 March 2005
Singapore

STATEMENT BY DIRECTORS PURSUANT TO SECTION 201(15)

We, TANG I-FANG and JACKSON CHEVALIER YAP KIT SIONG, being two of the directors of UNITED ENGINEERS LIMITED, do hereby state that, in the opinion of the directors:

- (i) the accompanying balance sheets, consolidated profit and loss account, statements of changes in equity and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2004 and the results of the businesses, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

TANG I-FANG
Director

JACKSON CHEVALIER YAP KIT SIONG
Director

28 March 2005
Singapore

To the Members of United Engineers Limited

We have audited the accompanying financial statements of United Engineers Limited (the Company) and its subsidiary companies (the Group) set out on pages 64 to 112 for the financial year ended 31 December 2004. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2004 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

28 March 2005
Singapore

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Note	2004 \$000	GROUP 2003 \$000
Revenue	3	597,719	464,506
Cost of sales		(518,563)	(390,754)
Gross profit		79,156	73,752
Other income		22,709	4,528
Distribution costs		(11,192)	(12,652)
Administrative costs		(47,619)	(43,377)
Other operating expenses		(7,334)	(2,082)
Operating profit	4	35,720	20,169
Interest income	5	1,509	2,065
Interest expense	5	(8,585)	(7,489)
		28,644	14,745
Share of results of associated companies		31,381	57,013
Profit before taxation		60,025	71,758
Taxation	6	(2,681)	(961)
Profit after taxation		57,344	70,797
Minority interest		(8,214)	(17,998)
Profit attributable to members of United Engineers Limited		49,130	52,799
Earnings per stock unit (cents)	7		
Basic		23.1¢	25.4¢
Diluted		22.9¢	25.1¢

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2004

	Note	GROUP		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
INVESTMENT PROPERTIES	8	577,323	594,400	425,000	450,000
FIXED ASSETS	9	34,582	47,877	2,538	3,454
SUBSIDIARY COMPANIES	10	–	–	379,836	327,462
ASSOCIATED COMPANIES	11	175,745	155,900	5,853	5,905
OTHER INVESTMENTS	12	1,256	1,455	528	846
INTANGIBLES	13	2,532	923	–	–
CURRENT ASSETS					
Stocks and work-in-progress	14	86,760	72,760	–	–
Trade & other debtors	15	210,942	157,289	5,499	9,516
Due from subsidiary companies	16	–	–	16,043	15,852
Short-term investments	17	51,474	52,105	–	–
Bank balances and deposits		58,541	76,339	2,342	3,207
		407,717	358,493	23,884	28,575
DEDUCT: CURRENT LIABILITIES					
Bank borrowings	18	56,960	43,870	–	–
Trade & other creditors	19	139,414	103,647	8,288	8,395
Due to subsidiary companies	20	–	–	22,722	17,503
Term loans	21	137,996	99,929	82,158	54,421
Provision for taxation		4,109	3,130	–	–
		338,479	250,576	113,168	80,319
NET CURRENT ASSETS/(LIABILITIES)		69,238	107,917	(89,284)	(51,744)
TERM LOANS	21	(248,078)	(250,482)	(185,000)	(185,000)
DEFERRED TAXATION	22	(1,122)	(2,708)	–	–
		611,476	655,282	539,471	550,923
CAPITAL AND RESERVES					
Share capital	23	214,348	210,977	214,348	210,977
Reserves		325,123	339,946	325,123	339,946
SHAREHOLDERS' FUNDS		539,471	550,923	539,471	550,923
MINORITY INTERESTS		72,005	104,359	–	–
		611,476	655,282	539,471	550,923

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Note	GROUP		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Issued share capital	23				
7 1/2% cumulative preference shares		875	875	875	875
Ordinary stocks		210,102	206,239	210,102	206,239
Balance at beginning of year		210,977	207,114	210,977	207,114
Issued during the financial year					
Ordinary shares on exercise of share options, converted into ordinary stocks		3,371	3,863	3,371	3,863
7 1/2% cumulative preference shares		875	875	875	875
Ordinary stocks		213,473	210,102	213,473	210,102
Balance at end of year		214,348	210,977	214,348	210,977
Share premium	23				
Balance at beginning of year		194	—	194	—
Premium on issue of ordinary shares during the year		430	194	430	194
Balance at end of year		624	194	624	194
Asset revaluation reserve					
Balance at beginning of year		252,426	314,602	234,102	283,802
Deficit on revaluation of investment properties		(40,095)	(62,176)	(25,095)	(49,700)
Balance at end of year		212,331	252,426	209,007	234,102
Subsidiary companies revaluation reserve					
Balance at beginning of year		—	—	11,073	—
Surplus for the financial year		—	—	31,544	11,073
Balance at end of year		—	—	42,617	11,073
Associated companies revaluation reserve					
Balance at beginning of year		—	—	5,588	6,455
Deficit for the financial year		—	—	(52)	(867)
Balance at end of year		—	—	5,536	5,588

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Note	GROUP		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Foreign currency translation					
Balance at beginning of year					
Subsidiary and associated companies' reserves		(2,292)	(510)	–	–
Inter-company balances of a long-term nature		(17,179)	(18,217)	(16,777)	(17,719)
		(19,471)	(18,727)	(16,777)	(17,719)
Foreign currency translation adjustments					
Subsidiary and associated companies' reserves		(5,807)	(1,782)	–	–
Inter-company balances of a long-term nature		(1,439)	1,038	(1,438)	942
Balance at end of year		(26,717)	(19,471)	(18,215)	(16,777)
Retained earnings					
Balance at beginning of year		106,797	62,124	105,766	85,461
Net profit/(loss) for the financial year		49,130	52,799	(3,170)	28,431
Dividends paid	24	(17,042)	(8,126)	(17,042)	(8,126)
Balance at end of year		138,885	106,797	85,554	105,766
Total reserves		325,123	339,946	325,123	339,946
Total equity		539,471	550,923	539,471	550,923
Net (loss)/gain for the financial year recognised directly in equity		(47,341)	(62,920)	4,959	(38,552)

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	2004 \$000	2003 \$000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	60,025	71,758
Adjustments for:		
Amortisation of intangibles	112	345
Currency realignment	(2,562)	1,206
Depreciation of fixed assets	5,810	6,017
Development profits	(95)	–
Deficit on revaluation of investment properties	–	843
Gain on disposal of fixed assets	(616)	(716)
Gain on disposal of short-term investments	–	(56)
Gain on disposal of other investment	(419)	(2,456)
Goodwill on acquisition of additional shares in subsidiary company	(19,767)	–
Interest expense	8,585	7,489
Interest income	(1,509)	(2,065)
Provision for impairment of short-term and other investments	661	605
Provision for impairment of investments written back	(50)	–
Share of results of associated companies	(31,381)	(57,013)
Operating cash flow before working capital changes	18,794	25,957
Increase in trade & other creditors	37,887	232
Increase in trade & other debtors	(57,856)	(16,088)
Increase in stocks and work-in-progress	(13,881)	(20,213)
Cash used in operations	(15,056)	(10,112)
Interest paid	(8,616)	(7,349)
Interest received	1,549	1,943
Taxation paid	(3,973)	(2,798)
Net cash used in operating activities	(26,096)	(18,316)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of additional share capital in subsidiary company	(18,700)	–
Acquisition of intangibles	(163)	–
Capital and development expenditure	(18,200)	(10,228)
Dividends received from associated companies	145	1,043
Decrease/(increase) in amounts due from associated companies	1,400	(196)
Net proceeds from disposal of other investments and fixed assets	7,924	2,129
Net cash used in investing activities	(27,594)	(7,252)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	2004 \$000	2003 \$000
CASH FLOW FROM FINANCING ACTIVITIES		
Share options exercised	3,801	4,057
(Decrease)/increase in secured bank borrowings	(2,050)	8,018
Dividends paid	(17,042)	(8,126)
Dividends paid to minority shareholders	(750)	(2,276)
Proceeds from term loans	36,793	17,937
Net cash generated from financing activities	20,752	19,610
Cash and cash equivalents at beginning of year	60,929	66,887
Net decrease in cash and cash equivalents	(32,938)	(5,958)
Cash and cash equivalents at end of year	27,991	60,929
Cash and cash equivalents comprise:		
Bank balances and deposits	58,541	76,339
Unsecured bank borrowings (Note 18)	(30,550)	(15,410)
Cash and cash equivalents	27,991	60,929

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

1 GENERAL

The Company is domiciled and incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited.

The Company operates in Singapore and its principal activities are those of a holding company and property owner and property developer and deriving income therefrom. The principal activities and place of business of the subsidiary companies are set out in Note 10 to the financial statements.

The registered office of the Company is located at:

83 Clemenceau Avenue,
#18-01 UE Square
Singapore 239920

The Group and the Company employed 5,369 (2003: 4,436) and 61 (2003: 59) employees as of 31 December 2004 respectively.

The Group operates in 12 (2003: 11) countries .

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Singapore Companies Act.

The financial statements of the Company and of the Group are prepared under the historical cost convention except for investment properties, certain freehold/long leasehold land and all investments in subsidiary and associated companies which are stated at directors' valuation.

The accounting policies have been consistently applied by the Company and the Group, and are consistent with those used in the previous year except for the changes in accounting policies discussed more fully below (Note 2(b)).

The financial statements are expressed in Singapore Dollars.

(b) Changes in Accounting Policies

On 1 July 2004, the Council on Corporate Disclosure and Governance issued Financial Reporting Standard ("FRS") 103 Business Combinations, revised FRS 36 Impairment of Assets and revised FRS 38 Intangible Assets. Accordingly, FRS 22 Business Combinations was withdrawn.

2 SIGNIFICANT ACCOUNTING POLICIES

(b) Changes in Accounting Policies

These standards are to be applied to the accounting for business combinations for annual periods beginning on or after 1 July 2004. However, early adoption of these standards is permitted under certain circumstances and must be applied prospectively from the same date.

The early adoption of FRS 103, revised FRS 36 and revised FRS 38 by the Group resulted in a change in the accounting treatment for goodwill. FRS 103 requires goodwill acquired in a business combination to be measured at cost less any accumulated impairment losses. Goodwill shall no longer be amortised. Instead, impairment is tested annually, or more frequently if events or changes in circumstances indicate that the goodwill might be impaired.

