

STAYING RESILIENT

Annual Report 2008

A RESILIENT BRANDNAME

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United Engineers Limited (the “Group”), established in 1912, is one of the pioneers in the Singapore construction and engineering industry. The Group boasts a rich engineering and building heritage and has played an integral role in the physical and economic transformation of Singapore.

**ENGINEERING
SOLUTIONS
FOR
DECADES**



The Group was formed by a merger of two large British engineering companies that had shared beginnings almost half a century earlier and came together to form "United Engineers Limited".

**BUILDING
A COUNTRY
AND A
COMPANY**



Over the years, the Group has not only grown from strength to strength, it has also built countless landmarks and monuments across the country.

**A COMPANY
OF STAYING
POWER**



The Group manages its own hospitality chain and property assets. By 2011, its stable of managed assets will include a business park, industrial buildings, retail malls, office buildings and more than 1,000 rooms.



For the year ended 31 December 2008, revenue increased \$84.8 million, or 16 per cent, to \$624.6 million mainly due to the progressive revenue recognition from the sale of residential projects, *The Rochester* and *Park Central @ AMK*.

1

Tan Ngiap Joo
Chairman

2

Jackson Chevalier
Yap Kit Siong
Chief Executive Officer

Letter to Shareholders

Dear Shareholders,

2008 was a challenging year: the global financial system seized up, causing credit to become scarce in the market and most economies to slow down. The world was said to have seen its first global recession since World War II.

The Singapore economy was also affected and slipped into recession during the year. Its economic growth was still positive at 1.5 per cent, although lower than the growth forecast of 2.5 per cent.

Revenue Up and Core Earnings Improved

For the year ended 31 December 2008, revenue increased \$84.8 million, or 16 per cent, to \$624.6 million mainly due to the progressive revenue recognition from the sale of residential projects, *The Rochester* and *Park Central @ AMK*. Arising from the increased revenue, gross profit rose \$40.3 million, or 39 per cent, to \$144.6 million. Gross profit percentage improved to 23.2 per cent compared with 19.3 per cent in 2007.

The Group recognised a deficit of \$570,000 on revaluation of investment properties, compared with a surplus of \$199.6 million in 2007.

Other income decreased \$18.0 million, or 80 per cent from \$22.5 million to \$4.6 million mainly due to the absence of fair value gains and gains from partial divestment of the Group's short-term investments and investment properties which were recognised in 2007.

The Group's flagship building, UE Square, was presented with the Green Mark Scheme Gold Award by the Building & Control Authority of Singapore in recognition of its successful upgrading into a green building.

Attributable profit was \$6.0 million compared with \$176.2 million in 2007 which was mainly due to the revaluation of investment properties. Excluding the latter, net profit was \$6.6 million as compared with a loss of \$23.4 million in 2007.

Strengthening Balance Sheet

Anticipating a slow economic recovery and at the same time to invest in value-creating opportunities that are present in the tight credit market conditions, the Group carried out a renounceable underwritten rights issue (the "Rights Issue") of up to \$136,974,599 in aggregate principal amount of one per cent convertible bonds due 2014.

The Group believed that a rights issue was the most appropriate method of fund raising under the year's market conditions. The net proceeds from the Rights Issue will strengthen the Group's balance sheet and also will be used for general corporate purposes including general working capital or making strategic investments and/or acquisitions.

The Group's disposal of its shareholding interest in United Power Corporation (Singapore) Pte Ltd, for a consideration of US\$85.6 million, will also have a positive effect on the Group's balance sheet.

A High Level of Activity in Singapore

As reflected in the increased Group revenue, the year saw brisk activity in all segments of the Group's core businesses.

On the construction front, the Group was engaged in several internal and external-client projects. The former included the Group's mega, mixed development, Vista Xchange, in one-north (which includes the condominium *The Rochester*) and the Design, Build, Sell, Scheme public-housing project, *Park Central @ AMK* in Ang Mo Kio Street 52.

Benefitted from the strong construction demand, the Group also provided building engineering services to several large-scale building projects, which included the Marina Bay Sands and ION Orchard.

Amidst the relatively stronger public-housing demand, Group also launched its first public-housing project, *Park Central @ AMK* in Ang Mo Kio. The Group successfully demonstrated its design-and-build capabilities through the 578-unit project which achieved an average selling price of close to \$500 per square foot.

Environmental Engineering Business in the PRC Progressing Well

Apart from strengthening its traditional engineering and construction businesses that were mostly based in Singapore and other Asean countries, the Group also continued to expand its environmental engineering operations in the People's Republic of China ("PRC").

The Group signed up two Build, Operate and Transfer concessions for waste water treatment with the municipal governments of Hengyang in Hunan Province and Liaocheng

in Shandong Province, PRC.

The Group also expanded its medical waste treatment business which it started in 2003 in the PRC. During the year, the Group started offering medical waste treatment services to Nantong in Jiangsu Province, Ji'an in Jiangxi Province, Jiamusi in Heilongjiang Province, Xiangxi in Hunan Province and Weifang in Shandong Province.

Awards & Accolades

During the year, the Group won recognition on several fronts. The Group's flagship building, UE Square, was presented with the Green Mark Scheme Gold Award by the Building & Control Authority of Singapore in recognition of its successful upgrading into a green building. UE Square is also Singapore's first retrofitted commercial/residential mixed development to obtain this gold award.

The Group's serviced apartment and serviced office chain, Park Avenue, won a Singapore Prestigious Brand award (under the 'Established Brand' category). The award, organised by the Association of Small and Medium Enterprises and Lianhe ZaoBao, recognises Singapore brands that have effectively managed their brands through various branding initiatives.

A Safe and Healthy Workplace means Profitability

As the bulk of the Group's operations are in construction and engineering, it firmly believes that a safe and healthy workplace



I

The Group Chairman and Chief Executive Officer dedicate themselves to sustain a high level of workplace safety and health in the Group's workplaces

will translate into higher productivity and profitability and also better workers' welfare. As at end 2008, 12 of the Group's business units in Singapore and eight business units in Malaysia were awarded OHSAS18001 and SS506 certification (for Singapore only). As the Group's work sites are populated not just by its own employees but also subcontractors and their workers, the Group also extended its workplace safety culture to business partners as well. Through the Workplace Safety & Health Council's bizSAFE program, an all-embracing workplace safety and healthy initiative, the Group enlisted more than 67 bizSAFE business partners as at end 2008.

A Cautious Outlook

With an order book of \$791 million, the Group will continue to execute several large-scale infrastructure projects over the next 12 months. While these projects will keep the

Group busy, the Group will likely face stiffer competition in replenishing its order books due to the challenging economic conditions. Maintaining current gross margins will be a challenge although lower building material and energy costs are forecasted. Interest expense is expected to be at the current high level due to higher loan spreads charged by banks due to the global credit crisis.

The Board

We would like to thank the Group's customers, unions, business partners and shareholders for their continued support.

We would also like to thank the Board members for their contribution to the Group, and also the management and staff for their dedication and efforts during the year.

Tan Ngiap Joo
Chairman

Jackson Chevalier Yap Kit Siong
Chief Executive Officer

1

Tan Ngiap Joo
Chairman

2

Jackson Chevalier Yap
Kit Siong
Group Managing
Director and CEO

3

Dr Michael Lim
Chun Leng

4

Dr Tan Eng Liang

5

Chew Leng Seng

6

Lai Teck Poh



Board of Directors



Corporate Information

Board of Directors

Tan Ngiap Joo ([Chairman](#))
Jackson Chevalier Yap Kit Siong
([Group Managing Director and Chief Executive Officer](#))
Chew Leng Seng
Lai Teck Poh
Dr Michael Lim Chun Leng
Dr Tan Eng Liang

Executive Committee

Tan Ngiap Joo ([Chairman](#))
Jackson Chevalier Yap Kit Siong
Chew Leng Seng
Lai Teck Poh

Audit Committee

Dr Tan Eng Liang ([Chairman](#))
Chew Leng Seng
Dr Michael Lim Chun Leng

Nominating Committee

Dr Michael Lim Chun Leng ([Chairman](#))
Tan Ngiap Joo
Dr Tan Eng Liang

Remuneration Committee

Chew Leng Seng ([Chairman](#))
Tan Ngiap Joo
Dr Tan Eng Liang

Board Risk Committee

Lai Teck Poh ([Chairman](#))
Jackson Chevalier Yap Kit Siong
Chew Leng Seng

Company Secretary

Jeslyn Heng Fook Pyng ([Appointed with effect from 9 April 2008](#))

Registered Address and Head Office

83 Clemenceau Avenue
#18-01 UE Square
Singapore 239920
Facsimile : 6830 8398
Telephone : 6830 8383
Website : www.uel.com.sg

Registrar

Tricor Barbinder Share Registration Services
8 Cross Street #11-00 PWC Building
Singapore 048424
Facsimile : 6236 3405
Telephone : 6236 3333

Auditors

Ernst & Young LLP
Public Accountants and Certified
Public Accountants
Partner in charge : Michael Sim Juat Quee
([with effect from financial year ended 31 December 2008](#))

Principal Bankers/Lenders

Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited
Westdeutsche Landesbank Girozentrale
Malayan Banking Berhad
DBS Bank Ltd
The Great Eastern Life Assurance Co Ltd

Financial Calendar

Announcement of Q1 2008 Results
[12 May 2008](#)

Announcement of Q2 2008 Results
[30 July 2008](#)

Announcement of Q3 2008 Results
[10 November 2008](#)

Announcement of 2008 Full Year Results
[28 February 2009](#)

Notice of Annual General Meeting
[15 April 2009](#)

Annual General Meeting
[30 April 2009](#)

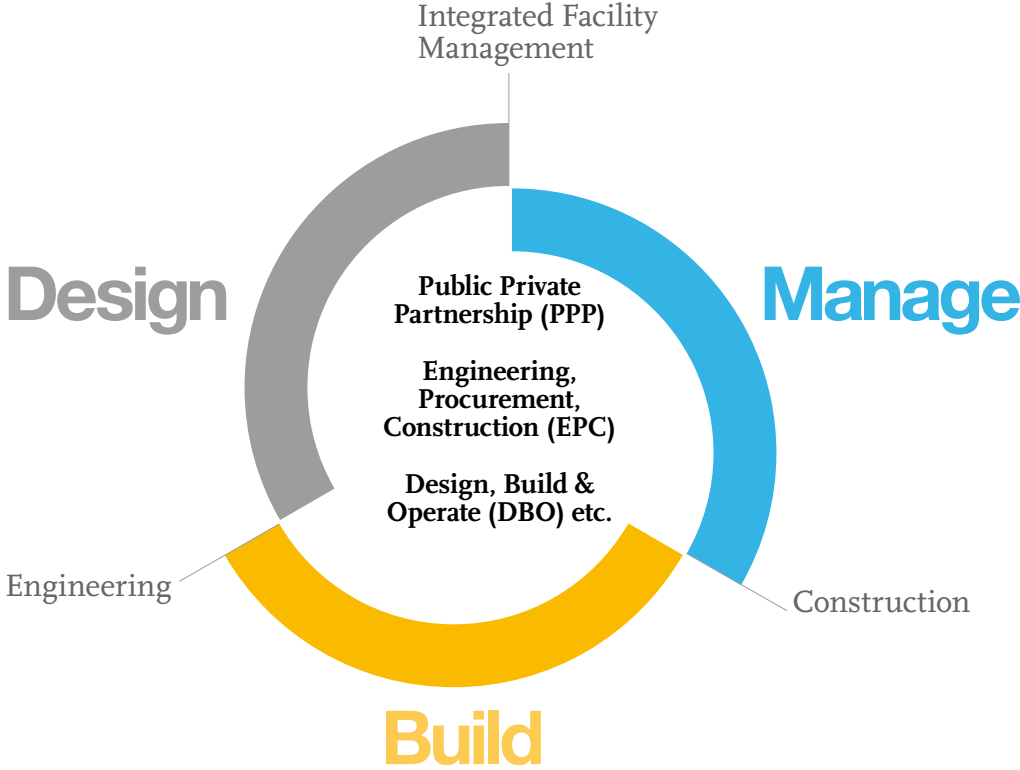
Ex-dividend Date
[6 May 2009](#)

Last Date for Registration of Transfers
[8 May 2009](#)

Books Closure Dates
[11 May to 13 May 2009](#)

Dividend Payment Date
[22 May 2009](#)

Group Value Chain



Design

Building Engineering

- Air conditioning & ventilation systems
- Building automation systems
- Fire protection systems
- Low voltage electrical distribution systems
- High voltage electrical systems
- Plumbing & sanitary systems

Environmental Engineering

- Water**
- Treatment of surface and groundwater for potable use
 - Industrial & process water supply
 - Water recovery
 - Treatment of waste water
 - Seawater desalination
 - Sludge treatment & disposal
 - Odour treatment
 - Aquaculture water treatment

Medical Waste

- Onsite waste assessment & training services
- Collection services
- Central disposal facilities
- Waste manifest/Tracking system

Manage

Project Management Services

- Asset Management Services**
- Hospitality Management Services**
- Property Development**

Build

General Construction

- Design & Build
- Residential
- Institutional & Industrial
- Recreational & Commercial

Specialised Construction (Telecommunication Structures)

Rental of Construction equipment & related services

Five-Year Financial Profile of the Group

	2008	2007	2006	2005	2004
Income Statement (\$000)					
Revenue	624,560	539,772	614,145	494,249	597,719
Profit before Taxation	12,733	179,113	67,614	47,592	57,863
Income Tax Expense	(7,348)	(6,183)	(8,617)	(920)	(519)
Profit Net of Tax	5,385	172,930	58,997	46,672	57,344
Profit Attributable to Equity Holders of Parent, Net of Tax	5,989	176,188	34,830	22,574	49,130
Balance Sheet (\$000)					
Properties, Plant and Equipment	913,775	805,203	753,117	630,090	611,905
Non-Current Investments	84,394	64,337	284,741	222,751	177,001
Net Current Assets (See note below)	606,433	559,077	369,495	265,376	266,726
	1,604,602	1,428,617	1,407,353	1,118,217	1,055,632
Stockholders' Equity	765,761	782,949	635,061	567,242	539,471
Minority Interest	71,146	74,121	83,065	78,819	72,005
Short and Long-Term Borrowings	757,598	565,512	686,169	470,914	443,034
Deferred Tax Liabilities	10,097	6,035	3,058	1,242	1,122
	1,604,602	1,428,617	1,407,353	1,118,217	1,055,632
Net Borrowings (\$000)	579,328	378,014	623,495	395,151	384,493
Debt to Equity (Including PPP) (times)	0.76	0.48	0.98	0.70	0.71
Debt to Equity (Excluding PPP) (times)	0.52	0.24	0.69	0.70	0.71

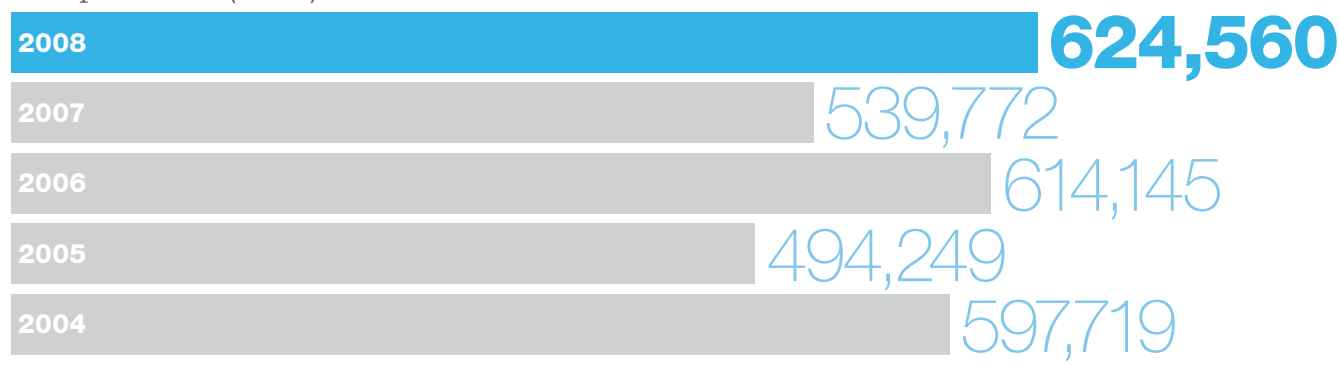
Note : In arriving at net current assets, short-term borrowings have been excluded but intangible assets and deferred tax assets have been included.

Per Stock Unit

Earnings per Stock Unit (cents)					
- Profit Attributable to Ordinary Stockholders after Preference Dividend	2.7	80.4	16.1	10.5	23.1
Ordinary Dividends					
- Gross (cents)	-	-	5.60	10.00	12.00
- Gross (cents) – Tax Exempt (One-Tier)	8.00	10.00	3.50	-	-
- Net (cents)	8.00	10.00	8.09	8.00	9.60
- Cover (times)	0.34	8.04	1.99	1.31	2.41
Net tangible assets (\$)	3.38	3.51	2.91	2.63	2.53

Five-Year Financial Charts of the Group

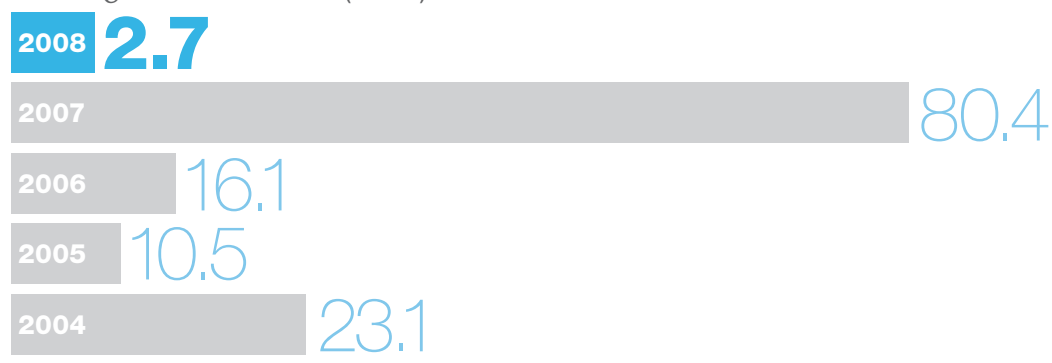
Group Revenue (\$000)



Group Profit After Tax (\$000)



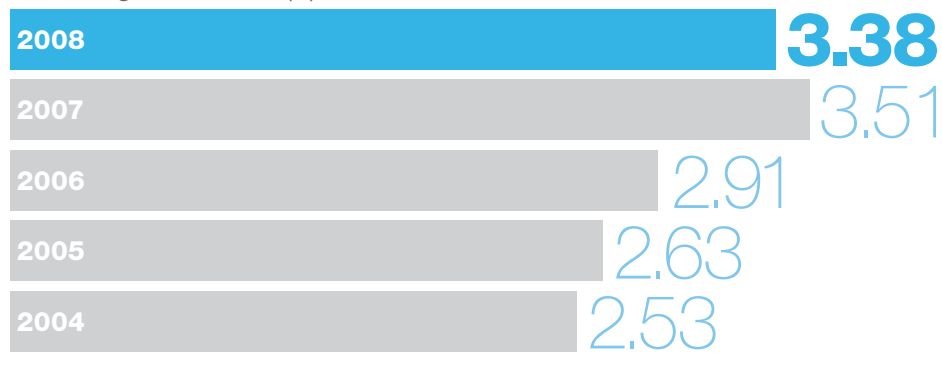
Earnings Per Stock Unit (cents)



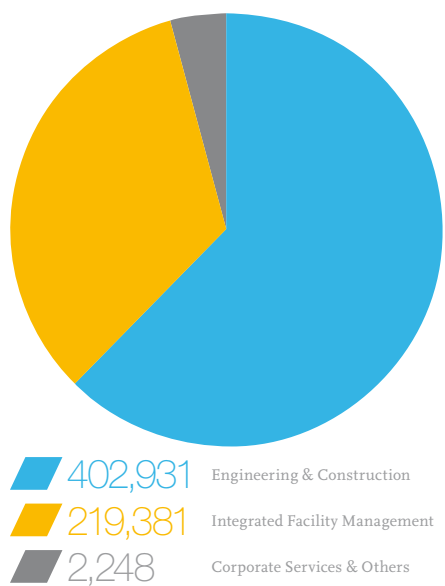
Net Dividends per Ordinary Stock Unit (cents)



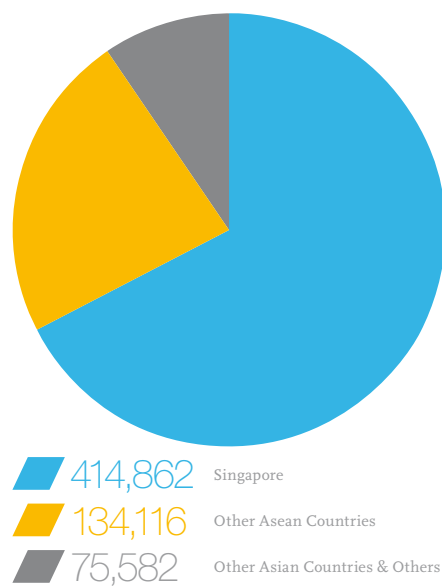
Net Tangible Assets (\$)



Revenue by Business Segments (\$000)



Revenue by Geographical Segments (\$000)



**ENGINEERING
AND
CONSTRUCTION**



In the Engineering & Construction ("E&C") division, revenue for the year increased \$10.6 million, or three per cent, to \$418.2 million due to the completion of numerous projects. Arising from the increased revenue, gross margin increased \$8.8 million, or 22 per cent, to \$48.7 million. The E&C division recorded a fair value loss on short-term investments of \$6.9 million, resulting in an operating loss of \$22.0 million compared with an operating profit of \$7.4 million in 2007 (which included fair value gains and gains from partial divestment of short-term investments and investment properties amounting to \$19.8 million).



Construction

Civil Construction

Singapore

During the year, the Group, through its main construction subsidiary, Greatearth Construction Pte Ltd (“Greatearth”), commenced work on a number of large-scale construction projects, including condominiums such as the 102-unit *Paterson Suites* in Paterson Road and the 100-unit *The Riverine* in Kallang Road, and the Sembawang Shopping Centre in Sembawang Road.

Greatearth also secured two new projects: *Ascentia Sky*, a 48-storey condominium in Alexandra Road, and *Park Central @ AMK*, a Design, Build, Sell Scheme public housing project in Ang Mo Kio Street 52.

Projects in construction were mostly condominiums, including the 55-unit *Quinterra* in Holland Road, the 42-unit *Vertis* in Amber Road and the 275-unit *One Jervis* in River Valley Road. The Group’s flagship project, *Vista Xchange*, in one-north was also making good progress.

Major projects that were successfully completed included *The Infinity*, a condominium in West Coast Road, the Tan Chin Tuan Mansion, a 20-storey building and conserved house in Cairnhill Road, as well as the Boon Lay MRT Extension. For

these Singapore-based projects that were completed during the year, Greatearth scored above 83 points (top 10 percentile) in the Building & Construction Authority-certified CONQUAS score, a *de facto* national quality yardstick for the Singapore construction industry.

Overseas

In Brunei, the Group, through its 90 percent-owned subsidiary, United Engineers (B) Sdn Bhd, successfully completed 28 blocks of flats for the Royal Brunei 3rd Battalion Armed Forces in Sungai Liang, a school in Merangang, 88 houses for the National Housing Scheme in Kampong Rimba, and a nine-storey apartment in Mukim Serasa.

Major construction projects secured during the year included the Exhibition Building for the Ministry of Defence in the Royal Brunei Polo & Riding Club and the new building for the United States Embassy.

In Malaysia, the Group, through its 85 percent-owned subsidiary, Greatearth Construction Sdn Bhd, was into the final phase of construction for Megalong, a mega shopping centre in Penampang, Kota Kinabalu. The project is expected to be completed by 2009.



“For these Singapore-based projects that were completed during the year, Greatearth scored above 83 points (top 10 percentile) in the Building & Construction Authority-certified CONQUAS score, a *de facto* national quality yardstick for the Singapore construction industry.”



01

An artist's impression of
Park Central @ AMK

02/03

The Vista Xchange
construction site

Specialised Construction

The Group, through its 52.5 percent-owned subsidiary, PT. Infratech Indonesia, is involved in the construction of Base Transceiver Stations in Indonesia. The year turned out to be challenging due to downward price pressures as well as sharp increases in raw material prices. The advent of the global economic crisis also brought about customers slowing down or postponing their network expansion plans.

