



UNITED
ENGINEERS
LIMITED

ANNUAL REPORT 2005

Strengthening
Core
Competencies
For Further
Sustainable
Growth



VISION

To be the company of choice, recognised worldwide, for unparalleled first-class solutions.

MISSION

To be the leader in our chosen markets, delivering one-stop solutions to customers.

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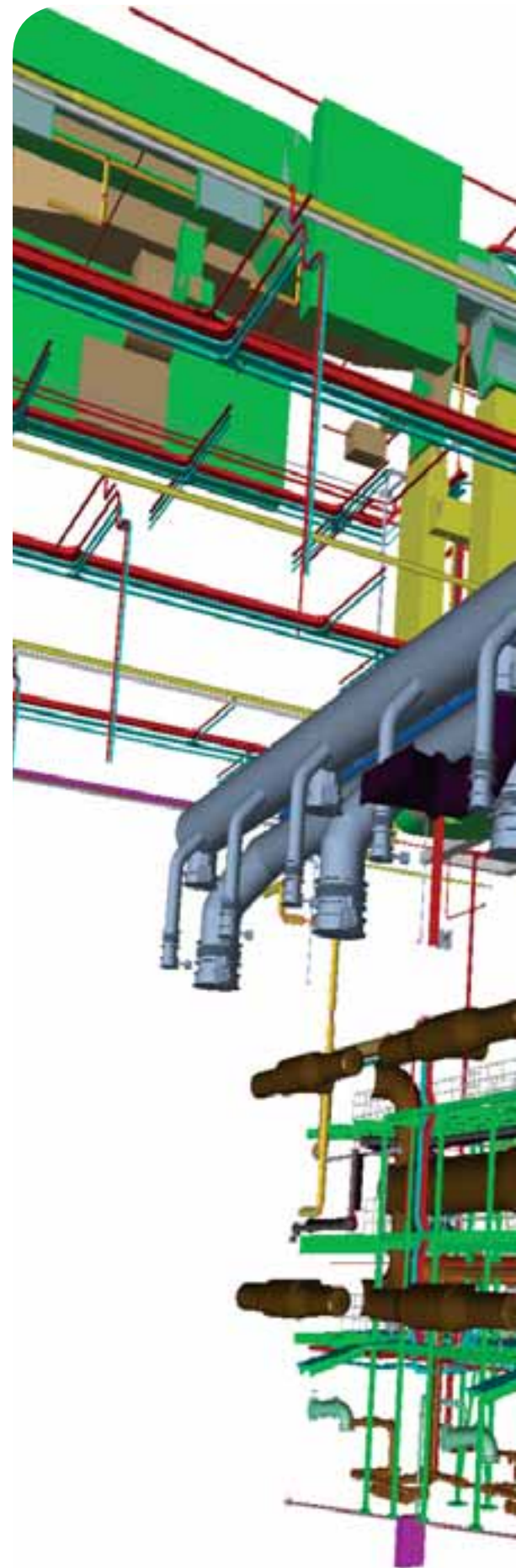
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COVER: Teng Kheng Hee, Professional Engineer and Eddie Lee, Project Manager inspecting mechanical and electrical works on the Bio-Reactor operating floor, Liquids Module1, at Changi Water Reclamation Plant, Singapore.

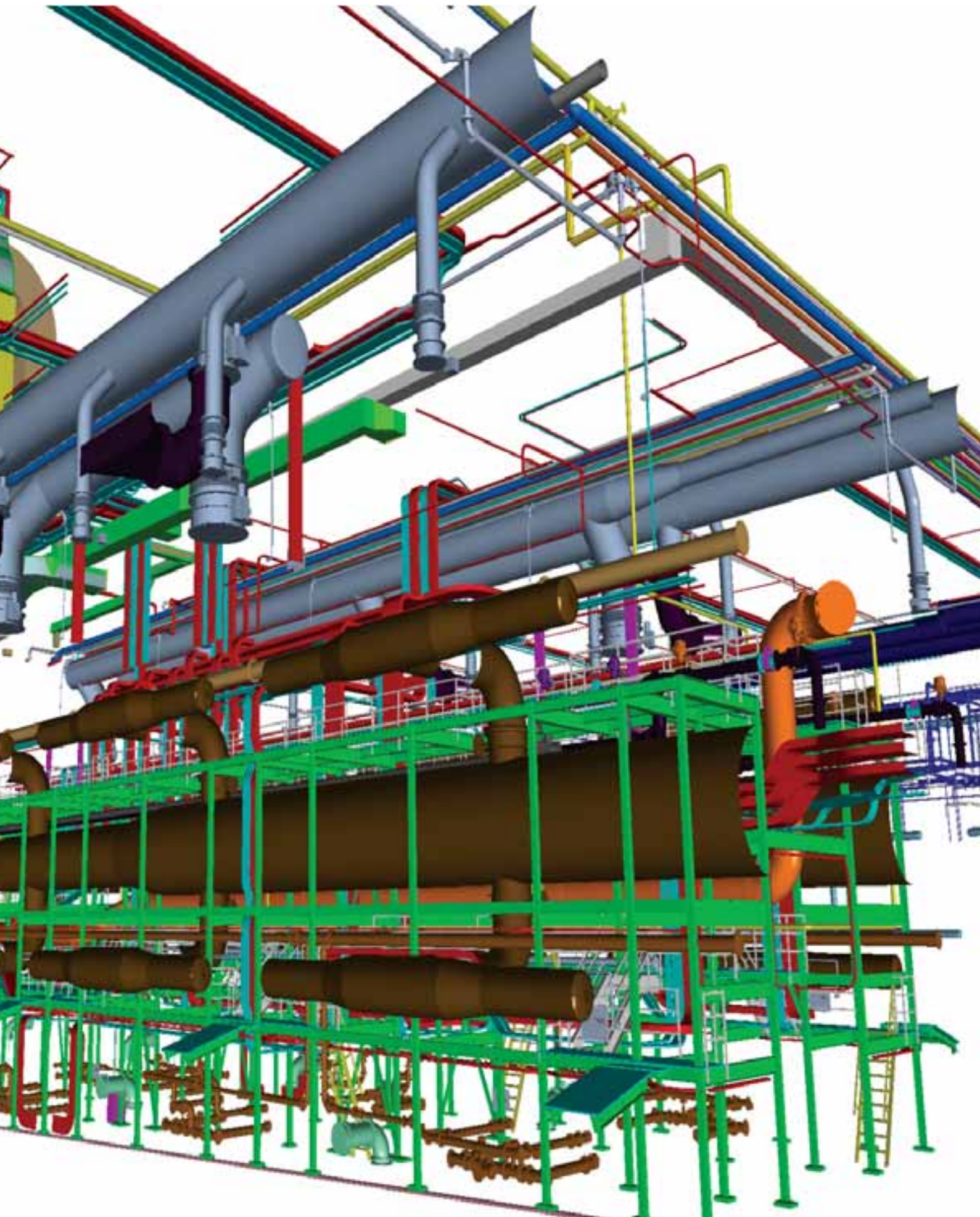
... by leveraging on our strengths especially in the expansion of our Environmental Engineering capabilities.

Established in 1912, United Engineers Limited is a multi-skilled corporation with over 90 years of knowledge, a vast project track record and an enviable reputation in Asia Pacific. With operations centred in Singapore, our 3,000 staff in several countries across Asia are engaged in the four inter-related core businesses of engineering, construction, integrated facility management and trading, organised along common functional lines which promote closer inter-division and intra-group synergies and allow smaller units to leverage on the Group's strengths and track record.

During the year, the Group continued its strategic initiative to further sharpen its business focus. Leveraging on its core competencies in construction and engineering, the Group actively pursued design, build and operate projects where it enjoyed competitive advantages and offered a one-stop solution to customers.

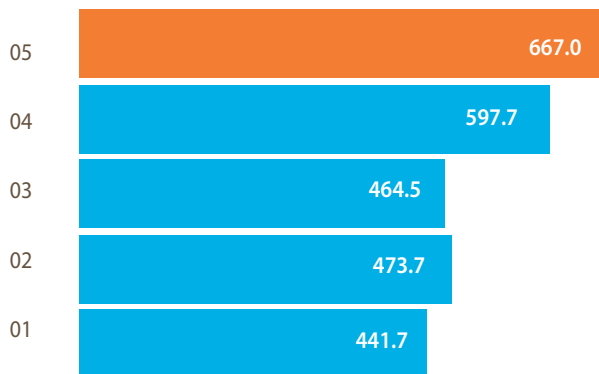


A 3-D CAD/CAM representation of the primary sedimentation area, Changi Water Reclamation Plant, Singapore.

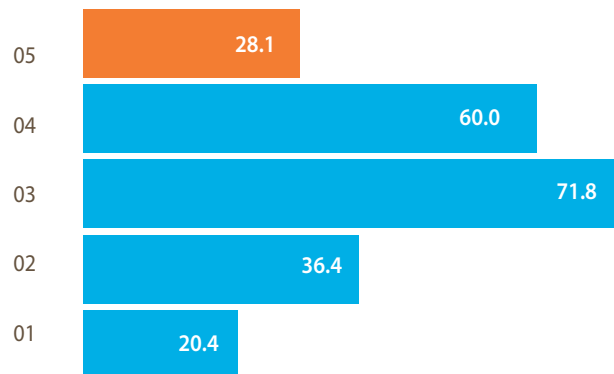


LETTER TO SHAREHOLDERS

GROUP TURNOVER (MILLION \$)



GROUP PROFIT BEFORE TAXATION (MILLION \$)



OVERVIEW

In 2005, the Group's turnover grew by 12%, from \$598 million in 2004, to \$667 million in 2005 and registered a net attributable profit of \$22.6 million, 54% below that of the previous year. However, the 2004 operating profit included a gain of \$19.8 million on acquisition of the remaining shares in a subsidiary company. The lower performance of the Group was due mainly to problems at Fusionpolis and losses from the trading division (which included a provision of \$14.9 million for restructuring and winding down of the trading business). Lower contribution from the power plant in China due to rising coal prices and late startup of its environmental activities in China and Indonesia also affected the performance. Interest expense was higher due to rising interest rates as well as increased borrowings. On the bright side, through its efforts to expand in the region and in an improving Singapore economy, the Group ended 2005 with a strong order book of about \$1.3 billion.

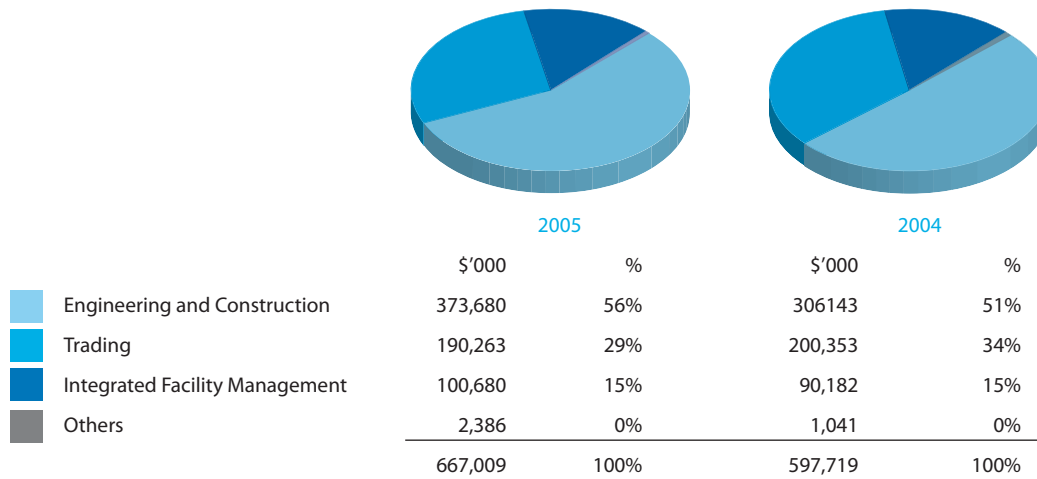
During the year, the Group continued its strategic initiative to further sharpen its business focus. Leveraging on its core competencies in construction and engineering, the Group actively pursued design, build and operate (DBO) projects where it enjoyed competitive advantages and

offered a one-stop solution to customers. Through this, it was awarded the second Public Private Partnership (PPP) project by Jurong Town Corporation (JTC), for the business hotel and South Park Quadrant mixed development at One-North, Singapore. This large property project valued at about \$350 million, comprising a condominium, a business hotel, serviced apartments and a retail/commercial development, is expected to contribute significantly to the profit of the Group.

In 2005, the Group continued to expand and strengthen its network in the region -- in China, Thailand, Malaysia, Indonesia, Vietnam, United Arab Emirates and India. The growth of our overseas business, leveraging on the UE brand name for quality work, enabled the Group to secure more than half of its total revenue from overseas operations.

The Group's initiatives in environmental engineering have begun to bear fruit. Environmental engineering is a natural offshoot from the Group's core engineering competency. Coupled with the Group's track record, branding and experience in project management, this sector will provide the pathway for the Group to earn higher margins in the future. UE IEMvirotech Pte Ltd (UE IEM)'s hospital waste management subsidiary in China, UE IEMvirotech (Beijing) Co Ltd (UE IEM

GROUP TURNOVER BY PERCENTAGE



Beijing), building from the strong marketing network set up in 2005, will start operations in about 10 build, operate and transfer (BOT) projects in several large cities in 2006. During the year, UE IEM Beijing obtained the approval from Chinese environmental authorities for the latest state-of-the-art technology from USA for waste disposal for hospitals, using non-incineration and special combustion methods which it licensed. The licence includes a permit for UE IEM Beijing to manufacture in China which will result in a much lower cost and allow the company to sell the specialised equipment throughout Asia.

Building on its earlier efforts to strengthen its portfolio of potable water and waste water treatment projects, such as the \$250 million project at the Changi Water Reclamation Plant, the Group's technology in water engineering is now sought after by an increasing number of customers. We were recently awarded a \$32 million contract from the PUB to upgrade the Choa Chu Kang Waterworks. We have also signed a Memorandum of Understanding (MOU) with the Government in West Java, Indonesia, to undertake a feasibility study for the provision of potable water. The Group has also been shortlisted for several similar water-related projects in Vietnam and China.

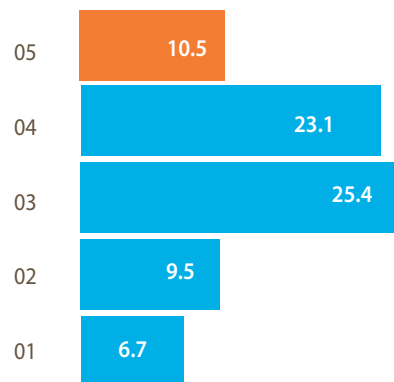
As compared to 2004, earnings per ordinary share (EPS) for 2005 fell to 10.5 cents, a decrease of 54.5%. Net asset per share however, increased to \$2.64 as at 31 December 2005 from \$2.53 as at end 2004 due to an upward revaluation of the investment properties, mainly UE Square and UE Tech Park.

DIVIDENDS

The Board recommends payment of a dividend on the 7.5 cents Cumulative Preference Shares of \$1.00 each (2004: 7.5 cents). In addition to a first and final dividend of 5 cents per \$1.00 Ordinary Stock (2004: 5 cents), the Board recommends a special dividend of 5 cents per \$1.00 Ordinary Stock (2004: 7 cents). The total net dividend payments amount to \$17.3 million (2004: \$20.7 million), after deducting Singapore Income Tax at 20%.

As of 31 December 2005, the Section 44 tax credit balance of the Group amounted to approximately \$6.6 million. At the current tax rate of 20% and present stockholding, the Group has sufficient tax credit as at 31 December 2005 to distribute up to \$33 million in the next two years or approximately 15.3 cents per ordinary stock.

EARNINGS PER SHARE (EPS)
(CENTS)



SECTORAL REVIEW

ENGINEERING AND CONSTRUCTION DIVISION

The Engineering and Construction (E&C) Division achieved a turnover of \$374 million in 2005, up from \$306 million in 2004. However, improved margins from engineering and construction projects were offset by higher cost from the Fusionpolis project and rising costs of oil and building materials. As a result, the Division registered an operating loss of \$2.8 million, as compared to a profit of \$4.7 million in 2004.