The replaced FRS 22 Business Combinations required acquired goodwill to be systematically amortised over its useful life and included a rebuttable presumption that its useful life could not exceed twenty years from initial recognition.

In accordance with FRS103, where the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of business combination ("negative goodwill"), the excess goodwill shall be immediately recognised as income.

In accordance with the revised FRS 38, the useful life of intangible assets are now assessed at the individual level as having either a finite or indefinite life. Where an intangible asset has a finite life, it will be amortised over its useful life. Amortisation years and methods for intangible assets with finite useful lives are reviewed at the earlier of annually or where an indicator of impairment exists. Intangible assets assessed as having indefinite useful lives are not amortised, as there is no foreseeable limit to the years over which the asset is expected to generate net cash inflows for the Group. However, arising from the adoption of revised FRS 36, intangibles with indefinite useful lives are reviewed annually to ensure the carrying value does not exceed the recoverable amount regardless of whether an indicator of impairment is present.

Further details are set out in Note 29.

(c) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies, after the elimination of all material intra-group transactions and resulting unrealised profits. Unrealised losses resulting from intra-group transactions are also eliminated unless costs cannot be recovered.

The results of subsidiary companies acquired or disposed of during the year are included in or excluded from the respective dates of acquisition or disposal, as applicable. Acquisitions of subsidiaries are accounted for using the purchase method of accounting.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiary and Associated Companies

A subsidiary is a company in which the Group, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

An associated company is that of an active trading company in which it has a long-term equity interest of not less than 19% and not more than 50% and has board representation.

The financial years of some of the associated companies are not co-terminous with that of the Company. In the case of the associated companies whose financial years are not co-terminous, the share of profits or losses is arrived at from the last audited financial statements available and unaudited management accounts to the end of the Company's financial year.

The Group's investments in associated companies are accounted for using the equity method. In the Group's consolidated financial statements, the Group's share of results and reserves of associated companies acquired or disposed of are included in the consolidated financial statements from the date of acquisition or up to the date of disposal or cessation of significant influence.

In the Company's separate financial statements, investments in subsidiary and associated companies are restated annually at their attributable net assets less impairment losses. Any surpluses or deficits resulting from this are credited or charged to non-distributable reserves. Deficits, to the extent that they exceed the amount standing in the non-distributable reserves, are charged to distributable reserves via the profit and loss account.

(e) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. The following specific criteria must also be met before revenue is recognised:

Sales of goods

Revenues from trading sales are recognised upon transfer of title to the customer which generally coincides with their delivery and acceptance.

Rental income

Rental income from properties is recognised on a straight-line basis over the lease term.

Rendering of services

Revenues from contracts are recognised on the percentage of completion method. Any losses are provided for as and when they become known.

2 SIGNIFICANT ACCOUNTING POLICIES

(e) Revenue Recognition

Dividend and interest income

Dividend income is accrued on the basis of the dates dividends are declared by the investee company. Interest income is accrued on a time apportionment basis.

(f) Investment Properties

Investment properties are those properties which have been completed and are held on a long-term basis for their investment potential and income.

Investment properties of the Group are revalued annually by the directors based on independent professional valuation on an open market value basis. Any surpluses or deficits on revaluation are credited or charged to the asset revaluation reserve. Deficits, to the extent that they exceed the amount standing in the asset revaluation reserve, are charged to distributable reserves via the profit and loss account. Any surplus may be credited to the profit and loss account to the extent of the amount previously charged to the profit and loss account.

On disposal of an investment property, the difference between the carrying amount and the proceeds of disposal, net of expenses, is recognised in the profit and loss account. Any surplus standing in the asset revaluation reserve is credited to distributable reserves via the profit and loss account.

(g) Fixed Assets and Depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment in value. Revaluations are made with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value at the balance sheet date.

Any surpluses or deficits on revaluation are credited or charged to the asset revaluation reserve. Net deficits, to the extent that they exceed the amount standing in the asset revaluation reserve, are charged to distributable reserves via the profit and loss account. Any surplus may be credited to the profit and loss account to the extent of the amount previously charged to the profit and loss account. Any balance remaining in the revaluation surplus in respect of an asset, is credited to distributable reserves via the profit and loss account on retirement or disposal of the asset.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Fixed Assets and Depreciation (continued)

Leases with unexpired terms of over 100 years are classified as long leaseholds; those under 100 years are classified as leaseholds.

No depreciation is provided on freehold/long leasehold land and capital work-in-progress.

Depreciation is calculated on other fixed assets on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold land	-	over term of lease
Leasehold buildings	-	lower of term of lease and 50 years
Freehold/long leasehold buildings	-	50 years
Light plant and machinery	-	2 to 10 years
Heavy plant and machinery	-	11 to 15 years
Motor vehicles and other assets	-	2 to 5 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets.

(h) Intangibles

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill on acquisitions after 1 January 2004 is not amortised and goodwill already carried in the balance sheet is not amortised after 1 January 2004. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2 SIGNIFICANT ACCOUNTING POLICIES

(h) Intangibles

Negative Goodwill

Negative goodwill arising on acquisition represents the excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition. Any negative goodwill arising on acquisition is reassessed; and any negative goodwill in excess of the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised immediately in the profit and loss account.

Trademark and Licences

The licence fees for trademark and marketing rights are amortised over the respective license periods. The carrying values of trademark and licences are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Software licence fee is amortised over its economic useful life. Its useful life is reviewed annually to ensure the carrying value does not exceed the recoverable amount regardless of whether an indicator of impairment is present.

(i) Investments

Quoted short-term investments are stated at the lower of average cost and market value.

Other investments held on a long-term basis are stated at cost. Provision is made for any decline other than temporary in the value of the investment.

(j) Stocks and Work-In-Progress

Stocks are stated at the lower of cost and net realisable value. The cost of all stocks is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Work-in-progress is stated at cost less progress payments received or receivable on account. Cost is made up of materials, labour and a proportion of overhead expenses.

Profits accruing on work-in-progress are accounted for on a percentage of completion basis and when the work has progressed to such a stage that profit can reasonably be recognised. Percentage of completion is measured by reference to the proportion of costs incurred to the estimated total costs of the contract with adjustments made to include only those costs that reflect work performed. Provision is made for all anticipated losses on work-in-progress.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Trade and Other Debtors

Trade and other debtors which generally have 30-90 days term are carried at original invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(l) Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and at bank, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of change in value.

Cash on hand and in banks and short-term deposits which are held to maturity are carried at cost.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash on hand and deposits in banks, net of unsecured short-term borrowings and bank overdrafts which are repayable on demand and which form part of the Group's cash management.

(m) Impairment

The carrying amounts of the Group's assets, other than stocks, work-in-progress (Note 2(j)) and trade and other debtors (Note 2(k)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. All impairment losses are recognised in the profit and loss account or treated as a revaluation decrease for assets carried at revalued amount to the extent the impairment loss does not exceed the amount held in revaluation surplus for that same asset, whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Reversal of impairment losses recognised in prior years is recorded when there is indication that the impairment losses recognised for the asset no longer exist or have decreased. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All reversals of impairment are recognised in the profit and loss account or as a revaluation increase.

(n) Trade and Other Creditors

Liabilities for trade and other amounts payable which are normally settled on 30-60 days term, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company or the Group.

2 SIGNIFICANT ACCOUNTING POLICIES

(o) Accounting for Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases.

Operating lease payments are charged to the profit and loss account on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place. The aggregate benefit of incentives by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(p) Loans and Borrowings

Loans and borrowings are initially recognised at cost net of transaction costs associated with the borrowing or loan.

(q) Capitalisation of Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs incurred for buildings are capitalised until the assets are ready for their intended use.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

A provision for warranty is recognised for all products under warranty at the balance sheet date. The provision is calculated based on service history.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Deferred Taxation

Deferred taxation is accounted for under the balance sheet liability method, providing for all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary and associated companies and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unabsorbed tax losses and unutilised capital allowances only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

At each balance sheet date, the Group reassesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is charged or credited directly to equity if the tax relates to items that are charged or credited, in the same or a different period, directly to equity.

(t) Foreign Currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (measurement currency). The consolidated financial statements and the financial statements of the Company are presented in Singapore dollars, which is the measurement currency of the Company.

Foreign currency monetary assets and liabilities are translated into the measurement currency at rates of exchange ruling at balance sheet date and transactions during the year are recorded in the measurement currency at the rates ruling at the time of the transactions. Non-monetary assets and liabilities are measured using the exchange rates ruling at the transaction dates, or in the case of items carried at fair value, the exchange rates that existed when the values were determined. Exchange differences arising from the translation of long-term inter-company balances which are effectively part of net investments are taken directly to foreign currency translation reserves. Other exchange differences are dealt with in the profit and loss account.

2 SIGNIFICANT ACCOUNTING POLICIES

(t) Foreign Currencies

For inclusion in the consolidated financial statements, all assets and liabilities of foreign subsidiary and associated companies are translated into Singapore dollars at exchange rates ruling at balance sheet date. Revenue and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. Exchange differences due to such currency translations are included in the Group's foreign currency translation reserves. On disposal of a foreign entity, accumulated exchange differences are recognised in the profit and loss account as a component of the gain or loss of disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquiring entity and are recorded at the exchange rate at the date of the transaction.

(u) Employee Benefits

Pension Obligations

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. As required by law, the Group's companies in Singapore make contributions to the state pension scheme, the Central Provident Fund (CPF). Contributions to national pension schemes are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

Equity Compensation Benefits

The Company also operates the United Engineers Share Option Scheme 2000 (Scheme 2000) to grant non-transferable options. No compensation cost is recognised upon granting or the exercise of the options. Where the options are exercised, the proceeds received net of any transaction costs are credited to share capital and share premium accordingly.