However, Indonesia currently has one of the lowest levels of mobile penetration in Asia and therefore promises strong growth in the next few years.

Construction Equipment Rental and Related Services

With strong growth in the Singapore construction and marine & offshore sectors, the Group's 100 percent-owned subsidiary, UE-Tradetec (S) Pte Ltd ("UET") saw improved business.

During the year, UET provided uninterrupted power supply to a number of large-scale outdoor events, including the Singapore Air Show 2008 (previously known as Asian Aerospace Show), the National Day Parade 2008 as well as the 2008 FORMULA 1™ SingTel Singapore Grand Prix.

UET also secured power supply contracts in Roxas City, Panay Island in the Philippines and the northern Liaoning Province, PRC.

UET continued to be the sole supplier of formwork to the Housing and Development Board for the 15th year, and supplied formwork to more than 35 sites at any one time during the year.



Engineering

Building Engineering

The Group's 100 percent-owned subsidiary, United Engineers (Singapore) Pte Ltd ("UES"), was awarded a project by Marina Bay Sands, an integrated resort in Marina Bay, to supply, install, test and commission the electrical system for the substructure and superstructure of its hotel towers. As at end of 2008, UES completed about 20 per cent of the project. During the year, UES also commenced similar work on the Group's flagship project, Vista Xchange, in one-north.

UES also continued work at ION Orchard. The project peaked by end of the year and is scheduled to complete by 2009.

Environmental Engineering

UES commissioned the membrane filtration upgrading project at Choa Chu Kang Waterworks and continued work at the new booster pumping station in Changi Water Reclamation Plant. UES also clinched a rainwater harvesting project from Resorts World at Sentosa during the year.

UES formed a joint venture with the Asian Development Bank, The Konzen Group and Crest Spring Private Limited to work with foreign governments to develop Public-Private-Partnership projects, particularly in the water sector.

Overseas Operations

In Vietnam, UES continued with the mechanical and electrical works at the Hanh Phuc International Women and Children Hospital, a private hospital with 260 beds and eight operating theatres. UES also installed a reverse osmosis plant for the provision of ultra-pure water to the hospital.

Other Engineering Activities

During the year, McAlister Engineering Sdn Bhd ("MESB"), became a fully-owned subsidiary of the Group. MESB specialises in freight tank containers and other steel products in Malaysia. During the year, it added new products such as Saekaphen coated tanks and also offered new offshore container designs.

01

Filtration membranes upgraded in Choa Chu Kang Waterworks

02

The booster pumping station in Changi Water Reclamation Plant

03/04

Electrical works conducted at the construction site of Marina Bay Sands



**INTEGRATED
FACILITY
MANAGEMENT**



The Integrated Facility Management ("IFM") division increased its revenue by \$84.1 million, or 62 per cent, to \$220.6 million. This was due to the progressive recognition of revenue from the sale of *The Rochester* and *Park Central @ AMK* as well as higher rental rates for office space and serviced apartments at UE Square. The division's profit before interest and tax decreased \$172.5 million, or 77 per cent, to \$52.4 million due to the revaluation surplus of \$186.0 million for UE Square in 2007.

During the year, the Group, through United Engineers Developments Pte Ltd ("UED") focused on three businesses: developing build-to-suit projects, asset leasing and developing residential projects.

Build-to-suit developments

The global economic slowdown has affected the demand for build-to-suit (“BTS”) developments as many multinational companies are either downsizing their operations or postponing real estate investment in Singapore. Also in view of the competitiveness and relatively small market in Singapore, UED ventured overseas to source for projects, especially in the South East Asia region.

While the market has been slow during the year, UED took the opportunity to strengthen its BTS capabilities by building up in-house project management services.

UED finalised the design phase of the UE Biz Hub, a mixed development located in the heart of the Changi Business Park with close proximity to the Expo MRT Station. UE Biz Hub will comprise a business hub that houses about 200 technology companies, exhibition and convention halls, an auditorium and seminar rooms. Adjoining the business hub will be a 300-room business hotel and 100,000 sft in retail space. This development is part of the Jurong Town Corporation’s master plan to transform the Changi Business Park into a vibrant activity hub.

The Vista Xchange, another major BTS project by UED, was in construction and is slated to complete by 2011.

“ When the leased space from UE Biz Hub and Vista Xchange comes onstream in 2011, UED will be managing and leasing a total of 320,000 sft in retail space, 1,310,000 sft in industrial space, 500,000 sft in business park space and 300,000 sft in office space. By then, Park Avenue Suites will also boast of more than 1,000 rooms. ”



01

An artist's impression of the proposed retail mall in Vista Xchange

02

An artist's impression of the proposed hotel in UE Biz Hub

03

The UE Print Media Hub is enjoying full occupancy

04

The drop-off point of the proposed UE Biz Hub

05

The 5-room showflat of Park Central @ AMK



Asset Management & Leasing

During the year, the office space and serviced apartments in UE Square enjoyed higher rental rates. The Group's newly-completed industrial property, UE Print Media Hub, was also fully occupied.

When the leased space from UE Biz Hub and Vista Xchange comes onstream in 2011, UED will be managing and leasing a total of 320,000 sft in retail space, 1,310,000 sft in industrial space, 500,000 sft in business park space and 300,000 sft in office space. By then, Park Avenue Suites will also have more than 1,000 rooms.

Residential Development

Amidst the relatively stronger demand for public-housing demand, UED launched its first-ever public-housing project, *Park Central @ AMK*, in Ang Mo Kio Street 52. The project is the third Design, Build and Sell Scheme of the Housing and Development Board ("HDB") which allows private developers more flexibility in designing and pricing the flats although they will be maintained by HDB when constructed. *Park Central @ AMK* offers four 30-storey towers with a total of 578 four and five-room units. Every unit comes with condominium-style fittings and finishes.

The project was well received, attracting more than 2,300 applications or more than four times the number of units available for sale. As at end of last year, the project, averagely priced at \$500 psf, was 70 per cent sold.

Report On Corporate Governance

The Board of Director is committed to maintaining high standards of corporate governance and transparency within the Company and its subsidiaries (“the Group”). The Group has adopted and complied with, wherever feasible, the recommendations of the revised Code of Corporate Governance 2005 (“Code 2005”).

The Board recognises the importance of good corporate governance and the offering of accountability to the shareholders. Pursuant to Rule 710(1) of the Listing Manual, we set out below the details of our governance processes, including explanations where deviations from Code 2005 were adopted in the interest of the Group.

SGX 710

BOARD MATTERS

Board Of Directors

The Board comprises 6 directors, 4 of whom are independent, i.e. they and their immediate family members have no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgment with a view to the best interests of the Group.

Code 2005
Guideline 2.1

The independence of each Director is reviewed annually by the Nominating Committee (“NC”). An Independent Director shall notify the Company Secretary immediately, of any change in circumstances that may result in him not being able to meet the criteria for independence. The Board may, after the NC has considered the change in circumstances, if appropriate, require the resignation of the Director.

The names and brief bio-data of all 6 directors are set out below :

Code 2005
Guideline 4.6

Mr **TAN** Ngiap Joo
Director
Non-executive Chairman
B.A., University of Western Australia, Australia

Mr Tan was appointed to the Board in October 2006 and was last re-elected as director of the Company in 2007. Since 1 January 2008, Mr Tan is considered as an **independent non-executive director** of the Company, and serves as Chairman of the Executive Committee, and is a member of the Nominating and Remuneration Committees.

Mr Tan was previously the Deputy President of Oversea-Chinese Banking Corporation Limited. Prior to that, he was a Chief Executive Officer of Bank of Singapore (Australia) Limited.

Presently, he is a director of Banking Computer Services Private Limited, BCS Information Systems Pte Ltd, British and Malayan Trustees Limited, China Fishery Group Limited, and Embassy Mapletree Trust Management Ltd. He also serves on the Committee of the Mapletree India China Funds.

Mr Jackson Chevalier **YAP** Kit Siong
Group Managing Director and Chief Executive Officer (CEO)
B.E. (Chemical & Materials Engineering), University of Auckland, New Zealand

Mr Yap was appointed to the Board in 1999 and is a **non-independent executive director** of the Company. He is also a member of the Executive and Board Risk Committees. He joined the Company in 1997 as Chief Operating Officer and was appointed Group Managing Director and CEO in 2001.

In his role as the Company's CEO, he is overall responsible for leading the management team and implementing the strategic goals and directions set by the Board. Prior to joining the Company, he was with Exxon Chemical Singapore as Planning Manager, responsible for providing planning support to major projects in the Asia-Pacific Region. He also spent 7 years with Shell Eastern Petroleum undertaking a variety of process engineering jobs in energy conservation and quality control.

Apart from the UE Group of Companies, he is also a director of Lycorpipe Investment Pte Ltd, Apex Healthcare Berhad, United Wearnes Technology Pte Ltd, BlueScope Lysaght (M) Sdn Bhd and Lysaght (Malaysia) Sdn Bhd.

Mr **CHEW** Leng Seng
Director
Dip. Mechanical Engineering

Mr Chew was appointed to the Board in October 2006 and was last re-elected as director in 2007. He is an **independent non-executive director** of the Company and serves as Chairman of the Remuneration Committee and is also a member of the Audit, Executive and Board Risk Committees.

Mr Chew was previously the Chief Executive Officer of SIA Engineering Company Limited before he retired to be a Consultant to the company. Prior to that, he was an Executive Vice President (Technical) of Singapore Airlines Limited.

Mr **LAI** Teck Poh
Director
B.A. (Hons), University of Singapore, Singapore

Mr Lai was appointed to the Board in 1992 and was last re-elected in 2008. He is a **non-independent non-executive director** of the Company, and serves as Chairman of the Board Risk Committee and is also a member of the Executive Committee.

Currently, he is an Executive Vice-President in Oversea-Chinese Banking Corporation Limited. He has about 40 years banking experience including overseas postings. He serves on the board of WBL Corporation Limited and as an alternate director of Asean Finance Corporation Limited and Asfinco Singapore Limited.

Report On Corporate Governance

Dr Michael **LIM** Chun Leng
Director
MBBS (Singapore)
MMED (Int Med)
MRCP, FAMS, FRCP

Dr Lim joined the Board in 2000 and was last re-elected in 2008. He is an **independent non-executive director** of the Company. He serves as Chairman of the Nominating Committee and is also a member of the Audit Committee.

Dr Lim is the Medical Director of Singapore Heart, Stroke and Cancer Centre and has been appointed as Editor in-Chief of Heart Asia in 2008. He has wide corporate experience having served on the boards of several public listed and private companies. He had also sat on various Government committees as a Member of Parliament. He is currently the Dean of the College of the Asian Pacific Society of Cardiology and continues to serve in international bodies such as the Asia Pacific Heart Association.

Dr **TAN** Eng Liang
Director
D. Phil. Oxford University, United Kingdom

Dr Tan was appointed to the Board in 1988 and was last re-elected in 2008. He is an **independent non-executive director** of the Company. He serves as Chairman of the Audit Committee and is also a member of the Nominating and Remuneration Committees.

He serves on the board of a number of listed companies, including Tung Lok Restaurant (2000) Ltd, Progen Holdings Ltd, Sunmoon Food Company Limited, Sapphire Corporation Ltd, Jackspeed Corporation Limited and Hartawan Holdings Limited. He also serves on several public service committees including the Singapore National Olympics Council.

Board Composition And Balance

The Group considers the present Board composition to be appropriate and adequate, given the background, qualifications and experience of its directors. The directors, coming from diverse backgrounds in the banking, engineering, business and public sectors are able to provide core competencies and skills that best contribute to the Board's decision making.

Code 2005
Guideline 2.4

Role Of The Board

The Board is entrusted with the responsibility for an effective oversight of the management of the Group's business and affairs. The Board works closely with Management to promote the success of the Group. Apart from its statutory responsibilities, the principal functions of the Board include, but are not limited to the following:

Code 2005
Guideline 1.1

- (i) setting the Group's strategic vision, directions and long-term goals of the Group, and ensuring that the financial and human resources procedures are in place for the Group to meet its objectives;
- (ii) approving major projects, policy decisions, annual budgets, major investment funding and major restructuring of core businesses;
- (iii) establishing a framework of prudent and effective controls which enables risk to be assessed and managed;
- (iv) monitoring and reviewing Management performance, and the financial performance of the Group; and
- (v) setting the Group's values and standards, and ensuring that obligations to shareholders and others are understood and met.

Separation Of Chairman And Group Managing Director Roles

There is a clear division of responsibilities, insofar as the workings of the Board and the executive responsibility of the Group's businesses are concerned. The role of the Chairman and the CEO are assumed by different persons. The responsibilities of the Chairman and the CEO has been established, set out in writing and agreed to by the Board. The Chairman and the CEO are not related to each other.

Code 2005
Guideline 3.1

Chairman's Role

The Chairman is independent and non-executive in nature, and relates to the workings of the Board as a whole. In particular, he focuses on :

Code 2005
Guideline 3.2

- (i) leading the Board to ensure its effectiveness on all aspects of its role and setting its agenda;
- (ii) ensuring that the directors receive accurate, timely and clear information;
- (iii) ensuring effective communication with shareholders;
- (iv) encouraging constructive relations among Board members and their interaction with Management;
- (v) facilitating the effective contribution of non-executive directors; and
- (vi) promoting high standards of corporate governance.

Management And CEO's Role

The CEO is tasked with leading the management team in the execution and implementation of the Board's decisions, and is overall in charge of day-to-day operations. Management remains accountable to the Board, and its performance is reviewed and monitored by the Board regularly.

Non-executive Directors

Apart from the CEO, all the other Board members are non-executive directors. The non-executive directors actively participate in discussions and decision making at Board and sub-Board committee levels, as well as in open and candid discussions with Management. The non-executive directors review the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance.

Code 2005
Guideline 2.5

ACCESS TO INFORMATION/COMPANY SECRETARY

All Board members have direct and independent access to the Company Secretary and other senior management staff. The Company Secretary, under the direction of the Chairman, is responsible for ensuring good information flows within the Board and its committees and between senior management and non-executive directors, as well as facilitating orientation and assisting with professional development of directors as required. The Company Secretary attends all Board meetings and is also responsible for ensuring that Board procedures and applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is deliberated on by the Board as a whole.

Code 2005
Guideline 6.1
Guideline 6.3

Guideline 6.4

Generally, Management prepares and submits its proposals for the Board's consideration by way of internal memos or papers providing the background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results is disclosed and explained to the Board.

Code 2005
Guideline 6.2

Report On Corporate Governance

In respect of scheduled meetings and as a matter of best practices, Board papers and briefing notes including management accounts and commentaries on the Group's performance, are usually submitted at least 3 working days in advance.

Management provides to members of the Board, management accounts which present a balanced and understandable assessment of the Group's performance, position and prospects on a monthly basis.

Code 2005
Guideline 10.2

Internal guidelines have been adopted to ensure that Board members may consult with such professional advisers, costs of which are borne by the Company, as may be necessary to assist them in the discharge of their duties.

Code 2005
Guideline 6.5

Meetings

The Board is accountable to its shareholders. It meets at least 4 times a year for regular scheduled meetings, and as often as may be required to deal with ad hoc matters. In FY2008, there were 4 scheduled and 2 ad-hoc Board Meetings. The attendance of directors at Board and sub-Board committee meetings during the year are set out below :

Code 2005
Guideline 1.4

Board And Committee Meetings In FY2008

	Board		Audit Committee (AC)		Nominating Committee (NC)		Remuneration Committee (RC)		Executive Committee (Exco)		Board Risk Committee (BRC)	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Tan Ngiap Joo	6	6	4	2 2*	1	1	4	2 2*	7	7	2	2*
Jackson Yap	6	6	-	-	-	-	-	-	7	7	2	2
Chew Leng Seng	6	6	4	4	1	1*	4	4	7	7	2	2
Lai Teck Poh	6	5	-	-	-	-	4	2 1*	7	6	2	2
Michael Lim Chun Leng	6	6	4	4	1	1	4	1*	-	-	-	-
Tan Eng Liang	6	6	4	4	1	1	4	4	7	2*	-	-

Note: * Observer by invitation

Comparison Of Number Of Meetings For 2007 And 2008

	2007 No. of Meetings	2008 No. of Meetings
Board	6	6
Audit Committee	4	4
Executive Committee	N.A.	7
Remuneration Committee	3	4
Nominating Committee	1	1
Board Risk Committee	N.A.	2
Total Meetings	14	24

Matters Requiring Board Approval

The Group has adopted internal guidelines on matters that require Board approval. These principally include broad policy decisions, annual budgets, material acquisitions and disposals of assets, significant legal and financial issues, announceable matters, interested person transactions, appointment and termination of directors and key management staff and other matters as may be considered by the Board from time to time.

Code 2005
Guideline 1.5

Articles Of Association

The Company's Articles of Association allow for telephonic and conference meetings. The Articles do provide for one-third of its directors to retire by rotation every year, and this has been consistently adhered to.

Code 2005
Guideline 1.4

Training

Whenever a new member joins the Board, he is provided with an information package and a formal letter which sets out his duties and obligations as a director under the various regulations and how these are to be discharged. An in-house orientation programme, incorporating briefings from various business and corporate units will be arranged for the directors to better familiarize themselves with the Group's businesses and governance practices. In the course of the year various ongoing training programmes in areas such as accounting, legal and industry matters were also made available to and arranged for the directors.

Code 2005
Guideline 1.7
Guideline 1.6

SUB-BOARD COMMITTEES

To assist in the execution of its duties, the Board has set up various sub-Board committees, and these are detailed in the pages that follow. Each of these committees has been tasked by the Board to make decisions on specific matters. These committees have been formed and guided by specific terms of reference. The Committees are:

Code 2005
Guideline 1.3

(a) Executive Committee ("EXCO")

The EXCO comprises Mr Tan Ngiap Joo (Chairman), Mr Chew Leng Seng, Mr Lai Teck Poh and Mr Jackson Yap.

EXCO shall consist of not less than three and not more than four members, one of whom shall be the Chief Executive Officer and joined by at least two independent directors. The main role of EXCO is to carry out the Board functions and to exercise oversight over the management as well as evaluate in more depth the performance of management and in turn, the Company.

The EXCO shall meet at least 5 times a year and more frequent when required. In FY2008, the EXCO met 7 times to: -

- (i) review, evaluate and approve the Company's policies, principles, strategies, values, objectives and performance targets within parameters set by the Board;
- (ii) review, evaluate and approve investments and divestments and related policies within parameters set by the Board; and
- (iii) review, evaluate, approve and endorse such other matters and initiate any special reviews and actions as appropriate for the prudent management of the Company.

Report On Corporate Governance

(b) Nominating Committee (“NC”)

The NC is chaired by Dr Michael Lim. He is joined by Dr Tan Eng Liang and Mr Tan Ngiap Joo as committee members. All the members of the NC including the Chairman, are independent non-executive directors who are not, and are not directly associated with, a substantial shareholder. As the Company has 4 independent directors, i.e. more than one third of the total number of directors, the Company is Code 2005-compliant. Code 2005 Guideline 4.1

The NC meets at least once a year and more often if required. In 2008, the NC had 1 meeting and the NC’s main roles are to :

- (i) review and make recommendations to the Board for the appointment of directors and members to the sub-Board committees. The process involves identifying, reviewing and recommending potential candidates to the Board for consideration. Code 2005 Guideline 4.2

The NC has put in place a formal and transparent process for the appointment of new directors to the Board. Members who have identified suitable candidates submit the bio-data of such persons to the Committee for discussion and review. Generally, candidates are identified through the business network of Board Members, and would be skilled in core competencies such as strategic planning, business or management expertise, finance and industry knowledge. Code 2005 Guideline 4.5

If the NC considers the candidate is suitable, the NC will then recommend its choice to the Board of Directors. Meetings with such candidates may be arranged to facilitate open discussions firstly with Board Members, and subsequently with key executives of the management team. Upon appointment, the Company will send out a formal letter setting out the Director’s roles and responsibilities and the new director will be attending various briefings with the management team. Code 2005 Guideline 4.2

In respect of re-nomination of directors, the NC has considered and evaluated criteria such as the contributions and performance of the retiring directors, their attendance, preparedness, participation and candour, and whether they would be able to adequately discharge his duties as Director of the Company. Code 2005 Guideline 4.2

- (ii) determine annually the independence of each director and recommend the re-election of directors to the Board or sub-Board committee as may be appropriate. Code 2005 Guideline 4.3

The NC also promotes transparency in the periodic re-election. All the Directors have to submit themselves for re-election, at least once every three years in accordance with its Articles of Association. In the event of any vacancy arising, where the number of members is reduced below three, the Company shall endeavour to fill the vacancy, not later than three months of such event. Code 2005 Guideline 4 SGX 704(8)

In the course of the year, the NC reviewed the composition of the Board and was satisfied that 4 non-executive independent directors, Mr Tan Ngiap Joo, Dr Tan Eng Liang, Dr Michael Lim and Mr Chew Leng Seng be regarded as independent directors.

The NC noted that Messrs Jackson Yap and Lai Teck Poh are non-independent in nature by virtue of their relationships, being an executive director of the Company and being employed by a deemed substantial shareholder respectively.

The NC has recommended (i) the re-appointment of Dr Tan Eng Liang and Mr Chew Leng Seng pursuant to Section 153(6) of the Singapore Companies Act, Chapter 50; and (ii) Mr Jackson Chevalier Yap Kit Siong will retire at the forthcoming AGM pursuant to Article 99. In addition, the NC also recommends their continued appointments at the various sub-Board committees.

- | | | |
|-------|---|---|
| (iii) | <p>assessing the effectiveness of the Board as a whole and the contribution by each individual director to the effectiveness of the Board.</p> <p>The NC has implemented a formal Board and Individual Director Evaluation exercise, taking into account various criteria, including attendance, adequacy of preparation, performance at meetings, specialist knowledge, quality of decision making, share price performance and profitability (including the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index).</p> <p>As the Company is classified as being multi-industry, there are no directly relevant comparisons that it can undertake vis-à-vis its industry peers. The individual evaluations take into account the contributions of each director and their commitment in terms of time and effort spent on the Company's matters.</p> <p>The NC is satisfied that sufficient time and attention are being given by the directors to the affairs of the Group, notwithstanding that some of the directors have multiple Board representations, and there is presently no need to implement internal guidelines to address their competing time commitments. The NC is therefore of the view that the multiple Board representations held presently by the directors are acceptable and do not hinder their performance in the discharge of their duties to the Company. The evaluation exercise is conducted on an annual basis, and enables areas for improvement to be identified so that feedback may be provided to the Board.</p> <p>The NC has also reviewed and is satisfied that the present Board size and complementary expertise, skills set and experience of the Board Members, coming as they do from diverse backgrounds and disciplines serve the Group well. The NC will continue to monitor the needs of the Group and if necessary, propose new candidates to augment and further strengthen the composition of the Board.</p> | <p>Code 2005
Guideline 5.1</p> <p>Code 2005
Guideline 5.2
Guideline 5.3</p> <p>Code 2005
Guideline 4.4</p> <p>Code 2005
Guideline 2.3</p> |
|-------|---|---|

(c) Audit Committee ("AC")

- | | |
|---|--|
| <p>The AC comprises Dr Tan Eng Liang (Chairman), Dr Michael Lim and Mr Chew Leng Seng, all of whom, are non-executive and independent directors. Most of the AC members are actively involved with various commercial organisations, and have related financial management experience. The NC is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions.</p> <p>During the course of the year, the AC met 4 times to :</p> | <p>Code 2005
Guideline 11.8
Guideline 11.2</p> <p>Code 2005
Guideline 11.4</p> <p>Code 2005
Guideline 12.1</p> <p>Code 2005
Guideline 12.2</p> |
| <p>(i) review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors;</p> <p>(ii) review the nature and extent of the external auditors' non-audit services to the Group, seeking to balance the maintenance of objectivity and value for money;</p> <p>(iii) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;</p> <p>(iv) review the adequacy of the Group's internal financial controls, operational and compliance controls, and risk management policies and systems (collectively, "internal controls");</p> <p>(v) review the effectiveness of the company's internal controls, internal audit plan and function; and</p> <p>(vi) make recommendations to the Board on the appointment, and re-appointment of both the external and internal auditor, and approve the remuneration and terms of engagement thereof.</p> | |

Report On Corporate Governance

The AC has full access to and co-operation from management, and has the discretion to invite any director or executive officer to attend its meetings where necessary. The AC also has explicit power to investigate any matter brought to its attention within its terms of reference, and will be granted reasonable resources to enable it to discharge its function properly including seeking external professional advice.