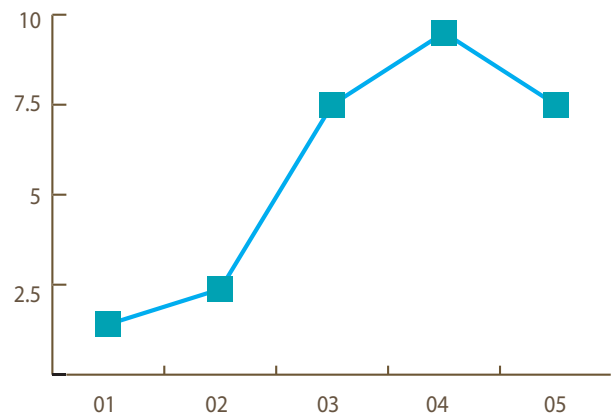
During the year, the Group's construction arm, Greatearth Construction Pte Ltd (Greatearth), successfully completed The Callista and The Elysia, two design-and-build condominium projects from Keppel Land. Work on three other high-end condominiums, namely the Kovan Melody, the Vision Crest and The Calrose, are progressing well. It was also a busy year for the Division's construction operations overseas, where it completed the refurbishment of the Kuala Belait Hospital, the construction of 117 houses at Lumut and a Lexus Showroom, all in Brunei. In East Malaysia, the development of a 420-retail unit shopping mall in the busy Penampang District, Kota Kinabalu, is progressing well, and should be completed in 2006.

For new work, Greatearth secured contracts worth a total of \$143 million in 2005. These include a joint-venture with Sato Kogyo to build the Boon Lay MRT extension, and the contract for addition and alteration works at the existing Institute of Molecular and Cell Biology Building. In Brunei, the Division won a tender for the construction of a new sewer-line and pipe-jacking works in Kampong Kiulap, a drainage project at Sungai Belaban, and a contract for the renovation of Suite 3B at the Grand Palace. In East Malaysia, it won a contract for the construction of several telecommunication towers in Sarawak.

United Engineers (Singapore) Private Limited (UES), the Group's wholly owned subsidiary, provided a host of one-stop engineering solutions in 2005, ranging from civil engineering to project management services. UES completed the foundation and basement works to the Fusionpolis at One-North, Buona Vista, and continued with upgrading works to 10 blocks of HDB flats at Clementi Ave 4 and 6. Work on the underground road at Kallang Paya Lebar Expressway is progressing well, and should be completed in 2006.

UES continued to be an active player in the potable and waste water treatment sector in 2005. Its contract for

**NET DIVIDENDS PER ORDINARY SHARE
(CENTS)**



retrofitting works to the M&E equipment at the Ulu Pandan Water Reclamation Plant was commissioned. It also continued with process engineering works on the \$250 million C3C Liquids Module I contract at the Changi Water Reclamation Plant, as well as the \$53 million EP5 Contract, the Odour Control Systems. UES was also awarded a contract to upgrade Singapore’s Choa Chu Kang Waterworks, and signed a Memorandum of Understanding (MOU) with the Government in West Java to provide potable water services.

APG Geo-Systems Sdn Bhd (APG), a 60%-owned subsidiary, offering geo-technical and foundation services, secured a contract for the installation of Deep Cement Mix (DJM) columns in Ho Chi Minh City. In Indonesia, PT UE Sentosa (PT UES), a 60%-owned subsidiary, continued with the construction of the Diponegoro Residential Tower, slated to be the most prestigious landmark in Menteng, Jakarta. PT UES also won a high-rise development project worth \$28 million, to build the Royal Apartments in Makassar, and was awarded the \$19 million St Regis, Blue Ocean Beach Resort project in Bali.

The performance of the Division’s specialist engineering services arm, McAlister Engineering Sdn Bhd (MESB) and

Delichem Pte Ltd (Delichem), was encouraging in 2005. MESB, a 66%-owned subsidiary in Malaysia supplying Teflon lined ISO tanks, improved its delivery lead time and invested in new technology to meet the needs of customers. Delichem, a provider of one-stop chemical cleaning solutions, was active in the region, securing new machine contracts from several Japanese manufacturers.

INTEGRATED FACILITY MANAGEMENT DIVISION

The Integrated Facility Management (IFM) Division recorded an increased turnover of 11% to \$102 million, from \$92 million in 2004, due mainly to revenue from increased support management services and contributions from new start-ups in Indonesia and China. Its bottom-line was also boosted by a one-time gain on sale of a 30% stake in its facility management business. In 2005, Mitsui & Co Ltd bought a 30% stake in the facility management services arm, the UMC ServiceMaster group, to jointly provide support services to regional customers, including hospitals and industries. IFM secured several new contracts with well-renowned companies, such as Shell Refining Company in Malaysia, Applied Materials South East Asia in Singapore and Quanta Computer Enterprise in Taiwan.

Overall, the Division's profit before interest and tax grew 25% to \$20.3 million, from \$16.2 million.

A significant highlight of 2005 was the award of the business hotel and South Park Quadrant mixed development project at One-North, its second PPP project in two years. It had earlier bagged its first PPP project in 2004 when it was awarded the contract to build the Print Media Hub at Paya Lebar iPark. The \$350 million project at One-North will be an iconic landmark in Buona Vista, with a "work, live, learn and play" theme. This project is expected to contribute significantly to the profitability of the Group in the coming years.

During the year, IFM achieved high occupancy of its serviced apartments and serviced offices. Its Park Avenue Suites at UE Square enjoyed full occupancy in 2005, with its serviced offices in both Shell House and Shaw House continuing with high occupancy levels. UE Tech Park, offering one-stop warehousing solutions, successfully secured new quality tenants, such as Emerson Process Management and Adidas.

UE IEMvirotech (Beijing) Co Ltd (UE IEM Beijing), a subsidiary in Beijing, will continue to offer waste-management solutions and state-of-the-art technology, targeted at China's

growing medical waste management market. The use of the technology has now been approved by the Chinese Environmental Protection Agency. This is very promising for the Group and is expected to be an important contributor to operating profit in the coming years.

TRADING DIVISION

The Trading Division's turnover declined 6%, from \$211 million in 2004 to \$198 million in 2005. This was due mainly to lower sales from medical equipment, personal care products and commodities and the Group's direction to scale down trading activities to focus on its core engineering and construction businesses. The Division's performance was also affected by provisions and foreign exchange losses. As a result, the Division's operating loss increased from \$0.8 million in 2004 to \$22.9 million in 2005.

As part of the restructuring exercise, the Group divested its entire stake in Grafton Pharmasia Pte Ltd, a distributor of healthcare and personal care products and downsized its trading operation overseas.

We will continue to divest non-core businesses, whilst focusing on our core competence in engineering, construction and property management; move up the value chain into higher margin business, offering its expertise in design, build and operate, and environmental engineering.

PROSPECTS FOR 2006

The construction industry in Singapore has been showing signs of a gradual turn-around, after six consecutive years of weak demand. Although the industry has contracted, albeit slightly, in 2005, the Building and Construction Authority (BCA) has forecast Singapore's total construction and building contract values to rise to between \$12.0 billion* and \$13.5 billion* in 2006.

Additionally, the rapidly developing economies of China, India, Indonesia and Vietnam are expected to contribute to the regions' strong demand for infrastructure development.

The Group's network of regional offices and overseas subsidiaries across Asia, with core competence in construction and environmental engineering, will give the competitive edge to meet the increasing demand.

At the same time, an increasing emphasis and shift towards environmental-related projects in the region, coupled with growing global demand for quality potable water, augurs well for our environmental engineering business.

Looking forward, we are cautiously optimistic about the Group's performance in 2006. We will continue to divest non-core businesses, whilst focusing on our core competence in

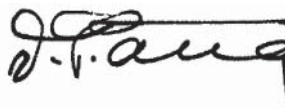
engineering, construction and property management. At the same time, with an established track record, the Group has the capability to move up the value chain into higher margin business, offering its expertise in DBO and environmental engineering. With an order book of about \$1.3 billion as at the end of 2005, the Group will continue to execute several large building and infrastructure projects in Singapore and the region in 2006.

BOARD AND MANAGEMENT

We would like to thank our fellow Directors for their invaluable contributions as Board members, and their work in the Audit, Nominating and Remuneration Committees.

On behalf of the Board, we would like to express our appreciation to Management and Staff for their dedication and efforts during the year.

Last but not least, the Board would like to thank our customers, unions, business partners and shareholders for their continual support.



TANG I-FANG
Chairman



JACKSON CHEVALIER YAP KIT SIONG
Group Managing Director and
Chief Executive Officer

* Findings from Development Plan Surveys conducted by Building and Construction Authority for 2006.

BOARD OF DIRECTORS



1. Tang I-Fang
(Chairman)
2. Jackson Chevalier Yap Kit Siong
(Group Managing Director and
Chief Executive Officer)
3. Dr Michael Lim Chun Leng
4. Thai Chee Ken
5. Lai Teck Poh
6. Dr Tan Eng Liang

BOARD OF DIRECTORS

Tang I-Fang
(Chairman)

Dr Tan Eng Liang

Thai Chee Ken

Lai Teck Poh

Jackson Chevalier Yap Kit Siong
(Group Managing Director and
Chief Executive Officer)

Dr Michael Lim Chun Leng

AUDIT COMMITTEE

Thai Chee Ken
(Chairman)

Dr Tan Eng Liang

Dr Michael Lim Chun Leng

NOMINATING COMMITTEE

Dr Michael Lim Chun Leng
(Chairman)

Tang I-Fang

Thai Chee Ken

REMUNERATION COMMITTEE

Tang I-Fang
(Chairman)

Lai Teck Poh

Jackson Chevalier Yap Kit Siong
(Resigned 1 March 2005)

Dr Tan Eng Liang
(Appointed 1 March 2005)

COMPANY SECRETARY

Eileen Lim
(Group Company Secretary/Vice President,
Legal Affairs)

**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

FINANCIAL CALENDAR

Announcement of 1Q 2005 Results	13 May 2005
Announcement of 2Q 2005 Results	12 August 2005
Announcement of 3Q 2005 Results	14 November 2005
Announcement of 2005 Full Year Results	21 February 2006
Notice of Annual General Meeting	3 April 2006
Annual General Meeting	25 April 2006
Ex-Dividend Date	26 April 2006
Last Date for Registration of Transfers	3 May 2006
Books Closure Dates	4 May to 8 May 2006
Dividend Payment Date	16 May 2006

REGISTRAR

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

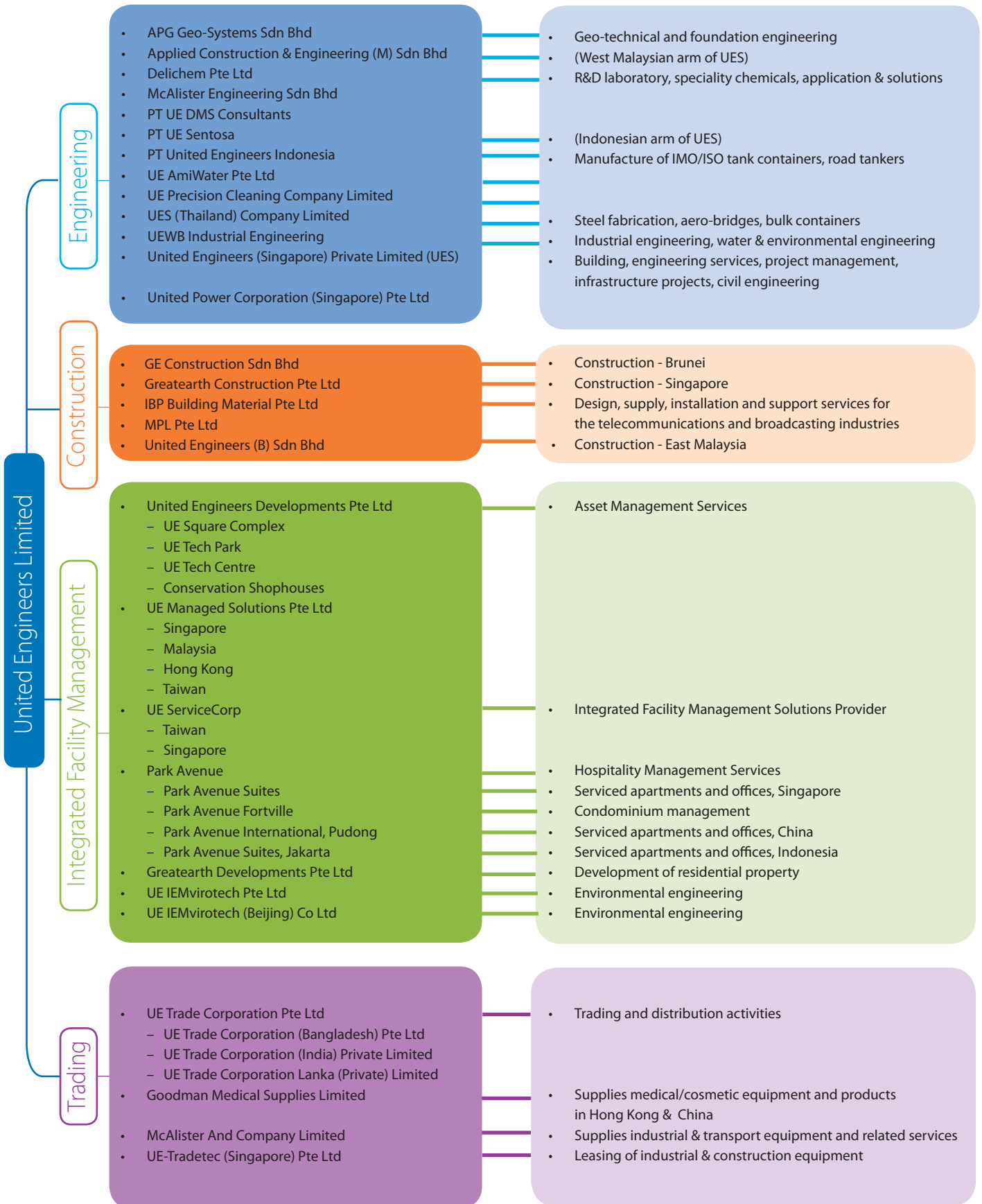
AUDITORS

Ernst & Young
Certified Public Accountants
Partner in charge (since financial year
2003): Yee Woon Yim

PRINCIPAL BANKERS/LENDERS

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

BUSINESS DIVISIONS



FIVE YEAR FINANCIAL PROFILE OF THE GROUP

INCOME STATEMENT (\$'000)

	2005	2004	2003	2002	2001
Turnover	667,009	597,719	464,506	473,686	441,669
Profit before taxation	28,052	60,025	71,758	36,362	20,415
Taxation	(2,158)	(2,681)	(961)	(7,515)	(6,045)
Profit after taxation	25,894	57,344	70,797	28,847	14,370
Profit attributable to stockholders	22,574	49,130	52,799	19,698	13,766

BALANCE SHEET (\$'000)

Fixed assets	630,090	611,905	642,277	703,184	718,660
Non-current investments*	222,751	177,001	157,355	157,177	152,013
Net current assets (See note below)	265,376	266,726	252,639	163,395	119,666
	1,118,217	1,055,632	1,052,271	1,023,756	990,339

STOCKHOLDERS' EQUITY

Minority interests*	567,242	539,471	550,923	565,113	579,423
Short and long-term borrowings	78,819	72,005	104,359	90,467	83,918
Deferred taxation	470,914	443,034	394,281	365,448	325,352
	1,242	1,122	2,708	2,728	1,646
	1,118,217	1,055,632	1,052,271	1,023,756	990,339

Net borrowings	395,151	384,493	317,942	285,876	240,481
Debt to equity	0.70	0.71	0.58	0.51	0.41

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

PER STOCK UNIT

Earnings (cents)					
- profit attributable to ordinary stockholders after preference dividend	10.5	23.1	25.4	9.5	6.7
Ordinary dividends					
- gross (cents)	10.00	12.00	10.00	5.00	4.00
- net (cents)	8.00	9.60	8.00	3.90	3.12
- cover (times)	1.31	2.41	3.18	2.43	2.15
Net tangible assets	2.63	2.53	2.62	2.73	2.81

* All comparative figures of prior years have been adjusted to take into account the restatement of investment and share of results in associated companies at gross, and restating the minority interests.



EXPANDING ENVIRONMENTAL CAPABILITIES



The Engineering Division is a one-stop solutions provider offering a comprehensive range of general and specialist engineering and project management services. Its niche competitive edge is its expertise in providing project management and engineering services in water treatment systems and specialist works for buildings and properties. Work was undertaken by the division in three distinct areas- Singapore operations; International operations; and Specialist engineering.

SINGAPORE OPERATIONS

United Engineers (Singapore) Private Limited (UES), a wholly-owned subsidiary, continues in the tradition of a multi-disciplined engineering services company, and also provides management and technical support to the Group's other divisions and overseas subsidiaries.

The broad spectrum of engineering services UES provides includes mechanical and electrical services, and process engineering for water, environment, properties and power sectors. The company is ISO-certified in quality, environmental health & safety management systems. It is also certified with the Building and Construction Authority (BCA) in civil, mechanical and electrical engineering in the highest financial category.

During 2005, the Building Services Unit continued with the installation of process engineering works on the \$250 million C3C Liquids Module I contract for Singapore Public Utilities Board (PUB) at the Changi Water Reclamation Plant. Commissioning of the plant's liquid stream will begin in March 2006 and is expected to be completed by November 2006.