Employee Leave Entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

(v) Derivative Financial Instruments

The Group uses derivative financial instruments such as interest rate swaps and foreign exchange forward contracts to hedge its risks associated primarily with interest rate and foreign currency fluctuations. It is the Group's policy not to trade in derivative financial instruments. The foreign exchange forward contracts entered into by the Group are recorded and disclosed as off-balance sheet items at their notional principal amounts. Details of the Group's financial risk management objectives and policies are set out in Note 30.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

3 REVENUE

	2004 \$000	GROUP 2003 \$000
Sales of goods	219,912	182,929
Rendering of services	377,287	281,542
Dividend income from unquoted equity investments	520	35
	597,719	464,506

4 OPERATING PROFIT

Operating profit is arrived at after (charging)/crediting:

Other income:-

Gain on disposal of fixed assets	616	716
Gain on disposal of short-term investments	-	56
Gain on disposal of other investment	419	2,456
Negative goodwill on acquisition of additional shares in subsidiary company	19,767	-

Operating expenses:-

Amortisation of goodwill	-	(229)
Amortisation of trademark	(112)	(116)
Auditors' remuneration		
- Auditors of the Company	(210)	(202)
- Other auditors	(154)	(173)
Deficit on revaluation of investment properties	-	(843)
Depreciation of fixed assets	(5,810)	(6,017)
Loss on foreign exchange differences	(1,108)	(1,273)
Non-audit fees paid to auditors for professional services		
- Auditors of the Company	(196)	(328)
- Other auditors	(69)	(104)
Provision for doubtful trade debts	(1,484)	(1,020)
Provision for doubtful trade debts written back	124	1,391
Provision for project costs over-run	(1,124)	(2,283)
Provision for impairment of short-term and other investments	(661)	(605)
Provision for stocks obsolescence	(725)	(256)
Staff costs		
- Salaries, wages, bonuses and other costs	(79,142)	(67,203)
- Central Provident Fund and other defined contribution plans	(4,886)	(4,741)
Stocks written off	(42)	(255)

5 INTEREST INCOME AND INTEREST EXPENSE

	2004 \$000	GROUP 2003 \$000
Interest income		
– Associated company	–	329
– Deposits with banks and financial institutions	513	1,048
– Others	996	688
	1,509	2,065
Interest expense		
– Loans and borrowings from external parties	(8,585)	(7,489)

6 TAXATION

Major components of income tax expense for the financial years ended 31 December are:

Current taxation	3,271	2,810
Deferred taxation (written back)/charge	(1,542)	6
Current year's tax expense	1,729	2,816
Overprovision in respect of prior years	(1,210)	(3,486)
	519	(670)
Share of taxation of associated companies	2,162	1,631
	2,681	961

The income tax expense on the results for the financial year varies from the amount of income tax determined by applying the Singapore standard rate of income tax to profit before tax due to the following factors:

	2004 %	GROUP 2003 %
Applicable tax rate	20.0	22.0
Expenses not deductible for tax purposes	5.9	4.7
Income not subject to tax	(16.4)	(16.6)
Utilisation of previously unrecognised deferred tax assets	(5.3)	(6.7)
Losses of foreign subsidiary companies/additional foreign tax	0.4	2.5
Losses of local subsidiary companies not available for set-off against profit of other companies within the Group	1.9	0.3
Over provision of income tax in respect of prior years	(2.0)	(4.9)
Effective tax rate	4.5	1.3

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

6 TAXATION (continued)

Tax losses and capital allowances of \$2,939,000 (2003: \$4,773,000) and \$2,195,000 (2003: \$3,804,000) respectively for the Group have been utilised during the financial year.

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company .

7 EARNINGS PER STOCK UNIT

Basic earnings per stock unit (EPS) is calculated by dividing group profit attributable to ordinary stockholders of \$49,130,000 (2003: \$52,799,000) and after deducting preference dividends of \$53,000 (2003: \$53,000) by the weighted average number of ordinary stock units in issue during the financial year of 212,376,549 (2003: 207,952,974).

Diluted EPS is calculated by dividing the net profit attributable to ordinary stockholders by the weighted average number of ordinary stock units outstanding during the financial year (adjusted for the effects of dilutive options).

	2004	GROUP 2003
Net profit attributable to ordinary stockholders for basic and diluted earnings per stock unit:	\$49,130,000	\$52,799,000
Existing weighted average number of ordinary stock units applicable to basic earnings per stock unit	212,376,549	207,952,974
Effect of dilutive securities: Share options	1,478,630	1,782,067
Adjusted number of ordinary stock units applicable to diluted earnings per stock unit	213,855,179	209,735,041

Since the end of the financial year, senior executives have exercised the option to acquire ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

8 INVESTMENT PROPERTIES

	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
(a) Long leasehold land and buildings				
At 1 January	450,000	500,000	450,000	500,000
Cost adjustments	95	(300)	95	(300)
Revaluation deficit	(25,095)	(49,700)	(25,095)	(49,700)
At 31 December	425,000	450,000	425,000	450,000
(b) Leasehold land and buildings				
At 1 January	144,400	157,800	–	–
Cost adjustments	–	(58)	–	–
Transfer from fixed assets (Note 9)	13,036	–	–	–
Additions	9,887	–	–	–
Revaluation deficit	(15,000)	(13,342)	–	–
At 31 December	152,323	144,400	–	–
At directors' valuation	577,323	594,400	425,000	450,000

Investment properties were stated at directors' valuation at their open market values as at the end of the financial year based on independent professional valuations carried out by DTZ Debenham Tie Leung (SEA) Pte Ltd and Knight Frank Pte Ltd for the long leasehold land and buildings and the leasehold land and buildings respectively at 31 December 2004.

Investment properties in (b) amounting to \$127,923,000 after revaluation at 31 December 2004 (31 December 2003: \$120,000,000) have been mortgaged to secure certain term loan facilities obtained to partially finance their developments (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

9 FIXED ASSETS

	Freehold land and buildings \$000	Long leasehold land and buildings \$000	Leasehold land and buildings \$000	Capital work-in- progress \$000	Plant and machinery \$000	Motor vehicles and other assets \$000	Total \$000
GROUP							
Cost and Valuation							
At 31 December 2003							
Cost	3,995	225	19,714	13,104	44,878	19,004	100,920
Valuation, 2002*	–	244	–	–	4,650	60	4,954
	3,995	469	19,714	13,104	49,528	19,064	105,874
Currency realignment	(222)	(11)	(173)	–	(1,113)	(269)	(1,788)
Transfer to investment properties (Note 8)	–	–	–	(13,036)	–	–	(13,036)
Additions	–	–	54	678	3,138	3,384	7,254
Disposals	–	–	–	(67)	(2,402)	(1,637)	(4,106)
At 31 December 2004	3,773	458	19,595	679	49,151	20,542	94,198
Representing:							
Cost	3,773	214	19,595	679	44,501	20,482	89,244
Valuation, 2002*	–	244	–	–	4,650	60	4,954
At 31 December 2004	3,773	458	19,595	679	49,151	20,542	94,198
Accumulated depreciation							
At 31 December 2003	(355)	(57)	(8,539)	–	(34,521)	(14,525)	(57,997)
Currency realignment	37	–	80	–	727	169	1,013
Charge for the financial year	(44)	(5)	(780)	–	(3,259)	(2,007)	(6,095)
Disposals	–	–	–	–	1,961	1,502	3,463
At 31 December 2004	(362)	(62)	(9,239)	–	(35,092)	(14,861)	(59,616)
Net book value							
At 31 December 2004	3,411	396	10,356	679	14,059	5,681	34,582
At 31 December 2003	3,640	412	11,175	13,104	15,007	4,539	47,877

* These fixed assets were revalued by the directors based on professional appraisals by independent valuers.

Certain fixed assets and capital work-in-progress with a total book value of \$3,983,000 (2003: \$4,449,000) and \$Nil (2003: \$13,103,000) respectively have been mortgaged to secure the Group's bank borrowings and term loan facilities of certain subsidiary companies (Notes 18 and 21).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

9 FIXED ASSETS

	Leasehold land and buildings \$000	Motor vehicles and other assets \$000	Total \$000
COMPANY			
Cost			
At 31 December 2003	8,419	4,969	13,388
Additions	–	14	14
Disposals	–	(28)	(28)
At 31 December 2004	8,419	4,955	13,374
Accumulated depreciation			
At 31 December 2003	(5,784)	(4,150)	(9,934)
Charge for the year	(448)	(482)	(930)
Disposals	–	28	28
At 31 December 2004	(6,232)	(4,604)	(10,836)
Net book value			
At 31 December 2004	2,187	351	2,538
At 31 December 2003	2,635	819	3,454

	GROUP
	2004 \$000
	2003 \$000

The depreciation charge for the financial year in profit and loss account is as follows:

Depreciation for the financial year	6,095	6,279
Current financial year's depreciation included in work-in-progress	(285)	(262)
Charged to profit and loss account	5,810	6,017

10 SUBSIDIARY COMPANIES

	COMPANY	
	2004 \$000	
	2003 \$000	
Unquoted equity shares at cost	239,541	220,841
Loans receivable	126,991	124,371
	366,532	345,212
Revaluation adjustment to restate cost to Company's share of attributable net assets	13,304	(17,750)
	379,836	327,462

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

10 SUBSIDIARY COMPANIES (continued)

The subsidiary companies as at 31 December are as follows:

Name of company	Principal activities (Place of business) ①	Cost		Percentage of equity held by the Group	
		2004 \$000	2003 \$000	2004 %	2003 %
Incorporated in Singapore					
Apex Pharmacy International Pte Ltd	In Members' voluntary liquidation	2,890	2,890	51	51
APG Engineers Pte Ltd	Dormant	_#	_#	60	60
Asia Travel Service Private Limited	Dormant	445	445	100	100
Bu-Land Pte Ltd	Renovation contractors	133	133	85	85
Delichem Pte Ltd	Specialty chemical products	3,993	3,993	100	100
Grafton Laboratories Private Limited	Dormant	410	410	100	100
Grafton Pharmasia Pte Ltd	Wholesale distribution of pharmaceutical and personal care products	564	564	56.7	56.7
Greatearth Construction Pte Ltd	Building contractors	15,850	15,850	85	85
Greatearth Developments Pte Ltd	Property development and leasing	_#	_#	92.5	92.5
Greatearth Holding Pte Ltd	Investment holding	3,038	3,038	85	85