Code 2005
Guideline 11.3

The Group has put in place, and the AC has endorsed, arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangements is to ensure independent investigation and follow-up actions on such matters. The arrangements provide for investigation to be undertaken by a Whistle Blowing Committee, whose Chairman reports directly to the AC.

Code 2005
Guideline 11.7

The Group has outsourced the internal audit function to PriceWaterhouseCoopers LLP. Their mandate is to review amongst other areas, the Group's material internal controls and risk management measures. The AC is satisfied that there are adequate controls and measures within the Group, and will continue to review the same on an annual basis.

In performing its duties, the AC also met with the Group's internal and external auditors, without the presence of Management. The Group has complied with SGX's Best Practices Guide on Audit Committees. The AC confirms that it has reviewed the non-audit services undertaken by Ernst & Young LLP and these would not, in its opinion, affect the independence of Ernst & Young LLP as auditors. Accordingly, the AC has also recommended the re-appointment of Ernst & Young LLP as external auditors of the Group.

Code 2005
Guideline 11.5

(d) Remuneration Committee ("RC")

The RC comprises Mr Chew Leng Seng (Chairman), Mr Tan Ngiap Joo and Dr Tan Eng Liang all of whom are non-executive and independent directors. The RC is thus made up entirely of independent non-executive directors. All RC members have adequate knowledge of compensation matters.

Code 2005
Guideline 7.1

The RC held 4 meetings in 2008. Its primary functions are :-

- (i) to administer the Group's share option scheme in accordance with the Scheme Rules;
- (ii) to evaluate and propose payment of directors' fees for the approval of members in general meeting; and
- (iii) to recommend to the Board a framework of remuneration and specific remuneration packages for Directors and senior management, including the CEO. For the sole executive Director (who is the CEO) and senior management, the framework takes into account all aspects of executive remuneration including salaries, allowances, bonuses, options and benefits in kind. The RC benchmarks the framework against pay and employment conditions within the industry and structures the same so as to link rewards to corporate and individual performance.

Code 2005
Guideline 8.4

Code 2005
Guideline 7.2

Code 2005
Guideline 8.1

Directors' fees are proposed in accordance with a framework comprising basic fees and additional fees for other duties or serving on specialized committees. The Chairman of the Board or the Committee is paid twice the fee of a member. Executive directors do not receive directors' fees. Directors' fees are subject to the approval of members at the Annual General Meeting.

Code 2005
Guideline 8.2

The Group also has in place a share option scheme for executives as part of its remuneration mix and as a staff retention tool. Details of the scheme are found in the Directors' Report.

Code 2005
Guideline 8.4
Guideline 9.4

The remuneration of directors and key executives is set out below :

Code 2005
Guideline 9.1

Directors' Remuneration

Code 2005
Guideline 9.2

Remuneration Band	Directors' Fees %	Salary %	Bonus %	Other Benefits %	Total %
Non-Executive Directors					
\$0 – \$250,000					
Tan Ngiap Joo	100%	–	–	–	–
Chew Leng Seng	100%	–	–	–	–
Lai Teck Poh	100%	–	–	–	–
Michael Lim	100%	–	–	–	–
Tan Eng Liang	100%	–	–	–	–
Executive Director					
\$1,250,001 – \$1,500,000					
Jackson Yap	–	41%	45%	14%	100%

The Company does not employ any immediate family member of the directors of the Company.

Code 2005
Guideline 9.3

Key Executives Remuneration

In the interest of maintaining good morale and a strong spirit of teamwork within the Group, the disclosure will relate to the top 6 key executives of the Group within bands of \$250,000. Their names are set out in the section below: -

Code 2005
Guideline 9.2

Remuneration Bands	No. of Executives
\$250,001 - \$500,000	4
\$500,001 - \$750,000	1
\$1,250,001 - \$1,500,000	1

Information On The 6 Key Executives

The Management team is led by Mr Jackson Yap, the CEO. Brief particulars of his qualifications and work experience were set out earlier in this report.

Code 2005
Guideline 9.2

Assisting Mr Yap are 5 other key executives. Brief particulars of their qualifications and work experience are set out below :

1. Jessie Peh – Chief Financial Officer

Mrs Peh is a qualified Chartered Accountant (Institute of Chartered Accountants, England & Wales) and a qualified Management Accountant (Chartered Institute of Management Accountants, United Kingdom) with close to 30 years of experience. Prior to joining the Group in 1989, she was with Tat Lee Bank Limited as a Sub-Manager (General Accounting) and Ernst & Young as an Assistant Audit Manager. As the Chief Financial Officer, she is responsible for the Group's financial, treasury and accounting functions.

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2. *Chang Chew Kient – Executive Vice President (Operations), Corporate Planning and Coordination Department*

Mr Chang holds a Bachelor's degree in Applied Science Engineering from the University of Toronto, Canada, as well as a Master of Business Administration from Saint Mary's University, Canada. He joined the Group in 1989 as an Operations Manager before his current role as Executive Vice President (Operations), heading the Corporate Planning and Coordination Department. Prior to joining the Group, he was a lecturer at Saint Mary's University, and a business consultant. Mr Chang is also active in volunteer work and serves on a number of not-for-profit committees.

3. *Chua Hock Tong – Managing Director, Construction Division*

Mr Chua graduated from the Royal Melbourne Institute of Technology University, Australia, with an Associate Diploma in Quantity Surveying. He has extensive experience in the construction industry and set up Greatearth Construction Pte Ltd (Greatearth) in 1981. In 1990, he sold 85% of the equity stake to the Group and retained a 15% stake.

Mr Chua is the Managing Director of the Construction Division, and oversees the Group's construction activities in Singapore, East Malaysia, and Brunei.

4. *David Liew - Managing Director, Integrated Facility Management Division*

Mr Liew has a Bachelor of Architecture (Hons) degree from the National University of Singapore. Prior to joining the Group, he was a Senior Project Architect with RSP Architects, Planners and Engineers Ltd, and an Architect with the Housing and Development Board. He joined the UE Group in 1994 as Development Manager, and is now the Managing Director of the enlarged Integrated Facility Management Division. He has more than 20 years post-graduate experience in project and property management including the development of a variety of large-scale public and private projects.

5. *Chan Tuck Lee – Managing Director, Engineering Division*

Mr Chan has a Bachelor of Science in Electrical Engineering from Loughborough University of Technology, England. Mr Chan is a registered Professional Engineer in Singapore and Malaysia since 1995. He joined the Group in 1991 as a Project Manager and had since held various senior positions in the Engineering Department before assuming his role as Divisional Managing Director. Prior to joining the Group, he had worked in several property development, contracting and consultancy firms in Malaysia, Indonesia and Singapore.

(e) Board Risk Committee (“BRC”)

The Company has formed a BRC in FY2008 as part of its efforts to regularly review and strengthen its Enterprise Risk Management.

The BRC comprises Mr Lai Teck Poh as the Chairman, with Mr Chew Leng Seng and Mr Jackson Yap as members, with a majority of non-executive directors. Two (2) meetings of the BRC were held in 2008. The duties of BRC shall include: -

- (i) The review of
 - the assessment and monitoring of all risks associated with the investments and operations of the Group; and
 - the effectiveness of internal compliance and control systems and procedures to manage risk.
- (ii) The recommendation to the Board in relation to risk management strategy and policy framework.
- (iii) The considerations and reporting to the Board on any material changes to the risk profile of the Group.

In performing its duties, BRC shall have the authority to seek any information it requires from any staff of the Group. The BRC shall make recommendations to the Board but shall have no executive powers in relation to the findings and recommendations. BRC shall make recommendation to take such independent professional advice as it deems necessary.

RISK MANAGEMENT & INTERNAL CONTROL PROCEDURES

The Board of Directors, assisted by the BRC and the AC, has oversight of the internal control and risk management system in the Group.

The Group promotes the standardization of policies, processes and control procedures throughout its operations. This is achieved in part through the UE Group’s long established Group Operations Manual (GOM) which provides a framework for quality management systems and assurance processes.

The Board and senior management’s commitment to further strengthen the Group’s internal control system resulted in the establishment of the BRC in January 2008, which is supported by the Group’s Management Risk Committee, comprising the Chief Executive Officer and other senior executives of UE.

The next stage of the UE Group’s development is to embed a robust enterprise risk management system in line with international best practices. An external review will commence in April 2009 to help further operationalise the Group’s existing Risk Management Policy.

The AC examines the effectiveness of the Group’s internal control systems. The many assurance mechanisms operating are supplemented by the Company’s internal auditors’ annual reviews of the effectiveness of the Company’s material internal controls, including financial, operational and compliance controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The external auditors also report to the AC on matters relating to internal financial controls which came to their attention during the course of their normal audit and related recommendations for improvements. AC reviews the effectiveness of the actions taken by management on the recommendations made by the internal and external auditors in this respect.

During the year, the AC reviewed the effectiveness of the Company’s internal control procedures and was satisfied that the Company’s processes and internal controls are adequate to meet the needs of the Company in its current business environment.

Code 2005
Guideline 12.2

Report On Corporate Governance

COMMUNICATION WITH SHAREHOLDERS

The Group strives for timeliness and transparency in its disclosures to the shareholders and the public. It does not practice selective disclosure as all price-sensitive information is released through SGXNET for market dissemination. The Group strives to provide a balanced and understandable assessment of its performance and financial effects when disseminating financial and other price-sensitive public reports and reports to regulators (if required).

Code 2005
Guideline 14.2
Guideline 10.1

In 2008, the Group has announced its financial results together with the requisite commentaries, on a quarterly basis via SGXNET and has also posted the same on its website. A summary of the Group's activities and performance is captured each year in the Annual Report which is distributed to all shareholders as well as business associates of the Group. In addition, major events such as the award of large or significant contracts, divestment of assets and other newsworthy events, had been featured in various press releases and other publications. Investors and members of the public may also access our website for more information on the Group.

All directors, including the chairpersons of the Executive, Nominating, Audit, Remuneration and Board Risk Committees are present and available to address questions at general meetings. The external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

Code 2005
Guideline 15.3

Separate resolutions are proposed for substantially separate issues at such meetings.

Guideline 15.2

The Company's Articles of Association provides appropriate provisions to allow the shareholders to vote in person or in absentia through proxies.

Code 2005
Guideline 15.1

Interested Person Transactions

The Company monitors all its interested person transactions and ensures that all transactions are reported in a timely manner for AC review. During the financial year under review, there is no interested person transaction.

SGX 907

Code Of Business Ethics

The Group has in place an internal Code of Business Ethics prescribing conduct to be adopted by its employees to prevent situations such as conflicts of interests, undue influence, abuse of power, fraud, misuse of company information and other malpractices.

Dealings In Securities

The Group's Internal Code of Best Practices for Dealings in Securities has been issued to its directors and officers for compliance. Under this Code, directors and officers of the Group are not permitted to deal with the listed securities of the Group one month before the release of any financial results of the Group or if they are in possession of unpublished price-sensitive information. Officers of the Group are reminded from time to time to adhere to and comply with the same.

SGX 1207(18)

Overall, the Board is satisfied with the Group's standard of Code-compliance, and with the adequacy of internal controls within the Group.

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Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of United Engineers Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2008.

DIRECTORS

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

Tan Ngiap Joo (Chairman)
Jackson Chevalier Yap Kit Siong (Group Managing Director and Chief Executive Officer)
Chew Leng Seng
Lai Teck Poh
Dr Michael Lim Chun Leng
Dr Tan Eng Liang

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as disclosed in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares 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 of directors' shareholdings 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 financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
	Ordinary Stock Units			
Tan Ngiap Joo	30,000	30,000	–	–
Chew Leng Seng	20,000	20,000	–	–
Jackson Chevalier Yap Kit Siong	273,000	373,000	–	–
Michael Lim Chun Leng	50,000	50,000	–	–
	No. of Unissued Ordinary Shares Under Option			
Jackson Chevalier Yap Kit Siong	877,000	777,000	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2009.

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

Directors' Report

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.

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 comprising Chew Leng Seng, Tan Ngiap Joo and Dr Tan Eng Liang. During the financial year, no option was granted pursuant to Scheme 2000. 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.

As at 31 December 2008, unissued shares granted under Scheme 2000 were as follows:

Date of Grant	Exercise Period	Exercise Price	Balance as at 31.12.07	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 forfeited during the financial year	Balance as at 31.12.08
6.12.00	6.12.01 to 5.12.10	\$1.14	211,000	–	105,500	–	105,500
5.11.01	5.11.02 to 4.11.11	\$1.01	287,600	–	–	–	287,600
4.10.02	4.10.03 to 3.10.12	\$1.07	491,800	–	80,000	–	411,800
12.12.03	12.12.04 to 11.12.13	\$1.61	614,100	–	111,400	–	502,700
25.11.04	25.11.05 to 24.11.14	\$1.59	747,200	–	223,400	–	523,800
30.11.05	30.11.06 to 29.11.15	\$1.81	852,500	–	162,600	–	689,900
27.11.06	27.11.07 to 26.11.16	\$2.11	1,793,000	–	694,000	14,000	1,085,000
6.12.07	6.12.08 to 5.12.17	\$3.68	2,446,600	–	–	246,350	2,200,250
			7,443,800	–	1,376,900	260,350	5,806,550

The aggregate number of options granted since the commencement of the Scheme 2000 in year 2000 to 31 December 2008 is 19,921,300.

Directors' Report

OPTIONS (continued)

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

As at 31 December 2008, 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)	–	877,000	100,000	777,000

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.

During the financial year, no options were granted to take up unissued ordinary shares of the subsidiaries and no ordinary shares of the subsidiaries were issued by virtue of the exercise of an option to take up unissued ordinary shares. At the end of the financial year, there were no unissued ordinary shares of the subsidiaries under option.

AUDIT COMMITTEE

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

Dr Tan Eng Liang	Chairman, non-executive director
Chew Leng Seng	Non-executive director
Dr Michael Lim Chun Leng	Non-executive director

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50. 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 LLP as auditors of the Company for the financial year ending 31 December 2009 to be approved and appointed by the Company at the forthcoming Annual General Meeting.

Further details regarding the Audit Committee are disclosed in the Report on Corporate Governance of the Company's Annual Report for the financial year ended 31 December 2008.

Directors' Report

AUDITORS

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

On behalf of the board of directors,



TAN NGIAP JOO
Director

18 March 2009
Singapore



JACKSON CHEVALIER YAP KIT SIONG
Director

Statement By Directors

We, TAN NGIAP JOO 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 income statement, statements of changes in equity and consolidated cash flow statement together with 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 2008 and the results of the business, 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 of directors,



TAN NGIAP JOO
Director

18 March 2009
Singapore



JACKSON CHEVALIER YAP KIT SIONG
Director

Independent Auditors' Report

To the Members of United Engineers Limited

We have audited the accompanying financial statements of United Engineers Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 48 to 118, which comprise the balance sheets of the Group and the Company as at 31 December 2008, the statements of changes in equity of the Group and the Company and the income statement and cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion,

- (i) 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 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 2008 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
- (ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

18 March 2009

Consolidated Income Statement

For The Financial Year Ended 31 December 2008

		GROUP	
	Note	2008 \$000	2007 \$000
Revenue	4	624,560	539,772
Cost of Sales		(479,929)	(435,408)
Gross Profit		144,631	104,364
Other Items of Income			
Interest Income	5	2,885	3,404
Surplus on Revaluation of Investment Properties		-	199,624
Other Income	6	4,556	22,511
Other Items of Expense			
Distribution Costs	7	(10,346)	(7,345)
Administrative Expenses	7	(69,907)	(66,645)
Finance Costs	5	(11,536)	(16,697)
Other Expenses	7	(50,358)	(70,244)
Share of (Loss)/Profit from Equity-Accounted Associates		(197)	10,141
Share of Profit from Equity-Accounted Joint Ventures		3,005	-
Profit Before Tax		12,733	179,113
Income Tax Expense	8	(7,348)	(6,183)
Profit Net of Tax		5,385	172,930
Profit Attributable to Equity Holders of Parent, Net of Tax		5,989	176,188
Loss Attributable to Minority Interest, Net of Tax		(604)	(3,258)
Earnings per Stock Unit (cents)			
Earnings per Stock Unit (Basic)	9	2.7	80.4
Earnings per Stock Unit (Diluted)	9	2.7	79.5

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

As At 31 December 2008

	Note	GROUP		COMPANY	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	10	43,417	46,147	1,359	1,730
Investment Properties	11	685,524	687,027	636,000	636,000
Intangible Assets	12	16,072	9,330	–	–
Investments in Subsidiaries	13	–	–	349,045	367,818
Investments in Associates	14	38,120	47,962	315	315
Investments in Joint Ventures	15	37,418	7,592	–	–
Deferred Tax Assets	16	1,354	529	–	–
Other Investments	17	8,856	8,783	5,217	4,903
Development Properties	18	184,834	72,029	–	–
Total Non-Current Assets		1,015,595	879,399	991,936	1,010,766
Current Assets					
Assets and Disposal Groups Held for Sale under FRS 105	19	187,215	185,388	–	–
Inventories	20	10,012	9,459	–	–
Income Tax Receivables		5,126	15,468	–	–
Trade and Other Receivables	21	200,216	217,966	22,259	14,119
Gross Amount due from Customers for Contract Work	22	50,876	71,216	–	–
Other Investments	17	8,604	29,821	–	–
Prepayments		3,710	4,323	35	45
Properties Held for Sale	23	197,484	63,942	–	–
Cash and Cash Equivalents	24	178,270	187,498	8,248	14,279
Total Current Assets		841,513	785,081	30,542	28,443
Total Assets		1,857,108	1,664,480	1,022,478	1,039,209
EQUITY AND LIABILITIES					
Equity					
Share Capital	25	227,320	224,820	227,320	224,820
Retained Earnings		517,244	533,432	428,282	436,573
Other Reserves	26	21,197	24,697	8,603	6,761
Equity, Attributable to Equity Holders of the Parent		765,761	782,949	664,205	668,154
Minority Interest		71,146	74,121	–	–
Total Equity		836,907	857,070	664,205	668,154
Non-Current Liabilities					
Deferred Tax Liabilities	16	10,097	6,035	–	–
Term Loans	27	442,624	345,950	220,000	220,000
Total Non-Current Liabilities		452,721	351,985	220,000	220,000
Current Liabilities					
Income Tax Payable		7,209	6,597	4,693	4,424
Trade and Other Payables	28	224,552	205,060	16,017	24,548
Provisions	28	4,056	5,686	–	–
Bank Borrowings	29	19,303	12,717	–	–
Gross Amount due to Customers for Contract Work	22	16,689	18,520	–	–
Term Loans	27	295,671	206,845	117,563	122,083
Total Current Liabilities		567,480	455,425	138,273	151,055
Total Liabilities		1,020,201	807,410	358,273	371,055
Total Equity and Liabilities		1,857,108	1,664,480	1,022,478	1,039,209

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements Of Changes In Equity

For The Financial Year Ended 31 December 2008

GROUP

	Attributable to Equity Holders of the Parent							
	Total Equity \$000	Equity, Attributable to Equity Holders of the Parent, Total \$000	Share Capital (Note 25) \$000	Retained Earnings \$000	AFS Reserve (Note 26) \$000	Share Option Reserve (Note 26) \$000	Translation Reserve (Note 26) \$000	Minority Interest \$000
Opening Balance at 01/01/2008	857,070	782,949	224,820	533,432	31,408	2,441	(9,152)	74,121
Foreign Currency Translation Adjustments:								
- Subsidiaries and Associates Reserves	4,455	4,742	-	-	-	-	4,742	(287)
- Inter-Company Balances of a Long-Term Nature	161	161	-	-	-	-	161	-
Available-for-Sale (AFS) Investments: - Valuation Loss taken to Equity	(9,734)	(9,734)	-	-	(9,734)	-	-	-
Net Income and Expenses Recognised Directly in Equity	(5,118)	(4,831)	-	-	(9,734)	-	4,903	(287)
Profit/(Loss) for the Year	5,385	5,989	-	5,989	-	-	-	(604)
Total Recognised Income and Expenses for the Year	267	1,158	-	5,989	(9,734)	-	4,903	(891)
Ordinary Shares Issued on Exercise of Share Options Converted into Ordinary Stocks	2,500	2,500	2,500	-	-	-	-	-
Equity Share Options Issued	1,331	1,331	-	-	-	1,331	-	-
Movement in Minority Interests Arising from Increase in Shareholding of a Subsidiary	(1,176)	-	-	-	-	-	-	(1,176)
Dividends Paid (Note 30)	(23,085)	(22,177)	-	(22,177)	-	-	-	(908)
Closing Balance at 31/12/2008	836,907	765,761	227,320	517,244	21,674	3,772	(4,249)	71,146

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements Of Changes In Equity

For The Financial Year Ended 31 December 2008

GROUP

	Attributable to Equity Holders of the Parent							
	Total Equity \$000	Equity, Attributable to Equity Holders of the Parent, Total \$000	Share Capital (Note 25) \$000	Retained Earnings \$000	AFS Reserve (Note 26) \$000	Share Option Reserve (Note 26) \$000	Translation Reserve (Note 26) \$000	Minority Interest \$000
Opening Balance at 01/01/2007	718,126	635,061	219,877	375,005	63,373	1,323	(24,517)	83,065
Foreign Currency Translation Adjustments:								
- Subsidiaries and Associates Reserves	(1,891)	(1,839)	-	-	-	-	(1,839)	(52)
- Inter-Company Balances of a Long-Term Nature	17,204	17,204	-	-	-	-	17,204	-
Available-for-Sale (AFS) Investments: - Valuation Loss taken to Equity	(31,965)	(31,965)	-	-	(31,965)	-	-	-
Net Income and Expenses Recognised Directly in Equity	(16,652)	(16,600)	-	-	(31,965)	-	15,365	(52)
Profit/(Loss) for the Year	172,930	176,188	-	176,188	-	-	-	(3,258)
Total Recognised Income and Expenses for the Year	156,278	159,588	-	176,188	(31,965)	-	15,365	(3,310)
Ordinary Shares Issued on Exercise of Share Options Converted into Ordinary Stocks	4,943	4,943	4,943	-	-	-	-	-
Equity Share Options Issued	1,118	1,118	-	-	-	1,118	-	-
Movement in Minority Interests Arising from Capital Reduction in a Subsidiary	(4,494)	-	-	-	-	-	-	(4,494)
Movement in Minority Interests Arising from Increase in Shareholding of a Subsidiary	242	-	-	-	-	-	-	242
Dividends Paid (Note 30)	(19,143)	(17,761)	-	(17,761)	-	-	-	(1,382)
Closing Balance at 31/12/2007	857,070	782,949	224,820	533,432	31,408	2,441	(9,152)	74,121

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements Of Changes In Equity

For The Financial Year Ended 31 December 2008

COMPANY

	Total Equity \$000	Share Capital (Note 25) \$000	Retained Earnings \$000	AFS Reserve (Note 26) \$000	Share Option Reserve (Note 26) \$000
Opening Balance at 01/01/2008	668,154	224,820	436,573	4,320	2,441
Available-for-Sale (AFS) Investments:					
- Valuation Gain taken to Equity	511	-	-	511	-
Net Income Recognised Directly in Equity	511	-	-	511	-
Profit for the Year	13,886	-	13,886	-	-
Total Recognised Income for the Year	14,397	-	13,886	511	-
Ordinary Shares Issued on Exercise of Share Options					
Converted into Ordinary Stocks	2,500	2,500	-	-	-
Equity Share Options Issued	1,331	-	-	-	1,331
Dividends Paid (Note 30)	(22,177)	-	(22,177)	-	-
Closing Balance at 31/12/2008	664,205	227,320	428,282	4,831	3,772
Opening Balance at 01/01/2007	477,246	219,877	251,726	4,320	1,323
Profit for the Year	202,608	-	202,608	-	-
Total Recognised Income for the Year	202,608	-	202,608	-	-
Ordinary Shares Issued on Exercise of Share Options					
Converted into Ordinary Stocks	4,943	4,943	-	-	-
Equity Share Options Issued	1,118	-	-	-	1,118
Dividends Paid (Note 30)	(17,761)	-	(17,761)	-	-
Closing Balance at 31/12/2007	668,154	224,820	436,573	4,320	2,441