In the course of the year, the unit completed the \$21 million ACMV and electrical contract for the new National Library headquarters along Victoria Street, commissioned the fire protection systems at the Singapore Management University building along Bras Basah Road, and successfully completed both the fire protection services for St Andrew's Mission Hospital and Woodlands Substation, and the ACMV



contract for the Institute of Materials Research & Engineering Building.

The Civil Engineering Unit on the other hand continued with upgrading works to 10 blocks of flats at Clementi Ave 4 and 6 (comprising 1697 residential units) for the Housing and Development Board (HDB). This 30-month contract, valued at \$33 million, included the construction of a new multi-storey car park and landscaping works. The project, to be completed in 2006, will serve as a credible reference for UES' participation in future public housing developments in Singapore and the region.

The unit also completed its share of work at the foundation and basement works at the Fusionpolis, Buona Vista in 2005. Valued at about \$90 million, this contract covers the construction of a six-storey basement (one of Singapore's deepest), an MRT Circle Line Station and a Civil Defence Shelter.

Work on constructing a road tunnel at the Kallang/Paya Lebar Expressway progressed well in 2005 and should finish in 2006.

The **Industrial Engineering Unit (IEU)** continued to be an active player in the potable and waste water treatment sector in Singapore and the region.

The unit's \$18 million contract for retrofitting works to the M&E equipment at the Ulu Pandan Water Reclamation Plant was commissioned in late 2005, with project handover to the PUB scheduled for March 2006. In addition, the unit's \$53 million EP5 Contract-the Odour Control Systems at the Changi



Pictures from left:

1. Engineers checking the RAS (Return Activated Sludge) pipe works at the Bio-Reactor Pipe Gallery, Singapore.
2. Upgrading works to flats at Clementi Ave 4 and 6 for HDB, Singapore.

Water Reclamation Plant- which is the largest single project on odour control in the world, is substantially complete with full commissioning of this process continuing into the next two years.

In December 2005, PUB awarded UES a \$32 million contract to upgrade Singapore's Choa Chu Kang Waterworks which includes the design, supply and installation of a membrane filtration system for water treatment.

2005 was a busy year for the unit as it embarked on its marketing efforts in Indonesia, Vietnam, China, Malaysia and the Middle East to promote its specialised businesses in water management, municipal waste management and sewerage treatment works.

In August 2005, IEU signed a Memorandum of Understanding (MOU) with the West Java Government to undertake a feasibility study for the supply and treatment of potable water, and the viability of a joint venture with the public utilities authority. This study will be completed in May 2006.

To support the Groups' plans to expand their water management projects in the region, a wholly-owned subsidiary, UE AmiWater (UEA) was set up to explore future investment opportunities in regional water treatment projects.

With positive prospects in water supply projects in Asia in general, IEU is optimistic of steady growth in upcoming years.

Tapping on the overall wide-ranging engineering and construction expertise available in UES, the **Development Management Services (DMS) Unit** in 2005 provided



management services to the luxurious 49-unit Mayfair Condominium in Penang; the 600-unit Juta Mines Apartment Complex in Kuala Lumpur; the \$80 million Trade Centre Mall in Surabaya; the iconic 29-storey Diponegoro Residential Tower in Jakarta; the 230,000 sqm mixed development at Bukit Darmo, Surabaya; and the 12,000 sq m retrofitting project for the Metro Department Store in Jakarta.

The DMS unit is the first in the UE Group to penetrate the Middle East market. In 2004, it undertook a fee-based construction management contract for the development of a \$103 Million Al-Jazera Tower in Abu Dhabi, on behalf of the Al-Sahel Group. With rising demand for specialised management services in the region, the DMS unit looks poised for greater growth.

INTERNATIONAL OPERATIONS

Applied Construction & Engineering (M) Sdn Bhd (ACE), a wholly-owned subsidiary in Kuala Lumpur, continued with the construction of the \$22 million Mayfair condominium in the exclusive "Millionaires Row" of Penang; and the \$35 million Juta Mines condominium in Kuala Lumpur. These two projects are slated for completion in 2006.

During 2005, ACE secured a \$45 million contract for the construction of Dataran Pahlawan, a prestigious landmark building in Melaka. The building is planned for completion in 2006.



Pictures from left:

1. Construction of the \$35 million Juta Mines project at Belakong, Kuala Lumpur, Malaysia.
2. Artist impression of the 230,000 sqm mixed development at Bukit Darmo, Surabaya, Indonesia.



Construction of the K Residence, a large mixed development at Jalan Ampang, Kuala Lumpur, comprising apartments, offices, a hotel and a retail complex, progressed smoothly during the year. Valued at \$100 million, the project is expected to be completed in 2008.

APG Geo-Systems Sdn Bhd (APG), a 60%-owned subsidiary and an accredited Malaysian ISO 9001:2000 company, is one of the leading ground engineering contractors in Malaysia offering a full range of geo-technic and foundation services. With a comprehensive fleet of specialist equipment and experienced personnel, APG has both the capability and capacity to undertake full turn-key projects, including soil stabilization and piling works.

In 2005, APG secured a contract for the installation of Deep Cement Mix (DJM) columns in Ho Chi Minh City. These installed columns are to function as slope stabilizers to the embankments of the Saigon East West Highway.

PT UE Sentosa (PT UES), a 60%-owned subsidiary in Indonesia, operates in both building and infrastructure projects throughout the archipelago and has offices in Banjarmasin, Jakarta, Medan, Surabaya, Makassar and Bali.

Towards the final quarter of 2005, PT UES secured several major projects-these include the substructure works of City Hall Square in Medan city and the first high-rise development project named the Royal Apartments in Makassar. The latter, a \$28 million 22-storey condominium will be completed in 2007. The company was also awarded the \$19 million St Regis,

Blue Ocean Beach Resort project in Bali. This luxury Balinese resort located at Nusa Dua, Bali is a mix of villas with full resort facilities and is expected to be completed in July 2007.

PT UES was awarded two further contracts by Messrs Gudang Garam in 2005 namely the Phase 3 development of an engineering building with a golf driving range in Pandaan, and an office building with two warehouses in Jakarta. These awards recognize the company's consistent delivery of quality finished works.

The construction of the \$19 million Diponegoro Residential Tower, a high-end residential condominium in the prime area of Menteng, Jakarta, continued during the year. This 29-storey luxurious condominium, slated to be the most prestigious landmark in Menteng, is scheduled to complete in 2006.

VIETNAM REPRESENTATIVE OFFICE

The Vietnam representative office in Ho Chi Minh City was established last year to tap into Vietnam's rapidly growing economy.

In addition to the deep cement mix contract secured by APG, the unit also secured a design consultancy contract for M&E Services for a 21-storey condominium development in Ho Chi Minh City. The M&E design will be completed in February 2006 with construction starting up thereafter in mid-year.

In particular the unit will focus on environmental and infrastructure projects. The unit has in fact already been pre-qualified for a number of internationally-funded sewerage



Pictures from left:

- 1. The Dataran Pahlawan, a prestigious landmark building will be ready in 2006, Malacca, Malaysia.*
- 2. Artist model of the \$19 million St Regis, Blue Ocean Beach Resort project in Bali, Indonesia.*

treatment projects, and will be forming teaming alliances with reputable Vietnamese government-owned contractors to bid for these contracts.

SPECIALIST ENGINEERING SERVICES

McAlister Engineering Sdn Bhd (MESB) is a 66%-owned subsidiary in a joint venture with Nippon Sharyo Limited and Mitsui & Company Limited. The company is a world-class manufacturer of UN portable tanks (previously known as IMO/ISO tank containers) for the transportation of specialty chemicals, liquefied gases and food products. The company has steadily built its reputation as the leading manufacturer of Teflon-lined and other specialty tanks, and has upgraded its ISO 9002 accreditation to ISO 9001:2000.

To-date, MESB has improved its delivery lead time, reduced its production cost and increased its market share through investing in new equipment to produce its own materials and manufacturing parts. The company will continue to market atmospheric storage tanks aggressively, in addition to the development of high-end products, like offshore containers.

MESB did well in 2005 and managed to secure a sizable order book. The outlook for 2006 is expected to be good, with two consecutive years of strong demand.

PT UE Indonesia (PT UEI), a 60%-owned subsidiary in Jakarta, specialises in the design, fabrication and erection of steel structures for buildings and industrial plants.

In the first half of 2005, the company had manufactured 26,000 units of intermediate bulk containers used by natural rubber suppliers for export to the USA. But with frequent changes in design of the containers, and rising steel and oil prices in 2005, production costs had increased substantially, making it not viable to continue with this line of business.

The company will instead leverage on its parent company's thrust into water projects, and will support its efforts in Indonesia by sourcing and executing water-related engineering, procurement and construction (EPC) contracts.

Delichem Pte Ltd (Delichem), a wholly-owned subsidiary, provides total solutions for degreasing and cleaning of ultra-



fine electronic components, including sample testing, process evaluation, system design, machine fabrication and the supply of specialty cleaning chemicals. For more than 10 years, Delichem has been the degreasing and precision cleaning solutions provider to MNC manufacturers in the precision component, metal stamping, hard disk drive, automotive and camera/optical lens industries in the region and Europe.

In 2005, Delichem successfully secured several machine contracts from Japanese customers, who had traditionally purchased such equipment from local sources. This year, the company will develop equipment to incorporate vacuum wash, vacuum solvent vapour dry and built-in solvent recycling to further its range of specialty cleaning solutions to the industry.

In addition to its environmental friendly non-ozone depleting and non-toxic hydrocarbons for degreasing, Delichem has also developed new grades of water-based detergent, under its proprietary BIOCITRUS trademark.

Delichem's BIOCITRUS brand of water-based detergent has also penetrated new market sectors.

Picture:

1. Intermediate bulk containers manufactured at PT UEI, Indonesia.

CONSTRUCTION

UNMATCHED QUALITY, EXPERIENCE & SKILLS

The Construction Division has established itself as one of the region's leading players offering its wide spectrum of integrated construction services. These range from foundation works to architectural finishes for residential, industrial, commercial and institutional buildings in addition to proven capabilities to undertake quality design-and-build projects.





CONSTRUCTION

SINGAPORE OPERATIONS

Greatearth Construction Pte Ltd (Greatearth), an 85% UE Group subsidiary, is one of the first BCA registered companies to achieve the highest A1 financial grade in general building and A2 in civil engineering. It also achieved certification in BCA's Integrated Management Systems (ISO 9001:2000, ISO 14001:1996 and OHSAS 18001:1999).

In 2005, Greatearth and the UE Group's Integrated Facility Management (IFM) division jointly undertook more property development and construction projects in Singapore. The South Park Quadrant mixed development at Vista Xchange, One-North, a major design-and-build Public Private Partnership (PPP) project is one such example with detailed design and plot optimization having commenced and work on site slated to begin in 2006. To further complement and grow its construction business, the company acquired a 70% stake in IBP Building Material Pte Ltd, a specialist in the supply of high-quality building tiles and sanitary ware.

Despite slow recovery in Singapore's construction industry during 2005, Greatearth was able to secure several large and prestigious contracts, worth a total of \$143 million. These include the \$100 million Boon Lay MRT extension, a project in which it will partner an internationally renowned contractor Sato Kogyo. Work commenced in 2005 and is scheduled to be completed in early 2009. Another contract was that from



the National University of Singapore to do additional and alteration works at the existing Institute of Molecular and Cell Biology Building. This project valued at \$37 million, started in June 2005 and is expected to take about a year to complete. Yet another contract won was the \$54 million project from Centrepoint Properties for design-and-build works for the Faber Hills condominium at West Coast Park. This 12-storey residential development, with a total of 315 units, is expected to be ready in 2008.

Work at the Print Media Hub at Upper Paya Lebar, the first PPP project awarded by Jurong Town Corporation to the UE Group in 2004, progressed as planned. Others like The Callista and The Elysia, two design-and-build condominium projects from Keppel Land at Mar Thoma Road, were successfully completed in 2005.

Major projects that are currently in full swing include the Kovan Melody, a \$119 million high-end design-and-build condominium and Vision Crest, a \$88 million mixed development project at Clemenceau Avenue/Oxley Rise for Wing Tai Property; and The Calrose, a \$67 million high-end condominium development at Yio Chu Kang Road/Ang Mo Kio Ave 4 for MCL Land.

Of significant note is that most of the division's construction projects over the past few years have achieved well above 80 points in the Building Construction Authority (BCA) Certified CONQUAS score.



Pictures from left:

1. \$34 million design-and-build works for 12-storey Faber Hills condominium, West Coast Park, Singapore.
2. \$100 million Boon Lay MRT extension project to be completed in 2009, Singapore.

As of 31 December 2005, the company had a committed order book in excess of \$360 million, recording an increase of \$60 million above that of the previous year.

MPL Pte Ltd (MPL), a 75% UE Group subsidiary established in 1993 to provide one-stop telecommunication and broadcast systems engineering solutions to mobile and broadcast operators in the ASEAN region, made significant inroads in rolling out base transceiver stations (BTS) to mobile network operators. To date, MPL has rolled out about 700 BTS sites. With the introduction of 3G networks, the demand for BTS is expected to increase considerably paving the way for potential network expansion opportunities in the ASEAN region.

In 2005, MPL secured a contract in Brunei to deliver an automated frequency spectrum management system for the Authority for Infocom Technology Industry (AiTi) valued at more than \$4 million. The project is due for completion in early 2006.

REGIONAL OPERATIONS

United Engineers (B) Sdn Bhd (UEB), a 90% UE Group subsidiary, continued to be an active player in the Sultanate of Brunei. During 2005, the company successfully completed a few significant projects which included the refurbishment of the Kuala Belait Hospital, the construction of 117 houses at



Lumut and a Lexus Showroom in Bandar Seri Begawan.

In the course of the year, the company was also awarded new contracts for the construction of a sewer-line and pipe-jacking works in Kampong Kiulap, a drainage scheme project at Sungai Belaban, and a contract for some renovation works at the Grand Palace, Istana Nurul Iman.

The prestigious private residence project at Istana Darul Hana, the renovation works at Istana Nurul Iman and the construction of 179 houses at Kampong Katok in Bandar Seri Begawan, are expected to be completed by the third quarter of 2006.

With oil prices remaining high, the resource-rich Sultanate is poised for another upswing in the construction sector. With its long-standing reputation, good track record and a healthy order book, UEB is expected to register strong performance in upcoming years.

In East Malaysia, **GE Construction Sdn Bhd**, an 85%-owned subsidiary of Greathearth, will continue with the development of a 420-retail unit shopping mall located in the busy Penampang District, Kota Kinabalu. The project, valued at about \$30 million, is expected to start in early 2006.



Pictures from left :

1. Construction works for BTS Tower foundations, Malaysia.
2. Lexus Showroom in Bandar Seri Begawan, Brunei.



EXPANDING
PORTFOLIO &
REGIONAL REACH



The Integrated Facility Management Division, which comprises Facility Management Services, Project Management Services, Hospitality Management Services and Asset Management, continues to offer its complete chain of operations and services to industrial, commercial and residential development properties and projects in Singapore and throughout the region.

INTEGRATED FACILITIES MANAGEMENT

FACILITY MANAGEMENT SERVICES

The UMC ServiceMaster group provides premier management support services to healthcare and educational institutions as well as the commercial and industrial establishments.

In 2005, the company divested a 30% share of its stake in the four subsidiaries of the UMC ServiceMaster group to Mitsui & Co. Ltd Group (Mitsui) as part of its plans to unlock shareholder value and in order to strike a partnership with a premier facility provider well known for its presence in the Japanese market. Together the parties have now formed a 70/30 joint venture company, UE Managed Solutions Pte Ltd, to focus on the provision of support management services to hospitals and industries in Singapore, Malaysia, Hong Kong and Taiwan.

With this strategic business alliance, UE and Mitsui aim to build on each other's strengths to jointly provide outsourced service solutions to customers in the region.

In Singapore, **UMC ServiceMaster Pte Ltd** continued to strengthen its portfolio and recorded impressive growth. It was selected to provide total facility solutions to the Applied Materials South East Asia's building. Growth and expansion came mainly from the media and high-tech sectors as new customers like Discovery Asia Inc. (the film production company behind the ever-popular 'Discovery' channel), Ascent Media Pte Ltd, Donaldson Filtration Asia Pacific and Xilinx Asia Pacific Pte Ltd were added to our customer register. In the healthcare sector, we worked closely with customers to achieve the Joint Commission International Accreditation (JCIA) in National University Hospital, Changi General Hospital, Alexandra Hospital and Tan Tock Seng Hospital. Work is in progress to also accredit the KK Women and Children's Hospital.