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

10 SUBSIDIARY COMPANIES

Name of company	Principal activities (Place of business) ^①	Cost		Percentage of equity held by the Group	
		2004 \$000	2003 \$000	2004 %	2003 %
UE Water Systems Pte Ltd (formerly known as KM Systems Pte Ltd)	Dormant	2,162	2,162	100	100
Maxdin Pte Ltd	Property investment	3	3	85	85
McAlister and Company, Limited	Supply of industrial equipment, general trading and general engineering (Singapore, Malaysia and Hong Kong)	29,023	29,023	100*	100*
Medical Hall (1996) Pte Ltd	Dormant	764	764	100	100
MPL Pte Ltd	Broadcasting and telecommunication facilities	833	833	75	75
MPL Communications Pte Ltd	Dormant	156	156	53	53
UE IEMvirotech Pte Ltd	Investment holding and trading of specialised waste disposal equipment	2,505	–	70	–
UE Trade Corporation Pte Ltd	General traders	5,160	5,160	100	100
UE Support Services Pte Ltd	Management services	41	41	100*	100*
UE Ville Developments Pte Ltd	Property development and leasing	1,000	1,000	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

10 SUBSIDIARY COMPANIES (continued)

Name of company	Principal activities (Place of business) ①	Cost		Percentage of equity held by the Group	
		2004 \$000	2003 \$000	2004 %	2003 %
UE-Tradetec (Singapore) Pte Ltd	Supply of machinery, equipment and metal products	5,270	5,270	100*	100*
UMC ServiceMaster Pte Ltd	Support management facilities	800	800	100	100
United Engineers Developments Pte Ltd	Property facilities management and leasing	40,000	40,000	100*	100*
United Engineers (Singapore) Private Limited	Mechanical, electrical and environmental engineering (Singapore and Brunei)	80,000	80,000	100*	100*
UE Energy Solutions Pte Ltd (formerly known as United Highway Corporation Pte Ltd)	Dormant	450	450	100	100
United Infrastructure Pte Ltd^	Investment holding	65,415	46,715	100*	62*
United MediCorp Pte Ltd	Investment holding	17,824	17,824	100*	100*
United Power Corporation (Singapore) Pte Ltd	Investment holding	71,690	71,690	67	42
United Tech Park Pte Ltd	Warehouse leasing business	42,266	42,266	90	90
UWB Pte Ltd	Engineering services	1,084	1,084	100	100

10 SUBSIDIARY COMPANIES

Name of company	Principal activities (Place of business) ^①	Cost		Percentage of equity held by the Group	
		2004 \$000	2003 \$000	2004 %	2003 %
Incorporated in Malaysia					
②APG Geo-Systems Sdn Bhd	Specialists geo-technical foundation engineering (Malaysia)	4,097	4,097	60	60
②APG Systems (EM) Sdn Bhd	Specialists construction, sub-contractor for other geo-technical works (Malaysia)	48	48	60	60
②Applied Construction & Engineering (M) Sdn Bhd	Civil, electrical, mechanical engineers and contractors (Malaysia)	2,369	2,369	100	100
②Delichem Sdn Bhd	Provision of turnkey cleaning services (Malaysia)	_#	_#	100	100
②Design Entice (M) Sdn Bhd	Dormant (Malaysia)	_#	_#	100	100
②GE Construction Sdn Bhd	Building contractors (Malaysia)	162	162	85	85
②McAlister Engineering Sdn Bhd	Freight tank containers and other steel products (Malaysia)	6,939	6,939	66	66
②McAlister Holdings (Malaysia) Sdn Bhd	Project and business managers of property and buildings, general contractors (Malaysia)	60	60	100	100
②McAlister Trading (Malaysia) Sdn Bhd	Dormant (Malaysia)	100	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

10 SUBSIDIARY COMPANIES (continued)

Name of company	Principal activities (Place of business) ^①	Cost		Percentage of equity held by the Group	
		2004 \$000	2003 \$000	2004 %	2003 %
Incorporated in Malaysia					
② UE ServiceCorp (Malaysia) Sdn Bhd	Investment holding (Malaysia)	89	89	100	100
② UMC ServiceMaster Sdn Bhd	Support management facilities (Malaysia)	1,669	1,669	100	100
Incorporated in Brunei					
② United Engineers (B) Sdn Bhd	Civil, electrical, mechanical engineers and contractors (Brunei)	4,500	4,500	90	90
Incorporated in Hong Kong					
② Goodman Medical Supplies Limited	Supply of medical equipment and accessories (Hong Kong and Macau)	7,954	7,954	100	100
② Huge Right Industries Limited	Investment holding (Hong Kong)	646	646	100	100
② ServiceMaster Hong Kong Limited	Support management facilities (Hong Kong)	640	640	100	100
② Uniteers (Hong Kong) Limited	Investment holding (Hong Kong)	_#	_#	100*	100*

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

10 SUBSIDIARY COMPANIES

Name of company	Principal activities (Place of business) ^①	Cost		Percentage of equity held by the Group	
		2004 \$000	2003 \$000	2004 %	2003 %
Incorporated in Indonesia					
② PT. United Engineers Indonesia	Fabrication of steel structures (Indonesia)	1,968	1,968	60*	60*
② PT. UE Sentosa	Engineering and construction projects (Indonesia)	499	499	60	60
③ PT. UE Developments	Development and management of apartment (condominium) buildings and office buildings (Indonesia)	3,030	3,030	100	100
Incorporated in Taiwan					
② UMC Taiwan Limited	Support management facilities (Taiwan)	1,668	1,668	100	100
⑥ UE ServiceCorp (Taiwan) Limited	Support management facilities (Taiwan)	254	–	100	–
Incorporated in Myanmar					
④ UE Myanmar Limited	General traders (Myanmar)	143	143	100	100
④ MPL International Limited	General trading and contract works (Myanmar)	128	128	75	75

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

10 SUBSIDIARY COMPANIES (continued)

Name of company	Principal activities (Place of business) ^①	Cost		Percentage of equity held by the Group	
		2004 \$000	2003 \$000	2004 %	2003 %
Incorporated in Bangladesh					
⑤ UE Trade Corporation (Bangladesh) Pte Ltd	Commission agents and General traders (Bangladesh)	106	106	100	100
Incorporated in India					
② UE Trade Corporation (India) Private Limited	Import, export, procurement, trading & distribution (India)	117	117	100	100
Incorporated in Sri Lanka					
② UE Trade Corporation Lanka (Private) Ltd	General traders (Sri Lanka)	1,020	–	100	–
Incorporated in Thailand					
② Delichem (Thailand) Company Limited	Specialty chemical products (Thailand)	114	114	100	100
Incorporated in Cambodia					
⑥ United Media Limited	Dormant (Cambodia)	620	620	75	75
⑥ Media Services Limited	Dormant (Cambodia)	9	9	75	75
Incorporated in The People's Republic of China					
② Anhui Anxin Energy Co. Ltd	Engineering services (The People's Republic of China)	1,207	1,207	100	100

10 SUBSIDIARY COMPANIES

Name of company	Principal activities (Place of business) ^①	Cost		Percentage of equity held by the Group	
		2004 \$000	2003 \$000	2004 %	2003 %
Incorporated in The People's Republic of China					
⑥ Dalian Xinwei Metalform Products Co Limited	Dormant (The People's Republic of China)	2,739	2,739	60	60
⑤ Park Avenue Management Services (Shanghai) Co Ltd	Provision of services as project and business managers of buildings, apartments, hotels and shopping centres (The People's Republic of China)	7,101	7,101	100	100
⑦ UE IEMvirotech (Beijing) Co Ltd	Treatment of medical waste and related activities (The People's Republic of China)	2,045	–	70	–

① Place of business in Singapore unless otherwise stated

② Audited by associated firms of Ernst & Young, Singapore

③ Audited by Paul Hadiwinata, Hidajat & Rekan, Indonesia

④ Audited by technical assistance firm of Ernst & Young in Myanmar

⑤ Audited by technical assistance firm of Ernst & Young in Bangladesh

⑥ Not statutorily required to be audited

⑦ Audited by Anhui Huapu CPA, The People's Republic of China

⑧ Audited by Dalian Lianxin CPA, The People's Republic of China

⑨ Audited by Shanghai Chang Xin CPA, The People's Republic of China

* Direct subsidiary companies of United Engineers Limited

The cost of unquoted equity shares is less than \$1,000.

^ During the financial year the Company acquired the remaining 38% of the issued share capital of United Infrastructure Pte Ltd for a cash consideration of \$18,700,000, making it a wholly-owned subsidiary. The attributable net assets at the date of acquisition were \$38,467,000. The negative goodwill of \$19,767,000 arising from the acquisition was credited directly to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

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11 ASSOCIATED COMPANIES

	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Unquoted equity shares				
At valuation based on share of attributable net assets	–	–	5,853	5,905
At cost	119,816	119,816	–	–
Goodwill on acquisition	(1,023)	(1,023)	–	–
Currency realignment	(1,013)	6,816	–	–
Share of net post acquisition reserves	95,188	66,114	–	–
	212,968	191,723	5,853	5,905
Loans receivable	128	128	–	–
Amounts receivable	100	1,806	86	86
Amount payable	(37,237)	(37,237)	–	–
	(37,009)	(35,303)	86	86
Provision for doubtful receivables	(214)	(520)	(86)	(86)
	(37,223)	(35,823)	–	–
	175,745	155,900	5,853	5,905

Amounts receivable are mainly non-trade in nature. The amount payable arose from the purchase of shares from UWT, is interest-free and is not expected to be repayable within the next 12 months (Note 28).

The associated companies as at 31 December are as follows:

Name of company	Principal activities (Place of business) ^①	Cost		Percentage of equity held by the Group	
		2004 \$000	2003 \$000	2004 %	2003 %
Incorporated in Singapore					
Lycorpipe Investment Pte Ltd	Investment holding	138	138	19	19
United Wearnes Technology Pte Ltd	Investment holding	9,200	9,200	40	40

11 ASSOCIATED COMPANIES

Name of company	Principal activities (Place of business) ^①	Cost		Percentage of equity held by the Group	
		2004 \$000	2003 \$000	2004 %	2003 %
Incorporated in Malaysia					
Apex Pharmacy Holdings Sendirian Berhad	Investment holding (Malaysia)	5,003	5,003	30	30
Asia Travel Service (Malaysia) Sdn Bhd	Dormant (Malaysia)	–	–	30	30
BlueScope Lysaght (Malaysia) Sdn Bhd	Steel roofings (Malaysia)	180	180	40	40
Hicom-Selangor Marine Management Sdn Bhd	In process of liquidation (Malaysia)	–	–	29	29
Taipan Asia Travel (M) Sdn Bhd	Travel agents (Malaysia)	189	189	23	23
Incorporated in The People's Republic of China					
^② Anhui Hefei United Power Generation Company Limited	Power generation plant (The People's Republic of China)	105,106	105,106	33	20

The cost of unquoted equity shares is less than \$1,000.