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

For The Financial Year Ended 31 December 2008

	GROUP	
	2008	2007
	\$000	\$000
Cash Flows From Operating Activities		
Profit before Tax	12,733	179,113
Depreciation of Property, Plant and Equipment	7,766	7,427
Interest Income	(2,885)	(3,404)
Finance Costs	11,536	16,697
Amortisation of Intangible Assets	642	467
Currency Realignment	731	(6,570)
Dividend Income from Investment Securities	(4,458)	(652)
Equity Share Options Issued	1,331	1,118
Foreign Exchange Translation Reserve Realised Upon Waiver of Debts to a Subsidiary	-	18,773
Gain on Disposal of Property, Plant and Equipment	(224)	(970)
Gain on Disposal of Investment Properties	(388)	(5,248)
Loss/(Gain) on Held for Trading Investments	7,204	(14,220)
Reversal of Impairment of Property, Plant and Equipment	(76)	(43)
Impairment of Associate	130	-
Impairment of Available-for-Sale Investments	9,320	-
Impairment of Intangible Assets	136	530
(Reversal of)/Impairment of Assets and Disposal Groups Held for Sale under FRS 105	(1,827)	22,343
Inventories Written-Down	210	365
Reversal of Write-Down of Inventories	-	(3)
Share of Profit from Equity-Accounted Associates and Joint Ventures	(2,808)	(10,141)
Deficit/(Surplus) on Revaluation of Investment Properties	570	(199,624)
Unrealised Exchange Loss	5,072	3,096
Operating Cash Flows before Changes in Working Capital	44,715	9,054
Properties Held for Sale		
- Development Expenditure	(204,985)	(35,904)
- Proceeds from Progress Billings	71,443	119,146
Increase in Trade and Other Payables and Provisions	24,079	29,104
Decrease in Trade and Other Receivables	24,583	91,523
Decrease/(Increase) in Gross Amount due from Customers for Contract Work	20,112	(41,564)
Decrease in Gross Amount due to Customers for Contract Work	(1,830)	(3,923)
Increase in Inventories	(688)	(684)
Cash Flows (Used In)/From Operations	(22,571)	166,752
Income Taxes Paid	(4,156)	(5,232)
Interest Paid	(18,481)	(27,256)
Interest Received	4,205	4,632
Net Cash Flows (Used In)/From Operating Activities	(41,003)	138,896

Consolidated Cash Flow Statement

For The Financial Year Ended 31 December 2008

	GROUP	
	2008	2007
	\$000	\$000
Cash Flows From Investing Activities		
Acquisition of Held For Trading Investments	-	(269)
Acquisition of Intangible Assets	(6,623)	(165)
Acquisition of Minority Interests	(1,499)	(1,451)
Capital and Development Expenditure	(129,120)	(24,283)
Increase in Amounts due from Associates and Joint Ventures	(732)	(924)
Increase in Loans to Joint Ventures	(25,243)	(4,810)
Investment in Associates	(1,641)	-
Investment in Joint Venture	(200)	(500)
Disposal of a Subsidiary, Net of Cash Disposed (Note (a))	-	-
Disposal of Intangible Assets	-	216
Dividends Received from Associates	220	829
Dividends Received from Investment Securities	4,458	652
Proceeds from Repayment of Loan Receivable from Investee Company	4,530	6,000
Proceeds from Disposal of Property, Plant and Equipment	3,444	4,736
Proceeds from Disposal of Held For Trading Investments	98	12,938
Proceeds from Disposal of Investment Properties	10,268	131,224
Net Cash Flows (Used In)/From Investing Activities	(142,040)	124,193
Cash Flows From Financing Activities		
Dividends Paid	(22,177)	(17,761)
Dividends Paid to Minority Interests of Subsidiaries	(908)	(1,382)
(Decrease)/Increase in Trusts Receipts and Bills Payable	(671)	313
Increase in Short-Term Loans	90,273	8,534
Contribution from/(Payment to) Minority Interests	325	(4,013)
Proceeds from Long-Term Loans	117,641	-
Repayment of Long-Term Loans	(20,425)	(91,089)
Issuance of Shares Upon Exercise of Share Options	2,500	4,943
Net Cash Flows From/(Used In) Financing Activities	166,558	(100,455)
Net (Decrease)/Increase in Cash and Cash Equivalents	(16,485)	162,634
Cash and Cash Equivalents, Beginning Balance	181,060	18,426
Cash and Cash Equivalents, Ending Balance	164,575	181,060

Consolidated Cash Flow Statement

For The Financial Year Ended 31 December 2008

Notes:

- (a) During the previous financial year, the Group disposed of its 60% stake in Dalian Xinwei Metalform Products Co Limited.

The effect on the individual assets and liabilities arising from the disposal is set out below:

	GROUP	
	2008 \$000	2007 \$000
Property, plant and equipment	-	1,200
Trade and other payables	-	(1,200)
Net assets of subsidiary disposed of	-	-
Less: Cash of subsidiary disposed of	-	-
Cash flow on disposal, net of cash disposed	-	-

- (b) Cash and Cash Equivalents

Cash and Cash Equivalents comprise:

Bank Balances and Deposits

- Continuing Operations (Note 24)
- Assets and Disposal Groups Held for Sale under FRS 105 (Note 19)

Bank Overdrafts (Note 29)

Cash and Cash Equivalents

178,270	187,498
1,408	1,408
179,678	188,906
(15,103)	(7,846)
164,575	181,060

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes To The Financial Statements

31 December 2008

1 GENERAL

The Company is a limited liability company domiciled and incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

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 subsidiaries are set out in Note 13 to the financial statements.

The registered office and principal place of business of the Company is located at:

83 Clemenceau Avenue
#18-01 UE Square
Singapore 239920

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except for investment properties and certain freehold/long leasehold land, derivative financial instruments, held for trading financial assets and available-for-sale financial assets that have been measured at their fair values.

The accounting policies have been consistently applied by the Group and the Company, and are consistent with those used in the previous financial year except for the changes in accounting policies discussed more fully below (Note 2.2).

The financial statements are presented in Singapore Dollars (SGD or \$) and all values in the tables are rounded to the nearest thousand (\$000) except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies have been consistently applied by the Group and the Company throughout the financial year, except for the changes in accounting policies discussed below.

(a) Adoption of new INT FRS

On 1 January 2008, the Group adopted the following new Interpretation of Financial Reporting Standard ("INT FRS") for annual periods beginning on or after 1 January 2008 and the impact of this on the Group's accounting policies is as follows:

INT FRS 112 – Service Concession Arrangements (effective for annual financial periods beginning on or after 1 January 2008)

INT FRS 112 requires the recognition of construction revenue and the corresponding financial receivable and/or intangible asset for public-to-private service concession arrangement if:

- the party that grants the service arrangement (the "grantor") controls or regulates what services the entity (the "operator") must provide with the infrastructure, to whom it must provide them, and at what price; and
- the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure asset at the end of the term of arrangement.

Notes To The Financial Statements

31 December 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

(a) Adoption of new INT FRS (continued)

INT FRS 112 – Service Concession Arrangements (effective for annual financial periods beginning on or after 1 January 2008) (continued)

Recognition of Financial Receivables

The Group recognises a financial receivable if it has a contractual right under the concession agreement to receive a fixed and determinable amount of payment during the concession period irrespective of the usage of the plants. The financial receivable is measured on initial recognition at its fair value. Subsequent to initial recognition, the financial receivable is measured at amortised cost using the effective interest method.

When the Group receives a payment during the concession period, it will apportion such payment between (i) the repayment of the financial receivable (if any), which will be used to reduce the carrying amount of the financial receivable on the balance sheet, (ii) interest income, which will be recognised as finance income in its income statement and (iii) revenue from operating the plants in its income statement.

Recognition of Intangible Assets

The Group recognises an intangible asset if it does not have any contractual right under the concession agreement to receive a fixed and determinable amount of payments during the concession period. The intangible asset is recognised to the extent that the Group has a right to charge fees for the usage of the plants and is amortised over the concession period.

On adoption of INT FRS 112, the infrastructure constructed in a service concession arrangement is not recognised as property, plant and equipment of the Group.

The Group recognises revenue from the construction and upgrading of the infrastructure in accordance with its accounting policy for construction contracts set out in Note 2.20. Where the Group performs more than one service under the arrangement, consideration received or receivable are allocated to the components by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

The Group recognises the consideration receivable as an intangible asset to the extent that it receives a right to charge users of the public service. Intangible assets are accounted for in accordance with the accounting policy set out in Note 2.11.

The change in accounting policy is applied retrospectively. The effects of adoption on the financial statements are as follows:

	GROUP	
	2008	2007
	\$000	\$000
Decrease in:		
Property, Plant and Equipment	–	(6,865)
Increase in:		
Revenue	2,446	–
Cost of Sales	2,446	–
Intangible Assets	–	6,865

The comparative figures are restated as follows:

	GROUP	
	Restated	Previous
	2007	2007
	\$000	\$000
Presented in the Balance Sheet		
Property, Plant and Equipment	46,147	53,012
Intangible Assets	9,330	2,465

Notes To The Financial Statements

31 December 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

(b) FRS and INT FRS in issue but not yet effective

The Group has not adopted the following relevant FRS and INT FRS that have been issued but not yet effective:

	Effective date (Annual periods beginning on or after)
FRS 1 : Presentation of Financial Statements – Revised Presentation	1 January 2009
FRS 23 : Borrowing Costs	1 January 2009
FRS 102 : Share-based Payment – Vesting Conditions and Cancellations	1 January 2009
FRS 108 : Operating Segments	1 January 2009

The directors expect that the adoption of the above pronouncements will have no material impact on the financial statements in the period of initial application, except for FRS 1 and FRS 108 as indicated below.

FRS 1 Presentation of Financial Statements – Revised Presentation

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt.

FRS 108 Operating Segments

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position and results of the Group when implemented in 2009.

2.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is stated in Note 2.11. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Notes To The Financial Statements

31 December 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

2.4 Transactions with Minority Interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented within equity in the consolidated balance sheet, separately from the parent shareholders' equity, and are presented separately in the consolidated income statement.

Transactions with minority interests are accounted for using the parent entity extension method, whereby, on acquisition of minority interests, the difference between the consideration and the book value of the share of the net assets acquired is recognised in goodwill. Gain or loss on disposal to minority interests is recognised in the income statement.

2.5 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 reliably measured. Revenue is measured at the fair value of consideration received or receivable. The following specific criteria must also be met before revenue is recognised:

Sale of Goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Rental Income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

Construction Contract Revenue

Revenue from construction contracts is recognised on the percentage of completion method. Further details can be found in Note 2.20.

Development Properties Held for Sale

The Group recognises income on property development projects when the risk and rewards of ownership have been transferred to the buyer through either the transfer of legal title or an equitable interest in a property. In cases where the Group is obliged to perform any significant acts after the transfer of legal title or equitable interest, revenue is recognised as the acts are performed based on the percentage of completion method, which is an allowed alternative method under Recommended Accounting Practice 11, Pre-completion Contracts for the Sale of Development Property ("RAP 11") issued by the Institute of Certified Public Accountants of Singapore in October 2005. Under the percentage of completion method, profit is brought into the income statement only in respect of sales procured and to the extent that such profit relates to the progress of construction work. The progress of construction work is measured by the proportion of the construction costs incurred to date to the estimated total construction costs for each project.

Rendering of Services

Revenue from services rendered is recognised upon services performed.

Service Concession Arrangement

Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contracts (refer to Note 2.20). Operation or service revenue is recognised in the period in which the services are provided by the Group. When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered.

Revenues from services rendered in respect of medical waste treatment concession arrangements are recognised by reference to the unit price and quantity of medical waste treated. Unit price is stated in each contract. Quantity of medical waste treated is measured according to the contract. Any losses are provided for as and when they become known.

Notes To The Financial Statements

31 December 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Revenue Recognition *(continued)*

Dividend and Interest Income

Dividend income is recognised when the Group's right to receive payment is established. Interest income is recognised using the effective interest method.

2.6 Employee Benefits

Defined Contribution Plans

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 Central Provident Fund (CPF) scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

Equity Compensation Benefits

The Company also operates the United Engineers Share Option Scheme 2000 (Scheme 2000) to grant non-transferable options to certain employees of the Company as consideration for services rendered. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital of the Company accordingly.

The compensation cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'), if applicable.

The compensation cost is recognised in the income statement with a corresponding increase in the employee share option reserve, over the vesting period that is the period which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options.

Where the terms of an employee share option plan are modified, as a minimum an expense is recognised over the remaining vesting period as if the terms had not been modified. Additional expense is recognised for any increase in the total fair value of the share options due to the modification, as measured at the date of the modification.

Where the employee share option plan is cancelled, it is treated as if it had vested on the date of cancellation, and any expense that otherwise would have been recognised for services received over the remaining vesting period is recognised immediately. However, if a new employee share option plan is substituted for the cancelled employee share option plan, and designated as a replacement employee share option plan on the date that it is granted, the cancelled and new share option plans are treated as if they were a modification of the original share option plan.

Employee Leave Entitlement

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

Notes To The Financial Statements

31 December 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

2.7 Foreign Currencies

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. The consolidated financial statements and the financial statements of the Company are presented in Singapore dollars, which is the functional currency of the Company.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of the foreign operation.

The assets and liabilities of foreign operations are translated into Singapore dollars at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in foreign currency translation reserve relating to that particular foreign operation is recognised in the income statement.

2.8 Income Taxes

Current Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised directly in equity.

Deferred Taxation

Deferred income tax is provided using the liability method on 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 at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities/assets are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are also recognised for 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 assets can be utilised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Notes To The Financial Statements

31 December 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Income Taxes *(continued)*

Deferred Taxation (continued)

Deferred tax assets and liabilities are recognised in the income statement except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Goods and Services Taxation/Sales Tax

Revenues, expenses and assets are recognised net of the amount of goods and services taxation/sales tax except:

- Where the goods and services taxation/sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services taxation/sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of goods and services taxation/sales tax included.

The net amount of goods and services taxation/sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.9 Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the balance sheet date.

Any revaluation surplus is credited directly to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in income statement, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The whole of the revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

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 as it has an unlimited and long useful life respectively.

Assets under construction are not depreciated as these assets are not yet available for use.

Notes To The Financial Statements

31 December 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Property, Plant and Equipment *(continued)*

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	-	over terms of lease ranging from 30 to 99 years
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 carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

2.10 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 are initially recorded at cost. Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the income statement in the year in which they arise. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the day-to-day servicing of an investment property.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.9 up to the date of change in use.

Notes To The Financial Statements

31 December 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Intangibles

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events and circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is 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 based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.7.

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

Trademark and Licences

Trademark and licences acquired separately are measured initially at cost. Following initial recognition, they are carried at cost less any accumulated amortisation and accumulated impairment losses. The amortisation expense on the trademark and licences which have finite lives are recognised in the income statement through the 'amortisation of intangible assets' line item.

The licence fees for trademark and marketing rights are amortised on a straight-line basis over the respective licence periods. The carrying values of trademark and licences are reviewed for impairment whenever there is an indication that the intangible asset may be impaired.

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

Concession Rights

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. Intangible assets received as consideration for providing construction services in a service concession arrangement are measured at fair value upon initial recognition, estimated by reference to the fair value of the construction services provided. When the Group receives an intangible asset and a financial asset as consideration for providing construction services in a service concession arrangement, the Group estimates the fair value of intangible assets as the difference between the fair value of the construction services provided and the fair value of the financial asset received. Subsequent to initial recognition, the intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses.

The estimated useful life of an intangible asset in a service concession arrangement is the period when it is available for use to the end of the concession period.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Notes To The Financial Statements

31 December 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

2.12 Subsidiaries, Associates and Joint Ventures

Subsidiary

A subsidiary is an entity over 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, or has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Associate

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. This generally coincides with the Group having not less than 20% and not more than 50% of the voting power and has board representation.

The financial years of some of the associates are not co-terminous with that of the Company. In the case of the associates 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. Where necessary, adjustments are made for the effects of significant transactions or events that occur between that date and reporting date of the Company, and to bring the accounting policies in line with those of the Group.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in an associate is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the profit or loss of the associate is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associates. In the Group's consolidated financial statements, the Group's share of results and reserves of associates acquired or disposed of are included in the consolidated financial statements from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associate in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic, financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. The Group's share of the profit or loss of the joint venture is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the joint ventures. In the Group's consolidated financial statements, the Group's share of results and reserves of joint ventures acquired or disposed of are included in the consolidated financial statements from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

The financial statements of the joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in subsidiaries, associates and joint ventures are accounted for at cost less impairment losses. Loans and amounts due from or to subsidiaries, associates and joint ventures are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.17.

Notes To The Financial Statements

31 December 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Investments

Investments are classified as financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets, as appropriate.

The accounting policies for the aforementioned categories of financial assets are stated in Note 2.17.

2.14 Development Properties

Development properties are stated at cost less impairment losses. Costs include land costs, progress payments of construction, related overhead expenditure and financing charges incurred during the period of construction.

Development is considered completed upon the issue of Temporary Occupation Permit. Upon completion, development properties are transferred to investment properties or property, plant and equipment when they are ready for their intended use.

2.15 Non-Current Assets Held For Sale and Discontinued Operations

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of or it is winding down and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

A component is deemed to be held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the asset (or all the assets and liabilities in the Group) are measured in accordance with the applicable FRS. Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in the income statement.

Prior period figures relating to operations that have been discontinued during the year are re-presented in order to be comparable to current period's presentation.

2.16 Inventories

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

2.17 Financial Assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Notes To The Financial Statements

31 December 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Financial Assets *(continued)*

A financial asset is derecognised when:

- The Group transfers the contractual rights to receive the cash flows of the financial asset; or
- The Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in a "pass-through" arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Where an entity has transferred financial assets in such a way that part or all of the financial assets do not qualify for derecognition, the entity shall disclose for each class of such financial assets: a) the nature of the assets; b) the nature of the risks and rewards of ownership to which the entity remains exposed; c) when the entity continues to recognise all of the assets, the carrying amounts of the assets and of the associated liabilities; and d) when the entity continues to recognise the assets to the extent of its continuing involvement, the total carrying amount of the original assets, the amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

Financial Assets at Fair Value through Profit or Loss

Financial assets held for trading are classified as financial assets at fair value through profit or loss. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the income statement. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Held-to-maturity Investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Investments intended to be held for an undefined period are not included in this classification. Subsequently to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the held-to-maturity investments are derecognised or impaired, as well as through the amortisation process.

Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Notes To The Financial Statements

31 December 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Financial Assets (continued)

Available-for-sale Financial Assets

Available-for-sale financial assets are financial assets that are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised directly in the fair value adjustment reserve in equity, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2.18 Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

Assets Carried at Amortised Cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

Assets Carried at Cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Available-for-sale Financial Assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognised in the income statement. Reversals of impairment losses on debt instruments are recognised in the income statement, if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Notes To The Financial Statements

31 December 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the income statement except for assets that are previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss be recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.20 Construction Contracts

Contract revenue and contract costs are recognised as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the balance sheet date, when the outcome of a construction contract can be estimated reliably. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred. An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Revenue arising from fixed price contracts is recognised in accordance with the percentage of completion method. The stage of completion is measured by reference to professional surveys of work performed.

Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred plus a percentage of the contract fee earned during the year. Percentage of the contract fee earned is measured by the proportion that the costs incurred to date bear to the estimated total costs of the contract. Only costs that reflect services performed are included in the estimated total costs of the contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Notes To The Financial Statements

31 December 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Properties Held for Sale

Development Properties Held for Sale

Development properties held for sale are stated at cost plus estimated profits to-date less progress billings. Allowance for foreseeable losses is made when it is anticipated that the net realisable value has fallen below cost.

Costs includes cost of land and construction, related overhead expenditure and financing charges incurred up to the completion of construction. Financing charges incurred to finance the development of such properties are capitalised during the period that is required to complete and prepare each property for its sale. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Developments are considered completed upon the issue of Temporary Occupation Permit. When completed, development properties held for sale are transferred to completed properties held for sale.

Profit on development properties held for sale is recognised on partly completed projects which have been sold and is based on the percentage of completion method (refer to Note 2.5). The expected profit is assessed having regard to the sales procured less attributable total costs including the cost of land, construction and interest and after making due allowance for known potential costs over-runs and allowance for contingencies.

Progress claims from purchasers of residential units for sale are shown as a deduction from the cost of the development properties held for sale.

Completed Properties Held for Sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost includes cost of land and construction, related overhead expenditure, and financing charges and other net costs incurred during the period of development. The costs are assigned by using specific identification. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Allowance for impairment is made when it is anticipated that the net realisable value has fallen below cost.

Revenue from completed properties held for sale is recognised upon execution of Sale and Purchase Agreements.

2.22 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and at bank, demand deposits and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

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

Notes To The Financial Statements

31 December 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Financial Liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished.

For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the income statement. Net gains or losses on derivatives include exchange differences.

2.24 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

2.25 Leases

As Lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.5.

As Lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as expense in the income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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.

Notes To The Financial Statements

31 December 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.26 Borrowing Costs

Borrowing costs are recognised in the income statement as incurred except to the extent that they are capitalised. 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 incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

2.27 Derivative Financial Instruments

The Group uses derivative financial instruments such as interest rate swaps and foreign currency 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.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivative financial instruments are taken to the income statement for the year.

The fair value of foreign currency forward contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Details of the Group's financial risk management objectives and policies are set out in Note 35.

2.28 Financial Guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are recognised initially at fair value. Subsequent to initial recognition, financial guarantees are recognised as income in the income statement over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the income statement.

2.29 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

2.30 Segment Reporting

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Notes To The Financial Statements

31 December 2008

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Critical Judgements Made in Applying Accounting Policies

The following are the judgements, apart from those involving estimations, made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Assessment of Operating Lease Commitments – As Lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Assessment of Allowance for Doubtful Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for doubtful receivables. In assessing the allowance for receivables, the Group takes into account the duration of the settlement agreement and whether any subsequent payments were in default.

Income Tax

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. Tax is computed in accordance with taxation rules in each jurisdiction. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable, deferred tax liabilities and deferred tax assets as at 31 December 2008 was \$7,209,000 (2007: \$6,597,000), \$10,097,000 (2007: \$6,035,000) and \$1,354,000 (2007: \$529,000) respectively.

3.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of Plant and Machinery

The cost of plant and machinery is depreciated on a straight-line basis over the useful lives estimated to be within 2 to 15 years. The carrying amount of the plant and machinery as at 31 December 2008 was \$29,517,000 (2007: \$28,053,000). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. Based on management's estimates, a 5% difference in the expected useful lives of these assets would result in less than 4% (2007: 1%) variance in the Group's profit for the financial year.

Construction Contracts

The Group recognises contract revenue to the extent of contract costs incurred where it is probable those costs will be recoverable or based on the stage of completion method. The stage of completion is measured by reference to professional surveys of work performed.

Significant assumptions are required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and contract costs and liquidated damage claims, as well as the recoverability of the contract costs incurred. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making the estimation, the Group evaluates by relying on past experience and knowledge of the project engineers and/or the work of specialists. An estimation of recoverable variation works amounting to \$2,390,000 (2007: \$2,700,000) was taken into consideration in arriving at the estimated losses of construction contracts. Any shortfall in recovery of this estimation will impact the results of the Group by the same quantum. The gross amount due from customers for contract work was \$50,876,000 (2007: \$71,216,000). The gross amount due to customers for contract work was \$16,689,000 (2007: \$18,520,000).

Notes To The Financial Statements

31 December 2008

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Key Sources of Estimation Uncertainty (continued)

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 12 to the financial statements.

Impairment of loans and receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables with impairment indicators at the balance sheet date is disclosed in Note 21 to the financial statements. If the present value of estimated future cash flows of receivables that are past due but not impaired and those that are impaired, varies by 5% from management's estimates, the Group's allowance for impairment will increase by \$1,056,000 (2007: \$747,000).