The company was awarded the People Developer Standard (PDS) certificate in December 2005 by SPRING



Singapore in recognition of its pursuit of a structured approach towards personnel training and development, effectively linking training programmes with the company's business strategy and objectives. It continued to be certified for Approved Training Programmes as an Approved Training Centre and Approved Assessment Centre for the cleaning programmes from the National Skills Recognition System (NSRS) of the Workforce Development Agency (WDA). This certification endorses UMC ServiceMaster as a certified trainer to provide training in central transportation and dispatch services for the healthcare sector.

Efforts in this regard have borne fruit with 18 of the company's staff selected to receive the Silver Award at the Excellent Service Award (EXSA) 2005 Ceremony, a national event spearheaded by SPRING Singapore to recognise outstanding individuals in Singapore's service industry.

UMC ServiceMaster also partnered with Mendaki-SENSE to set up a UE Education Centre in June 2005. As part of its responsible corporate citizenry programme, the company developed a training blueprint in housekeeping services and trained teachers and staff from METTA Welfare Association and School, an institution catering to children with special needs.

UMC ServiceMaster Sdn Bhd (UMC Malaysia), a subsidiary in Malaysia, continued to achieve double digit growth in 2005. This was a special year as the company clinched a major IFM

*Picture :
UE and Mitsui sealed strategic business alliance at signing ceremony, Japan.*

contract in the oil and gas sector with Shell Refining Company. The facilities cover 380 acres of land in Port Dickson, Negeri Sembilan.

The company successfully completed 105 telecommunication tower maintenance sites for Maxis, and will continue its contracted services until 2007. In the healthcare sector, UMC Malaysia remained the largest IFM provider serving more than 13 private hospitals in Malaysia. Its aggressive marketing efforts in the commercial sector paid off in 2005, with secured contracts from Philip Morris, Bax Global, Giesecke Devrieant and Starbucks.

ServiceMaster Hong Kong Limited (UMC Hong Kong) recorded an average increase of 8% in production for its Alice Ho Miu Ling Nethersole Hospital's laundry business. Production remained fairly stable for the Ruttonjee Hospital.

In April 2005, a new customer, the Congruence Orthopedics & Rehabilitation Centre came on board, and has expressed satisfaction with the company's customised housekeeping programmes.

For clinical waste collection services, UMC Hong Kong obtained new contracts from seven organisations, eight clinics and one hospital in 2005. New regulations on the disposal of clinical waste are expected to be implemented next year. As only appointed qualified collectors will be allowed to handle waste, UMC Hong Kong views this as a good opportunity to



grow its customer pool.

UMC Taiwan Limited (UMC Taiwan), a subsidiary, recorded another year of increased turnover and profit. In 2005, the company extended its services to high-tech industry companies like Quanta Computer Enterprise, Tzu-Chi Da-Ai Television and Holiday KTV Chain Stores.

To attract more talent to the service industry, UMC Taiwan shared its experiences with college students from the Asia and Lin-Tung universities. It was a mutually beneficial exercise, as the company tapped into new ideas and insights from students on ways to improve its service levels. The company's Deputy General Manager Anne Cheng was awarded the Golden Paragon Prize at the annual event hosted by the foundation "21st Century Economy & Development Association", ROC for her dedication in managing more than 1500 staff in UMC Taiwan.

UEIEMvirotech Pte Ltd (UEIEM), a 70%-owned subsidiary, offers waste-treatment and management solutions using modern technology specifically for use in the growing medical waste market of countries such as China. Such markets have great potential as the authorities have shown strong support for comprehensive waste management solutions.

During the year, UEIEM signed Build-Operate-Transfer concessions with several cities in China. Both of its licensed waste treatment technology – incineration and non-



Pictures from left:

1. Flatwork section, laundry services at Alice Ho Mui Ling Nethersole Hospital, Hong Kong.
2. Strengthening works in progress for a 200-ft telecommunication tower, Malaysia.

INTEGRATED FACILITIES MANAGEMENT

incineration - have been approved by China's Environmental Protection Agency. Given these approvals, UE IEM is now well-positioned to expand rapidly in the medical waste treatment and management sector as China steps up its efforts to better manage health and waste disposal issues.

UE ServiceCorp, a wholly owned unit in Singapore, manages approximately 1.2 million square feet of commercial, industrial and residential property, including car-parks. The range of property management services includes strategic engineering services for utility companies, energy efficiency and indoor air quality management i.e. air-duct cleaning. With state-of-the-art diagnostic equipment and instruments, the company's engineering experts have helped customers to reduce unnecessary energy wastage and costs.

PROJECT MANAGEMENT SERVICES

Leveraging on its expertise in "Build, Operate and Transfer" and "Build-To-Suit" projects, **United Engineers Developments Pte Ltd (UED)** continued to deliver a full spectrum of facility management services seamlessly to customers in 2005. It was a good year for UED, as the company secured yet another major Public Private Partnership (PPP) project with Jurong Town Corporation (JTC).

Industrial Partnership

Print Media Hub, the first PPP project awarded to UED by JTC in 2004, involved the development and management



of a service-oriented industrial hub for the print industry. The hub has been planned as a 250,000 square-foot purpose-built facility located in the upcoming Paya Lebar iPark, in a prime location practically at the doorstep of the Upper Paya Lebar MRT station of the Circle Line. Piling works were completed in September 2005 and the building is expected to be ready by 2007.

Residential Partnership

Kovan Melody Condominium was the first residential development in which UED and another UE Group subsidiary, Greatearth Construction, joined forces with Wing Tai Property and NTUC Choice Homes to work on. This is the largest condominium development in the northern part of Singapore, consisting of 779 units. Standing at 17-storeys high, it is the first residential project situated directly next to the underground Kovan MRT station. Construction began in 2004 with the Temporary Occupation Permit expected by 2007.

Commercial Partnership

UED was awarded a second PPP project by JTC in late 2005. The PPP project, valued at about \$350 million, entailed developing and managing a business hotel cum residential mixed development at Vista Xchange, One-North, in the Buona Vista area, Singapore. Coupled with JTC's vision of a "work, live, learn and play" land use concept, this project will consist of a



Pictures from left:

1. Signing ceremony for One North Exchange, JTC's second PPP project awarded to UED, Singapore.
2. Artist model of the \$350 million project at Vista Xchange, One-North, Buona Vista, Singapore.

state-of-the-art IT-savvy business hotel/serviced apartments, together with a 400-unit residential apartment complex and a 3-storey retail/commercial podium. Construction is expected to begin in the second half of 2006.

This PPP project, covering an area of approximately 1.3 hectares, is strategically located at the gateway of One-North, within close proximity of two MRT stations (Buona Vista MRT Station and the future One-North MRT Station). It is also near to the cross junction of Buona Vista and North Buona Vista Roads, and easily accessible from the Ayer Rajah and East Coast Parkway expressways, and the downtown Central Business District. Situated right next to the “black and white” bungalow houses of Rochester Park which JTC plans to conserve as special “dining villas”, the One-North development will truly live up to its claim of being a “work-live-learn-play” township.

HOSPITALITY MANAGEMENT SERVICES

Park Avenue Suites, Singapore

Park Avenue Suites, located in UE Square, consists of 150 serviced apartments. The reconfigured studio serviced apartments have proven to be very popular, registering full occupancy throughout 2005. New initiatives such as complimentary breakfasts, shuttle service runs to the city, and organised informal poolside gatherings have been well received by our guests.



Park Avenue Residences, Singapore

The 36-unit *Park Avenue Residences*, located at Kim Yam Road, is a boutique-style residential development where old world charm meets new world amenities, creating a quaint and rustic living environment for those who want to escape into a sanctuary on the outskirts of the city. Typical tenants include families and overseas expatriates, who prefer a home-away-from-home ambience coupled with Asian hospitality. All the teak furniture within the apartments and shophouses are made-to-order hand-crafted individual pieces and add to the homely and comfort-driven atmosphere that is part of our *Park Avenue Residences*.

Park Avenue Fortville, Singapore

Park Avenue Fortville, a 49-unit apartment block located in the east coast of Singapore, has a picturesque view of the sea and Singapore’s skyline. The division operates the maintenance, marketing and management contract for a largely business class clientele. This adds a different dimension to our serviced apartment business by providing a variety of “live-in” choices for potential customers and guests.

Park Avenue Pudong, Shanghai

The Park Avenue Pudong, located in the prime Pudong District, Shanghai, is a residential property comprising 96 units of various sizes ranging from studio to three-bedroom apartments. Completed in 2005, the development offers an indoor heated pool, a sauna, a gymnasium and a business centre within a 15,000 square-foot clubhouse.



Pictures from left:

1. 150 serviced apartments at Park Avenue Suites at UE Square, Singapore.
2. Bedroom apartment at The Park Avenue Pudong, located in the prime Pudong District, Shanghai, China.

INTEGRATED FACILITIES MANAGEMENT

Park Avenue Setiabudi, Jakarta

This charming development, located at Setiabudi Kuningan, Jakarta, comprises 86 suites, ranging from one to three-bedroom apartments. The apartments have been very well received since the opening in 2004. It has become the ideal mid-term stay with its close proximity to the business district, shopping and entertainment centres. The development also offers a wide range of facilities, such as a swimming pool, a fitness centre, tennis courts, a jogging track and a children's playground.

Park Avenue Serviced Office, Singapore

The 41-suite *Park Avenue Serviced Office* in both Shell House and Shaw House continued to enjoy high occupancy in 2005. With better prospects in the office market, IFM witnessed an increasing number of customers who used this facility to explore their longer-term business operations in Singapore.

Park Avenue Serviced Office, Jakarta

The 56-suite *Park Avenue Serviced Office* located in Plaza Lippo complements the serviced apartment business in Jakarta. All the suites are fashioned with modern designs and equipped with broadband networks and professional secretarial support.



Park Avenue Service Office, Shanghai

The 50-suite *Park Avenue Serviced Office*, ranging from 110 to 600 square feet in size, is located on the 49th floor of the prestigious Raffles City in Shanghai. Sited in the dynamic commercial district of Huang Pu, the development offers not just a magnificent view of Shanghai's skyline but also a comprehensive range of first-class facilities including secretarial services.

ASSET MANAGEMENT SERVICES

Shell House

Shell House is home to a number of MNCs, such as Shell and Samsung. Occupancy rates and rentals remained stable throughout 2005, a testimony to the well-managed building and its IT connectivity.

UE Square Shopping Mall

The *UE Square Shopping Mall* is a boon to many families in the River Valley/Clemenceau residential enclave. In 2005, the Mall attracted three new popular tenants: Japanese BBQ restaurant GYU_KAKU, New Café Delicatessen and Z-floor Resort, a new reflexology spa. Jack's Place, a long-time favourite, adopted a new western seafood concept called Seafood Harvest Restaurant, while other tenants like SPANS and CDANS merged to form a new outlet called Home TeamNS.



Pictures from left:

1. Modern and tasteful interiors of an office suite at Park Avenue Serviced Office at the prestigious Raffles City, Shanghai, China.
2. Facade of the 50-suite Park Avenue Service Office in the dynamic commercial district of Huang Pu, Shanghai, China.

UE Square has consistently maintained an ideal tenant mix with the right services, to provide customers a convenient and pleasant one-stop shopping experience.

Additionally, Mohammed Sultan Road continues to uphold its trendy and vibrant image with its interesting mix of unusual restaurants and wine bars livening the area's dining and entertainment options.

South Bridge Road Conservation Retail Shophouses

Located just minutes away from the popular Ann Siang Hill and Club Street, accessibility of these shophouses is further boosted by the recently completed Chinatown MRT nearby. The ground floor units are currently occupied by food and beverage outlets, while the upper floor is occupied by office tenants engaged in consultancy services and the popular art house - Utterly Art. The development enjoyed full occupancy in 2005.

UE Tech Park

UE Tech Park at Pandan Crescent is a two-block multi-storey warehouse owned by United Tech Park, a joint venture between the UE Group and its partner, Ascendas Land (Singapore). It has been marketed as a facility offering convenient warehousing solutions for MNCs. *UE Tech Park* has over the years successfully differentiated itself by targeting



tenants with high value-added activities. New tenants such as Emerson Process Management, Adidas, Greenpac and Kuka house their office, showroom and warehouse facilities in *UE Tech Park*, adding to its image as a high-tech showroom complex.

UE Tech Centre

The *UE Tech Centre* at No.257 Jalan Ahmad Ibrahim sits on three hectares of JTC land that currently house the engineering units of UE's subsidiaries, and third-party tenants, Cimmericranes and Well Industries. With its lease expiring in 2010, the division is considering redevelopment opportunities with MNCs interested in a build-to-suit facility in the Jurong region.



Pictures from left:

1. *UE Square Shopping Mall, a boon to families in the River Valley/Clemenceau residential enclave, Singapore.*
2. *UE Tech Park enjoys enhanced image as a high-tech showroom complex, Singapore.*

TRADING

CONSOLIDATING & STREAMLINING FOR FOCUSED GROWTH

The Trading Division engages in the international trade of bulk commodities-especially steel products for construction, the installation and provision of power generators and load testing systems, the supply and rental of construction equipment, and the marketing and distribution of medical systems.





TRADING

As part of the UE Group's ongoing exercise to rationalize and progressively exit from non-core businesses in 2005, its entire stake in Grafton was divested. The Group also decided to downsize its trading operations overseas. In 2006, the Group will continue to consolidate, streamline and restructure its trading business to enable full focus on its core competence in engineering, construction and property management.

BULK COMMODITIES

UE Trade Corporation Pte Ltd (UETC), a wholly-owned subsidiary, is the Singapore-based holding company and headquarters of the UETC group of companies, with offices in India, Bangladesh, Myanmar, Sri Lanka, Iran and China.

The commodities business performed poorly in 2005, weighed down by mark-to-market provisions and steep drops in prices of some major commodities, foreign exchange losses from overseas operations, and losses arising from theft of stocks. **UE Trade Corporation (India) Pte Ltd (UETCI)** ceased its Bangalore coffee operations in 2005. Its Mumbai branch also discontinued trading in beans and pulses, which experienced high volatility as a result of the introduction of futures trading of these products in the commodities exchange.

To consolidate its overseas operations, UETCI closed its Iran representative office and relocated it to Delhi. The new



Kolkata branch commenced trading in yellow peas and is now overseeing the Bangladesh market.

On a brighter note, the company strengthened its technical capabilities to secure projects in neighbouring developing countries that qualified for government financial aid; and looks well positioned to secure a portion of the work arising from \$82 million of aid pledged by India to Myanmar for railway-related projects.

UE Trade Corporation (Bangladesh) Pte Ltd was profitable in sugar distribution during the year. However, to consolidate its operations, the company was downsized towards year-end and is now managed from Kolkata.

UE Trade Corporation Lanka (Pvt) Ltd focused on the import and distribution of steel in 2005. Demand was positive in the early part of the year following the Asian tsunami in late 2004. However, in the second half of 2005, growth was depressed due to unstable political environment.

INDUSTRIAL EQUIPMENT AND SERVICES

In Singapore, **UE-Tradetec (Singapore) Pte Ltd (UE-Tradetec)** continued to enjoy strong demand from the maritime sector for rental of their generator sets. It was selected to provide all temporary power supply for the rehearsals and the 2005 National Day Parade national event. The company



Pictures from left:

1. MCL continued to grow its local steel distribution business, Singapore.
2. UE-Tradetec provided all power supply for the National Day Parade 2005, Singapore.

also fulfilled the largest portion of contracts for the supply of metalform to the Housing and Development Board.

UE-Tradetec's collaboration with Anhui Anxin Energy Co. Ltd, a wholly-owned subsidiary in China, led to strong demand for its supply of energy services. The capability of UE-Tradetec in providing synchronised temporary power of up to 7 MW and its professional reputation enabled its China operations to secure prominent projects with major MNCs. UE-Tradetec also actively marketed its services to the maritime (shipbuilding and oil-rig) sector in Shanghai and Dalian.

McAlister and Company Limited, (MCL) a wholly-owned subsidiary in Singapore, continued to grow its local steel distribution business, but suffered substantial losses arising from mark-to-market provisions against its steel inventory. MCL will progressively reduce its exposure in the coming year.

During 2005, the company supplied ten specialised road sweeping vehicles to Sembwaste.

HEALTHCARE AND PERSONAL CARE

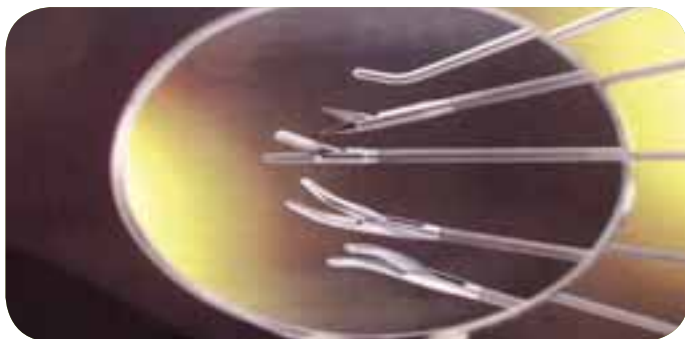
As part of its rationalisation plan to exit non-core businesses, the Group sold its entire 51% stake in **Grafton Pharmasia Pte Ltd (Grafton)** to Apex Healthcare Bhd, a publicly-listed Malaysian healthcare company. Grafton was



engaged in the marketing and distribution of specialised pharmaceutical and personal care products.