① Place of business in Singapore unless otherwise stated.

② Audited by KPMG Shanghai, The People's Republic of China.

NOTES TO THE FINANCIAL STATEMENTS

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12 OTHER INVESTMENTS

	GROUP		COMPANY	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
Unquoted equity shares at cost less provision of \$195,000 (2003: \$215,000)	1,256	1,455	528	846

13 INTANGIBLES

(a) Trademark

Trademark expenditure relates to a licence fee paid to ServiceMaster Company Limited Partnership for the use of the word and trademark "ServiceMaster" in all marketing and performance of the support management services. The trademark is amortised evenly over their economic useful lives of 17 to 20 years. As at 31 December 2004, the remaining amortisation period ranges from 6 to 15 years.

	GROUP	
	2004	2003
	\$000	\$000
Cost		
Balance at 1 January	2,137	2,157
Currency realignment	(49)	(20)
Balance at 31 December	2,088	2,137
Accumulated amortisation		
Balance at 1 January	1,444	1,340
Currency realignment	(30)	(12)
Amortisation for the financial year	112	116
Balance at 31 December	1,526	1,444
Unamortised amount		
Balance at 31 December	562	693

13 INTANGIBLES

(b) Software licence

Software licence expenditure relates to licence fees paid to International Environmental Management, Inc for the use of an on-line routing and dispatching software for medical waste. The software licence will be amortised evenly over their economic useful life of 3 years commencing 2005.

	GROUP	
	2004	2003
	\$000	\$000
Cost		
Additions and balance at 31 December	1,086	–

(c) Marketing rights

Marketing rights expenditure relates to licence fees payable to Positive Impact Waste Solutions, LLC for the exclusive right to distribute a patented medical waste processing system in the People's Republic of China. The licence fees will be amortised evenly over their economic useful lives of 10 years commencing 2005.

	GROUP	
	2004	2003
	\$000	\$000
Cost		
Additions and balance at 31 December	654	–

(d) Goodwill

Cost		
As at 1 January net of accumulated amortisation	230	230
As at 1 January		
Cost	688	688
Accumulated amortisation	(458)	(229)
Net carrying amount	230	459
As at 31 December		
Cost	688	688
Accumulated amortisation	(458)	(458)
Net carrying amount	230	230
Total intangibles	2,532	923

The early adoption of FRS 103 - Business Combinations has resulted in the Group ceasing annual goodwill amortisation and to test for impairment annually (Notes 2(b) & 2(h)). Revised carrying value of goodwill after offsetting accumulated amortisation as at 31 December 2004 amounts to \$230,000.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

14 STOCKS AND WORK-IN-PROGRESS

	GROUP	
	2004 \$000	2003 \$000
Stocks, at cost		
Engineering supplies and raw materials	6,246	5,357
Trading stocks	43,342	43,716
Total stocks at 31 December	49,588	49,073
Stocks are stated at cost and after deducting provision for stocks obsolescence of	2,192	3,046
Work-in-progress		
Costs incurred and attributable profits	559,510	443,160
Progress billings received and receivable	(536,870)	(426,345)
Excess of progress billings over work-in-progress transferred to trade creditors (Note 19)	15,615	10,249
Net progress billings	(521,255)	(416,096)
	38,255	27,064
Provision for project costs over-run	(1,083)	(3,377)
Net work-in-progress	37,172	23,687
Included in progress billings are retention sums of	14,809	9,258
Total stocks and work-in-progress	86,760	72,760

15 TRADE & OTHER DEBTORS

	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Trade debtors	163,700	126,895	2,340	2,234
Other debtors (Note 15a)	54,519	37,172	3,551	7,674
	218,219	164,067	5,891	9,908
Provision for doubtful debts				
- trade debtors	(5,629)	(5,756)	(339)	(339)
- other debtors	(1,648)	(1,022)	(53)	(53)
	210,942	157,289	5,499	9,516

15 TRADE & OTHER DEBTORS

	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
(a) Other debtors comprise:				
Claims/expenses recoverable	12,423	152	1,662	214
Deposits	10,989	2,583	104	98
Interest receivable	76	431	–	1
Prepayments*	9,861	11,559	101	24
Project advance	9,738	8,695	–	–
Tax refundable/advance tax	6,059	3,445	1,576	1,336
Proceeds from disposal of other investment	–	5,927	–	5,927
Sundry debtors	5,373	4,380	108	74
	54,519	37,172	3,551	7,674

*This relates mainly to purchase of trading stocks.

16 DUE FROM SUBSIDIARY COMPANIES

Amounts receivable from subsidiary companies are mainly non-trade in nature, interest-free and are payable on demand.

17 SHORT-TERM INVESTMENTS

	GROUP	
	2004 \$000	2003 \$000
Quoted equity shares at cost	52,637	52,637
Less provision for impairment	(1,163)	(532)
	51,474	52,105
Market value of quoted equity shares	97,783	84,079

NOTES TO THE FINANCIAL STATEMENTS

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18 BANK BORROWINGS

	2004 \$000	GROUP 2003 \$000
Bank overdrafts:		
- secured	11,570	13,189
- unsecured	9,817	4,768
	21,387	17,957
Trust receipts and bills payable:		
- secured	14,840	15,271
- unsecured	20,733	10,642
	35,573	25,913
	56,960	43,870

Bank borrowings bear interest ranging from 1.5% to 8% per annum.

The banking facilities (which include overdrafts and trust receipts) of certain subsidiary companies are secured by mortgages on their respective properties (Note 9), debentures over their other assets and corporate guarantees given by their respective holding companies.

19 TRADE & OTHER CREDITORS

	2004 \$000	GROUP 2003 \$000	2004 \$000	COMPANY 2003 \$000
Trade creditors	52,352	24,545	77	234
Accrued property development	258	1,317	-	-
Accrued staff cost	10,092	9,227	716	803
Accrued job cost	35,086	34,335	-	-
Accrued marketing rights fees (Note 13c)	491	-	-	-
Other accruals	8,692	6,857	1,469	743
Progress billings in excess of work-in-progress (Note 14)	15,615	10,249	-	-
Deposits	9,081	6,807	3,981	4,561
Interest payable	2,247	1,625	1,389	1,081
Advances from customers	54	1,625	-	-
Sundry creditors	5,446	7,060	656	973
	139,414	103,647	8,288	8,395

20 DUE TO SUBSIDIARY COMPANIES

Amounts payable to subsidiary companies are mainly non-trade in nature, interest-free and repayable on demand.

21 TERM LOANS

	GROUP		COMPANY	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Repayable within 1 year				
– secured	8,990	7,724	–	–
– unsecured	129,006	92,205	82,158	54,421
	137,996	99,929	82,158	54,421
Repayable after 1 year				
– secured				
– within 2 years	49,708	8,240	–	–
– within 3 to 5 years	13,370	57,242	–	–
	63,078	65,482	–	–
– unsecured				
– within 3 to 5 years	185,000	185,000	185,000	185,000
	248,078	250,482	185,000	185,000
	386,074	350,411	267,158	239,421

Term loans of \$72,068,000 (2003: \$73,206,000) of the subsidiary companies are secured by mortgages on their respective properties and debentures over their assets (Notes 8 and 9).

Long-term loans of the Company and the Group have interest rates ranging from 1.5% to 3.6% (2003: 1.4% to 3.6%) per annum.

22 DEFERRED TAXATION

	GROUP	
	2004 \$000	2003 \$000
Balance as at 1 January	2,708	2,728
Currency realignment	(44)	(26)
(Credited)/charged to profit and loss account	(1,542)	6
Balance as at 31 December	1,122	2,708

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

22 DEFERRED TAXATION (continued)

The deferred taxation arises as a result of:

	2004 \$000	GROUP 2003 \$000
Deferred tax liabilities		
Excess of net book value over the tax written down value of fixed assets	1,738	2,253
Unremitted offshore income	–	1,106
Deferred tax assets		
General provisions	(215)	(28)
Other deferred tax assets	(401)	(623)
	(616)	(651)
	1,122	2,708

As at 31 December 2004, the Group has unabsorbed tax losses and unutilised capital allowances of approximately \$38,111,000 (2003: \$36,249,000) and \$4,852,000 (2003: \$6,596,000) respectively, available for set-off against future assessable income subject to agreement with the tax authorities on the relevant tax regulations. The potential deferred tax asset arising from these unabsorbed tax losses and unutilised capital allowances has not been recognised in the financial statements due to the uncertainty of its utilisation against future taxable profits.

23 SHARE CAPITAL AND SHARE PREMIUM

	GROUP AND COMPANY	
	2004 \$000	2003 \$000
Share Capital		
(a) Authorised:		
7½% cumulative preference shares of \$1.00 each	875	875
Ordinary shares of \$1.00 each	499,125	499,125
	500,000	500,000

23 SHARE CAPITAL AND SHARE PREMIUM

	GROUP AND COMPANY	
	2004 \$000	2003 \$000
(b) Issued and fully paid:		
7 1/2 % cumulative preference shares of \$1.00 each	875	875
Ordinary shares of \$1.00 each, converted into ordinary stock units of \$1.00 each		
Balance at 1 January	210,102	206,239
Share options exercised	3,371	3,863
Balance at 31 December	213,473	210,102
	214,348	210,977

The holders of ordinary stock and preference shares are entitled to receive dividends as and when declared by the Company. The voting rights of the shares are as follows:

- Preference Share – One vote for every member present in person or by proxy or attorney; upon a poll, one vote for each share held by every member present in person or by proxy or attorney.
- Ordinary Stock – One vote for every member present in person or by proxy or attorney; upon a poll, one vote for each \$1 stock unit held by every member present in person or by proxy or attorney.