4 REVENUE

	GROUP	
	2008	2007
	\$000	\$000
Sale of goods	35,656	34,068
Sale of residential apartments	75,430	4,156
Rendering of services	94,499	86,651
Revenue from construction contracts	346,874	359,896
Rental income	67,643	54,349
Dividend income	4,458	652
	624,560	539,772

5 INTEREST INCOME AND FINANCE COSTS

Interest income:		
Interest income from loans and receivables	2,885	3,404
Finance costs:		
Interest expense on bank loans and bank overdrafts	21,833	30,195
Less : Interest expense capitalised in		
- Development properties (Note 18)	(4,564)	(5,675)
- Properties held for sale (Note 23)	(5,733)	(7,823)
Total finance costs	11,536	16,697

Notes To The Financial Statements

31 December 2008

6 OTHER INCOME

	GROUP	
	2008	2007
	\$000	\$000
The following items have been included in arriving at other income:		
Gain on disposal of investment properties	388	5,248
Gain on held for trading investments	–	14,220
Insurance claim	710	–
Negative goodwill arising on acquisition of minority interests of a subsidiary (Note 13)	699	–
Reversal of impairment loss on assets and disposal groups held for sale under FRS 105	1,827	–
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7 OTHER EXPENSES

The following items have been included in arriving at other expenses:

Allowance for doubtful trade receivables written back (Note 21)	3,629	2,115
Allowance for inventory obsolescence	(95)	(165)
Amortisation of intangible assets (Note 12)	(642)	(467)
Depreciation of property, plant and equipment (Note 10)	(7,766)	(7,427)
Deficit on revaluation of investment properties (Note 11)	(570)	–
Foreign exchange loss	(6,070)	(3,724)
Foreign exchange translation reserve realised upon waiver of debts to a subsidiary	–	(18,773)
Impairment loss on financial assets:		
- Available-for-sale financial assets (Note 17)	(9,320)	–
- Held for trading investments (Note 17)	(7,204)	–
- Trade receivables (Note 21)	(4,694)	(12,425)
Impairment loss on assets and disposal groups held for sale under FRS 105	–	(22,343)
Impairment loss on intangible assets (Note 12)	(136)	(530)
Legal fees	(1,952)	(1,217)
Net project closure costs	(15,000)	(5,000)
Non-audit fees paid to auditors for professional services		
- Auditors of the Company	(547)	(601)
- Other auditors	(940)	(376)
Staff costs (including directors' remuneration)		
- Salaries, wages, bonuses and other costs	(76,786)	(75,661)
- Central Provident Fund and other defined contribution plans	(5,273)	(5,187)
- Value of services received for grant of employees' share options	(1,331)	(1,118)
Direct operating expenses arising from investment properties (Note 11)	(20,674)	(19,566)
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Notes To The Financial Statements

31 December 2008

8 INCOME TAX EXPENSE

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

	GROUP	
	2008	2007
	\$000	\$000
Income statement		
Current income tax:		
- Current income taxation	3,816	2,783
- Under provision in respect of prior years	250	590
	<u>4,066</u>	<u>3,373</u>
Deferred income tax (Note 16):		
- Origination and reversal of temporary differences	3,282	2,810
Income tax expense recognised in the income statement	<u>7,348</u>	<u>6,183</u>

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:

	GROUP	
	2008	2007
	%	%
Applicable tax rate	18.0	18.0
Expenses not deductible for tax purposes	41.3	6.9
Income not subject to tax	(19.4)	(21.1)
Utilisation of previously unrecognised deferred tax assets	(39.5)	(0.5)
Deferred tax assets not recognised	2.8	-
Utilisation of tax losses/capital allowances under group relief	-	(0.5)
Losses of subsidiaries not utilised under group relief	55.5	1.7
Under provision of income tax in respect of prior years	3.0	0.1
Effect of reduction in tax rate	-	(0.1)
Share of profit from equity-accounted associates and joint ventures	(4.0)	(1.0)
Effective tax rate	<u>57.7</u>	<u>3.5</u>

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 18% for the year of assessment 2008 onwards. The corporate income tax rate applicable to Malaysian companies of the Group was reduced to 26% for the year of assessment 2008 onwards.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Tax losses and capital allowances of \$22,056,000 (2007: \$11,019,000) and \$5,465,000 (2007: \$5,750,000) 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 but not recognised as a liability in the financial statements (Note 30).

Notes To The Financial Statements

31 December 2008

9 EARNINGS PER STOCK UNIT

Basic earnings per stock unit (EPS) is calculated by dividing net profit attributable to ordinary stockholders of the Company of \$5,989,000 (2007: \$176,188,000) and after deducting preference dividends of \$66,000 (2007: \$54,000) by the weighted average number of ordinary stock units in issue during the financial year of 221,299,666 (2007: 219,108,728).

Diluted EPS is calculated by dividing the net profit attributable to ordinary stockholders of the Company and after deducting preference dividends by the weighted average number of ordinary stock units outstanding during the financial year plus the weighted average number of ordinary stock units that would be issued on the conversion of all the dilutive potential ordinary stock units into ordinary stock units.

	GROUP	
	2008	2007
Net profit attributable to ordinary stockholders of the Company used in computation of basic and diluted EPS (\$000)	5,989	176,188
Existing weighted average number of ordinary stock units applicable to basic earnings per stock unit (000)	221,300	219,109
Effect of dilutive securities: Share options (000)	1,573	2,479
Adjusted number of ordinary stock units applicable to diluted earnings per stock unit (000)	222,873	221,588

2,200,250 (2007: 2,446,600) of share options granted to the employees under the existing employee share option plans have not been included in the calculation of diluted earnings per stock unit because they are anti-dilutive for the current and previous financial years presented.

Since the end of the financial year, no senior executives have exercised the options to acquire ordinary shares (2007: 470,800). 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.

Notes To The Financial Statements

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10 PROPERTY, PLANT AND EQUIPMENT

	Freehold/long leasehold land \$000	Freehold/long leasehold 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							
At 1 January 2007, as previously reported	933	1,091	20,320	3,503	61,507	24,066	111,420
Adoption of INT FRS 112	–	–	(933)	–	(1,726)	–	(2,659)
At 1 January 2007, as restated	933	1,091	19,387	3,503	59,781	24,066	108,761
Currency realignment	–	(147)	(516)	(213)	(156)	(188)	(1,220)
Transfer to investment properties (Note 11)	–	–	(2,196)	–	–	–	(2,196)
Transfer to intangible assets (Note 12)	–	–	(1,909)	–	(2,515)	–	(4,424)
Additions	–	–	3,177	529	15,599	3,685	22,990
Disposals	–	–	(1,185)	(1,144)	(5,348)	(3,024)	(10,701)
Impairment losses written back	–	–	–	–	43	–	43
At 31 December 2007 and 1 January 2008, as restated	933	944	16,758	2,675	67,404	24,539	113,253
Currency realignment	(11)	(201)	(43)	(266)	(107)	(258)	(886)
Transfer to investment properties (Note 11)	–	–	(3,726)	–	–	–	(3,726)
Additions	–	–	9	1,569	7,446	2,918	11,942
Disposals	–	–	–	(1,024)	(3,822)	(1,835)	(6,681)
Impairment losses written back	–	–	–	–	76	–	76
At 31 December 2008	922	743	12,998	2,954	70,997	25,364	113,978
Accumulated depreciation							
At 1 January 2007, as previously reported	–	(370)	(10,607)	–	(38,776)	(16,184)	(65,937)
Adoption of INT FRS 112	–	–	32	–	167	–	199
At 1 January 2007, as restated	–	(370)	(10,575)	–	(38,609)	(16,184)	(65,738)
Currency realignment	–	32	206	–	95	104	437
Transfer to investment properties (Note 11)	–	–	451	–	–	–	451
Transfer to intangible assets (Note 12)	–	–	137	–	406	–	543
Charge for the financial year	–	(23)	(1,148)	–	(4,490)	(2,874)	(8,535)
Disposals	–	–	558	–	3,247	1,931	5,736
At 31 December 2007 and 1 January 2008, as restated	–	(361)	(10,371)	–	(39,351)	(17,023)	(67,106)
Currency realignment	–	46	59	–	768	192	1,065
Transfer to investment properties (Note 11)	–	–	470	–	–	–	470
Charge for the financial year	–	(16)	(671)	–	(4,701)	(3,063)	(8,451)
Disposals	–	–	–	–	1,804	1,657	3,461
At 31 December 2008	–	(331)	(10,513)	–	(41,480)	(18,237)	(70,561)
Net book value							
At 31 December 2007, as restated	933	583	6,387	2,675	28,053	7,516	46,147
At 31 December 2008	922	412	2,485	2,954	29,517	7,127	43,417

Notes To The Financial Statements

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10 PROPERTY, PLANT AND EQUIPMENT (continued)

Certain property, plant and equipment with a total book value of \$2,923,000 (2007: \$2,715,000) have been mortgaged to secure the Group's banking facilities of certain subsidiaries (Note 27 and 29).

COMPANY	Leasehold land and buildings \$000	Motor vehicles and other assets \$000	Total \$000
Cost			
At 1 January 2007	8,419	5,047	13,466
Additions	–	633	633
Disposals	–	(83)	(83)
At 31 December 2007 and 1 January 2008	8,419	5,597	14,016
Additions	–	497	497
Disposals	–	(757)	(757)
At 31 December 2008	8,419	5,337	13,756
Accumulated depreciation			
At 1 January 2007	(7,128)	(4,509)	(11,637)
Charge for the financial year	(448)	(284)	(732)
Disposals	–	83	83
At 31 December 2007 and 1 January 2008	(7,576)	(4,710)	(12,286)
Charge for the financial year	(448)	(420)	(868)
Disposals	–	757	757
At 31 December 2008	(8,024)	(4,373)	(12,397)
Net book value			
At 31 December 2007	843	887	1,730
At 31 December 2008	395	964	1,359

GROUP	
2008	2007
\$000	\$000

The depreciation charge for the financial year in the income statement is as follows:

Depreciation for the financial year	8,451	8,535
Current financial year's depreciation capitalised	(685)	(1,108)
Charged to the income statement	7,766	7,427

Notes To The Financial Statements

31 December 2008

11 INVESTMENT PROPERTIES

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Balance sheet:				
(a) Long leasehold land and buildings				
At 1 January	636,000	450,000	636,000	450,000
Revaluation surplus recognised in the income statement	–	186,000	–	186,000
At 31 December	636,000	636,000	636,000	636,000
(b) Leasehold land and buildings				
At 1 January	51,027	157,844	–	–
Currency realignment	(1,012)	(942)	–	–
Transfer from property, plant and equipment (Note 10)	3,256	1,745	–	–
Transfer to development properties (Note 18)	(1,278)	–	–	–
Additions (acquisition of properties)	7,956	–	–	–
Disposals	(9,855)	(121,244)	–	–
Revaluation (deficit)/surplus recognised in the income statement	(570)	13,624	–	–
At 31 December	49,524	51,027	–	–
At valuation	685,524	687,027	636,000	636,000
Income statement:				
Rental income from investment properties:				
- Minimum lease payments	41,135	35,791	37,079	30,400
Direct operating expenses (including repairs and maintenance) (Note 7) arising from:				
- Rental generating properties	20,309	19,566	19,176	17,513
- Non-rental generating properties	365	–	–	–
	20,674	19,566	19,176	17,513

Investment properties were stated at their fair 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 2008. The valuations are based on the income method that makes reference to estimated market rental values and equivalent yields.

Investment properties in (b) amounting to \$5,313,000 after revaluation at 31 December 2008 (31 December 2007: \$17,458,000) have been mortgaged to secure certain term loan facilities obtained to partially finance their developments (Note 27).

During the financial year, the Group transferred a property in Indonesia which was previously recorded under Investment Properties to Development Properties arising from the intention to re-develop the property into serviced villa units under the Park Avenue International branding (Note 18).

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12 INTANGIBLE ASSETS

	Trademark \$000	Software licence \$000	Marketing rights \$000	Concession rights \$000	Goodwill \$000	Others \$000	Total \$000
GROUP							
Cost							
At 1 January 2007, as previously reported	2,055	1,014	841	–	1,020	–	4,930
Adoption of INT FRS 112	–	–	–	2,659	–	–	2,659
At 1 January 2007, as restated	2,055	1,014	841	2,659	1,020	–	7,589
Currency realignment	(42)	(79)	(49)	559	–	–	389
Transfer from property, plant and equipment (Note 10)	–	–	–	4,424	–	–	4,424
Additions	–	–	–	–	1,212	165	1,377
Disposals	–	–	(216)	–	–	–	(216)
At 31 December 2007 and 1 January 2008, as restated	2,013	935	576	7,642	2,232	165	13,563
Currency realignment	12	39	23	978	–	15	1,067
Additions	–	–	–	5,798	–	825	6,623
At 31 December 2008	2,025	974	599	14,418	2,232	1,005	21,253
Accumulated amortisation							
At 1 January 2007, as previously reported	(1,716)	(670)	(169)	–	–	–	(2,555)
Adoption of INT FRS 112	–	–	–	(199)	–	–	(199)
At 1 January 2007, as restated	(1,716)	(670)	(169)	(199)	–	–	(2,754)
Currency realignment	38	47	11	(35)	–	–	61
Transfer from property, plant and equipment (Note 10)	–	–	–	(543)	–	–	(543)
Amortisation	(108)	(312)	(37)	–	–	(10)	(467)
Impairment loss	–	–	(230)	–	(300)	–	(530)
At 31 December 2007 and 1 January 2008, as restated	(1,786)	(935)	(425)	(777)	(300)	(10)	(4,233)
Currency realignment	(17)	(39)	(17)	(97)	–	–	(170)
Amortisation	(86)	–	(21)	(529)	–	(6)	(642)
Impairment loss	–	–	(136)	–	–	–	(136)
At 31 December 2008	(1,889)	(974)	(599)	(1,403)	(300)	(16)	(5,181)
Net carrying amount							
At 31 December 2007, as restated	227	–	151	6,865	1,932	155	9,330
At 31 December 2008	136	–	–	13,015	1,932	989	16,072

(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 2008, the remaining amortisation period ranges from 2 to 11 years.

Notes To The Financial Statements

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12 INTANGIBLE ASSETS (continued)

(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 is amortised evenly over its economic useful life of 3 years and has been fully amortised in 2007.

(c) Marketing rights

Marketing rights expenditures relate to licence fees paid to Simanco Pyrolytic Engineering, Inc for the exclusive rights to distribute patented medical waste processing systems in the People's Republic of China. The licence fees are amortised evenly over their economic useful lives of 10 years. During the financial year, an impairment loss was recognised to write down the carrying amount of licence fees.

(d) Concession rights

The Group has service concession arrangements with various government bodies and agencies of the government of the People's Republic of China ("the grantors"). Under these concession arrangements, the Group will typically construct and operate the medical waste treatment plants to collect and treat medical waste for local hospitals and clinics at the tariffs which are determined by the grantors for concession periods of between 10 to 30 years. The plants are transferred to the grantors at the end of the concession periods. The concession rights are amortised evenly over their economic useful lives of 10 to 30 years.

The amount of revenue and profits recognised during the financial year for the construction services provided under the arrangement amounted to \$2,446,000 (2007: \$Nil) and \$Nil (2007: \$Nil) respectively.

(e) Goodwill

Goodwill is tested for impairment annually where material. The goodwill relates mainly to a subsidiary group which holds medical waste treatment service concession rights in the People's Republic of China. The recoverable amount of goodwill is based on the value in use by reference to approved management budgets, business plans and estimated future cash flows, reflecting the economic useful life of the service concession arrangements (Note 12(d)). The estimated future cash flows are discounted to their present value using pre-tax discount rates ranging from 8% to 9% (2007: 8% to 9%) that reflect management's assessment of the risks specific to the cash-generating units and an annual growth rate of 3% (2007: 3%).

Amortisation of intangible assets is included in the line "Other expenses" in the income statement.

13 INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2008	2007
	\$000	\$000
Unquoted equity shares at cost	316,541	253,541
Impairment losses	(29,447)	(29,447)
Carrying amount of investments	287,094	224,094
Loans receivable	61,951	143,724
	349,045	367,818

Included in loans receivable are non-interest bearing unsecured loans of \$5,379,000 (2007: \$15,631,000) which form part of the Company's net investment in the subsidiaries. The other loans receivable are unsecured and bear interest ranging from 2.1% to 6.5% (2007: 3.1% to 6.5%) per annum. All loans receivable are expected to be repayable within one to two years except for the aforementioned unsecured loans of \$5,379,000 (2007: \$15,631,000), which are not expected to be repayable in the foreseeable future.

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13 INVESTMENTS IN SUBSIDIARIES (continued)

The subsidiaries as at 31 December are as follows:

Name of company	Principal activities (Place of business) ¹	Cost		Percentage of equity held by the Group	
		2008 \$000	2007 \$000	2008 %	2007 %
Incorporated in Singapore					
APG Engineers Pte Ltd	In the process of striking off	— [#]	— [#]	60	60
Asia Travel Service Private Limited	In the process of striking off	445	445	100	100
Delichem Pte Ltd	Specialty chemical products	3,993	3,993	100	100
⁴ Grafton Laboratories Private Limited	Dormant	410	410	100	100
Greatearth Construction Pte Ltd	Building contractors	15,850	15,850	85	85
Greatearth Corporation Pte Ltd	Building contractors	133	133	85	85
Greatearth Developments Pte Ltd	Property development and leasing	925	— [#]	92.5	92.5
Greatearth Holding Pte Ltd	Investment holding	3,038	3,038	85	85
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*
⁴ 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	In the process of striking off	156	156	52.5	52.5
UE AmiWater Pte Ltd	Dormant	— [#]	— [#]	100	100
UE-IBP Building Materials Pte Ltd	Bulk supply of building materials	350	350	59.5	59.5
UE Envirotech Pte Ltd	Investment holding and trading of specialised waste disposal equipment	14,666	14,666	100	100

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13 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Principal activities (Place of business) ¹	Cost		Percentage of equity held by the Group	
		2008 \$000	2007 \$000	2008 %	2007 %
Incorporated in Singapore (continued)					
UE Energy Solutions Pte Ltd	In the process of striking off	450	450	100	100
UE Managed Solutions Pte Ltd	Investment holding	2,310	2,310	70	70
UE One-North Developments Pte Ltd	Property development and leasing	20,000	20,000	100	100
UE Support Services Pte Ltd	Management services	41	41	100*	100*
UE Trade Corporation Pte Ltd	General traders	5,160	5,160	100	100
UE-Tradetec (Singapore) Pte Ltd	Supply of machinery, equipment and metal products	5,270	5,270	100*	100*
UE UMC Pte Ltd	Investment holding	64,824	31,824	100*	100*
UE Ville Developments Pte Ltd	Property development and leasing	1,000	1,000	100	100
⁴ UES (Middle East) Pte Ltd (formerly known as UE Water Systems Pte Ltd)	Dormant	2,162	2,162	100	100
UMC ServiceMaster Pte Ltd	Support management facilities	560	560	70	70
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, Brunei, Malaysia, Indonesia and Vietnam)	110,000	80,000	100*	100*
United Infrastructure Pte Ltd	Investment holding	65,415	65,415	100*	100*
United Tech Park Pte Ltd	Warehouse leasing business	1,820	1,820	90	90
⁴ UE NEWater Pte. Ltd.	Dormant	1,084	1,084	100	100

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13 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Principal activities (Place of business) ¹	Cost		Percentage of equity held by the Group	
		2008 \$000	2007 \$000	2008 %	2007 %
Incorporated in Malaysia					
² APG Geo-Systems Sdn Bhd	Specialists geo-technical foundation engineering (Malaysia)	4,097	4,097	60	60
² APG Systems (EM) Sdn Bhd	Specialists construction, sub-contractor for other geo-technical works (Malaysia)	48	48	60	60
² Applied Construction & Engineering (M) Sdn Bhd	Civil, electrical, mechanical engineers and contractors (Malaysia)	2,369	2,369	100	100
² Delichem Sdn Bhd	Provision of turnkey cleaning services (Malaysia)	— [#]	— [#]	100	100
Design Entice (M) Sdn Bhd	In Members' voluntary liquidation (Malaysia)	— [#]	— [#]	100	100
² GE Construction Sdn Bhd	Building contractors (Malaysia)	162	162	85	85
² McAlister Engineering Sdn Bhd	Freight tank containers and other steel products (Malaysia)	7,716	6,939	100*	66
² McAlister Holdings (Malaysia) Sdn Bhd	Project and business managers of property and buildings, general contractors (Malaysia)	60	60	100	100
² McAlister Trading (Malaysia) Sdn Bhd	Dormant (Malaysia)	100	100	100	100
² UE ServiceCorp (Malaysia) Sdn Bhd	Investment holding (Malaysia)	89	89	100	100
² UMC ServiceMaster Sdn Bhd	Support management facilities (Malaysia)	1,168	1,168	70	70
Incorporated in Brunei					
² United Engineers (B) Sdn Bhd	Civil, electrical, mechanical engineers and contractors (Brunei)	4,500	4,500	90	90

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13 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Principal activities (Place of business) ¹	Cost		Percentage of equity held by the Group	
		2008 \$000	2007 \$000	2008 %	2007 %
Incorporated in Hong Kong					
³ Goodman Medical Supplies Limited	Supply of medical equipment and accessories (Hong Kong and Macau)	7,954	7,954	100	100
Huge Right Industries Limited	In the process of de-registration (Hong Kong)	646	646	100	100
³ ServiceMaster Hong Kong Limited	Support management facilities (Hong Kong)	448	448	70	70
UE Enviro (HK) Pte Limited	In the process of de-registration (Hong Kong)	— [#]	— [#]	100	100
³ Uniteers (Hong Kong) Limited	Investment holding (Hong Kong)	— [#]	— [#]	100*	100*
Incorporated in Indonesia					
⁵ PT. United Engineers Indonesia	Fabrication of steel structures (Indonesia)	2,268	2,268	100*	100*
PT UE Amiwatir Tirta	In Members' voluntary liquidation (Indonesia)	151	151	95	95
⁴ PT. UE DMS Consultants	Specialist consultancy services (Indonesia)	163	163	100	100
² PT. UE Sentosa	Engineering and construction projects (Indonesia)	499	499	60	60
⁵ PT. UE Developments	Development and management of apartment (condominium) buildings and office buildings (Indonesia)	3,030	3,030	100	100
² PT Infratech Indonesia	Broadcasting and telecommunication facilities (Indonesia)	1,207	1,207	52.5	52.5

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13 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Principal activities (Place of business) ¹	Cost		Percentage of equity held by the Group	
		2008 \$000	2007 \$000	2008 %	2007 %
Incorporated in Taiwan					
² UE Managed Solutions Taiwan Ltd	Support management facilities (Taiwan)	1,168	1,168	70	70
² UE ServiceCorp (Taiwan) Limited	Support management facilities (Taiwan)	254	254	100	100
Incorporated in Myanmar					
⁴ UE Myanmar Limited	Dormant (Myanmar)	143	143	100	100
MPL International Limited	In Members' voluntary liquidation (Myanmar)	128	128	75	75
Incorporated in Bangladesh					
UE Trade Corporation (Bangladesh) Pte Ltd	Commission agents and general traders (Bangladesh)	–	106	– [^]	100
Incorporated in India					
² UE Trade Corporation (India) Private Limited	Import, export, procurement, trading and distribution (India)	117	117	100	100
UED Developments India Private Limited	In the process of striking off (India)	– [#]	– [#]	100	100
Incorporated in Sri Lanka					
UE Trade Corporation Lanka (Private) Limited	Liquidated on 19 November 2008	–	1,673	–	100
Incorporated in Thailand					
⁶ UES (Thailand) Company Limited	Dormant (Thailand)	114	114	90	90
⁶ UE Precision Cleaning Company Limited	Supply of specialty chemical solvents and cleaning machines (Thailand)	98	98	100	100

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13 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Principal activities (Place of business) ¹	Cost		Percentage of equity held by the Group	
		2008 \$000	2007 \$000	2008 %	2007 %
Incorporated in Cambodia					
⁴ United Media Limited	Dormant (Cambodia)	620	620	75	75
⁴ Media Services Limited	Dormant (Cambodia)	9	9	75	75
Incorporated in Vietnam					
² United Engineers (Vietnam) Limited	Engineering and construction (Vietnam)	583	583	100	100
Incorporated in The People's Republic of China					
⁷ Anhui Anxin Energy Co., Ltd.	Engineering services (The People's Republic of China)	1,207	1,207	100	100
² Hengyang City UE Meiya Songmu Water Co., Ltd	Industrial water supply (The People's Republic of China)	2,148	–	90 [®]	–
² Jiaozuo UE Environmental Protection Technology Co., Ltd.	Treatment of medical waste and related activities (The People's Republic of China)	1,615	1,615	90	90
² Liaocheng UE Environmental Protection Technology Co., Ltd.	Treatment of medical waste and related activities (The People's Republic of China)	1,494	1,494	90	90
⁸ 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
² Shaoyang UE Environmental Protection Technology Co., Ltd.	Treatment of medical waste and related activities (The People's Republic of China)	1,842	1,842	90	90
² UE Asia Pacific (Beijing) Co., Ltd.	General activities (The People's Republic of China)	3,257	3,257	100	100
² UE Aton (Liaocheng) Co., Ltd.	Treatment of waste water and related activities (The People's Republic of China)	590	590	100	100

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13 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Principal activities (Place of business) ¹	Cost		Percentage of equity held by the Group	
		2008 \$000	2007 \$000	2008 %	2007 %
Incorporated in The People's Republic of China (continued)					
² UE Aton Environment (Shanghai) Co., Ltd.	Treatment of waste water and related activities (The People's Republic of China)	759	–	70 [®]	–
² UE China (Shanghai) Co., Ltd.	Investment holding (The People's Republic of China)	6,108	6,108	100	100
² UE Envirotech (Beijing) Co., Ltd.	Treatment of medical waste and related activities (The People's Republic of China)	5,358	5,358	100	100
² UE Envirotech (Chenzhou) Co., Ltd.	Treatment of medical waste and related activities (The People's Republic of China)	1,662	1,662	100	100
² UE Envirotech (Xinxiang) Co., Ltd.	Treatment of medical waste and related activities (The People's Republic of China)	1,732	1,732	100	100
² UE Logistics Service & Management (Shenyang) Co., Ltd.	Building and operating medical linen management facility (The People's Republic of China)	2,704	–	100 [®]	–
² UE Envirotech (Weifang) Co., Ltd.	Treatment of medical waste and related activities (The People's Republic of China)	1,117	–	100 [®]	–
² UE Envirotech (Ji'an) Co., Ltd.	Treatment of medical waste and related activities (The People's Republic of China)	1,878	–	100 [®]	–
⁴ UE Envirotech (Nantong) Co., Ltd.	Treatment of medical waste and related activities (The People's Republic of China)	–	–	100 [®]	–
² UE Envirotech (Jiamusi) Co., Ltd.	Treatment of medical waste and related activities (The People's Republic of China)	1,738	–	100 [®]	–

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13 INVESTMENTS IN SUBSIDIARIES (continued)

¹ Place of business in Singapore unless otherwise stated.