Goodman Medical Supplies Ltd (Goodman), a wholly-owned subsidiary, discontinued its China operations and personal care businesses in late 2005, to arrest losses arising from efforts to penetrate the Chinese market. Goodman will now focus on its traditional strengths to supply medical equipment to the hospital and community care segments in Hong Kong, and expects to return to profitability in 2006.

Moving forward, the Group will continue to streamline its operations, exit from non-core businesses and restructure its Trading Division in 2006 to dedicate focus on its core competence in engineering, construction and property management.




Pictures from left:

1. Koh Ultramicro Laparoscopic Suturing System.
2. The Vasculight SR, the latest and most advanced aesthetic system, is exclusively distributed by Goodman Medical Supplies Ltd.



REPORT ON CORPORATE GOVERNANCE



The Group is committed to maintaining high standards of corporate governance, and has adopted and complied with, wherever feasible, the recommendations of the Code of Corporate Governance.

REPORT ON CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance, and has adopted and complied with, wherever feasible, the recommendations of the Code of Corporate Governance (Code 2000) and the revisions introduced last year (Code 2005). 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 2000 were adopted in the interest of the Group.

1. BOARD MATTERS

(a) Board of Directors

The Board comprises 6 directors. Their names and brief bio-data are set out below :

Mr Tang I-Fang

Chairman

BSc Mech Eng, National Central University, China; MBA, Harvard University, United States of America

Appointed to the Board in 1987 and last re-appointed in 2005, Mr Tang is a non-independent non-executive Director. He has been holding the position of Chairman from 1987, and is a member of the Company's Nominating Committee and Chairman of the Remuneration Committee.

Mr Tang is the Executive Director and Chairman of WBL Corporation Limited, Chairman of Wearnes International (1994) Ltd and the Deputy Chairman of The Straits Trading Company Limited. He is also a Director of The Lee Kuan Yew Exchange Fellowship Ltd and OCBC, Wearnes & Walden Management Ltd. In public service, he led several UN Economic Missions for Asian countries and was Chairman of EDB, Chairman of JTC and Chairman of the Sub-Committee on Service Sector of Singapore Economic Committee (1985).

Mr Tang was previously a Director of Oversea-Chinese Banking Corporation Limited, Times Publishing Ltd and Singapore Press Holdings Ltd. He was conferred the Distinguished Service Order ("DUBC") in 1972. He was named the Singapore Businessman of the Year in 1989.

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 2005. He is an independent non-executive director of the Company and also a member of the Audit Committee and Remuneration Committee.

He is a director of a number of listed companies including Pokka Corporation, Tung Lok Restaurant (2000) Ltd, Progen Holdings Ltd and Ezra Holdings Ltd. He also serves on a number of public service committees including the Singapore National Olympics Council.

Mr Thai Chee Ken

Director

Fellow, Institute of Chartered Accountants, Australia

Member, Institute of Certified Public Accountants, Singapore

Mr Thai was appointed to the Board in 1992 and was last re-elected in 2005. He is an independent non-executive director of the Company. He chairs the Audit Committee, and is also a member of the Nominating Committee.

Mr Thai is a director of Keppel Land Ltd and Ascendas-MGM Funds Management Ltd. In addition, he is the Chairman of the Loke Cheng-Kim Foundation and a director of Prudential Assurance Company Singapore (Pte) Ltd.

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 2004. He is a non-independent non-executive director of the Company, and a member of its Remuneration Committee.

Currently he is an Executive Vice-President in Oversea-Chinese Banking Corporation Limited. He has more than 30 years banking experience including overseas postings. He is a director of WBL Corporation Limited, OCBC Land Private Limited, OCBC (Malaysia) Berhad and Asfinco Singapore Ltd.

Mr Jackson Chevalier Yap Kit Siong

Group Managing Director and Chief Executive Officer (CEO)

B Sc 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 joined the Company in 1997 as its Chief Operating Officer and was appointed Group Managing Director and CEO in 2001. As his position is contractual in nature, it is not subject to re-election.

In his role as the CEO, he has overall responsibility 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 with responsibility 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.

He is also a director of Apex Healthcare Berhad, a public company listed on Bursa Malaysia, and United Wearnes Technology Pte Ltd.

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 2004. 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 a cardiologist by profession and also a Member of Parliament. He has wide commercial exposure and is currently a director of NTUC Choice Homes Co-Operative Ltd, Riviera Properties Pte Ltd, Victoria International Holdings Pte Ltd, and Singapore Heart Stroke & Cancer Centre Pte Ltd.

(b) Board Composition and Balance

The Group considers the present Board composition to be adequate, given the background, qualifications and experience of its directors. The directors, coming as they do from diverse industry backgrounds, professions and skills bring to bear their specialized knowledge and experience in the service of the Group.

(c) Role of the Board

The Board works with Management to promote the success of the Company. Among the principal functions of the Board are these :

- (i) setting overall strategy and direction for the Group's businesses
- (ii) approving major policy decisions, annual budgets, major investment funding and major restructuring of core businesses
- (iii) monitoring management's performance, and reviewing the financial performance of the Group
- (iv) approving the nomination and appointment of Directors to the Board and sub-Board committees, and senior management
- (v) assuming responsibility for corporate governance and an enterprise risk management framework within the Group

(d) Separation of Chairman and Group Managing Director Roles

There is a clear division of responsibilities insofar as the workings of the Board and executive responsibility are concerned. In the UE Group, the role of the Chairman and the CEO are assumed by different persons. The division of responsibility between 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.

(e) Chairman's Role

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

- (i) providing leadership to the Board to ensure its effectiveness
- (ii) ensuring that the directors receive accurate and clear information on a timely basis
- (iii) encouraging constructive relations among Board members and their interaction with Management and
- (iv) promoting high standards of corporate governance and ensuring compliance

(f) 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.

(g) 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.

(h) Access to Information/ Company Secretary

- (i) All Board members have direct and independent access to the Group Company Secretary and other senior management staff. The Group 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 Group 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 Group Company Secretary is deliberated on by the Board as a whole.
- (ii) Generally, Management prepares and submits its proposals for the Board's consideration by way of internal memos or papers providing the facts, analysis of resources, risks and recommendations. 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.
- (iii) 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.

REPORT ON CORPORATE GOVERNANCE

(i) Meetings

The Board is accountable to the 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 FY2005, 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:

Board and Committee Meetings in FY2005

BOARD OF DIRECTORS	DIRECTORS' MEETING		AUDIT COMMITTEE		NOMINATING COMMITTEE		REMUNERATION COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Tang I-Fang	6	6	-	-	1	1	2	2
Tan Eng Liang	6	6	3	3	-	-	2	2
Thai Chee Ken	6	5	3	3	1	0	-	-
Lai Teck Poh	6	5	-	-	-	-	2	2
Jackson Yap	6	6	-	-	-	-	-	-
Michael Lim Chun Leng	6	4	3	3	1	1	-	-

(j) 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.

(k) Articles of Association

The Company's Articles of Association already allow for telephonic and conference meetings. The Articles also provide for one-third of its directors to retire by rotation every year.

(l) Training

Whenever a new member joins the Board, he is provided an information package which highlights his duties 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 to provide familiarity 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 are also made available to and arranged for the directors.

2. 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 with specific terms of reference. The Committees are :

(a) Board Project Evaluation Committee (BPEC)

The BPEC comprises any 2 directors of the Company (other than the CEO who is the executive director), and is tasked to consider and approve proposals for property projects put forward by the management's Project Evaluation Committee. The BPEC has been delegated authority by the Board to facilitate a quicker response and turnaround time on the deliberation and approval of property projects valued at not more than S\$80m in aggregate, on terms and conditions as it sees fit to impose on management. All decisions of the BPEC are disseminated to the Board.

There were no meetings of the BPEC in 2005.

(b) Nominating Committee (NC)

The NC is chaired by Dr Michael Lim, a non-executive independent director who is not, and is not directly associated with a substantial shareholder. He is joined by Mr Thai Chee Ken, also a non-executive independent director and Mr Tang I-Fang, a non-executive non-independent director.

The NC meets at least once a year and more often if required. 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.

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 experience, finance and industry knowledge.

If the NC decides that the candidate is suitable, the NC then recommends 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 new director will be given a briefing by the CEO on the business activities of the company and its subsidiaries.

- (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.

In the course of the year, the NC reviewed the composition of the Board and was satisfied that the 3 non-executive independent directors, Mr Thai Chee Ken, Dr Tan Eng Liang, and Dr Michael Lim continue to qualify as independent directors.

REPORT ON CORPORATE GOVERNANCE

As Mr Jackson Yap is the CEO, he has executive responsibilities and is therefore not considered independent. The NC noted Mr Tang and Mr Lai's declarations that they are not to be considered independent directors. Mr Tang is the Executive Director of a substantial shareholder of the Company, and Mr Lai is employed by a deemed substantial shareholder of the Company.

Disclosures of these circumstances have been made to the Company. The NC has noted their declarations, and determined that they are not to be regarded as independent directors. Notwithstanding the same, and pursuant to Guideline 2.2 of the Code, the NC has reviewed matters and is satisfied that for the purpose of serving on the RC, both Mr Tang and Mr Lai, being independent of management, and having no conflict of interests, would be considered independent directors, and recommends their continued appointment as RC Chairman and member respectively.

In respect of re-nomination of directors, the NC evaluated the contributions and performance of the retiring directors, paying attention to attendance, preparedness, performance and candour, and whether they would be able to adequately discharge their duties. The NC has recommended the re-election of Dr Michael Lim and Mr Lai Teck Poh, both of whom retire at the 2006 AGM and the re-appointment of Mr Tang I-Fang. In addition, the NC also recommends their continued appointments at the various sub-Board committees.

- (iii) assessing the effectiveness of the Board as a whole and the contribution by each individual director to the effectiveness of the Board. 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. 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.

The NC considers 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 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 strengthen the composition of the Board.

As the Group has more than three independent directors, we are also Code-compliant in this respect.

(c) **Audit Committee (AC)**

The AC comprises Mr Thai Chee Ken (Chairman), Dr Tan Eng Liang and Dr Michael Lim, all of whom are non-executive and independent directors. Mr Thai, the Chairman of the AC, is a chartered accountant by profession, while both Dr Tan and Dr Lim 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.

During the course of the year, the AC met 3 times to :

- (i) review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors

- (ii) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance
- (iii) review the adequacy of the company's internal financial controls, operational and compliance controls, and risk management policies and systems
- (iv) review the effectiveness of the company's internal audit plan and function and
- (v) 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

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.

The Group is in the process of reviewing proposals to put in place arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties. The AC will ensure that arrangements are in place for independent investigation and follow-up actions on such matters.

The Group has outsourced the internal audit function to PriceWaterhouseCoopers, one of the Big 4 accounting firms. 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, both with and 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 and these would not, in its opinion, affect the independence of Ernst & Young as auditors. Accordingly, the AC has also recommended the re-appointment of Ernst & Young as external auditors of the Group.

(d) Remuneration Committee (RC)

In FY2005, the RC comprised Mr Tang I-Fang (Chairman), Mr Lai Teck Poh and Dr Tan Eng Liang, all of whom are non-executive directors. Our RC is thus made up entirely of non-executive directors.

As earlier stated, the NC had determined that both Mr Tang and Mr Lai are to be considered 'independent' for the purposes of membership on the RC, as they are independent of management, and do not have any relationships that would interfere with the exercise of their judgment as members of the RC. Mr Tang and Mr Lai are senior management staff of their respective companies and have adequate knowledge of compensation matters. Dr Tan as a board member of a number of listed and private companies as well as public service organizations, has wide exposure to HR practices.

The RC held 2 meetings in 2005. Its primary functions are :

- (i) to administer the Group's share option scheme in accordance with the Scheme Rules

REPORT ON CORPORATE GOVERNANCE

- (ii) to recommend to the Board a framework of remuneration for Directors and senior management, including the CEO taking into account pay and employment conditions within the industry and structuring the same so as to link rewards to corporate and individual performance
- (iii) to evaluate and propose payment of directors' fees for the approval of members in general meeting

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.

A consulting firm has been engaged to review the remuneration of non-executive directors and senior management staff bearing in mind industry practices, the contributions of directors and senior management staff, and their responsibilities. The Group also has in place a longer-term incentive scheme such as the 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.

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

Directors' Remuneration

REMUNERATION BAND	DIRECTORS' FEES %	SALARY %	BONUS %	OTHER BENEFITS %	TOTAL %
Non-Executive Directors					
<u>\$0 - \$250,000</u>					
Tang I-Fang	100%	-	-	-	-
Tan Eng Liang	100%	-	-	-	-
Thai Chee Ken	100%	-	-	-	-
Lai Teck Poh	100%	-	-	-	-
Michael Lim	100%	-	-	-	-
Executive Director					
<u>\$500,001 - \$750,000</u>					
Jackson Yap	-	69%	22.5	8.5%	100%

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

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 7 key executives of the Group within bands of \$250,000.

Remuneration Bands	No. of Executives
\$250,001 - \$500,000	7

* Includes share options

3. INFORMATION ON KEY EXECUTIVES

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

Assisting Mr Yap are 7 other key executives. Brief particulars of their qualifications and work experience are set out below:

(a) Chang Chew Kient – Chief Strategy Officer, Strategy and Business Development Unit

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, and is now the Chief Strategy Officer of the Group, heading the Strategy and Business Development Unit ("SBD"). Prior to joining UE, 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.

In this capacity, Mr Chang will lead the SBD to focus on developing appropriate business strategies and initiatives for the Group.

(b) 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. Greatearth is a renowned building and civil engineering contractor in the construction of residential, industrial, commercial and prestigious buildings for both private and public sector in Singapore.

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

(c) Stephen Huen – Managing Director, Trading Division

Mr Huen graduated from the Imperial College, London University, with first class honours in Civil Engineering. He joined the Group in 1990 as a divisional manager for the IT Division. In 1996 he became the General Manager of the Group's Myanmar business and started the commodity trading business. He is now the Managing Director of the Trading Division. Prior to joining the Group, he was the Managing Director of Maple Computing Services Pte Ltd and before that, Project Engineer with Monenco Asia Pte Ltd. Mr Huen and his team have expanded the trading activities of the group to include Sri Lanka, China and India.

REPORT ON CORPORATE GOVERNANCE

(d) David Liew - Managing Director, Integrated Facility Management (“IFM”) 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 IFM 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. Leveraging on the synergies with the Engineering and Construction Divisions, Mr Liew will position the IFM Division to become a leader in providing one-stop solutions for customers’ facilities.

(e) Eileen Lim – Group Company Secretary/Vice President (Legal Affairs)

Miss Lim holds a Bachelor of Laws (Hons) degree from the University of Singapore, and post-graduate diplomas in Marketing, as well as in Financial Management, from the Singapore Institute of Management. She has more than 20 years post-qualifying experience including corporate commercial and transactional experience as in-house corporate counsel of large listed corporations. Prior to joining the Group in 1995, she was the Company Secretary/Legal Manager of Delgro/SBS Group. Her present responsibilities include legal, compliance and governance functions.

(f) 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 more than 20 years 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. She is responsible for the Group’s financial, treasury and accounting functions.

(g) Dominic Tan – Managing Director, Engineering Division

Mr Tan started his career as a Trainee Quantity Surveyor with Gammon (Malaya), Limited in 1966, and progressed over the years to be the Executive Director (International Operations) before leaving Gammon Pte Ltd in 1990 to join L&M International Pte Ltd as its Commercial Director.

He has a wide range of international experience in the preparation and negotiation of construction tenders and the project management of large and complex civil, building, mechanical and electrical engineering projects throughout the Asia Pacific Region. Mr Tan joined the Group in 1993 as General Manager (Business Development). As Managing Director of the Engineering Division, he has focused on streamlining and rationalizing the Division’s business activities, as well as its expansion into West Malaysia, Indonesia and the Middle East.

4. COMMUNICATION WITH SHAREHOLDERS

- (i) 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. 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 2005, 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. In addition, major events such as the award of large or significant contracts had been featured in press releases. Investors and members of the public may also access our website for more information on the Group.

- (ii) All directors, including the chairpersons of the Audit, Nominating and Remuneration 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.
- (iii) The Company's Articles of Association allow shareholders to vote in person or in absentia through proxies.
- (iv) The Company prepares statutory minutes of general meetings, lodges all resolutions passed at these meetings with ACRA and notifies SGX via an SGXNET release.