(c) Outstanding Options

As at 31 December 2004, details of unissued shares of the Company under options were as follows:

UNITED ENGINEERS SHARE OPTION SCHEME 2000

Date of Grant	Exercise Price	Balance as at 31.12.03	No of shares under option granted during the financial year	No of shares under option exercised during the financial year	No of shares under option lapsed during the financial year	Balance as at 31.12.04
6.12.00	\$1.14	1,746,200	–	624,340	25,500	1,096,360
5.11.01	\$1.01	1,847,460	–	548,060	31,400	1,268,000
4.10.02	\$1.07	2,005,700	–	670,500	41,500	1,293,700
12.12.03	\$1.61	2,569,000	–	–	111,800	2,457,200
25.11.04	\$1.59	–	2,486,800	–	–	2,486,800

Share Premium

The share premium of \$624,000 (2003: \$194,000) may be applied only for the purposes specified in the Singapore Companies Act. The balance is not available for distribution of dividends except in the form of shares.

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24 DIVIDENDS PAID

	GROUP AND COMPANY	
	2004 \$000	2003 \$000
Cumulative Preference Shares:		
7½% (2003: 7½%) less Singapore income tax, paid	52	51
Ordinary Stock:		
– Final dividend of 5 cents (2003: 5 cents) less Singapore income tax of 20% (2003: 20%)	8,495	8,075
– Special dividend of 5 cents (2003 : Nil) less Singapore income tax of 20% (2003: 20%)	8,495	–
	17,042	8,126

The directors have proposed a first and final dividend of 5 cents per \$1.00 ordinary stock, and a special dividend of 7 cents per \$1.00 ordinary stock, less Singapore income tax of 20%, amounting to a total of \$20,494,000 and a final dividend on the 7½% cumulative preference shares of \$1.00 each, less Singapore income tax of 20%, amounting to \$52,000.

25 FUTURE CAPITAL COMMITMENTS

	GROUP	
	2004 \$000	2003 \$000
Capital commitments not provided for in the financial statements:		
Commitments in respect of contracts placed	499	2,738
Other amounts approved by directors but not yet committed	30,208	6,158
	30,707	8,896

26 OPERATING LEASE COMMITMENTS

(a) Lessees' lease commitments

The Group leases certain properties and office equipment under lease agreements that are non-cancellable within a year. The leases expire at various dates till 2006 and contains provisions for rental adjustments. There are no restrictions placed upon the lessee by entering into these leases. Future minimum lease payments for all leases with initial or remaining term of one year or more are as follows:

	GROUP	
	2004 \$000	2003 \$000
Within one year	915	709
After one year but not more than five years	703	1,261
	1,618	1,970

26 OPERATING LEASE COMMITMENTS

(b) Lessors' lease commitments

The future minimum lease payments receivable in respect of significant non-cancellable operating leases are as follows :

	2004 \$000	GROUP 2003 \$000
Within one year	30,045	28,077
After one year but not more than five years	29,750	41,078
	59,795	69,155

27 CONTINGENT LIABILITY, UNSECURED

In April 2004, a section of the steel reinforcement cage of a raft foundation slab for the proposed basement construction for the Fusionpolis Building collapsed. Greatearth-United Engineers Joint Venture is the appointed main contractor. Except for a 6 weeks stop work order, the remedial costs incurred as a result of this industrial accident are covered by insurance. In addition, there are other delaying events (where there are reasonable grounds to obtain extension of time) contributing to the overall delay of the progress.

Such delays including the above stop work order may be subject to possible claims of undetermined amount from a customer. On the other hand, extension of time and additional billings in respect of variation orders arising from additional work done have been submitted to its customer but have not been fully agreed upon. At the date of this report, no certificate of delay has been issued nor full extension of time been granted by the client. The above contingent liability has a partial indemnity from a sub-contractor with regard to any possible claims.

Due to the nature of the delays and pending the release of the findings by the Ministry of Manpower, it is not practicable to determine the financial impact of the possible claim.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

28 RELATED PARTY TRANSACTIONS

The Group entered into the following transactions with an associated company for the financial years ended 31 December:

	2004 \$000	GROUP 2003 \$000
Purchase of quoted equity shares*	–	49,952
Interest income	–	329

*Pursuant to an internal restructuring exercise to simplify and streamline the shareholding structure of MFS Technology Ltd (MFS) in 2003, United Wearnes Technology Pte Ltd (UWT), an associated company of United Engineers (Singapore) Private Limited (UES), which is in turn a wholly owned subsidiary of United Engineers Limited, transferred its investment in MFS to its ultimate shareholders. Arising from this exercise, UWT group transferred some 69,000,000 MFS shares at the price of \$0.72 per share to UES. The MFS shares were accounted for as short-term investments and the purchase consideration was recorded as an amount owing to UWT.

Following a bonus issue in 2004, the UES' shareholdings of MFS shares rose to 104,067,000. Subsequent to the year end, UES divested 73,000,000 MFS shares, leaving a balance of 31,067,000 (Note 33).

Directors' and executive officers' remuneration

Directors' remuneration and fees amount to \$570,000 (2003: \$529,000) and \$240,000 (2003: \$211,000) respectively. Executive officers' remuneration totalled \$2,463,000 (2003:\$2,415,000).

In addition to the above, Chemech Industries (Pte) Ltd, a company in which a director has deemed interest, performed consultancy services for the Company, which the Company paid \$240,000 (2003: \$240,000) which was at market rate.

29 EFFECT OF CHANGES IN ACCOUNTING POLICIES

As disclosed in Note 2(b), the Group's accounting policies on business combinations are based on FRS103 Business Combinations, which it early adopted during the current financial year. FRS103 replaced FRS22 Business Combinations which was accordingly withdrawn.

FRS 103 requires goodwill acquired in a business combination to be measured at cost less any accumulated impairment losses. Goodwill shall no longer be amortised. Instead, impairment is tested annually, or more frequently if events or changes in circumstances indicate that the goodwill might be impaired.

The replaced FRS 22 Business Combinations required acquired goodwill to be systematically amortised over its useful life and included a rebuttable presumption that its useful life could not exceed twenty years from initial recognition.

29 EFFECT OF CHANGES IN ACCOUNTING POLICIES

Had the accounting policies been based on FRS22 Business Combinations, the effect of the relevant items would be as follows:-

	GROUP	
	Based on FRS103 2004 \$000	Based on FRS22 2004 \$000
Consolidated profit and loss account:		
Other operating income	22,709	3,580
Administrative costs	(47,619)	(47,849)
Profit before taxation	60,025	40,666
Consolidated balance sheet:		
Intangibles	2,532	(16,827)
Shareholders' funds	539,471	520,112

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk and interest rate risk. The Group does not hold or issue derivative financial instruments for trading purposes.

Credit risk

Credit risk arising from the inability of a customer to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the customer's obligations exceed the obligations of the Group. The carrying amount of trade and other receivables represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk. It is the Group's policy to sell to a diversity of creditworthy customers so as to reduce concentration of credit risk.

The Group has no significant concentration of credit risk. Cash and deposits are placed with substantial financial institutions.

Foreign currency risk

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading and investment activities. It is the Group's policy to hedge these risks through foreign currency forward exchange contracts. The primary purpose of the Group's foreign currency hedging activities is to protect against volatility associated with foreign currency purchases of materials and other assets and liabilities created in the normal course of business. The Group does not use foreign currency forward exchange contracts for trading purposes. As at 31 December 2004, the Group had entered into forward foreign currency exchange buy contracts amounting to \$682,000 (2003: \$1,440,000). The fair value of the contracts amount to \$612,000 (2003: \$1,474,000).

In addition to transactional exposure, the Group is also exposed to foreign exchange movements on its net investment in foreign subsidiaries.

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30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Company's and the Group's interest rate exposure relates primarily to its investment portfolio in fixed deposits and commercial papers and the Company's long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts, including entering into interest rate swaps or buying interest rate caps.

Fair values

The carrying amounts of trade and other debtors, cash and bank borrowings, trade and other payables and short-term loans approximate their fair values due to their short-term nature.

No disclosure of fair value is made for the balances due from/to associated and related companies as these balances are not expected to be repayable within the next 12 months and it is therefore not practicable to determine their fair values.

Except for the \$50,000,000 (2003: \$50,000,000) fixed-rate debt, the fair value of all long-term financial instruments also approximate carrying value as they are based on floating interest rates and terms that continue to be available to the Group. The fair value of the fixed-rate debt, estimated using discounted cash flow analysis, is \$50,680,737 (2003: \$50,656,480).

In the directors' opinion, it is not practicable to determine the fair values of the unquoted equity investments held as long-term investments and carried at a cost of \$1,256,000 (2003: \$1,455,000). The expected cash flows from the unquoted investments are believed to be in excess of their carrying amounts.

31 SEGMENT INFORMATION

The Group's core businesses now comprise Engineering & Construction Division, Trading Division and Integrated Facility Management Division (comprising the services of the previous Property Division and Healthcare Management services) following a restructuring of the Group's businesses so that the organisation is streamlined and better focused to respond to the market and new trends.

Other operations of the Group comprise investment management and corporate activities, neither of which constitutes a separately reportable segment.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate revenue, assets, expenses and liabilities.

Segment accounting policies are the same as the policies described in Note 2. The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices. Sales revenue is based on geographical location of its customers. The assets and capital expenditure are based on the location of those assets.

The following tables present revenue and profit information regarding industry segments for the years ended 31 December 2004 and 2003 and certain asset and liability information regarding industry segments at 31 December 2004 and 2003.