² Audited by member firms of Ernst & Young Global in the respective countries.

³ Audited by Shu Lun Pan Horwath Hong Kong CPA Limited.

⁴ Not statutorily required to be audited.

⁵ Audited by Paul Hadiwinata, Hidajat, Arsono & Rekan, Indonesia.

⁶ Audited by A.A.C. Audit Firm, Thailand.

⁷ Audited by Hua Pu Tian Jian Gao Shang Certified Public Accountants (Beijing) Co., Ltd.

⁸ Audited by Shanghai HaiZhiXin - Houde C.P.A Partnership, The People's Republic of China.

^{*} Direct subsidiaries of United Engineers Limited.

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

[@] Subsidiary incorporated during the financial year.

[^] Subsidiary disposed of during the financial year.

^{*} During the financial year, the Group's subsidiary company, McAlister and Company, Limited ("McA"), acquired an additional 34% interest in McAlister Engineering Sdn Bhd ("MESB") from its minority interests for a cash consideration of \$777,000. As a result of this acquisition, MESB became a wholly-owned subsidiary of McA. On the date of acquisition, the book value of the additional interest acquired was \$1,476,000. The difference between the consideration and the book value of the interest acquired is recognised as negative goodwill in the income statement (Note 6).

14 INVESTMENTS IN ASSOCIATES

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Unquoted equity shares				
At cost	16,481	14,840	316	316
Impairment losses	(157)	(27)	(1)	(1)
Goodwill on acquisition	(1,023)	(1,023)	-	-
Currency realignment	(6,124)	(5,768)	-	-
Share of net gain on fair value changes recognised directly in equity	16,289	26,223	-	-
Share of net post acquisition reserves	34,094	34,510	-	-
	59,560	68,755	315	315
Loans receivable	129	146	-	-
Amounts receivable	1,609	942	86	86
Amount payable	(21,667)	(21,667)	-	-
	(19,929)	(20,579)	86	86
Allowance for doubtful receivables	(1,511)	(214)	(86)	(86)
	(21,440)	(20,793)	-	-
	38,120	47,962	315	315

Loans, amounts receivable and amount payable are mainly non-trade in nature, unsecured, interest-free and are not expected to be repayable within the next 12 months. The amount payable forms part of the Group's net investment in an associate.

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14 INVESTMENTS IN ASSOCIATES (continued)

The associates as at 31 December are as follows:

Name of company	Principal activities (Place of business) ¹	Cost		Percentage of equity held by the Group	
		2008 \$000	2007 \$000	2008 %	2007 %
Incorporated in Singapore					
Asia Infrastructure Project Development Pte Ltd	Water supply, sanitation and wastewater treatment	1,189	–	35 [®]	–
Lycorpipe Investment Pte Ltd	Investment holding	138	138	19 [®]	19 [®]
² United Wearnes Technology Pte Ltd	Investment holding	9,200	9,200	40	40
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
Taipan Asia Travel (M) Sdn Bhd	Travel agents (Malaysia)	189	189	23	23
Incorporated in The United Arab Emirates					
UES (Middle East) LLC	Engineering, construction, property development, environmental engineering, facility management and other related activities (The United Arab Emirates)	130	130	49	49
Incorporated in The People's Republic of China					
Xiangxi UE Envirotech Co., Ltd.	Treatment of medical waste and related activities (The People's Republic of China)	452	–	35 [®]	–

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14 INVESTMENTS IN ASSOCIATES (continued)

¹ Place of business in Singapore unless otherwise stated.

² Audited by PricewaterhouseCoopers.

[@] Associate incorporated during the financial year.

⁸ Although the Company owns only 19% of Lycorpipe Investment Pte Ltd, it is considered an associate as the Company has significant influence over the financial and operating policy decisions of the investee.

The summarised financial information of the associates not adjusted for the proportion of ownership interest held by the Group is as follows:

	GROUP	
	2008	2007
	\$000	\$000
Assets and liabilities:		
Current assets	70,112	62,101
Non-current assets	106,875	128,601
Total assets	<u>176,987</u>	<u>190,702</u>
Current liabilities	(17,092)	10,444
Non-current liabilities	(1,843)	613
Total liabilities	<u>(18,935)</u>	<u>11,057</u>
Results:		
Revenue	<u>54,672</u>	<u>43,811</u>
Profit for the financial year	<u>1,146</u>	<u>1,598</u>

Notes To The Financial Statements

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15 INVESTMENTS IN JOINT VENTURES

	GROUP	
	2008 \$000	2007 \$000
Unquoted equity shares		
At cost	700	500
Share of net post acquisition reserves	3,016	11
	<u>3,716</u>	<u>511</u>
Subordinated loans receivable	32,130	6,887
Subordinated amounts receivable	1,572	194
	<u>33,702</u>	<u>7,081</u>
	<u>37,418</u>	<u>7,592</u>

The joint ventures as at 31 December are as follows:

Name of company	Principal activities (Place of business)	Cost		Percentage of equity held by the Group	
		2008 \$000	2007 \$000	2008 %	2007 %
Incorporated in Singapore					
Balmoral Development Pte Ltd	Property development (Singapore)	500	500	50	50
Winpride Investment Pte Ltd	Property development and investment (Singapore)	200	–	18.5	–

Subordinated loans to joint ventures of \$32,130,000 (2007: \$6,887,000) are unsecured and bear interest ranging from 3.5% to 5.0% (2007: 3.5%) per annum. These loans are subordinated to the repayment of bank loans.

The aggregate amounts of each of current assets, non-current assets, current liabilities, non-current liabilities, income and expenses related to the Group's interest in the jointly-controlled entities are as follows:

	GROUP	
	2008 \$000	2007 \$000
Assets and liabilities:		
Current assets	38,111	5,206
Non-current assets	60,642	25,672
Total assets	<u>98,753</u>	<u>30,878</u>
Current liabilities	(3,832)	–
Non-current liabilities	(91,912)	(30,224)
Total liabilities	<u>(95,744)</u>	<u>(30,224)</u>
Income and expenses:		
Income	12,680	42
Expenses	<u>(9,675)</u>	<u>(30)</u>

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16 DEFERRED TAX

	GROUP	
	2008	2007
	\$000	\$000
Balance as at 1 January	5,506	2,682
Currency realignment	(45)	14
Charged to the income statement (Note 8)		
- current year	3,146	3,301
- under/(over) provision in respect of prior year	136	(491)
Balance as at 31 December	<u>8,743</u>	<u>5,506</u>

The deferred taxation arises as a result of:

Deferred tax liabilities

Excess of net book value over the tax written down value of property, plant and equipment	2,532	1,890
Profits recognised on percentage of completion	4,729	-
Provisions	146	963
Revaluation to fair value on held for trading investments	267	1,487
Revaluation of investment properties	2,308	1,577
Other deferred tax liabilities	115	118
	<u>10,097</u>	<u>6,035</u>

Deferred tax assets

Provisions	(994)	(181)
Other deferred tax assets	(360)	(348)
	<u>(1,354)</u>	<u>(529)</u>
	<u>8,743</u>	<u>5,506</u>

Unrecognised tax losses and capital allowances

As at 31 December 2008, the Group has unabsorbed tax losses and unutilised capital allowances of approximately \$48,338,000 (2007: \$49,337,000) and \$435,000 (2007: \$3,807,000) respectively, available for set-off against future assessable income subject to agreement with the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. 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.

Unrecognised temporary differences relating to investments in subsidiaries and joint ventures

At the balance sheet date, no deferred tax liability (2007: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries and joint ventures as:

- The Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future; and
- The joint ventures of the Group cannot distribute profits until consent of all the venturers is obtained. At the balance sheet date, the Group does not foresee giving such consent.

Such temporary differences for which no deferred tax liability has been recognised aggregate to \$2,913,000 (2007: \$3,057,000). The deferred tax liability is estimated to be \$565,000 (2007: \$556,000).

Tax consequences of proposed dividends

There are no income tax consequences (2007: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 30).

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17 OTHER INVESTMENTS

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Non-current:				
Held for trading investments				
Unquoted redeemable preference shares	–	242	–	–
Unquoted equity shares	2,625	2,625	–	–
	2,625	2,867	–	–
Available-for-sale financial assets				
Unquoted equity shares	6,231	5,916	5,217	4,903
	8,856	8,783	5,217	4,903
Current:				
Loan receivable	–	4,530	–	–
Held for trading investments				
Quoted equity shares	3,012	10,068	–	–
Available-for-sale financial assets				
Quoted equity shares	5,592	15,223	–	–
	8,604	29,821	–	–

Loan receivable in 2007 was a fixed rate loan extended in 2005 to a 10%-owned investee company. The loan formed part of the Group's net investment in the investee company. The amount was unsecured and bore interest at 3.5% per annum in 2007. The loan has been fully repaid in 2008.

Impairment loss

During the financial year, the Group recognised an impairment loss of \$9,320,000 (2007: \$Nil) and \$7,204,000 (2007: \$Nil) pertaining to available-for-sale financial assets and held for trading investments respectively carried at fair value, reflecting the write-down in the carrying value of these quoted equity shares.

18 DEVELOPMENT PROPERTIES

	GROUP	
	2008 \$000	2007 \$000
Development expenditure	174,595	66,354
Interest cost	10,239	5,675
	184,834	72,029

Borrowing costs of \$4,564,000 (2007: \$5,675,000) arising on financing specifically entered into for the development of property were capitalised during the year and included in development property.

A development property with a total book value of \$97,355,000 (2007: \$72,029,000) has been mortgaged to secure term loan facilities of a certain subsidiary (Note 27).

During the financial year, the Group transferred a property in Indonesia with a book value of \$1,278,000 which was previously recorded under Investment Properties to Development Properties arising from the intention to re-develop the property into serviced villa units under the Park Avenue International branding (Note 11).

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19 ASSETS AND DISPOSAL GROUPS HELD FOR SALE UNDER FRS 105

On 26 December 2007, the Company's wholly-owned subsidiary, United Infrastructure Pte Ltd ("UI") entered into a conditional share sale and purchase agreement (the "UPC Sale and Purchase Agreement") with Xin Gang Power Investments Limited ("Xin Gang") for the sale by UI of all its 67% shareholding interest in its subsidiary, United Power Corporation (Singapore) Pte Ltd ("UPC") for a total disposal consideration of USD85.6 million. UPC is an investment holding company whose principal asset is its holding of a 49% shareholding interest in Anhui Hefei United Power Generation Co., Ltd ("AHUP"), an associate of the Group. As at 31 December 2007 and 2008, the assets and liabilities related to UPC have been presented in the balance sheet as 'Assets and Disposal Groups Held for Sale under FRS 105'.

On 29 December 2008, UI issued a notice of termination to Xin Gang in respect of the UPC Sale and Purchase Agreement as Xin Gang did not make payment of the balance purchase consideration on the completion date on 26 December 2008. UI also provided written notice to the escrow agent on 29 December 2008 to pay to UI the escrow amount comprising USD20.0 million cash deposits together with all interest accrued thereon.

Pursuant to further discussions between Xin Gang and UI, the parties entered into a supplemental letter agreement ("Supplemental Agreement") on 15 January 2009 and the sale was completed on the same day. Under the Supplemental Agreement, the escrow amount of USD20.0 million was released to UI. It further provided that Xin Gang was to deposit into a USD escrow account USD5.0 million at least three days prior to 31 March 2009 and the balance purchase consideration at least three days prior to 30 June 2009. Xin Gang's obligations and liabilities set out above are secured by a charge over 71,690,000 shares of UPC in favour of UI (Note 40).

Balance sheet disclosures

The major classes of assets and liabilities of UPC classified as held for sale as at 31 December are as follows:

	GROUP	
	2008	2007
	\$000	\$000
Assets:		
Associate	185,835	184,008
Cash and cash equivalents	1,408	1,408
Assets of disposal group classified as held for sale	<u>187,243</u>	<u>185,416</u>
Liabilities:		
Trade and other payables	(28)	(28)
Liabilities directly associated with disposal group classified as held for sale	<u>(28)</u>	<u>(28)</u>
Net assets directly associated with disposal group classified as held for sale	<u>187,215</u>	<u>185,388</u>

20 INVENTORIES

Balance sheet:

Inventories, at lower of cost and net realisable value

Engineering supplies and raw materials	3,069	2,131
Trading inventories	6,943	7,328
Total inventories at 31 December	<u>10,012</u>	<u>9,459</u>
Inventories are stated after deducting allowance of	<u>3,028</u>	<u>3,382</u>

Income statement:

Inventories recognised as an expense in cost of sales	33,554	40,538
Inclusive of the following charge:		
- Inventories written-down	<u>210</u>	<u>365</u>

Notes To The Financial Statements

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21 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Total trade and other receivables (current):				
Trade receivables	177,401	192,434	3,030	2,323
Allowance for doubtful receivables	(12,532)	(26,132)	(33)	(86)
	164,869	166,302	2,997	2,237
Other receivables				
Claims/expenses recoverable	26,486	21,639	553	673
Deposits	5,311	27,910	191	110
Due from subsidiaries	–	–	18,094	11,139
Project advance	1,099	1,001	–	–
Sundry receivables	7,805	6,593	477	13
	40,701	57,143	19,315	11,935
Allowance for doubtful receivables	(5,354)	(5,479)	(53)	(53)
	35,347	51,664	19,262	11,882
	200,216	217,966	22,259	14,119
Add:				
Loans and amounts receivables:				
- Subsidiaries (Note 13)	–	–	61,951	143,724
- Associates (Note 14)	1,738	1,088	86	86
- Joint ventures (Note 15)	33,702	7,081	–	–
- Investments (Note 17)	–	4,530	–	–
Total trade and other receivables (current and non-current)	235,656	230,665	84,296	157,929
Cash and cash equivalents (Note 24)	178,270	187,498	8,248	14,279
Total loans and receivables	413,926	418,163	92,544	172,208

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Included in the trade receivables are amounts of \$3,660,000 (2007: Nil) which are payable on 14 days' terms and bear interest at 6.8% (2007: Nil) per annum.

Notes To The Financial Statements

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21 TRADE AND OTHER RECEIVABLES (continued)

Trade receivables (continued)

Included in the Group's trade receivables are:

- \$39,365,000 (2007: \$32,722,000) of retention sums relating to construction contracts,
- \$4,041,000 (2007: \$9,923,000) arising from construction contracts that are due for settlement more than 12 months after year end,
- \$37,364,000 (2007: \$53,680,000) denominated in Malaysian Ringgit,
- \$22,904,000 (2007: \$31,158,000) denominated in Brunei Dollars,
- \$11,366,000 (2007: \$14,393,000) denominated in Indonesian Rupiah,
- \$1,221,000 (2007: \$2,283,000) denominated in United States Dollars and
- \$8,800,000 (2007: \$11,658,000) denominated in other foreign currencies.

Due from subsidiaries

Amounts receivable from subsidiaries are mainly non-trade in nature, unsecured, bear interest ranging from 2.1% to 6.5% (2007: 3.4% to 6.5%) per annum except for \$4,676,000 (2007: \$3,036,000) which are interest-free and are payable on demand. Interest rates are repriced at intervals of 1, 2, 3 or 6 months.

Receivables that are past due but not impaired

The Group has trade receivables amounting to \$37,282,000 (2007: \$34,067,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	GROUP	
	2008	2007
	\$000	\$000
Trade receivables past due:		
Lesser than 30 days	12,750	9,120
30 to 60 days	7,205	4,149
61 to 90 days	2,157	2,919
91 to 120 days	4,286	3,327
More than 120 days	10,884	14,552
	37,282	34,067

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	GROUP	
	Individually impaired	
	2008	2007
	\$000	\$000
Trade receivables – nominal amounts	50,501	52,689
Less: Allowance for impairment	(12,532)	(26,132)
	37,969	26,557
Movement in allowance accounts:		
At 1 January	(26,132)	(17,493)
Charge for the year	(4,694)	(12,425)
Written off	4,028	1,464
Utilised in project closure	10,000	–
Written back	3,629	2,115
Exchange differences	637	207
At 31 December	(12,532)	(26,132)

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Notes To The Financial Statements

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22 GROSS AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	GROUP	
	2008	2007
	\$000	\$000
Costs incurred and attributable profits less recognised losses to-date	1,158,089	1,172,564
Less: Progress billings	(1,123,902)	(1,119,868)
Amounts due from customers for contract work, net	34,187	52,696
Presented as:		
Gross amount due from customers for contract work	50,876	71,216
Gross amount due to customers for contract work	(16,689)	(18,520)
	34,187	52,696
Included in progress billings are retention sums of	20,444	32,730

23 PROPERTIES HELD FOR SALE

Land cost	240,237	104,886
Development cost incurred to-date	37,193	15,189
Related overhead expenditure	85,213	43,931
Transfer from development property	–	17,882
	362,643	181,888
Add: Attributable profits	25,430	1,200
	388,073	183,088
Less: Progress billings	(190,589)	(119,146)
As at 31 December	197,484	63,942

Interest capitalised during the year was \$5,733,000 (2007: \$7,823,000) at rates ranging from 1.8% to 6.5% (2007: 3.3% to 6.5%) per annum.

Properties held for sale amounting to \$362,363,000 (2007: \$157,176,000) have been mortgaged to secure term loan facilities of certain subsidiaries (Note 27).

The Group uses the percentage of completion method for recognising revenue from partly completed projects. Had the completed contract method been adopted, the impact on the financial statements of the Group will be as follows:

	GROUP	
	2008	2007
	\$000	\$000
Decrease in:		
Opening balance of retained earnings	(1,200)	–
Revenue recognised for the financial year	(75,430)	(3,000)
Development costs recognised for the financial year	(51,200)	(1,800)
Profit for the financial year	(24,230)	(1,200)
Carrying value of properties held for sale		
- beginning of financial year	(1,200)	–
- end of financial year	(25,430)	(1,200)

Notes To The Financial Statements

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24 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Cash at banks and in hand	66,732	59,594	5,548	6,733
Fixed deposits	12,067	31,924	2,700	7,546
Project account	99,471	95,980	–	–
	178,270	187,498	8,248	14,279

Included in the Group's bank balances and deposits are:

- \$14,648,000 (2007: \$9,016,000) denominated in Renminbi,
- \$9,221,000 (2007: \$8,538,000) denominated in United States Dollars,
- \$2,638,000 (2007: \$10,870,000) denominated in Malaysian Ringgit and
- \$9,458,000 (2007: \$10,843,000) denominated in other foreign currencies.

Bank balances and deposits earn interest at effective interest rates ranging from 0.1% to 13.0% (2007: 0.1% to 10.0%) per annum. Short-term deposits are made for varying periods of between one day and three months depending on the cash requirements of the Group, and earn interests at the respective short-term deposit rates.

The project account is maintained in accordance with the Project Account Rules – 1997 Ed. Withdrawals are restricted to payments for expenditure incurred on development projects. \$94,800,000 (2007: \$94,300,000) of the project account has been placed in fixed deposits as at year end.

25 SHARE CAPITAL

	GROUP AND COMPANY			
	No. of shares 000	2008 \$000	No. of shares 000	2007 \$000
(a) Issued and fully paid:				
7.5 cents cumulative preference shares	875	875	875	875
Ordinary shares issued for cash				
Balance at 1 January	220,247	223,945	217,130	219,002
Share options exercised	1,377	2,500	3,117	4,943
Balance at 31 December	221,624	226,445	220,247	223,945
	222,499	227,320	221,122	224,820

The holders of ordinary 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 stock unit held by every member present in person or by proxy or attorney.

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25 SHARE CAPITAL (continued)

(b) Outstanding options

As at 31 December 2008, unissued shares granted under Scheme 2000 were as follows:

Date of Grant	Exercise Period	Exercise Price	Balance as at 31.12.07	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 forfeited during the financial year	Balance as at 31.12.08
6.12.00	6.12.01 to 5.12.10	\$1.14	211,000	–	105,500	–	105,500
5.11.01	5.11.02 to 4.11.11	\$1.01	287,600	–	–	–	287,600
4.10.02	4.10.03 to 3.10.12	\$1.07	491,800	–	80,000	–	411,800
12.12.03	12.12.04 to 11.12.13	\$1.61	614,100	–	111,400	–	502,700
25.11.04	25.11.05 to 24.11.14	\$1.59	747,200	–	223,400	–	523,800
30.11.05	30.11.06 to 29.11.15	\$1.81	852,500	–	162,600	–	689,900
27.11.06	27.11.07 to 26.11.16	\$2.11	1,793,000	–	694,000	14,000	1,085,000
6.12.07	6.12.08 to 5.12.17	\$3.68	2,446,600	–	–	246,350	2,200,250
			7,443,800	–	1,376,900	260,350	5,806,550

26 OTHER RESERVES

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
AFS Reserve	21,674	31,408	4,831	4,320
Share Option Reserve	3,772	2,441	3,772	2,441
Translation Reserve	(4,249)	(9,152)	–	–
	21,197	24,697	8,603	6,761

AFS Reserve records the cumulative fair value changes, net of tax, of available-for-sale (“AFS”) financial assets until they are derecognised or impaired.

Share Option Reserve represents the equity-settled share options granted to employees (Note 33). The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

Translation Reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group’s presentation currency.