5. RISK MANAGEMENT

- (i) A Group Operations Manual drawn up with input from operational staff sets out established guidelines, policies, and procedures for all divisions. This promotes consistency in practices Group-wide and puts in place various control mechanisms. All business units undertake risk analysis based on Control Self Assessment, and are required to take the necessary steps to mitigate and manage such risks. As part of its audit function, the internal auditor also assists the risk management process by identifying and highlighting any areas of concern that it comes across while conducting checks.
- (ii) In FY 2005, the Group also engaged PriceWaterhouseCoopers, one of the big 4 accounting firms, to assist in the setting up of the Group's Enterprise Risk Management (ERM) framework. This will enable the Group to better identify, evaluate and monitor its risk exposure with view to mitigating and managing the same.
- (iii) The Directors are of the opinion, based on the results of internal and external audits, that the system of controls, is operating satisfactorily.

6. 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.

7. BEST PRACTICES GUIDE

- (i) In line with SGX's Best Practices Guide on Dealings in Securities, the Group's Code of Best Practices for Dealings in Securities has been formulated and 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.
- (ii) 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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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 subsidiary companies (the Group) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2005.

DIRECTORS

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of Director	Held in the name of director		Deemed interest	
	At the beginning of the year	At the end of the year	At the beginning of the year	At the end of the year
	Ordinary Stock Units of \$1.00 each			
Tang I-Fang	40,000	40,000	–	–
Thai Chee Ken	–	–	3,288	3,288
Jackson Chevalier Yap Kit Siong	273,000	273,000	–	–
	No. of Unissued Ordinary Shares of \$1.00 each Under Option			
Jackson Chevalier Yap Kit Siong	665,000	665,000	–	–

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 and set out below under "Interested Person Transactions".

INTERESTED PERSON TRANSACTIONS

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

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

OPTIONS

United Engineers Share Option Scheme 2000 (Scheme 2000)

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

Scheme 2000 is administered by the Remuneration Committee. During the financial year, options were granted pursuant to Scheme 2000 in respect of 2,088,000 unissued ordinary shares of \$1.00 each to 69 executives of the Company and its subsidiaries.

OPTIONS (continued)

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

As at 31 December 2005, unissued shares granted under Scheme 2000 were as follows:

Date of Grant	Exercise Period	Exercise Price	Balance as at 31.12.04	No. of shares under option granted during the financial year	No. of shares under option exercised during the financial year	No. of shares under option lapsed during the financial year	Balance as at 31.12.05
6.12.00	6.12.01 to 5.12.10	\$1.14	1,096,360	–	480,360	24,000	592,000
5.11.01	5.11.02 to 4.11.11	\$1.01	1,268,000	–	514,200	36,000	717,800
4.10.02	4.10.03 to 3.10.12	\$1.07	1,293,700	–	317,700	35,500	940,500
12.12.03	12.12.04 to 11.12.13	\$1.61	2,457,200	–	220,000	154,200	2,083,000
25.11.04	25.11.05 to 24.11.14	\$1.59	2,486,800	–	73,800	307,000	2,106,000
30.11.05	30.11.06 to 29.11.15	\$1.81	–	2,088,000	–	121,600	1,966,400
			8,602,060	2,088,000	1,606,060	678,300	8,405,700

The aggregate number of options granted since the commencement of the Scheme 2000 in year 2000 to 31 December 2005 is 15,055,500.

As at 31 December 2005, 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)	90,000	665,000	–	665,000

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. In no event will the exercise price be less than the nominal (par) value of the share.

During the financial year, no options were granted to take up unissued ordinary shares of the subsidiary companies and no ordinary shares of the subsidiary companies 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 subsidiary companies under option.

DIRECTORS' REPORT

AUDIT COMMITTEE

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

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

The Audit Committee 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.

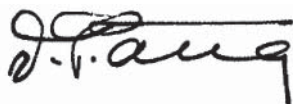
The Audit Committee nominates Ernst & Young as auditors of the Company for the financial year ending 31 December 2006 to be approved and appointed by the Company at the forthcoming Annual General Meeting.

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 2005.

AUDITORS

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

On behalf of the Board,



TANG I-FANG
Director



JACKSON CHEVALIER YAP KIT SIONG
Director

28 March 2006
Singapore

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 201(15)

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

- (i) the accompanying balance sheets, consolidated profit and loss account, statements of changes in equity and consolidated cash flow statement together with 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 2005 and the results of the businesses, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,



TANG I-FANG
Director



JACKSON CHEVALIER YAP KIT SIONG
Director

28 March 2006
Singapore

AUDITORS' REPORT

TO THE MEMBERS OF UNITED ENGINEERS LIMITED

We have audited the accompanying financial statements of United Engineers Limited (the Company) and its subsidiary companies (the Group) set out on pages 57 to 119 for the financial year ended 31 December 2005. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

28 March 2006
Singapore

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Note	GROUP	
		2005 \$000	2004 \$000
Revenue	3	667,009	597,719
Cost of sales		(595,462)	(519,653)
Gross profit		71,547	78,066
Other income	4	37,431	22,709
Distribution costs	4	(11,697)	(11,192)
Administrative costs	4	(53,493)	(46,529)
Other operating expenses	4	(26,802)	(7,334)
Interest income	5	2,010	1,509
Interest expense	5	(13,519)	(8,585)
		5,477	28,644
Share of results of associated companies		22,575	31,381
Profit before taxation		28,052	60,025
Taxation	6	(2,158)	(2,681)
Profit for the financial year		25,894	57,344
Attributable to:			
Members of United Engineers Limited		22,574	49,130
Minority interests		3,320	8,214
		25,894	57,344
Earnings per stock unit (cents)	7		
Basic		10.5¢	23.1¢
Diluted		10.4¢	22.9¢

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

BALANCE SHEETS

AS AT 31 DECEMBER 2005

	Note	GROUP		COMPANY	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000 (Restated)
INVESTMENT PROPERTIES	8	587,185	577,323	427,500	425,000
FIXED ASSETS	9	42,905	34,582	2,303	2,538
SUBSIDIARY COMPANIES	10	–	–	337,551	334,060
ASSOCIATED COMPANIES	11	207,008	175,745	315	316
OTHER INVESTMENTS	12	15,743	1,256	4,775	528
INTANGIBLES	13	2,242	2,532	–	–
CURRENT ASSETS					
Gross amount due from customers for contract work	14	37,044	37,172	–	–
Stocks	15	51,792	49,588	–	–
Trade & other debtors	16	255,580	210,942	4,628	5,499
Due from subsidiary companies	17	–	–	6,422	3,857
Short-term investments	18	26,211	51,474	–	–
Bank balances and deposits	19	75,763	58,541	9,809	2,342
		446,390	407,717	20,859	11,698
DEDUCT: CURRENT LIABILITIES					
Bank borrowings	20	49,050	56,960	–	–
Trade & other creditors	21	181,055	139,414	8,123	8,288
Due to subsidiary companies	22	–	–	15,943	21,035
Term loans	23	407,504	137,996	300,910	82,158
Provision for taxation		2,201	4,109	600	–
		639,810	338,479	325,576	111,481
NET CURRENT (LIABILITIES)/ASSETS		(193,420)	69,238	(304,717)	(99,783)
TERM LOANS	23	(14,360)	(248,078)	–	(185,000)
DEFERRED TAXATION	24	(1,242)	(1,122)	–	–
		646,061	611,476	467,727	477,659
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Share capital	25	215,955	214,348	215,955	214,348
Reserves		351,287	325,123	251,772	263,311
SHAREHOLDERS' FUNDS		567,242	539,471	467,727	477,659
MINORITY INTERESTS		78,819	72,005	–	–
		646,061	611,476	467,727	477,659

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

Group

	Share capital (Note 25) \$000	Share premium (Note 25) \$000	Employee share option reserve ¹ \$000	Asset revaluation reserve ² \$000	Fair value adjustment reserve ³ \$000	Translation reserve ⁴ \$000	Retained earnings \$000	Minority interests \$000	Total equity \$000
2005									
Balance at 1 January 2005									
- As previously reported	214,348	624	-	212,331	-	(26,717)	138,885	72,005	611,476
- Effect of adopting:									
- FRS 39	-	-	-	-	50,815	-	43	-	50,858
- Restated	214,348	624	-	212,331	50,815	(26,717)	138,928	72,005	662,334
Surplus on revaluation of investment properties	-	-	-	4,362	-	-	-	-	4,362
Foreign currency translation adjustments:									
- Subsidiary and associated companies reserves	-	-	-	-	-	7,227	-	3,104	10,331
- Inter-company balances of a long-term nature	-	-	-	-	-	(356)	-	-	(356)
Available-for-sale (AFS) investments:									
- Transferred to profit or loss on disposal	-	-	-	-	(32,485)	-	-	-	(32,485)
- Valuation loss taken to equity	-	-	-	-	(6,369)	-	-	-	(6,369)
Net income and expense recognised directly in equity	-	-	-	4,362	(38,854)	6,871	-	3,104	(24,517)
Net profit for the financial year	-	-	-	-	-	-	22,574	3,320	25,894
Dividend paid (Note 26)	-	-	-	-	-	-	(20,651)	(750)	(21,401)
Total recognised income and expense for the financial year	-	-	-	4,362	(38,854)	6,871	1,923	5,674	(20,024)
Ordinary shares issued on exercise of share options converted into ordinary stocks	1,607	273	-	-	-	-	-	-	1,880
Equity share options issued	-	-	731	-	-	-	-	-	731
Capital contribution from a minority shareholder	-	-	-	-	-	-	-	150	150
Partial disposal of a subsidiary company	-	-	-	-	-	-	-	990	990
Balance at 31 December 2005	215,955	897	731	216,693	11,961	(19,846)	140,851	78,819	646,061

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

Group

	Share capital (Note 25) \$000	Share premium (Note 25) \$000	Asset revaluation reserve ² \$000	Translation reserve ⁴ \$000	Retained earnings \$000	Minority interests \$000	Total equity \$000
2004							
Balance at 1 January 2004	210,977	194	252,426	(19,471)	106,797	104,359	655,282
Deficit on revaluation of investment properties	-	-	(40,095)	-	-	-	(40,095)
Foreign currency translation adjustments:							
- Subsidiary and associated companies reserves	-	-	-	(5,807)	-	(2,436)	(8,243)
- Inter-company balances of a long-term nature	-	-	-	(1,439)	-	-	(1,439)
Net expense recognised directly in equity	-	-	(40,095)	(7,246)	-	(2,436)	(49,777)
Net profit for the financial year	-	-	-	-	49,130	8,214	57,344
Dividend paid (Note 26)	-	-	-	-	(17,042)	(750)	(17,792)
Total recognised income and expense for the financial year	-	-	(40,095)	(7,246)	32,088	5,028	(10,225)
Ordinary shares issued on exercise of share options converted into ordinary stocks	3,371	430	-	-	-	-	3,801
Acquisition of remaining shares in a subsidiary company	-	-	-	-	-	(38,467)	(38,467)
Capital contribution from a minority shareholder	-	-	-	-	-	1,085	1,085
Balance at 31 December 2004	<u>214,348</u>	<u>624</u>	<u>212,331</u>	<u>(26,717)</u>	<u>138,885</u>	<u>72,005</u>	<u>611,476</u>

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

Company

2005	Share capital (Note 25) \$000	Share premium (Note 25) \$000	Employee share option reserve ¹ \$000	Asset revaluation reserve ² \$000	Subsidiary companies revaluation reserve \$000	Associated companies revaluation reserve \$000	Fair value adjustment reserve ³ \$000	Translation reserve ⁴ \$000	Retained earnings \$000	Total equity \$000
Balance at 31 December 2004										
- As previously reported	214,348	624	-	209,007	42,617	5,536	-	(18,215)	85,554	539,471
- Effect of adopting:										
- FRS 21 (revised 2004)	-	-	-	-	-	-	-	18,215	(18,215)	-
- FRS 27 (revised 2004)	-	-	-	-	(42,617)	(5,536)	-	-	(13,659)	(61,812)
Balance at 1 January 2004 as restated	214,348	624	-	209,007	-	-	-	-	53,680	477,659
- FRS 39	-	-	-	-	-	-	4,116	-	43	4,159
Balance at 1 January 2005 as restated	214,348	624	-	209,007	-	-	4,116	-	53,723	481,818
Surplus on revaluation of investment property	-	-	-	2,500	-	-	-	-	-	2,500
Net profit recognised directly in equity	-	-	-	2,500	-	-	-	-	-	2,500
Net profit for the financial year	-	-	-	-	-	-	-	-	1,449	1,449
Dividend paid (Note 26)	-	-	-	-	-	-	-	-	(20,651)	(20,651)
Total recognised income and expense for the financial year	-	-	-	2,500	-	-	-	-	(19,202)	(16,702)
Ordinary shares issued on exercise of share options converted into ordinary stocks	1,607	273	-	-	-	-	-	-	-	1,880
Equity share options issued	-	-	731	-	-	-	-	-	-	731
Balance at 31 December 2005	215,955	897	731	211,507	-	-	4,116	-	34,521	467,727

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

Company

	Share capital (Note 25) \$000	Share premium (Note 25) \$000	Asset revaluation reserve ² \$000	Subsidiary companies revaluation reserve \$000	Associated companies revaluation reserve \$000	Translation reserve ⁴ \$000	Retained earnings \$000	Total equity \$000
2004 (Restated)								
Balance at 1 January 2004								
- As previously reported	210,977	194	234,102	11,073	5,588	(16,777)	105,766	550,923
- Effect of adopting:								
- FRS 21 (revised 2004)	-	-	-	-	-	16,777	(16,777)	-
- FRS 27 (revised 2004)	-	-	-	(11,073)	(5,588)	-	(18,246)	(34,907)
- Restated	210,977	194	234,102	-	-	-	70,743	516,016
Deficit on revaluation of investment properties	-	-	(25,095)	-	-	-	-	(25,095)
Net expense recognised directly in equity	-	-	(25,095)	-	-	-	-	(25,095)
Net loss restated for effect of changes in accounting policy	-	-	-	-	-	-	(21)	(21)
Dividend paid (Note 26)	-	-	-	-	-	-	(17,042)	(17,042)
Total recognised expense for the financial year	-	-	(25,095)	-	-	-	(17,063)	(42,158)
Ordinary shares issued on exercise of share options converted into ordinary stocks	3,371	430	-	-	-	-	-	3,801
Balance at 31 December 2004	214,348	624	209,007	-	-	-	53,680	477,659

- 1 Employee share option reserve represents the equity-settled share options granted to employees (Note 29). The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.
- 2 The asset revaluation reserve is used to record increases in the fair value of investment properties and fixed assets and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.
- 3 Fair value adjustment reserve records the cumulative fair value changes of available-for-sale financial assets until they are derecognised or impaired.
- 4 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.

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	2005 \$000	2004 \$000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	28,052	60,025
Adjustments for:		
Amortisation of intangibles	564	112
Currency realignment	(1,043)	(3,391)
Depreciation of fixed assets	6,179	5,810
Development profits	–	(95)
Dividend income	(670)	(520)
Equity share options issued	731	–
Gain on disposal of fixed assets	(481)	(616)
Gain on disposal of other investment	(30,025)	(419)
Gain on held for trading investments	(47)	–
Gain on partial disposal of subsidiary companies	(3,690)	–
Goodwill on acquisition of additional shares in subsidiary company	–	(19,767)
Impairment of fixed assets	276	–
Impairment of investment in associated companies	26	–
Impairment of investments written back	–	(50)
Impairment of short-term and other investments	–	661
Interest expense	13,519	8,585
Interest income	(2,010)	(1,509)
Share of results of associated companies	(22,575)	(31,381)
Surplus on revaluation of investment property	(1,038)	–
Operating cash flow before working capital changes	(12,232)	17,445
Increase in trade & other creditors	23,582	32,521
Increase in trade & other debtors	(54,689)	(57,856)
Decrease/(increase) in gross amount due from customers for contract work	1,547	(13,047)
Increase in gross amount due to customers for contract work	16,519	5,366
Increase in stocks	(1,539)	(834)
Cash used in operations	(26,812)	(16,405)
Interest paid	(13,113)	(8,616)
Interest received	1,609	1,549
Taxation paid	(4,425)	(3,973)
Net cash used in operating activities	(42,741)	(27,445)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of additional shares in subsidiary company	–	(18,700)
Acquisition of intangibles	(251)	(163)
Acquisition of other investments	(2,309)	–
Acquisition of subsidiary company, net of cash acquired (Note(a))	150	–
Capital and development expenditure	(17,165)	(18,200)
Decrease in amounts due (to)/from associated company	(15,265)	1,400
Dividends received from investments	670	520
Dividends received from associated company	15,435	145
Proceeds from disposal of fixed assets	918	1,259
Proceeds from disposal of other investments	65,138	6,665
Proceeds from partial disposal of subsidiary company	4,680	–
Net cash generated from/(used in) investing activities	52,001	(27,074)

CONSOLIDATED CASH FLOW STATEMENT *(continued)*

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	2005	2004
	\$000	\$000
CASH FLOW FROM FINANCING ACTIVITIES		
Decrease in secured bank borrowings	(7,362)	(2,050)
Dividends paid	(20,651)	(17,042)
Dividends paid to minority shareholders	(750)	(750)
Proceeds from term loans	80,220	36,793
Repayment of long-term loans	(44,000)	–
Share options exercised	1,880	3,801
Net cash generated from financing activities	9,337	20,752
Cash and cash equivalents at beginning of year	27,162	60,929
Net increase/(decrease) in cash and cash equivalents	18,597	(33,767)
Cash and cash equivalents at end of year	45,759	27,162
Cash and cash equivalents comprise:		
Bank balances and deposits	75,763	58,541
Unsecured bank borrowings (Note 20)	(30,004)	(30,550)
Cash and cash equivalents as previously reported	45,759	27,991
Effect of exchange rate changes	–	(829)
Cash and cash equivalents as restated	45,759	27,162

(a) Acquisition of a subsidiary company

On 6 May 2005, the Group acquired 70% of the issued share capital of IBP Building Material Pte Ltd, an unlisted company incorporated in Singapore which specialises in the bulk supply of building materials.