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31 SEGMENT INFORMATION

Business segments

	Engineering and Construction \$000	Trading \$000	Integrated Facility Management \$000	Corporate Services & Others \$000	Elimination \$000	Group \$000
Year ended 31 December 2004						
Segment Revenue						
Sales to external customers	306,143	200,353	90,182	1,041	–	597,719
Inter-segment sales	113	10,948	1,750	4,850	(17,661)	–
Total revenue	306,256	211,301	91,932	5,891	(17,661)	597,719
Segment result	4,657	(835)	16,235	15,663	–	35,720
Finance costs						(8,585)
Finance income						1,509
Share of results of associated companies	30,743	638	–	–	–	31,381
Profit before taxation						60,025
Taxation						(2,681)
Minority interest						(8,214)
Net profit						49,130
Segment assets	213,113	115,551	628,861	65,885	–	1,023,410
Investment in associated companies	170,505	5,064	–	176	–	175,745
Total assets						1,199,155
Segment liabilities	97,180	20,377	21,694	163	–	139,414
Unallocated liabilities						448,265
Total liabilities						587,679
Other Segment Information						
Capital expenditure	1,669	2,359	14,613	315	–	18,956
Depreciation	2,172	1,861	1,393	384	–	5,810
Amortisation	–	–	112	–	–	112

NOTES TO THE FINANCIAL STATEMENTS

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31 SEGMENT INFORMATION (continued)

Business segments (continued)

	Engineering and Construction \$000	Trading \$000	Integrated Facility Management \$000	Corporate Services & Others \$000	Elimination \$000	Group \$000
Year ended 31 December 2003						
Segment Revenue						
Sales to external customers	206,767	172,400	84,819	520	–	464,506
Inter-segment sales	373	1,420	2,448	3,550	(7,791)	–
Total revenue	207,140	173,820	87,267	4,070	(7,791)	464,506
Segment result	4,166	(2,258)	21,576	(3,315)	–	20,169
Finance costs						(7,489)
Finance income						2,065
Share of results of associated companies	56,280	733	–	–	–	57,013
Profit before taxation						71,758
Taxation						(961)
Minority interest						(17,998)
Net profit						52,799
Segment assets	177,224	102,883	658,290	64,751	–	1,003,148
Investment in associated companies	150,733	4,992	–	175	–	155,900
Total assets						1,159,048
Segment liabilities	71,982	12,075	18,249	1,341	–	103,647
Unallocated liabilities						400,119
Total liabilities						503,766
Other Segment Information						
Capital expenditure	1,973	1,244	6,170	483	–	9,870
Depreciation	2,257	1,967	1,475	318	–	6,017
Amortisation	229	–	116	–	–	345
Deficit on revaluation of investment properties	–	–	843	–	–	843

31 SEGMENT INFORMATION

Geographical segments

The following table presents revenue and expenditure information regarding geographical segments for the years ended 31 December 2004 and 2003 and certain asset information regarding geographical segments at 31 December 2004 and 2003.

	Singapore \$000	Other Asean Countries \$000	Other Asian Countries \$000	Others \$000	Elimination \$000	Group \$000
Year ended 31 December 2004						
Segment Revenue						
Sales to external customers	277,170	174,054	145,436	1,059	–	597,719
Inter-segment sales	17,243	68	350	–	(17,661)	–
Total revenue	294,413	174,122	145,786	1,059	(17,661)	597,719
Other geographical information						
Segment assets	828,046	130,116	65,248	–	–	1,023,410
Capital expenditure	4,808	10,042	4,106	–	–	18,956

Year ended 31 December 2003

Segment Revenue						
Sales to external customers	193,597	141,038	128,171	1,700	–	464,506
Inter-segment sales	6,491	–	1,300	–	(7,791)	–
Total revenue	200,088	141,038	129,471	1,700	(7,791)	464,506
Other geographical information						
Segment assets	845,857	101,854	55,437	–	–	1,003,148
Capital expenditure	8,266	1,277	196	131	–	9,870

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

32 COMPARATIVE FIGURES

The Exceptional Items of \$1,613,000 in 2003 were fully reclassified to Other Operating Income and Administrative Costs which have been restated as \$4,528,000 (2003: \$2,072,000) and \$43,377,000 (2003: \$42,534,000) respectively to better reflect the economic substance of the items.

Comparative figures for Associated Companies were reclassified as \$155,900,000 (2003: \$138,038,000) after restating the investment and share of results at gross and restating the Minority Interests to \$104,359,000 (2003: \$86,497,000). Comparative figures for amounts receivable from subsidiary companies (Note 16) and amounts payable to subsidiary companies (Note 20) have been classified from Subsidiary Companies (Note 10) to reflect the short-term nature of the amounts. Such improved disclosures are beneficial to financial statement users.

33 SUBSEQUENT EVENTS

On 20 January 2005, the Company's wholly-owned subsidiary, United Engineers (Singapore) Pte Ltd divested 73,000,000 MFS Technology Limited shares at \$0.90 per share. Total net consideration amounted to \$65,109,000, which represents a gain of \$30,660,000 over the book value of the shares. Arising from the divestment, the Group also proportionately reversed an unrealised profit of \$10.0 million bringing the total gain to \$40.1 million. This \$10.0 million gain will be credited to share of results of associated companies.

34 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 December 2004 were authorised for issue in accordance with a resolution of the directors on 28 March 2005.

INFORMATION ON PREFERENCE SHAREHOLDERS AND ORDINARY STOCKHOLDERS

AS AT 7TH MARCH 2005

AUTHORISED CAPITAL

	\$
875,000 7 ¹ / ₂ per cent Cumulative Preference Shares of \$1.00 each	875,000
499,125,000 Ordinary Shares of \$1.00 each	499,125,000

ISSUED AND FULLY PAID-UP CAPITAL

	\$
875,000 7 ¹ / ₂ per cent Cumulative Preference Shares of \$1.00 each	875,000
213,724,273 Ordinary Shares of \$1.00 each converted into Stock Units	213,724,273

VOTING RIGHTS

Preference Share - One vote for every member present in person or by proxy or attorney; upon a poll, one vote for each share held by every member present in person or by proxy or attorney.

Ordinary Stock - One vote for every member present in person or by proxy or attorney; upon a poll, one vote for each \$1 stock unit held by every member present in person or by proxy or attorney.

Size of Stockholdings	NUMBER OF STOCKHOLDERS			
	Preference Shares	%	Ordinary Stock	%
1 – 999	10	25.00	440	7.51
1,000 – 10,000	20	50.00	4,089	69.75
10,001 – 1,000,000	10	25.00	1,312	22.38
1,000,001 and above	-	-	21	0.36
	40	100.00	5,862	100.00

SUBSTANTIAL PREFERENCE SHAREHOLDERS AND ORDINARY STOCKHOLDERS as shown in the Register of Substantial Shareholders

	Preference Shares	%	Ordinary Stock	%
*Oversea-Chinese Banking Corporation Limited	9,500	1.08	-	-
The Great Eastern Life Assurance Company Limited	580,160	66.30	30,731,916	14.38
The Straits Trading Company Limited	-	-	26,609,240	12.45
WBL Corporation Limited	-	-	21,712,000	10.16
**Kambau Pte Ltd	69,000	7.89	1,815,333	0.85

* Also deemed to have an interest in:-

(1) 612,300 preference shares, of which 580,160 preference shares were held by The Great Eastern Life Assurance Company Limited, 20,500 preference shares were held by Oversea-Chinese Bank Nominees Pte Ltd and 11,640 preference shares were held by The Overseas Assurance Corporation Limited.

(2) 43,880,456 ordinary stocks, of which 30,731,916 ordinary stocks were held by The Great Eastern Life Assurance Company Limited, 6,935,394 ordinary stocks were held by Oversea-Chinese Bank Nominees Pte Ltd and 6,213,146 ordinary stocks were held by The Overseas Assurance Corporation Limited.

** Tecity Management Pte Ltd and The Tan Foundation are deemed to be interested in the preference shares and ordinary stocks held by Kambau Pte Ltd.

Note: Great Eastern Holdings Limited is deemed to have an interest in 36,945,062 ordinary stocks, of which 30,731,916 ordinary stocks were held by The Great Eastern Life Assurance Company Limited and 6,213,146 ordinary stocks were held by The Overseas Assurance Corporation Limited.

INFORMATION ON PREFERENCE SHAREHOLDERS AND ORDINARY STOCKHOLDERS

AS AT 7TH MARCH 2005

COMPLIANCE WITH RULE 723 OF THE SGX-ST'S LISTING MANUAL

As at 7th March 2005, approximately 57% of the share capital of the Company was held by the public and accordingly, Rule 723 of the SGX-ST's Listing Manual has been complied with.

INTERESTS OF THE DIRECTORS

As at 21st January 2005, the details of the Directors' interests in the share capital of the Company and its subsidiary companies remained the same as those set out on earlier pages.

Ten Largest Preference Shareholders

	Number of shares held	%
1. The Great Eastern Life Assurance Company Limited	580,160	66.30
2. Kambau Pte Ltd	69,000	7.89
3. Kim Eng Securities Pte. Ltd.	45,350	5.18
4. The Shaw Foundation Pte Ltd	40,000	4.57
5. Oversea-Chinese Bank Nominees Pte Ltd	20,500	2.34
6. William Tan Cheng Ju	18,420	2.11
7. Ng Lee Kiang	13,000	1.49
8. The Overseas Assurance Corporation Limited –Singapore Life Assurance Fund	11,640	1.33
9. Ng Ing Liang	11,000	1.26
10. Hatim Fidahusein Nakhoda	9,640	1.10
	818,710	93.57

Twenty Largest Ordinary Stockholders

	Number of stock units held	%
1. The Great Eastern Life Assurance Company Limited	30,731,916	14.38
2. The Straits Trading Company Limited	26,609,240	12.45
3. WBL Corporation Limited	21,712,000	10.16
4. Capital Intelligence Limited	8,023,000	3.75
5. Oversea-Chinese Bank Nominees Pte Ltd	7,214,791	3.37
6. DBS Nominees Pte Ltd	6,919,012	3.24
7. United Overseas Bank Nominees (Private) Ltd	6,618,461	3.10
8. The Overseas Assurance Corporation Limited	6,214,479	2.91
9. Singapore Investments Pte Ltd	2,656,554	1.24
10. OCBC Nominees Singapore Pte Ltd	2,632,326	1.23
11. Kota Trading Company Sendirian Berhad	2,579,432	1.21
12. Lee Foundation	2,174,597	1.02
13. Citibank Nominees Singapore Pte Ltd	1,977,331	0.92
14. Boon Kia Hak Martin (Wen Jiahe Martin)	1,938,666	0.91
15. Kambau Pte Ltd	1,815,333	0.85
16. Tropical Produce Company Pte Ltd	1,713,557	0.80
17. Eng Hueng Fook Henry	1,470,000	0.69
18. Boon Suan Aik	1,238,000	0.58
19. Selected Holdings Pte Ltd	1,237,666	0.58
20. Morph Investments Ltd	1,189,667	0.56
	136,666,028	63.95