Notes To The Financial Statements

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27 TERM LOANS

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
From financial institutions:				
Repayable within 1 year				
- secured	1,237	87	-	-
- unsecured	294,434	206,758	117,563	122,083
	295,671	206,845	117,563	122,083
Repayable after 1 year				
- secured				
- within 2 years	105,164	4,232	-	-
- within 3 to 5 years	114,827	121,718	-	-
	219,991	125,950	-	-
- unsecured				
- within 2 years	92,633	-	90,000	-
- within 3 to 5 years	130,000	220,000	130,000	220,000
	222,633	220,000	220,000	220,000
	442,624	345,950	220,000	220,000
Total loans and borrowings	738,295	552,795	337,563	342,083

The Group's floating rate term loans comprise:

	2008			2007		
	Effective interest rate % p.a.	Maturity	Total \$000	Effective interest rate % p.a.	Maturity	Total \$000
Singapore Dollars	1.8 – 7.8	2009 – 2012	679,662	2.9 – 6.5	2008 – 2011	499,922
Indonesian Rupiah	5.5 – 16.3	2009	28,705	7.0 – 14.5	2008	19,594
Malaysian Ringgit	5.0 – 8.8	2009 – 2010	14,230	5.0 – 8.8	2008	10,778
United States Dollars	3.8 – 10.3	2009	9,022	5.7 – 7.9	2008 – 2009	13,618
Other currencies	3.8 – 7.4	2009	6,676	5.3 – 6.9	2008	8,883
			738,295			552,795

Revolving credit facilities of \$100 million (2007: \$100 million) repayable within 12 months have been included as unsecured long-term loans as they are drawn from five-year committed facilities ending in 2010 and 2011.

Term loans are repriced at intervals of 1, 2, 3 or 6 months.

Term loans of \$221,228,000 (2007: \$126,037,000) of the subsidiaries are secured by mortgages on their respective properties and debentures over their assets (Notes 10, 11, 18 and 23).

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28 TRADE AND OTHER PAYABLES AND PROVISIONS

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Trade payables	44,812	47,455	–	68
Other payables				
Accrued property development cost	9,966	12,801	–	–
Accrued staff cost	11,326	13,993	1,993	2,842
Accrued job cost	98,146	90,235	–	–
Other accruals	35,592	17,801	1,795	1,413
Deposits	11,515	11,868	6,317	5,123
Due to subsidiaries	–	–	3,959	13,198
Interest payable	2,259	2,324	1,454	1,292
Sundry payables	10,936	8,583	499	612
	179,740	157,605	16,017	24,480
Total trade and other payables	224,552	205,060	16,017	24,548
Add:				
Amount due to an associate (Note 14)	21,667	21,667	–	–
Term loans (Note 27)	738,295	552,795	337,563	342,083
Bank borrowings (Note 29)	19,303	12,717	–	–
Total financial liabilities carried at amortised cost	1,003,817	792,239	353,580	366,631
Provisions	4,056	5,686	–	–

Trade payables / Other payables

Trade payables are non-interest bearing and are normally settled on 30 to 120 days' terms.

Included in the Group's payables are:

- \$8,350,000 (2007: \$5,789,000) of retention sums relating to construction contracts,
- \$16,397,000 (2007: \$11,133,000) denominated in Malaysian Ringgit,
- \$8,137,000 (2007: \$20,904,000) denominated in Brunei Dollars,
- \$2,759,000 (2007: \$4,811,000) denominated in Indonesian Rupiah,
- \$928,000 (2007: \$1,836,000) denominated in New Taiwan Dollars and
- \$3,129,000 (2007: \$2,776,000) denominated in other foreign currencies.

Other payables are non-interest bearing and have an average term of six months.

Due to subsidiaries

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

Provisions

Provisions relate to provision for rental top-up and warranties, as follows:

	GROUP	
	2008 \$000	2007 \$000
At 1 January	5,686	70
Additions during the year	44	7,414
Utilised during the year	(1,674)	(1,798)
At 31 December	4,056	5,686

Provision for rental top-up relates to top-up for shortfalls on the guaranteed rentals over the five-year leaseback period commencing from 19 April 2007 in respect of a sale and leaseback arrangement entered into with MacarthurCook Property Investment Pte Ltd.

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29 BANK BORROWINGS

	GROUP	
	2008	2007
	\$000	\$000
Bank overdrafts:		
- secured	208	-
- unsecured	14,895	7,846
	<u>15,103</u>	<u>7,846</u>
Trust receipts and bills payable:		
- secured	193	-
- unsecured	4,007	4,871
	<u>4,200</u>	<u>4,871</u>
	<u>19,303</u>	<u>12,717</u>

Included in bank overdrafts are:

- \$11,829,000 (2007: \$1,486,000) denominated in Brunei Dollars,
- \$1,396,000 (2007: \$5,014,000) denominated in Malaysian Ringgit and
- \$997,000 (2007: \$95,000) denominated in other foreign currencies.

Included in trust receipts and bills payable are:

- \$254,000 (2007: \$763,000) denominated in Malaysian Ringgit and
- \$Nil (2007: \$139,000) denominated in other foreign currencies.

Bank borrowings bear effective interest rates ranging from 2.1% to 8.8% (2007: 3.0% to 11.0%) per annum.

Bank overdrafts are repayable on demand. Trust receipts and bills payable are repriced at intervals of 3 to 6 months.

The banking facilities (which include overdrafts and trust receipts) of certain subsidiaries are secured by mortgages on their respective properties (Note 10), debentures over their other assets and covered by corporate guarantees given by their respective holding companies.

30 DIVIDENDS PAID

The following dividends were paid:

	GROUP AND COMPANY	
	2008	2007
	\$000	\$000
Declared and paid during the financial year:		
Cumulative Preference Shares:		
Tax exempt (one-tier) dividend of 7.5 cents (2007: 7.5 cents less Singapore income tax of 18%)	66	54
Ordinary Stock:		
- Tax exempt (one-tier) final dividend of 5 cents (2007: 5.6 cents less Singapore income tax of 18%)	11,056	10,048
- Special tax exempt (one-tier) dividend of 5 cents (2007: 3.5 cents)	11,055	7,659
	<u>22,177</u>	<u>17,761</u>

Proposed but not recognised as a liability as at 31 December:

The directors have proposed a first and final tax exempt (one-tier) dividend of 5 cents (2007: 5 cents) per ordinary stock and a special tax exempt (one-tier) dividend of 3 cents (2007: 5 cents) per ordinary stock, amounting to a total of \$17,730,000 (2007: \$22,025,000) and a final tax exempt (one-tier) tax dividend of 7.5 cents (2007: 7.5 cents) on the cumulative preference shares each, amounting to \$66,000 (2007: \$66,000). The dividends are subject to shareholders' approval at the upcoming Annual General Meeting.

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31 FUTURE CAPITAL COMMITMENTS

	GROUP	
	2008 \$000	2007 \$000
Capital commitments not recognised in the financial statements:		
Commitments in respect of contracts placed	103,868	102,309
Other amounts approved by directors but not yet committed	46,140	49,549
Share of joint venture's capital commitments	–	27,500
	150,008	179,358

32 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 until 2020 and contain provisions for rental adjustments. These leases have no renewal option or contingent rent provision included in the lease agreements. There are no restrictions placed upon the lessee by entering into these leases. Operating lease payments recognised in the consolidated income statement during the financial year amount to \$2,613,000 (2007: \$2,541,000). The Group is restricted from subleasing leased equipment to third parties.

Future minimum lease payments under non-cancellable operating leases with initial or remaining term of one year or more at the balance sheet date are as follows:

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Within one year	12,675	10,418	67	71
After one year but not more than five years	26,498	32,388	289	236
After five years	1,178	1,294	–	–
	40,351	44,100	356	307

(b) Lessors' lease commitments

The Group has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of between 1 and 5 years. All leases include a clause to enable revision of the rental charge on an annual basis based on prevailing market conditions.

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

	GROUP		COMPANY	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Within one year	45,819	38,836	30,258	26,283
After one year but not more than five years	60,044	69,020	45,784	55,473
	105,863	107,856	76,042	81,756

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33 EMPLOYEE SHARE OPTION SCHEME

Share options are granted to senior executives with more than 12 months' service. The exercise price of the options is equal to the average of the last dealt prices of the shares for the three (3) consecutive trading days immediately preceding the grant. The options vest if the employee remains in service for a period of one year from the date of grant. The option period commences 1 year after the date of the grant and expires on the day immediately before the 10th anniversary of the date of the grant. There are no cash settlement alternatives.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the financial year:

	2008 No.	2008 WAEP(\$)	2007 No.	2007 WAEP(\$)
Outstanding at beginning of the financial year ¹	7,443,800	2.36	8,301,780	1.67
Granted during the financial year ⁴	–	–	2,564,800	3.68
Exercised during the financial year ²	(1,376,900)	1.82	(3,117,580)	1.59
Forfeited during the financial year	(260,350)	3.60	(305,200)	2.55
Outstanding at end of the financial year ^{1,3}	5,806,550	2.43	7,443,800	2.36
Exercisable at end of the financial year	5,806,550	1.67	4,997,200	1.71

¹ Included within these balances are equity-settled options that have been recognised in accordance with FRS 102 as these equity-settled options were granted on or before 22 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 102.

² The weighted average share price during the financial year was \$2.97 (2007: \$3.40).

³ The range of exercise prices for options outstanding at the end of the year was \$1.01 to \$3.68 (2007: \$1.01 to \$3.68). The weighted average remaining contractual life for these options is 7.18 years (2007: 8.14 years).

⁴ During the financial year, the Company did not grant any employee share option. The weighted average fair value of options granted in 2007 was \$0.97.

The fair value of share options as at the date of grant, is estimated by an external valuer using the Binomial model, taking into account the terms and conditions upon which the options were granted. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

The inputs to the model used for the financial year ended 31 December 2007 are shown below.

	2007
Dividend yield (%)	5.00
Expected volatility (%)	20.00
Risk-free interest rate (%)	2.80
Expected life of options (years)	5.50
Share price (\$)	<u>3.78</u>

Notes To The Financial Statements

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34 RELATED PARTY TRANSACTIONS

The following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year.

(a) Sale of residential apartments under development

	GROUP	
	2008	2007
	\$000	\$000
Sale to:		
- directors	-	4,597
- other related parties	-	6,054
	-	10,651

Other related parties comprise the directors' close family members.

Company / firm related to a director

Chemech Industries (Pte) Ltd, a company in which a director, who has resigned in the previous financial year has deemed interest, performed consultancy services for the Company, for which the Company paid \$80,000 in 2007.

(b) Compensation of key management executives

	GROUP	
	2008	2007
	\$000	\$000
Short-term employee benefits	3,368	3,994
Central Provident Fund	44	92
Share-based payments	253	238
Total compensation paid to key management executives	3,665	4,324
Comprising amounts paid to:		
Directors of the Company	1,342	734
Other key management executives	2,323	3,590
	3,665	4,324

Key Management Executives' Interests in Employee Share Option Scheme

No share options were granted to Directors of the Company and other key management executives during the financial year (2007: 106,000 and 316,000 respectively, at an exercise price of \$3.68 each). The share options were granted on the same terms and conditions as those offered to other executives of the Group. The Director and other key management executives exercised options for 100,000 (2007: Nil) and 50,000 (2007: 534,000) ordinary stock units of the Company respectively at a price of \$1.14 to \$1.59 (2007: \$1.01 to \$1.81) each, with a total cash consideration of \$193,500 (2007: \$677,540) paid to the Company. The outstanding number of share options granted to a Director of the Company and other key management executives at the end of the financial year were 777,000 and 1,392,800 (2007: 877,000 and 1,766,000) respectively. No share options have been granted to the Company's non-executive directors.

Directors' fees amount to \$565,030 (2007: \$475,200).

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35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivative financial instruments, comprise bank loans and overdraft, cash and term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The main risks arising from the Group's financial instruments are credit risk, market price risk, foreign currency risk, interest rate risk and liquidity risk. The Board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Management Risk Committee. The Board Risk Committee provides independent oversight to the effectiveness of the risk management process. The Group does not hold or issue derivative financial instruments for trading purposes. Derivative transactions, including principally interest rate swaps and foreign currency forward contracts are entered into for the purpose of managing the interest rate and currency risks arising from the Group's operations and its sources of financing. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. 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.

It is the Group's policy to sell to a diverse group of customers who have been assessed for their credit worthiness to reduce credit risk. During the financial year, the Group has set up a formal Group Credit Committee to oversee the management of the Group's debts.

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of trade and other receivables recognised in the balance sheets. No other financial assets carry a significant exposure to credit risk.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 21.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade and other receivables on an on-going basis. The credit risk concentration profile of the Group's trade and other receivables at the balance sheet date is as follows:

	2008		GROUP		2007	
	\$000	% of total	\$000	% of total	\$000	% of total
By country:						
Singapore	137,639	58	107,563	47		
Malaysia	42,771	18	53,279	23		
Brunei	23,250	10	31,533	14		
Indonesia	13,298	6	18,302	8		
Other countries	18,698	8	19,988	8		
	235,656	100	230,665	100		
By industry sectors:						
Engineering and Construction	165,842	70	163,559	71		
Integrated Facility Management	63,326	27	60,710	26		
Corporate Services & others	6,488	3	6,396	3		
	235,656	100	230,665	100		

Notes To The Financial Statements

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35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 21 (Trade and other receivables).

Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the SGX-ST in Singapore and are classified as held for trading or available-for-sale financial assets.

It is not the Group's policy to actively trade in quoted equity instruments. The Group's holdings of the quoted equity instruments arose from settlement of trade debts and the restructuring of an associate.

Sensitivity analysis for equity price risk

At the balance sheet date, had the held for trading quoted equity instruments listed on the SGX-ST held by the Group been 5% (2007: 5%) higher/lower with all other variables held constant, the Group's profit net of tax would have been \$142,000 (2007: \$449,000) higher/lower, arising as a result of higher/lower fair value gains or losses recognised in the income statement on held for trading investments in equity instruments.

Had the available-for-sale quoted equity instruments listed on the SGX-ST held by the Group been 5% (2007: 5%) higher/lower with all other variables held constant, the Group's AFS reserve would have been \$280,000 higher (2007: \$761,000 higher/lower) or the Group's profit net of tax would have been \$280,000 lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

Foreign currency risk

The Group has exposure to foreign exchange risk as a result of transactions denominated in a currency other than the respective functional currencies of Group entities, arising from normal trading activities. Approximately 1% (2007: 1%) of the Group's sales are denominated in currencies other than the respective functional currencies of Group entities.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At 31 December 2008, such foreign currency balances, mainly Renminbi, United States Dollars and Malaysian Ringgit, amount to \$35,965,000 (2007: \$39,267,000) for the Group.

It is the Group's policy to hedge these risks through foreign currency forward 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 contracts for trading purposes. As at 31 December 2008, the Group had entered into foreign currency forward exchange sell contracts amounting to \$202,000 (2007: \$184,000). The fair value of the contract amounted to \$202,000 (2007: \$184,000).

In addition to transactional exposure, the Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investments in foreign subsidiaries are not hedged as currency positions are considered to be long-term in nature.

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35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD exchange rate against the respective functional currencies of the Group entities, with all other variables held constant.

	GROUP	
	2008	2007
	\$000	\$000
	Profit net of tax	Profit net of tax
USD/SGD - strengthened 5% (2007: 5%)	-171	-369
- weakened 5% (2007: 5%)	+171	+369
USD/RMB - strengthened 5% (2007: 5%)	+397	+240
- weakened 5% (2007: 5%)	-397	-240
USD/IDR - strengthened 5% (2007: 5%)	-192	-203
- weakened 5% (2007: 5%)	+192	+203

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's interest rate exposure relates primarily to its investment portfolio in fixed deposits and the Company's long-term debt obligations. The Company's loans at floating rate given to related parties form a natural hedge for its non-current floating rate bank loan. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually repriced at intervals of 1, 2, 3 or 6 months (2007: 1, 2, 3 or 6 months) from the balance sheet date.

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.

All loans are on floating rates. The Group's interest rate risk exposure is also disclosed in various notes to the financial statements.

Sensitivity analysis for interest rate risk

At the balance sheet date, if SGD interest rates had been 75 (2007: 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been \$5,097,000 (2007: \$3,758,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate term loans and bank borrowings.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to monitor its net operating cash flows and maintains an adequate level of committed banking facilities through regular review of its working capital requirements. Not more than 45% (2007: 40%) of term loans and bank borrowings (including overdrafts) should mature in the next one-year period, and that to maintain sufficient liquid financial assets and credit facilities with six different banks. At the balance sheet date, approximately 42% (2007: 39%) of the Group's term loans (Note 27) and bank borrowings (Note 29) will mature in less than one year based on the carrying amount reflected in the financial statements. 35% (2007: 36%) of the Company's term loans and bank borrowings will mature in less than one year at the balance sheet date.

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35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

	2008			2007		
	1 year or less \$000	1 to 5 years \$000	Total \$000	1 year or less \$000	1 to 5 years \$000	Total \$000
Group						
Trade and other payables	204,224	20,328	224,552	184,749	20,311	205,060
Term loans	295,671	442,624	738,295	206,845	345,950	552,795
Bank borrowings	19,303	–	19,303	12,717	–	12,717
	519,198	462,952	982,150	404,311	366,261	770,572
Company						
Trade and other payables	16,017	–	16,017	24,548	–	24,548
Term loans	117,563	220,000	337,563	122,083	220,000	342,083
	133,580	220,000	353,580	146,631	220,000	366,631

36 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maintain healthy capital ratios to sustain growth, maximise shareholder value and fulfill all borrowing covenants.

The Group manages its capital structure and may make adjustments to it, in light of changes in economic conditions. In order to manage or adjust the capital structure, the Group may obtain new borrowings or reduce its borrowings. No changes were made in the objectives, policies and processes during the years ended 31 December 2008 and 31 December 2007.

The Group monitors capital using debt to equity ratio, which is net borrowings divided by equity. The Group's current policy is to ensure that the debt to equity ratio does not exceed 1.1. Net borrowings include interest-bearing borrowings less cash and cash equivalents. Equity includes equity attributable to the equity holders of the parent.

	GROUP	
	2008 \$000	2007 \$000
Bank borrowings	19,303	12,717
Term loans – Current liabilities	295,671	206,845
Term loans – Non-current liabilities	442,624	345,950
Less: Cash and cash equivalents	(178,270)	(187,498)
Net borrowings	579,328	378,014
Equity, attributable to equity holders of the parent	765,761	782,949
Debt to equity	0.76	0.48

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37 FINANCIAL INSTRUMENTS

Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

(a) *Financial instruments carried at fair value*

The Group and Company has carried all investment securities that are classified as held for trading or available-for-sale financial assets, and all derivative financial instruments, at their fair value as required by FRS 39.

(b) *Financial instruments whose carrying amount approximate fair value*

Management has determined that the carrying amounts of cash and short term deposits, current trade and other receivables, bank overdrafts, current trade and other payables and current and non-current term loans, based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature or that they are floating rate instruments that are repriced to market interest rates on or near the balance sheet date.

(c) *Financial instruments whose fair values have not been disclosed*

The loans and amounts receivable/payable from/to subsidiaries, associates and joint ventures have no fixed terms of repayment. Accordingly, their fair values cannot be measured reliably as the timing of the future cash flows cannot be determined.

The aggregate of these financial assets for the Group and Company amounted to \$35,440,000 (2007: \$8,169,000) and \$62,037,000 (2007: \$143,810,000) respectively. The aggregate of these financial liabilities for the Group amounted to \$21,667,000 (2007: \$21,667,000).

(d) *Methods and assumptions used to determine fair values*

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values as mentioned earlier, are as follows:

Financial assets and liabilities	Methods and assumptions
<ul style="list-style-type: none">Quoted sharesDerivative financial instruments	Fair value has been determined by reference to published prices at the balance sheet date without factoring in transaction costs.
<ul style="list-style-type: none">Unquoted shares	Fair value of these unquoted shares has been determined using the fair values of underlying assets of investments. Management believes the estimated fair values recorded in the balance sheets and the related changes in fair values recorded in the fair value adjustment reserve are reasonable and the most appropriate at the balance sheet date.

During the financial year, a loss of \$16,524,000 (2007: gain of \$14,220,000) has been recognised in the income statement in relation to the change in fair value of financial assets or financial liabilities.

Notes To The Financial Statements

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38 SEGMENT INFORMATION

Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Business segments

The Engineering segment is in the business of building engineering and water and medical waste environmental engineering. The Construction segment covers general and specialised construction and rental of construction equipment and related services.

The Integrated Facility Management segment is in the business of providing services for project management, asset management and hospitality management and property development.

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

Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

Allocation basis and transfer pricing

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, income tax and deferred tax assets 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. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

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38 SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue and profit information regarding industry segments for the years ended 31 December 2008 and 2007 and certain asset and liability information regarding industry segments at 31 December 2008 and 2007.

	Engineering and Construction \$000	Integrated Facility Management \$000	Corporate Services & Others \$000	Elimination \$000	Total \$000
Year ended 31 December 2008					
Segment Revenue					
Sales to external customers	402,931	219,381	2,248	–	624,560
Inter-segment sales	15,238	1,200	6,348	(22,786)	–
Total revenue	418,169	220,581	8,596	(22,786)	624,560
Segment results	(22,532)	52,439	(11,331)	–	18,576
Finance costs					(11,536)
Interest income					2,885
Share of (loss)/profit from					
equity-accounted associates	(1,020)	823	–	–	(197)
Share of profit from					
equity-accounted joint ventures	–	3,005	–	–	3,005
Profit before tax					12,733
Income tax expense					(7,348)
Profit net of tax					5,385
Segment assets	332,713	1,216,766	38,396	–	1,587,875
Investments in associates	30,646	7,213	261	–	38,120
Investments in joint ventures	–	37,418	–	–	37,418
Assets and disposal groups held for					
sale under FRS 105	187,215	–	–	–	187,215
Unallocated assets					6,480
Total assets					1,857,108
Segment liabilities	192,541	49,312	3,444	–	245,297
Unallocated liabilities					774,904
Total liabilities					1,020,201
Other segment information:					
Allowance for doubtful trade					
receivables	4,400	88	206	–	4,694
Capital expenditure	10,319	1,174	449	–	11,942
Depreciation and amortisation	4,871	2,320	1,217	–	8,408
Loss on held for trading					
investments	7,060	–	144	–	7,204
Gain on disposal of investment					
properties	–	388	–	–	388
Reversal of impairment loss on assets					
and disposal groups held for sale					
under FRS 105	–	–	1,827	–	1,827
Impairment loss on available-for-sale					
financial assets	–	–	9,320	–	9,320
Impairment loss on intangible assets	136	–	–	–	136
Deficit on revaluation of investment					
properties	570	–	–	–	570

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38 SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Engineering and Construction \$000	Integrated Facility Management \$000	Corporate Services & Others \$000	Elimination \$000	Total \$000
Year ended 31 December 2007					
Segment Revenue					
Sales to external customers	400,023	135,232	4,517	–	539,772
Inter-segment sales	7,508	1,261	5,754	(14,523)	–
Total revenue	407,531	136,493	10,271	(14,523)	539,772
Segment results	7,358	224,946	(50,039)	–	182,265
Finance costs					(16,697)
Interest income					3,404
Share of profit from equity- accounted associates	9,365	776	–	–	10,141
Profit before tax					179,113
Income tax expense					(6,183)
Profit net of tax					172,930
Segment assets	347,503	1,004,768	55,270	–	1,407,541
Investments in associates	40,884	6,903	175	–	47,962
Investments in joint ventures	–	7,592	–	–	7,592
Assets and disposal groups held for sale under FRS 105	185,388	–	–	–	185,388
Unallocated assets					15,997
Total assets					1,664,480
Segment liabilities	173,293	49,419	6,554	–	229,266
Unallocated liabilities					578,144
Total liabilities					807,410
Other segment information:					
Allowance for doubtful trade receivables	11,379	90	956	–	12,425
Capital expenditure	19,906	2,631	453	–	22,990
Depreciation and amortisation	3,595	3,327	972	–	7,894
Gain/(loss) on held for trading investments	14,270	–	(50)	–	14,220
Gain on disposal of investment properties	–	5,248	–	–	5,248
Impairment loss on assets and disposal groups held for sale under FRS 105	–	–	22,343	–	22,343
Impairment loss on intangible assets	530	–	–	–	530
Surplus on revaluation of investment properties	5,579	194,045	–	–	199,624

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38 SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and expenditure information regarding geographical segments for the years ended 31 December 2008 and 2007 and certain asset information regarding geographical segments at 31 December 2008 and 2007.