The effect on the individual asset arising from the acquisition of a subsidiary company during the financial year is set out below:

	2005
	\$000
Cash	500
Less: Minority interests	(150)
Purchase consideration	350
Less: Cash of subsidiary acquired	(500)
Cash flow on acquisition, net of cash acquired	(150)

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

1 GENERAL

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

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

The registered office of the Company is located at:

83 Clemenceau Avenue
#18-01 UE Square
Singapore 239920

The Group operates in 12 (2004: 12) countries.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) 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) as required by the Singapore Companies Act.

The financial statements have been prepared on a 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(b)).

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

(b) Changes in Accounting Policies

(i) Adoption of New/Revised FRS

On 1 January 2005, the Group and the Company adopted the following standards mandatory for financial periods beginning on or after 1 January 2005. Comparative figures have been restated where required, in accordance with the relevant transitional provisions in the respective FRS. The nature and effects of the changes have been summarised as follows:

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in Accounting Policies (continued)

(i) Adoption of New/Revised FRS (continued)

Nature of Changes

New/Revised FRS	Application	Account affected	New recognition policy	Previous recognition policy
<u>FRS 39</u>				
Financial Instruments: Recognition and Measurement	Prospective	Financial assets at fair value through profit and loss	Recognised initially at fair value. Subsequently re-measured at fair value.	Stated at lower of average cost and market value.
		Loans and receivables	Recognised initially at fair value plus transaction costs. Subsequently re-measured at amortised cost using the effective interest rate method, less impairment losses.	Stated at cost less provision for doubtful debts.
		Held-to-maturity investments	Recognised initially at fair value plus transaction costs. Subsequently re-measured at amortised cost using the effective interest rate method, less impairment losses.	Stated at cost.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in Accounting Policies (continued)

(i) Adoption of New/Revised FRS (continued)

Nature of Changes (continued)

New/Revised FRS	Application	Account affected	New recognition policy	Previous recognition policy
<u>FRS 39 (continued)</u>				
Financial Instruments: Recognition and Measurement	Prospective	Available-for-sale financial assets	Recognised initially at fair value plus transaction costs. Subsequently re-measured at fair value, with all gains and losses, other than impairment losses, taken to equity.	Cost less provision for diminution in value.
		Financial liabilities (other than derivative financial instruments)	Recognised initially at fair value plus transaction costs. Subsequently re-measured at amortised cost using the effective interest rate method, less impairment losses.	Stated at cost.
<u>FRS 102</u>				
Share-based Payment	Retrospective - for share options granted after 22 November 2002 and not yet vested by 1 January 2005 in accordance with the transitional provisions	Share-based payment	Recognised as an expense in profit and loss with a corresponding entry to employee share option reserve.	Not applicable.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in Accounting Policies (continued)

(i) Adoption of New/Revised FRS (continued)

Nature of Changes (continued)

New/Revised FRS	Application	Account affected	New recognition policy	Previous recognition policy
<u>FRS 105</u>				
Non-Current Assets Held for Sale and Discontinued Operations	Prospective	Discontinued operations	Discontinued operation recognised at a later point than previously under FRS 35 due to stricter criteria in FRS 105.	Under the superceded FRS 35, discontinued operation recognised at the earlier of the date the Group enters into a binding sale agreement; and the date the Board of Directors have approved and announced a formal disposal plan.
<u>FRS 21 (revised)</u>				
The Effects of Changes in Foreign Exchange Rates	Retrospective	Exchange differences arising from monetary items that form part of the Group's net investment in foreign subsidiary companies	In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account. There are no changes to the treatment of such exchange differences in the Group financial statements.	In the Group's and Company's financial statements, such differences are taken directly to foreign currency translation reserve and recognised in the profit and loss account on disposal of the subsidiary company.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in Accounting Policies (continued)

(i) Adoption of New/Revised FRS (continued)

Nature of Changes (continued)

New/Revised FRS	Application	Account affected	New recognition policy	Previous recognition policy
<u>FRS 27 (revised)</u>				
Consolidated and Separate Financial Statements	Retrospective	Investment in subsidiary companies	Stated at cost less impairment losses.	Restated annually at attributable net assets less impairment losses. Any surpluses or deficits resulting from this were credited or charged to non-distributable reserves. Deficits, to the extent that they exceeded the amount standing in the non-distributable reserves, were charged to distributable reserves via the profit and loss account.
<u>FRS 28 (revised)</u>				
Investment in Associates	Retrospective	Investment in associated companies	Impairment losses are restricted to the cost of investment in accordance to FRS 36 (Revised) Impairment of Assets.	
		Minority Interests	Presentation within equity.	Not applicable.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in Accounting Policies (continued)

(i) Adoption of New/Revised FRS (continued)

Effects of Changes

The effects of the adoption of the above FRS on opening reserves of the Group and Company are summarised in the statements of changes in equity. The adoption of these FRS has resulted in a credit/(charge) to the Group operating results as follows:

	GROUP	
	2005 \$000	2004 \$000
FRS 39	28	–
FRS 102	(731)	–
	<u>(703)</u>	<u>–</u>

The adoption of the above FRS has no material impact on the consolidated profit and loss statement, consolidated balance sheet, basic earnings per stock unit and diluted earnings per stock unit. At the Company level, the adoption of FRS 27 and FRS 28 has resulted in the restatement of subsidiary companies from \$379,836,000 to \$323,561,000 and associated companies from \$5,853,000 to \$316,000 as at 31 December 2004.

Other Revised FRS Adopted

In addition, the Group adopted the following revised standards which did not result in any significant change in accounting policies:

FRS 1 (revised), Presentation of Financial Statements
FRS 2 (revised), Inventories
FRS 8 (revised), Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised), Events after the Balance Sheet Date
FRS 16 (revised), Property, Plant and Equipment
FRS 17 (revised), Leases
FRS 24 (revised), Related Party Disclosures
FRS 31 (revised), Interests in Joint Ventures
FRS 32 (revised), Financial Instruments: Disclosure and Presentation
FRS 33 (revised), Earnings Per Share

(ii) FRS and INT FRS Not Yet Effective

The Group has not applied the following FRS and INT FRS that have been issued but are only effective for annual financial periods beginning on or after 1 January 2006 or 1 January 2007.

The following standards do not apply to the activities of the Group:

- FRS 106, Exploration for and Evaluation of Mineral Resources
- INT FRS 104, Determining Whether an Arrangement Contains a Lease
- INT FRS 105, Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Changes in Accounting Policies *(continued)*

(ii) FRS and INT FRS Not Yet Effective *(continued)*

The Group expects that the adoption of the following standards will not have a significant impact on the financial statements in the period of initial application:

FRS 19 (revised), Employee Benefits (effective for annual financial periods beginning on or after 1 January 2006)

This standard requires additional disclosures providing information about trends in the assets and liabilities in the defined benefit plans and the assumptions underlying the components of the defined benefit cost.

FRS 40, Investment Property (effective for annual financial periods beginning on or after 1 January 2007)

This standard applies to the measurement in a lessee's financial statements of investment property interests held under a lease accounted for as a finance lease and to the measurement in a lessor's financial statements of investment property provided to a lessee under an operating lease. The impact of the FRS on the Group's financial statements depends on the valuation of the Group's investment properties.

(c) Significant Accounting Estimates and Judgements

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

(i) 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.

Depreciation of Fixed Assets

The Group's fixed assets include plant and machinery, motor vehicles and other assets at various locations. The cost of the above fixed assets is depreciated on a straight-line basis over their useful lives estimated to be within 2 to 15 years. The carrying amount of these fixed assets at 31 December 2005 was \$25,153,000 (2004: \$19,740,000). 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 approximately 1% variance in profit for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Significant Accounting Estimates and Judgements *(continued)*

(i) Key Sources of Estimation Uncertainty *(continued)*

Income Tax

The Group has exposure to income taxes in numerous jurisdictions. 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 tax payables at 31 December 2005 was \$2,201,000 (2004: \$4,109,000).

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 judgement is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract cost, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making the judgement, the Group evaluates by relying on past experience and/or the work of specialists. An estimation of recoverable variation works amounting to \$4,700,000 was taken into consideration in arriving at the estimated loss of a construction contract. Any shortfall in recovery of this estimation will impact the results of the Group by the same quantum.

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill at 31 December 2005 was \$230,000 (2004: \$230,000).

(ii) Critical Judgements Made in Applying Accounting Policies

The following are the judgements 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.

Operating Lease Commitments – As Lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Significant Accounting Estimates and Judgements *(continued)*

(ii) Critical Judgements Made in Applying Accounting Policies *(continued)*

Assessment of Impairment of Investment in Associated Company

The Group's investment in its associated company, Anhui Hefei United Power Generation Company Limited (AHUP), was assessed for impairment by comparing its carrying value with its recoverable amount or value in use. Value in use was computed by discounting estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The discount rates applied, ranging from 6% to 9%, were based on AHUP's weighted average cost of capital, incremental borrowing rate and comparable borrowing rates. As the present value of AHUP based on the above discount rates was found to be above its carrying value, provision for impairment was not required.

Assessment of Allowance for Doubtful Receivables

Trade and other debtors 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.

(d) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the balance sheet date, after the elimination of all material intra-group balances, transactions and resulting unrealised profits. Unrealised losses resulting from intra-group transactions are also eliminated unless costs cannot be recovered. The financial statements of the subsidiary companies are prepared for the same reporting date as the parent company.

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

Subsidiary companies are fully 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.

Acquisitions of subsidiary companies are accounted for using the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2(i).

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) **Subsidiary and Associated Companies**

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

An associated company is a company 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 associated companies are not co-terminous with that of the Company. In the case of the associated companies whose financial years are not co-terminous, the share of profits or losses is arrived at from the last audited financial statements available and unaudited management accounts to the end of the Company's financial year. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Group's investments in associated companies are accounted for using the equity method. Under the equity method, the investment in associated company is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associated company. The Group's share of the profit or loss of the associated company is recognised in the consolidated profit and loss account. Where there has been a change recognised directly in the equity of the associated company, 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 associated companies. In the Group's consolidated financial statements, the Group's share of results and reserves of associated companies acquired or disposed of are included in the consolidated financial statements from the date of acquisition or up to the date of disposal or cessation of significant influence.

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

Any excess of the Group's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associated company's profit or loss in the period in which the investment is acquired.

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

In the Company's separate financial statements, investments in subsidiary and associated companies are accounted for at cost less any impairment losses. Loans and amounts due from or to subsidiary and associated companies 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(j).

(f) **Revenue Recognition**

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

Sales of Goods

Revenues from trading sales are recognised upon transfer of significant risks and rewards of ownership of the goods to the customer which generally coincides with delivery and acceptance of the goods sold. 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Revenue Recognition *(continued)*

Rental Income

Rental income from properties is recognised on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

Construction Contract Revenue

Revenues from construction contracts are recognised on the percentage of completion method. The stage of completion is measured by reference to professional surveys of work performed. Any losses are provided for as and when they become known.

Rendering of Services

Revenues from services rendered are recognised upon services performed. Any losses are provided for as and when they become known.

Dividend and Interest Income

Dividend income is accrued on the basis of the dates dividends are declared by the investee company. Interest income is accrued on a time apportionment basis (using the effective interest method) unless collectibility is in doubt.

(g) Investment Properties

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

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

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 profit and loss account in the year of retirement or disposal. Any surplus standing in the asset revaluation reserve is credited to distributable reserves via the profit and loss account.

(h) Fixed Assets and Depreciation

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Fixed Assets and Depreciation (continued)

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

Any 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 revaluation surplus included in the 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 and capital work-in-progress.

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

Leasehold land	-	over terms of lease ranging from 9 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 fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

An item of fixed asset 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 profit and loss account in the year the asset is derecognised.

(i) Intangibles

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Intangibles *(continued)*

Goodwill *(continued)*

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than a segment based on either the Group's primary or the secondary reporting format.

A cash-generating unit to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, including the goodwill, an impairment loss is recognised.

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

Negative Goodwill

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

Trademark and Licences

Trademark and licences acquired separately are measured on initial recognition at cost. Following initial recognition, these are carried at cost less any accumulated amortisation and any accumulated impairment losses. The amortisation expense on the trademark and licences which have finite lives are recognised in the profit and loss account through the 'amortisation of intangibles' 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 the carrying value does not exceed the recoverable amount regardless of whether an indicator of impairment is present.

Gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account when the asset is derecognised.

(j) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) **Financial Assets** *(continued)*

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.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Financial Assets at Fair Value through Profit or Loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the profit and loss account.

Financial assets not held for trading are not designated as financial assets at fair value through profit or loss.

Held-to-maturity Investments

Non-derivative 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 assets to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount and minus any reduction for impairment or uncollectibility. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and Receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale Financial Assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial Assets *(continued)*

Available-for-sale Financial Assets *(continued)*

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

(k) 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(j).

(l) 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. 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.

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.

(m) Stocks

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

(n) Trade and Other Debtors

Trade and other debtors are classified and accounted for as loans and receivables. The accounting policy for this category of financial assets is stated in Note 2(j). An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2(q).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Cash and Cash Equivalents

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

Cash on hand and in banks and short-term deposits carried in the balance sheets are classified and accounted for as loans and receivables. The accounting policy for this category of financial assets is stated in Note 2(j).

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

(p) 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, the asset's recoverable amount is estimated.

An asset's recoverable amount is assessed based on the higher of its fair value less costs to sell or its value in use as considered appropriate and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account as 'impairment losses' or treated as a revaluation decrease for assets carried at revalued amount to the extent the impairment loss does not exceed the amount held in revaluation surplus for that same asset.

Reversal of impairment losses recognised in prior years is recorded when an assessment made at each balance sheet date indicates that the impairment losses recognised for the asset no longer exist or have decreased. An impairment loss is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised and to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All reversals of impairment are recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

(q) Impairment of Financial Assets

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Impairment of Financial Assets *(continued)*

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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

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. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets Carried at Cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument 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

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 profit and loss account, is transferred from equity to the profit and loss account. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the profit and loss account. Reversals of impairment losses on debt instruments are reversed through the profit and loss account, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

(r) Trade and Other Creditors

Liabilities for trade and other amounts payable which are normally settled on 30-60 day terms, are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

(s) Accounting for Leases

As Lessor

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Accounting for Leases *(continued)*

As Lessee

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

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

(t) Loans and Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received net of transaction costs associated with the borrowing or loan.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

(u) Capitalisation of Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

(v) Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) **Derecognition of Financial Assets and Liabilities** *(continued)*

Financial Assets *(continued)*

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.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss account.

(w) **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

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 finance costs.

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 resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

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

(x) **Income Taxes**

Current Taxation

Current tax assets and liabilities for the current and prior periods 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) **Income Taxes** *(continued)*

Deferred Taxation

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

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

- Where the deferred tax liability/asset relating to the taxable/deductible temporary difference arises from the initial recognition of goodwill or 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 taxable temporary differences associated with investments in subsidiary and associated companies and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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.

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

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

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 sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the 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 sales tax included.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Foreign Currencies

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

Foreign currency monetary assets and liabilities are translated into the functional currency at rates of exchange ruling at balance sheet date and transactions during the year are recorded in the functional currency at the rates ruling at the time of the transactions. Non-monetary assets and liabilities are measured using the exchange rates ruling at the transaction dates, or in the case of items carried at fair value, the exchange rates that existed when the 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 profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account.

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

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 at the closing rate at the balance sheet date.