MAJOR PROPERTIES HELD BY THE GROUP AS AT 31 DECEMBER 2004

Type of Property	Address	Description	Tenure of Land	Land Area	Group's effective interest	Held By	Valuation as at 31/12/04	Valuation as at 31/12/03
Residential/ Commercial/ Office Development known as UE Square (Completed)	81 & 83 Clemenceau Avenue, Singapore	15 storey block comprising of 130 units of service apartments and a 4 storey shopping podium, and an 18 storey office building with 2 basement carpark levels	929 years leasehold from 1/1/1953. Remaining lease of 877 years	355,023 sqft (32,982 sqm)	100%	United Engineers Limited	S\$425 million	S\$450 million
Office/Workshop/ Warehouse (Completed)	257 Jalan Ahmad Ibrahim, Singapore	3 blocks of office & industrial space	30 years leasehold from 1/2/1980. Remaining lease of 5 years	294,773 sqft (27,395 sqm)	100%	United Engineers Limited	NA	NA
Warehouse complex known as UE Tech Park (Completed)	8 & 10 Pandan Crescent, Singapore	2 blocks of 6 storey and 5 storey warehouse space	92 years 8 months leasehold from 1/10/1975. Remaining lease of 62 years	348,497 sqft (32,376 sqm)	90%	United Tech Park Pte Ltd	S\$105 million	S\$120 million
Residential Studio Apartments & townhouses known as Park Avenue Residences (Completed)	80 Kim Yam Road, Singapore	10 storey block with a 2/3 storey conserved building. Total of 31 apartments & 5 townhouses with basement car parks	99 years leasehold from 12/12/1996. Remaining lease of 91 years	12,906 sqft (1,199 sqm)	100%	UEVille Developments Pte Ltd	S\$17 million	S\$17 million
4 adjoining shophouses developed into an eatery cum commercial offices (Completed)	206 – 212 South Bridge Road, Singapore	4 units of refurbished 3 storey shophouses with attic (1 corner & 3 intermediate)	999 years leasehold from 1/10/1877. Remaining lease of 871 years	5,242 sq ft (487 sq m)	96.25%	Greearth Developments Pte Ltd	S\$7.4 million	S\$7.4 million
Residential Apartments known as Park Avenue International Pudong (Completed)	519 Fu Shan Road/ 400 Pudian Road, Pudong District, Shanghai, China	75 apartment units	70 years leasehold from 8/6/2001. Remaining lease of 66 years	65,649 sqft (6,099 sqm)	100%	United Engineers Developments Pte Ltd	S\$18 million	Undergoing construction, no previously disclosed valuation
Residential Apartments known as Setiabudi Apartments (Completed)	Jalan RS Aini, Jakarta Indonesia	41 apartment units	20 years leasehold from 2004. Remaining lease of 19 years	67,866 sqft (6,305 sqm)	100%	PT UE Developments	S\$7.7 million	Newly acquired, no previously disclosed valuation

NOTICE OF ANNUAL GENERAL MEETING



Incorporated in the Republic of Singapore
Company Registration No 191200018G

NOTICE IS HEREBY GIVEN that the Ninety-First Annual General Meeting of the Company will be held at 81A Clemenceau Avenue, 5th Storey, Park Avenue Suites, UE Square, Singapore 239918, on Tuesday, 26 April 2005 at 11.30 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Reports of the Directors and of the Auditors and the Audited Accounts for the year ended 31 December 2004.
- 2(a). To declare a dividend of 7¹/₂ % on the Cumulative Preference Shares, less income tax, for the year ended 31 December 2004, as recommended by the Directors.
- 2(b). To declare a first and final dividend of 5 cents per ordinary stock, less income tax, for the year ended 31 December 2004, as recommended by the Directors.
- 2(c). To declare a special dividend of 7 cents per ordinary stock, less income tax, for the year ended 31 December 2004, as recommended by the Directors.
3. To re-elect Dr Tan Eng Liang, a Director retiring under Article 99 of the Articles of Association of the Company, and who being eligible, offers himself for re-election.

Note: Dr Tan, if re-elected, will remain a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To re-elect Mr Thai Chee Ken, a Director retiring under Article 99 of the Articles of Association of the Company, and who being eligible, offers himself for re-election.

Note : Mr Thai, if re-elected, will remain as Chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

5. To consider, and if thought fit, to pass the following resolution:
"That pursuant to Section 153(6) of the Companies Act (Cap. 50), Mr Tang I-Fang be and is hereby re-appointed as Director of the Company to hold office from the date of this Annual General Meeting until the next Annual General Meeting."
6. To approve Directors' Fees of \$240,000 (2003:\$211,000).
7. To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to fix their remuneration.
8. To transact any other ordinary business of which due notice shall have been given.

SPECIAL BUSINESS

9. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"That authority be and is hereby given to the Directors of the Company to:

- (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

- (ii) make or grant offers, agreements or options (collectively, "instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors while this Resolution was in force, provided that:
 - (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed 50% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to stockholders of the Company (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed 20% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);
 - (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding at the time this Resolution is passed; and
 - (b) any subsequent consolidation or subdivision of shares;
 - (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association for the time being of the Company;
 - (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier; and
- (c) contingent upon any of the ordinary shares in the Company being issued and being credited as fully paid, the same be and shall hereby be converted into stock units transferable in amounts and multiples of \$1.00 each."

10. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"That authority be and is hereby given to the Directors to offer and grant options pursuant to the United Engineers Share Option Scheme 2000 (the "Scheme 2000") and to allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the Scheme 2000, provided that the aggregate number of ordinary shares to be issued pursuant to the Scheme 2000 shall not exceed 10% of the issued ordinary share

NOTICE OF ANNUAL GENERAL MEETING

capital of the Company from time to time; and that contingent upon any of the ordinary shares in the Company being issued and being credited as fully paid, the same be and shall thereby be converted into stock units transferable in amounts and multiples of \$1.00."

By Order of the Board

Miss Eileen Lim
Group Company Secretary

Singapore
5 April 2005

Notes:

- 1) A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
- 2) If the appointer is a corporation, the instrument appointing a proxy must be under seal or the hand of its duly authorised officer or attorney.
- 3) The instrument appointing a proxy must be deposited at the Company's Registered Office of the Company not less than 48 hours before the time set for the Annual General Meeting or any postponement or adjournment thereof.

ADDITIONAL INFORMATION RELATING TO ITEMS OF SPECIAL BUSINESS

The Ordinary Resolution in item 9, if passed, will allow the Directors to issue shares in the Company up to the limits specified therein from the date of this Annual General Meeting up to the next Annual General Meeting, and to convert issued and fully paid up ordinary shares into stock units in the capital of the Company. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital will be calculated based on the Company's issued share capital at the time that this Resolution is passed, after adjusting for the conversion or exercise of any convertible securities and employee share options that have been issued or granted and which are outstanding at the time that this Resolution is passed, and any subsequent consolidation or subdivision of shares.

The Ordinary Resolution in item 10, if passed, will allow the Directors to issue ordinary shares in the Company upon the exercise of options granted or to be granted under the United Engineers Share Option Scheme 2000 (which replaced the ESOS), not exceeding 10% of the issued ordinary share capital of the Company from time to time, and to convert the issued and fully paid up ordinary shares into stock units in the capital of the Company.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Members will be closed from 6 May 2005 to 10 May 2005 (both dates inclusive) for the purposes of ascertaining dividend entitlements. Duly completed transfers received by the Company's Share Registrar, Barbinder & Co. Pte Ltd, 8 Cross Street, #11-00 PWC Building, Singapore 048424, up to 5.00 p.m. on 5 May 2005 will be registered to determine such dividend entitlements.



Incorporated in the Republic of Singapore
Company Registration No 191200018G

PROXY FORM

IMPORTANT

- For investors who have used their **CPF** monies to buy United Engineers Limited shares, the Annual Report is forwarded to them at the request of their **CPF** Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
- This Proxy Form is not valid for use by **CPF** investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, (Name) _____

of (Address) _____

being a member/members of UNITED ENGINEERS LIMITED hereby appoint:

NAME	ADDRESS	NRIC/PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS (%)

and/or (delete as appropriate)

NAME	ADDRESS	NRIC/PASSPORT NUMBER	PROPORTION OF SHAREHOLDINGS (%)

as my/our proxy/proxies to vote for me/us on my/our behalf, at the 91st Annual General Meeting of the Company, to be held at 81A Clemenceau Avenue, 5th Storey, Park Avenue Suites, UE Square, Singapore 239918 on 26 April 2005 at 11.30 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

NO.	RESOLUTION	FOR	AGAINST
1	Adoption of Reports and Accounts		
2 (a)	Declaration of Dividends on Preference Shares		
(b)	Declaration of Dividends on Ordinary Stocks		
(c)	Declaration of Special Dividends on Ordinary Stocks		
3	Re-election of Dr Tan Eng Liang		
4	Re-election of Mr Thai Chee Ken		
5	Re-appointment of Mr Tang I-Fang		
6	Approval of Directors' Fees		
7	Re-appointment of Auditors		
8	Any Other Ordinary Business		
9	Authority for Directors to issue shares		
10	Authority to Directors to grant options and issue shares pursuant to Scheme 2000		

Dated this _____ day of _____ 2005.

Number of Stock Units Held	
Number of Preference Shares Held	

Signature(s) of Member(s) / Common Seal

IMPORTANT : PLEASE READ NOTES OVERLEAF

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a member of the Company.
4. Please insert the total number of ordinary stock units/preference shares held by you. If you have ordinary stock units/preference shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number. If you have ordinary stock units/preference shares registered in your name in the Register of Members of the Company, you should insert that number. If you have ordinary stock units/preference shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the ordinary stock units/preference shares held by you.
5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 83 Clemenceau Avenue, #18-01 UE Square, Singapore 239920 **not less than 48 hours** before the time set for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

GENERAL

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of ordinary stock units/preference shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have ordinary stock units/preference shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.