	Singapore \$000	Other Asean Countries \$000	Other Asian Countries \$000	Others \$000	Elimination \$000	Total \$000
Year ended 31 December 2008						
Segment revenue	437,827	134,176	70,830	4,513	(22,786)	624,560
Segment assets	1,372,144	140,621	74,411	699	–	1,587,875
Capital expenditure	7,858	1,053	3,031	–	–	11,942
Year ended 31 December 2007						
Segment revenue	294,852	194,729	60,051	4,663	(14,523)	539,772
Segment assets	1,161,063	191,772	54,706	–	–	1,407,541
Capital expenditure	9,286	5,472	8,232	–	–	22,990

39 COMPARATIVE FIGURES

Apart as disclosed elsewhere in the financial statements, the following have been re-presented to conform to current year's classification and to better reflect the nature of the Group's operations.

	GROUP	
	Re-presented 2007 \$000	Previous 2007 \$000
Presented in the Notes to the Financial Statements		
21 Trade And Other Receivables		
– Included in total loans and receivables:		
• Income tax receivables	–	15,468
• Gross amount due from customers for contract work	–	71,216
	–	86,684
28 Trade And Other Payables And Provisions		
– Included in total financial liabilities:		
• Gross amount due to customers for contract work	–	18,520
35 Financial Risk Management Objectives And Policies		
<i>Credit risk concentration profile</i>		
By country:		
Singapore	107,563	164,126
Malaysia	53,279	61,048
Brunei	31,533	32,563
Indonesia	18,302	42,869
Other countries	19,988	21,066
	230,665	321,672
By industry sectors:		
Engineering and Construction	163,559	240,449
Integrated Facility Management	60,710	67,741
Corporate Services & others	6,396	13,482
	230,665	321,672

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39 COMPARATIVE FIGURES (continued)

	GROUP	
	Re-presented 2007 \$000	Previous 2007 \$000
Presented in the Notes to the Financial Statements (continued)		
38 Segment Information		
<i>(a) Business segments</i>		
Engineering and Construction		
Segment Revenue		
Sales to external customers	400,023	398,379
Total revenue	407,531	405,887
Segment results	7,358	14,310
Segment assets	347,503	333,504
Segment liabilities	173,293	172,182
Other segment information:		
Allowance for doubtful trade receivables	11,379	11,363
Capital expenditure	19,906	14,315
Depreciation and amortisation	3,595	3,583
Impairment loss on intangible assets	530	300
Integrated Facility Management		
Segment Revenue		
Sales to external customers	135,232	136,876
Total revenue	136,493	138,137
Segment results	224,946	217,994
Segment assets	1,004,768	1,018,767
Investments in joint ventures	7,592	–
Segment liabilities	49,419	50,530
Other segment information:		
Capital expenditure	2,631	8,222
Depreciation and amortisation	3,327	3,339
Impairment loss on intangible assets	–	230
Corporate Services & Others		
Other segment information:		
Allowance for doubtful trade receivables	956	972
Total		
Unallocated assets	15,997	23,589
	2,952,479	2,952,479

Notes To The Financial Statements

31 December 2008

40 SUBSEQUENT EVENTS

- (a) On 30 December 2008, the Company announced that the Directors proposed to carry out a renounceable underwritten rights issue (the "Rights Issue") of \$132,974,599 in aggregate principal amount of 1.0 per cent. convertible bonds due 2014 (the "Convertible Bonds"), in the denomination of \$1.00 for each convertible bond, on the basis of three convertible bonds for every five existing ordinary stock units held by entitled stockholders.

The Rights Issue has been approved by Members at an Extraordinary General Meeting held on 23 January 2009. The Offer Information Statement dated 6 February 2009 has been lodged with the Monetary Authority of Singapore.

All \$132,974,599 in aggregate principal amount of Convertible Bonds, which were issued on 3 March 2009 pursuant to the Rights Issue, have been listed and traded on the Main Board of the SGX-ST with effect from 5 March 2009. The Convertible Bonds would be accounted for in accordance with *FRS 32, Financial Instruments: Presentation*.

- (b) Following the execution of a supplemental agreement between the parties, United Infrastructure Pte Ltd and Xin Gang Power Investments Limited, the disposal of United Power Corporation (Singapore) Pte Ltd was completed on 15 January 2009. See Note 19 for further details.
- (c) On 22 January 2009, the Singapore Finance Minister announced the revision in the Singapore corporate tax rate from 18% to 17% with effect from Year of Assessment 2010. In accordance with *FRS 12, Income Taxes*, and *FRS 10, Events After the Balance Sheet Date*, this is a non-adjusting subsequent event and the financial effect of the reduced tax rate will be reflected in the 31 December 2009 financial year.

The Group's deferred tax provision has been computed on the year end prevailing tax rate of 18%. Applying the reduced tax rate of 17% would result in approximately \$13,000 and \$511,000 reduction in deferred tax assets and liabilities respectively.

41 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 27 February 2009.

Information On Shareholdings And Bondholdings

As at 16th March 2009

TOTAL NUMBER OF CLASS OF SHARES:

7.5 cents Cumulative Preference Shares	875,000
Ordinary Shares each converted into Stock Units	221,624,333

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

DISTRIBUTION OF SHAREHOLDINGS:

Size of Shareholdings	No. of Preference Shareholders	%	No. of Ordinary Stockholders	%
1 – 999	13	28.89	495	9.20
1,000 – 10,000	22	48.89	3,756	69.77
10,001 – 1,000,000	10	22.22	1,109	20.60
1,000,001 and above	–	–	23	0.43
	45	100.00	5,383	100.00

1% CONVERTIBLE BONDS DUE 2014:

Maturity Date : 3 March 2014

Initial Conversion Price : \$1.34 for each Conversion Share (subject to adjustment in the manner provided in the terms and conditions of the Convertible Bonds)

Final Redemption Price : 100% of principal amount on maturity date

Conversion Period : At any time on or after 3 March 2009 to 24 February 2014

The \$132,974,599 in aggregate principal amount of 1% convertible bonds due 2014 (the “Convertible Bonds”) issued by the Company on 3 March 2009 are represented by a Global Certificate registered in the name of The Central Depository (Pte) Limited (“CDP”).

As at 16th March 2009, CDP is entered in the Register of Bondholders as the holder of \$132,974,599 in aggregate principal amount of the Convertible Bonds.

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

As at 16th March 2009, approximately 64% 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.

Information On Preference Shareholders And Ordinary Stockholders

As at 16th March 2009

Ten Largest Preference Shareholders	Number of preference shares held	%
1. The Great Eastern Life Assurance Company Limited	535,207	61.17
2. Kambau Pte Ltd	69,000	7.89
3. The Great Eastern Trust Private Limited	41,357	4.73
4. The Shaw Foundation Pte Ltd	40,000	4.57
5. OCBC Securities Private Ltd	34,000	3.89
6. Oversea-Chinese Bank Nominees Pte Ltd	20,500	2.34
7. William Tan Cheng Ju	18,420	2.11
8. Thia Cheng Song	17,000	1.94
9. Ng Lee Kiang	13,000	1.49
10. Ng Ing Liang	11,000	1.26
	799,484	91.39

Twenty Largest Ordinary Stockholders	Number of stock units held	%
1. The Great Eastern Life Assurance Company Limited	28,454,617	12.84
2. The Straits Trading Company Limited	26,609,240	12.01
3. WBL Corporation Limited	21,712,000	9.80
4. Capital Intelligence Limited	10,995,000	4.96
5. Citibank Nominees Singapore Pte Ltd	9,120,674	4.12
6. Oversea-Chinese Bank Nominees Pte Ltd	7,213,259	3.25
7. The Overseas Assurance Corporation Limited	6,064,691	2.74
8. DBS Nominees Pte Ltd	5,623,346	2.54
9. HSBC (Singapore) Nominees Pte Ltd	4,812,086	2.17
10. DBSN Services Pte Ltd	4,215,670	1.90
11. Morph Investments Ltd	3,771,664	1.70
12. Raffles Investments (1993) Pte Ltd	3,397,000	1.53
13. United Overseas Bank Nominees (Private) Ltd	2,786,718	1.26
14. Singapore Investments Pte Ltd	2,656,554	1.20
15. Kota Trading Company Sendirian Berhad	2,579,432	1.16
16. The Great Eastern Trust Private Limited	2,419,087	1.09
17. Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,290,000	1.03
18. Lee Foundation	2,174,597	0.98
19. Tropical Produce Company Pte Ltd	1,713,557	0.77
20. Eng Hueng Fook Henry	1,573,000	0.71
	150,182,192	67.76

Information On Substantial Shareholders

As at 16th March 2009

SUBSTANTIAL PREFERENCE SHAREHOLDERS AND ORDINARY STOCKHOLDERS

as shown in the Register of Substantial Shareholders

	Stock Units				Preference Shares			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	No. of Stock Units	%	No. of Stock Units	%	No. of Preference Shares	%	No. of Preference Shares	%
Oversea-Chinese Banking Corporation Limited ⁽¹⁾	-	-	43,880,456	19.80	9,500	1.09	612,300	69.98
Great Eastern Holdings Limited ⁽²⁾	-	-	36,945,062	16.67	-	-	591,800	67.63
The Great Eastern Life Assurance Company Limited	28,456,617	12.84	-	-	537,207	61.40	-	-
The Straits Trading Company Limited	26,609,240	12.01	-	-	-	-	-	-
WBL Corporation Limited	21,712,000	9.80	-	-	-	-	-	-
Tecity Management Pte Ltd ⁽³⁾	-	-	-	-	-	-	69,000	7.89
The Tan Foundation ⁽³⁾	-	-	-	-	-	-	69,000	7.89
Kambau Pte Ltd	-	-	-	-	69,000	7.89	-	-
Dr Tan Kheng Lian ⁽⁴⁾	10,066	0.01	30,059,190	13.56	-	-	-	-
Tecity Pte Ltd ⁽⁴⁾	-	-	30,059,190	13.56	-	-	-	-
Siong Lim Private Limited ⁽⁴⁾	-	-	30,059,190	13.56	-	-	-	-
Aequitas Pte Ltd ⁽⁵⁾	-	-	29,979,240	13.53	-	-	-	-
Raffles Investments Limited ⁽⁵⁾	-	-	29,979,240	13.53	-	-	-	-
The Cairns Pte Ltd ⁽⁶⁾	-	-	26,609,240	12.01	-	-	-	-

Information On Substantial Shareholders

As at 16th March 2009

NOTES:

- (1) Oversea-Chinese Banking Corporation Limited is deemed to have an interest in:
 - (a) 43,880,456 Stock Units, of which 28,454,617 Stock Units were held by The Great Eastern Life Assurance Company Limited, 6,935,394 Stock Units were held by Oversea-Chinese Bank Nominees Pte Ltd, 6,063,358 Stock Units were held by The Overseas Assurance Corporation Limited, 2,419,087 Stock Units were held by The Great Eastern Trust Private Limited, 2,000 Stock Units were held by United Overseas Bank Nominees Pte Ltd (for the beneficial interest of The Great Eastern Life Assurance Company Limited), 2,000 Stock Units were held by United Overseas Bank Nominees Pte Ltd (for the beneficial interest of The Great Eastern Trust Private Limited) and 4,000 Stock Units were held by DBS Nominees Pte Ltd (for the beneficial interest of The Overseas Assurance Corporation Limited); and
 - (b) 612,300 Preference Shares, of which 535,207 Preference Shares were held by The Great Eastern Life Assurance Company Limited, 41,357 Preference Shares were held by The Great Eastern Trust Private Limited, 20,500 Preference Shares were held by Oversea-Chinese Bank Nominees Pte Ltd, 9,236 Preference Shares were held by The Overseas Assurance Corporation Limited, 2,000 Preference Shares were held by United Overseas Bank Nominees Pte Ltd (for the beneficial interest of The Great Eastern Life Assurance Company Limited), 2,000 Preference Shares were held by United Overseas Bank Nominees Pte Ltd (for the beneficial interest of The Great Eastern Trust Private Limited) and 2,000 Preference Shares were held by DBS Nominees Pte Ltd (for the beneficial interest of The Overseas Assurance Corporation Limited).
- (2) Great Eastern Holdings Limited is deemed to have an interest in:
 - (a) 36,945,062 Stock Units, of which 28,454,617 Stock Units were held by The Great Eastern Life Assurance Company Limited, 6,063,358 Stock Units were held by The Overseas Assurance Corporation Limited, 2,419,087 Stock Units were held by The Great Eastern Trust Private Limited, 2,000 Stock Units were held by United Overseas Bank Nominees Pte Ltd (for the beneficial interest of The Great Eastern Life Assurance Company Limited), 2,000 Stock Units were held by United Overseas Bank Nominees Pte Ltd (for the beneficial interest of The Great Eastern Trust Private Limited) and 4,000 Stock Units were held by DBS Nominees Pte Ltd (for the beneficial interest of The Overseas Assurance Corporation Limited); and
 - (b) 591,800 Preference Shares, of which 535,207 Preference Shares were held by The Great Eastern Life Assurance Company Limited, 41,357 Preference Shares were held by The Great Eastern Trust Private Limited, 9,236 Preference Shares were held by The Overseas Assurance Corporation Limited, 2,000 Preference Shares were held by United Overseas Bank Nominees Pte Ltd (for the beneficial interest of The Great Eastern Life Assurance Company Limited), 2,000 Preference Shares were held by United Overseas Bank Nominees Pte Ltd (for the beneficial interest of The Great Eastern Trust Private Limited) and 2,000 Preference Shares were held by DBS Nominees Pte Ltd (for the beneficial interest of The Overseas Assurance Corporation Limited).
- (3) Tecity Management Pte Ltd and The Tan Foundation are deemed to be interested in the Preference Shares held by Kambau Pte Ltd.
- (4) Dr Tan Kheng Lian, Tecity Pte Ltd and Siong Lim Private Limited are deemed to be interested in the Stock Units held by The Straits Trading Company Ltd, Melford Pte Ltd and Raffles Investments (1993) Pte Ltd.
- (5) Aequitas Pte Ltd and Raffles Investments Limited are deemed to be interested in the Stock Units held by The Straits Trading Company Ltd and Raffles Investments (1993) Pte Ltd.
- (6) The Cairns Pte Ltd is deemed to be interested in the Stock Units held by The Straits Trading Company Ltd.

Major Properties Held By The Group

As At 31 December 2008

Type of Property	Address	Description	Tenure of Land	Land Area	Group's Effective Interest	Held By	Cost/Valuation as at 31/12/2008	Cost/Valuation as at 31/12/2007
Residential/Commercial/Office Development known as UE Square (Completed)	81 and 83 Clemenceau Avenue, Singapore	15 storey block comprising 150 units of service apartments, 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 873 years.	355,023 sqft (32,982 sqm)	100%	United Engineers Limited	\$636.0 million	\$636.0 million
The Rochester at Vista Xchange, One North		366 condominium units (507,416 sqft)	98 years 9 months less 1 day leasehold from 22/6/2005. Remaining lease of 95 years.	Site part of commercial development	100%	UE One-North Developments Pte Ltd	\$192.3 million	\$157.2 million
Business Hotel Development at Vista Xchange, One North		350 rooms (172,151 sqft)	99 years less 1 day leasehold from 2/2/2005. Remaining lease of 95 years.	43,242 sqft (4,017.3 sqm)	100%	UE One-North Developments Pte Ltd	\$55.1 million	\$40.4 million
Commercial Development at Vista Xchange, One North		Net lettable area of 115,126 sqft	98 years 9 months less 1 day leasehold from 22/6/2005. Remaining lease of 95 years.	95,940 sqft (8,913 sqm) (inclusive of residential development)	100%	UE One-North Developments Pte Ltd	\$42.3 million	\$31.6 million
Print Media Hub (Completed)	61 Tai Seng Avenue, Singapore	A 5 storey production industrial hub with basement carpark	60 years leasehold from 15/5/2005. Remaining lease of 57 years.	Site area 131,577 sqft (12,223.8 sqm); net lettable area 254,752 sqft (23,667 sqm)	100%	United Engineers Developments Pte Ltd	\$25.7 million	\$25.9 million
Residential Studio Apartments and 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 and 5 townhouses with basement carparks.	99 years leasehold from 12/12/1996. Remaining lease of 87 years.	12,633 sqft (1,173.7 sqm)	100%	UE Ville Developments Pte Ltd	\$26.2 million	\$26.2 million

Major Properties Held By The Group

As At 31 December 2008

Type of Property	Address	Description	Tenure of Land	Land Area	Group's Effective Interest	Held By	Cost/Valuation as at 31/12/2008	Cost/Valuation as at 31/12/2007
UE Biz Hub	Business park development at Changi Business Park	A business centre featuring exhibition and convention halls, an auditorium, seminar rooms, a business hotel and retail space	30 years leasehold from 1/2/2008 with option to extend for another 30 years at prevailing lease premium	468,000 sqft (office); 80,000 sqft /about 260 rooms (hotel); 140,214 sqft (convention centre)	100%	United Engineers Developments Pte Ltd	\$85.9 million	–
Park Central @AMK	Ang Mo Kio Street 52, Singapore	578 DBSS HDB dwelling units	103 years leasehold from 3/3/2008	180,715 sqft (16,789 sqm)	92.5%	Greatearth Developments Pte Ltd	\$170.1 million	–
Commercial (Completed)	Nos 99 and 101 Tanjong Pagar Road, Singapore	2 units 3 storey shophouses with attic	99 years leasehold from 19/3/1992. Remaining lease of 82 years.	3,099 sqft (288 sqm)	85%	Greatearth Construction Pte Ltd	\$6.6 million	\$6.8 million
Residential Apartments known as Setiabudi Apartments (Completed)	Jalan RS Aini, Kaveling No. 7, 8 and 9, Kelurahan Karet, Kecamatan Setiabudi, Jakarta Selatan 12920, Jakarta, Indonesia	38 apartment units	20 years leasehold from 2004. Remaining lease of 15 years.	62,733 sqft (5,828 sqm)	100%	PT UE Developments	\$5.3 million	\$6.2 million

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Ninety-Fifth Annual General Meeting of United Engineers Limited (the “**Company**”) will be held at 81A Clemenceau Avenue, 5th Storey, Park Avenue Suites, UE Square, Singapore 239918 on Thursday, 30 April 2009 at 2.00 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and Audited Financial Statements for the year ended 31 December 2008 and the Auditors’ Report thereon.
- 2(a). To declare a first and final dividend of 7.5 cents (one-tier tax exempt) on the Cumulative Preference Shares, for the year ended 31 December 2008, as recommended by the Directors.
- 2(b). To declare a first and final dividend of 5 cents (one-tier tax exempt) per ordinary stock unit for the year ended 31 December 2008, as recommended by the Directors.
- 2(c). To declare a special dividend of 3 cents (one-tier tax exempt) per ordinary stock unit for the year ended 31 December 2008, as recommended by the Directors.
3. To re-elect Mr Jackson Chevalier Yap Kit Siong, a Director retiring under Article 99 of the Articles of Association of the Company, and who being eligible, offers himself for re-election.
4. To re-appoint Dr Tan Eng Liang, a Director retiring under Section 153(6) of the Companies Act (Cap. 50), to hold office from the date of this Annual General Meeting until the next Annual General Meeting.

Note : Dr Tan will, upon re-appointment as Director of the Company, continue to serve as Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

5. To re-appoint Mr Chew Leng Seng, a Director retiring under Section 153(6) of the Companies Act (Cap. 50), to hold office from the date of this Annual General Meeting until the next Annual General Meeting.

Note: Mr Chew will, upon re-appointment as Director of the Company, continue to serve as Chairman of the Remuneration Committee and a member of the Audit, Executive and Board Risk Committees. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

6. To approve Directors’ Fees of \$565,030 for the year ended 31 December 2008. (2007:\$475,200)
7. To re-appoint Messrs Ernst & Young LLP as Auditors and to authorise the Directors to fix their remuneration.
8. To transact any other business as may properly be transacted at an Annual General Meeting.

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 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 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 ten per cent. (10%) of the total number of issued ordinary shares in the capital of the Company (excluding ordinary stock units held as treasury shares) 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 thereby converted into a corresponding number of ordinary stock units. [See Additional Information Relating to Item of *Special Business*]

Notice Of Annual General Meeting

By Order of the Board

HENG FOOK PYNG, JESLYN (MS)

Company Secretary

Singapore
15 April 2009

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 not less than 48 hours before the time set for the Annual General Meeting or any postponement or adjournment thereof.

ADDITIONAL INFORMATION RELATING TO ITEM OF SPECIAL BUSINESS

The Ordinary Resolution in item no. 9, if passed, will empower the Directors to issue ordinary shares of the Company upon the exercise of options granted or to be granted under the United Engineers Share Option Scheme 2000, not exceeding ten per cent. (10%) of the total number of issued ordinary shares in the capital of the Company (excluding ordinary stock units held as treasury shares) 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 Share Transfer Books and Register of Members of the Company will be closed from 11 May 2009 to 13 May 2009 (both dates inclusive) for the purposes of ascertaining dividend entitlements. Duly completed transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services, 8 Cross Street, #11-00 PWC Building, Singapore 048424, up to 5.00 p.m. on 8 May 2009 will be registered to determine such dividend entitlements.

Members (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary stock units or (as the case may be) preference shares as at 5.00 p.m. on 8 May 2009 will rank for the relevant proposed dividends.

The proposed dividends, if approved by Members at the Ninety-Fifth Annual General Meeting, will be paid on 22 May 2009.

Proxy Form



United
Engineers
Limited

(Company Registration No. 191200018G)
(Incorporated in Singapore)

IMPORTANT

- For investors who have used their CPF monies to buy United Engineers Limited stock units and/or preference shares, the Annual Report is forwarded to them at the request of their CPF Agent Banks 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.
- CPF Investors who wish to attend the Annual General meeting as OBSERVERS must submit their requests through their respective Agent Banks so that their Agent Banks may register, in the required format, with the Company Secretary, by the time frame specified. **(Agent Banks: please see Note 8 on required format) Any voting instructions must also be submitted to their Agent Banks within the time frame specified to enable them to vote on the CPF Investor's behalf.**

I/We, (Name) _____, NRIC/Passport No./Co. Regn. No. : _____

of (Address) _____

being a member/members of UNITED ENGINEERS LIMITED (the "Company") 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 attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Ninety-Fifth Annual General Meeting (the "Meeting") of the Company, to be held at 81A Clemenceau Avenue, 5th Storey, Park Avenue Suites, UE Square, Singapore 239918 on Thursday, 30 April 2009 at 2.00 p.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution 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.	ORDINARY RESOLUTIONS	FOR	AGAINST
1	Adoption of Reports and Financial Statements		
2 (a)	Declaration of Dividend on Preference Shares		
2 (b)	Declaration of Dividend on Ordinary Stock Units		
2 (c)	Declaration of Special Dividend on Ordinary Stock Units		
3	Re-election of Mr Jackson Chevalier Yap Kit Siong		
4	Re-appointment of Dr Tan Eng Liang		
5	Re-appointment of Mr Chew Leng Seng		
6	Approval of Directors' Fees		
7	Re-appointment of Auditors		
8	Any other business		
9	Authority to Directors to grant options and issue shares pursuant to Scheme 2000		

Dated this _____ day of _____ 2009.

Number of Stock Units Held	
Number of Preference Shares Held	

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

IMPORTANT : PLEASE READ NOTES OVERLEAF

Proxy Form

NOTES:

1. Please insert the total number of Stock Units/Preference Shares held by you. If you have Stock Units/Preference Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Stock Units/Preference Shares. If you have Stock Units/Preference Shares registered in your name in the Register of Members of the Company, you should insert that number of Stock Units/Preference Shares. If you have Stock Units/Preference Shares entered against your name in the Depository Register and Stock Units/Preference Shares registered in your name in the Register of Members, you should insert the aggregate number of Stock Units/Preference Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Stock Units/Preference Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 83 Clemenceau Avenue, #18-01, UE Square, Singapore 239920 not less than 48 hours before the time appointed 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 seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
8. Agent Banks acting on the request of CPF Investors who wish to attend the Meeting as observers are requested to submit in writing, a list of details of the Investors' names, NRIC/Passport numbers, addresses and numbers of Stock Units/Preference Shares held. The list, signed by an authorised signatory of the Agent Bank, should reach the Company Secretary, at the registered office of the Company not later than 48 hours before the time appointed for the Meeting.

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Stock Units/Preference Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have 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.

United Engineers Limited

Company Registration No. 191200018G

83 Clemenceau Avenue #18-01

UE Square Singapore 239920

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