Goodwill and fair value adjustments which arose on acquisitions of foreign subsidiary companies before 1 January 2005 are treated as assets and liabilities of the acquiring entity and are recorded at the exchange rate at the date of the transaction.

(z) 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 state pension scheme, the Central Provident Fund (CPF). Contributions to national pension schemes are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

Equity Compensation Benefits

The Company also operates the United Engineers Share Option Scheme 2000 (Scheme 2000) to grant non-transferable options. Where the options are exercised, the proceeds received net of any transaction costs are credited to share capital and share premium accordingly.

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2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) **Employee Benefits** *(continued)*

Equity Compensation Benefits *(continued)*

The compensation cost of equity-settled transactions with employees is measured by reference to the fair value 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, together with a corresponding increase in the employee share option reserve, over the period in 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 equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards 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 conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has taken advantage of the transitional provisions of FRS 102 in respect of equity-settled awards and has applied FRS 102 only to equity-settled awards granted after 22 November 2002 that had not vested on or before 1 January 2005.

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.

(aa) **Derivative Financial Instruments**

The Group uses derivative financial instruments such as interest rate swaps and forward currency 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 profit and loss account for the year.

The fair value of forward currency 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 32.

3 REVENUE

	GROUP	
	2005	2004
	\$000	\$000
Sales of goods	204,606	219,912
Rendering of services	69,122	60,689
Revenue from construction contracts	351,050	278,666
Rental income	41,561	37,932
Dividend income from unquoted equity investments	670	520
	667,009	597,719

4 OTHER INCOME/EXPENSES

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

Other income:

Gain on disposal of fixed assets	481	616
Gain on disposal of other investment	30,025	419
Gain on partial disposal of subsidiary companies	3,690	-
Negative goodwill on acquisition of additional shares in subsidiary company	-	19,767
Surplus on revaluation of investment property	1,038	-

Other operating expenses:

Allowance for doubtful trade receivables	(10,160)	(1,484)
Allowance for doubtful non-trade receivables	(2,732)	(630)
Allowance for doubtful trade receivables written back	1,140	124
Allowance for doubtful non-trade receivables written back	189	-
Impairment of fixed assets	(276)	-
Impairment of short-term and other investments	-	(661)
Loss on foreign exchange differences	(2,770)	(1,108)
Loss suffered from theft	(2,355)	-
Stocks provision for obsolescence	(2,316)	(725)
Stocks written off	(1,301)	(42)

Also included in expenses are:

Amortisation of intangibles	(564)	(112)
Depreciation of fixed assets	(6,179)	(5,810)
Legal fees	(1,774)	(680)
Non-audit fees paid to auditors for professional services		
- Auditors of the Company	(304)	(196)
- Other auditors (Note (a))	(70)	(69)
Staff costs		
- Salaries, wages, bonuses and other costs	(83,997)	(79,142)
- Central Provident Fund and other defined contribution plans	(5,232)	(4,886)
- Value of services received for grant of employees' share options	(731)	-

(a) Included in non-audit fees paid to other auditors is an amount of approximately S\$5,400 (US\$3,200) payable to Tadvin & Co, a technical assistance firm of Ernst & Young Global, relating to accounting services provided to a foreign branch of the Group in Iran. The directors are of the opinion that the accounting services fall within the exceptions of Rule 9(3) of the Fourth Schedule of the Accountants (Public Accountants) Rules 2004 as the foreign branch did not have employees who were able to perform the services and the services were performed consistently within local professional ethics in Iran.

NOTES TO THE FINANCIAL STATEMENTS

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5 INTEREST INCOME AND INTEREST EXPENSE

	GROUP	
	2005	2004
	\$000	\$000
Interest income		
– Deposits with banks and financial institutions	958	513
– Other external parties	1,052	996
	2,010	1,509
Interest expense		
– Loans and borrowings from banks and financial institutions	(13,519)	(8,585)

6 TAXATION

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

Current taxation	1,411	3,271
Deferred taxation charge/(written back)	49	(1,542)
Current year's tax expense	1,460	1,729
Overprovision in respect of prior years	(430)	(1,210)
	1,030	519
Share of taxation of associated companies	1,128	2,162
	2,158	2,681

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	
	2005	2004
	%	%
Applicable tax rate	20.0	20.0
Expenses not deductible for tax purposes	26.5	5.9
Income not subject to tax	(36.8)	(16.4)
Utilisation of previously unrecognised deferred tax assets	(6.4)	(5.3)
Effect of lower tax rate of associated companies	(9.8)	(1.8)
Losses of foreign subsidiary companies/additional foreign tax	10.6	2.2
Losses of local subsidiary companies not available for set-off against profit of other companies within the Group	5.2	1.9
Overprovision of income tax in respect of prior years	(1.6)	(2.0)
Effective tax rate	7.7	4.5

Tax losses and capital allowances of \$4,803,000 (2004: \$2,939,000) and \$9,741,000 (2004: \$2,195,000) 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 26).

7 EARNINGS PER STOCK UNIT

Basic earnings per stock unit (EPS) is calculated by dividing group profit attributable to ordinary stockholders of \$22,574,000 (2004: \$49,130,000) and after deducting preference dividends of \$52,000 (2004: \$52,000) by the weighted average number of ordinary stock units in issue during the financial year of 214,547,885 (2004: 212,376,549).

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

	GROUP	
	2005	2004
Net profit attributable to ordinary stockholders for basic and diluted earnings per stock unit:	\$22,574,000	\$49,130,000
Existing weighted average number of ordinary stock units applicable to basic earnings per stock unit	214,547,885	212,376,549
Effect of dilutive securities: Share options	1,212,400	1,478,630
Adjusted number of ordinary stock units applicable to diluted earnings per stock unit	215,760,285	213,855,179

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

8 INVESTMENT PROPERTIES

	GROUP		COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
(a) Long leasehold land and buildings				
At 1 January	425,000	450,000	425,000	450,000
Cost adjustments	-	95	-	95
Revaluation surplus/(deficit)	2,500	(25,095)	2,500	(25,095)
At 31 December	427,500	425,000	427,500	425,000
(b) Leasehold land and buildings				
At 1 January	152,323	144,400	-	-
Transfer from fixed assets (Note 9)	127	13,036	-	-
Additions	4,335	9,887	-	-
Revaluation surplus/(deficit)	2,900	(15,000)	-	-
At 31 December	159,685	152,323	-	-
At directors' valuation	587,185	577,323	427,500	425,000

Investment properties were stated at directors' valuation at their open market values as at the end of the financial year based on independent professional valuations carried out by DTZ Debenham Tie Leung (SEA) Pte Ltd and Knight Frank Pte Ltd for the long leasehold land and buildings and the leasehold land and buildings respectively at 31 December 2005.

Investment properties in (b) amounting to \$131,610,000 after revaluation at 31 December 2005 (31 December 2004: \$127,923,000) have been mortgaged to secure certain term loan facilities obtained to partially finance their developments (Note 23).

NOTES TO THE FINANCIAL STATEMENTS

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9 FIXED ASSETS

	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 and Valuation							
At 1 January 2004							
Cost	1,946	2,279	19,714	13,104	44,878	19,004	100,925
Valuation, 2002*	239	–	–	–	4,650	60	4,949
	<u>2,185</u>	<u>2,279</u>	<u>19,714</u>	<u>13,104</u>	<u>49,528</u>	<u>19,064</u>	<u>105,874</u>
Currency realignment	(97)	(136)	(173)	–	(1,113)	(269)	(1,788)
Transfer to investment properties (Note 8)	–	–	–	(13,036)	–	–	(13,036)
Additions	–	–	54	678	3,138	3,384	7,254
Disposals	–	–	–	(67)	(2,402)	(1,637)	(4,106)
At 31 December 2004 and 1 January 2005	<u>2,088</u>	<u>2,143</u>	<u>19,595</u>	<u>679</u>	<u>49,151</u>	<u>20,542</u>	<u>94,198</u>
Representing:							
Cost	1,860	2,143	19,595	679	44,501	20,482	89,260
Valuation, 2002*	228	–	–	–	4,650	60	4,938
At 31 December 2004 and 1 January 2005	<u>2,088</u>	<u>2,143</u>	<u>19,595</u>	<u>679</u>	<u>49,151</u>	<u>20,542</u>	<u>94,198</u>
Currency realignment	(21)	(45)	123	60	552	(209)	460
Transfer to investment properties (Note 8)	–	–	–	–	–	(127)	(127)
Additions	–	–	7	4,037	7,215	4,133	15,392
Disposals	–	(230)	–	–	(862)	(1,409)	(2,501)
Impairment losses	–	(197)	–	–	(79)	–	(276)
At 31 December 2005	<u>2,067</u>	<u>1,671</u>	<u>19,725</u>	<u>4,776</u>	<u>55,977</u>	<u>22,930</u>	<u>107,146</u>
Representing:							
Cost	1,832	1,671	19,725	4,776	51,327	22,870	102,201
Valuation, 2002*	235	–	–	–	4,650	60	4,945
At 31 December 2005	<u>2,067</u>	<u>1,671</u>	<u>19,725</u>	<u>4,776</u>	<u>55,977</u>	<u>22,930</u>	<u>107,146</u>
Accumulated depreciation							
At 1 January 2004	–	(412)	(8,539)	–	(34,521)	(14,525)	(57,997)
Currency realignment	–	37	80	–	727	169	1,013
Charge for the financial year	–	(49)	(780)	–	(3,259)	(2,007)	(6,095)
Disposals	–	–	–	–	1,961	1,502	3,463
At 31 December 2004 and 1 January 2005	<u>–</u>	<u>(424)</u>	<u>(9,239)</u>	<u>–</u>	<u>(35,092)</u>	<u>(14,861)</u>	<u>(59,616)</u>
Currency realignment	–	11	(60)	–	(409)	391	(67)
Charge for the financial year	–	(44)	(794)	–	(3,511)	(2,273)	(6,622)
Disposals	–	63	–	–	792	1,209	2,064
At 31 December 2005	<u>–</u>	<u>(394)</u>	<u>(10,093)</u>	<u>–</u>	<u>(38,220)</u>	<u>(15,534)</u>	<u>(64,241)</u>
Net book value							
At 31 December 2004	<u>2,088</u>	<u>1,719</u>	<u>10,356</u>	<u>679</u>	<u>14,059</u>	<u>5,681</u>	<u>34,582</u>
At 31 December 2005	<u>2,067</u>	<u>1,277</u>	<u>9,632</u>	<u>4,776</u>	<u>17,757</u>	<u>7,396</u>	<u>42,905</u>

*These fixed assets were revalued by the directors based on professional appraisals by independent valuers in 2002.

9 FIXED ASSETS (continued)

Certain fixed assets and capital work-in-progress with a total book value of \$3,936,000 (2004: \$3,983,000) and \$100,000 (2004: \$Nil) respectively have been mortgaged to secure the Group's bank borrowings and term loan facilities of certain subsidiary companies (Notes 20 and 23).

	Leasehold land and buildings \$000	Motor vehicles and other assets \$000	Total \$000
COMPANY			
Cost			
At 1 January 2004	8,419	4,969	13,388
Additions	–	14	14
Disposals	–	(28)	(28)
At 31 December 2004 and 1 January 2005	8,419	4,955	13,374
Additions	–	484	484
Disposals	–	(318)	(318)
At 31 December 2005	<u>8,419</u>	<u>5,121</u>	<u>13,540</u>
Accumulated depreciation			
At 1 January 2004	(5,784)	(4,150)	(9,934)
Charge for the year	(448)	(482)	(930)
Disposals	–	28	28
At 31 December 2004 and 1 January 2005	(6,232)	(4,604)	(10,836)
Charge for the year	(448)	(200)	(648)
Disposals	–	247	247
At 31 December 2005	<u>(6,680)</u>	<u>(4,557)</u>	<u>(11,237)</u>
Net book value			
At 31 December 2004	<u>2,187</u>	<u>351</u>	<u>2,538</u>
At 31 December 2005	<u>1,739</u>	<u>564</u>	<u>2,303</u>

GROUP

2005	2004
\$000	\$000

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

Depreciation for the financial year	6,622	6,095
Current financial year's depreciation included in work-in-progress	(443)	(285)
Charged to profit and loss account	<u>6,179</u>	<u>5,810</u>

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10 SUBSIDIARY COMPANIES

	COMPANY	
	2005 \$000	2004 \$000 (Restated)
Unquoted equity shares at cost	239,541	239,541
Impairment losses	(29,447)	(27,925)
Carrying amount of investments	210,094	211,616
Loans receivable	127,457	122,444
	337,551	334,060

Included in loans receivable are non-interest bearing unsecured loans of \$31,257,000 which form part of the Company's net investment in the subsidiary companies. The other loans receivable are unsecured and bear interest ranging from 3.1% to 6.5% (2004: 1.4% 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 \$31,257,000, which are not expected to be repayable in the foreseeable future.

The subsidiary companies as at 31 December are as follows:

Name of company	Principal activities (Place of business) ¹	Cost		Percentage of equity held by the Group	
		2005 \$000	2004 \$000	2005 %	2004 %
Incorporated in Singapore					
Apex Pharmacy International Pte Ltd	In Members' voluntary liquidation	2,890	2,890	51	51
APG Engineers Pte Ltd	Dormant	— [#]	— [#]	60	60
Asia Travel Service Private Limited	Dormant	445	445	100	100
Delichem Pte Ltd	Specialty chemical products	3,993	3,993	100	100
Grafton Laboratories Private Limited	Dormant	410	410	100	100
Grafton Pharmasia Pte Ltd	Wholesale distribution of pharmaceutical and personal care products	564	564	56.7	56.7
Greatearth Construction Pte Ltd	Building contractors	15,850	15,850	85	85
Greatearth Corporation Pte Ltd (formerly known as Bu-Land Pte Ltd)	Building contractors	133	133	85	85

10 SUBSIDIARY COMPANIES (continued)

Name of company	Principal activities (Place of business) ¹	Cost		Percentage of equity held by the Group	
		2005 \$000	2004 \$000	2005 %	2004 %
Incorporated in Singapore (continued)					
Greatearth Developments Pte Ltd	Property development and leasing	–#	–#	92.5	92.5
Greatearth Holding Pte Ltd	Investment holding	3,038	3,038	85	85
IBP Building Material Pte Ltd @	Bulk supply of building materials	350	–	70	–
Maxdin Pte Ltd	Property investment	3	3	85	85
McAlister and Company, Limited	Supply of industrial equipment, general trading and general engineering (Singapore, Malaysia and Hong Kong)	29,023	29,023	100*	100*
Medical Hall (1996) Pte Ltd	Dormant	764	764	100	100
MPL Pte Ltd	Broadcasting and telecommunication facilities	833	833	75	75
MPL Communications Pte Ltd	Dormant	156	156	53	53
UE AmiWater Pte Ltd ø	Dormant	–#	–	100	–
UE IEMvirotech Pte Ltd	Investment holding and trading of specialised waste disposal equipment	2,505	2,505	70	70
UE Energy Solutions Pte Ltd	Investment holding	450	450	100	100
UE Managed Solutions Pte Ltd ~	Investment holding	2,310	–	70	–
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 (formerly known as United MediCorp Pte Ltd)	Investment holding	17,824	17,824	100*	100*
UE Ville Developments Pte Ltd	Property development and leasing	1,000	1,000	100	100
UE Water Systems Pte Ltd	Water treatment projects	2,162	2,162	100	100

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10 SUBSIDIARY COMPANIES (continued)

Name of company	Principal activities (Place of business) ¹	Cost		Percentage of equity held by the Group	
		2005 \$000	2004 \$000	2005 %	2004 %
Incorporated in Singapore (continued)					
UMC ServiceMaster Pte Ltd ~	Support management facilities	560	800	70	100
United Engineers Developments Pte Ltd	Property facilities management and leasing	40,000	40,000	100*	100*
United Engineers (Singapore) Private Limited	Mechanical, electrical and environmental engineering (Singapore, Brunei, Malaysia and Indonesia)	80,000	80,000	100*	100*
United Infrastructure Pte Ltd	Investment holding	65,415	65,415	100*	100*
United Power Corporation (Singapore) Pte Ltd	Investment holding	71,690	71,690	67	67
United Tech Park Pte Ltd	Warehouse leasing business	42,266	42,266	90	90
UWB Pte Ltd	Dormant	1,084	1,084	100	100
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
² Design Entice (M) Sdn Bhd	Dormant (Malaysia)	–#	–#	100	100
² GE Construction Sdn Bhd	Building contractors (Malaysia)	162	162	85	85

10 SUBSIDIARY COMPANIES (continued)

Name of company	Principal activities (Place of business) ¹	Cost		Percentage of equity held by the Group	
		2005 \$000	2004 \$000	2005 %	2004 %
Incorporated in Malaysia (continued)					
² McAlister Engineering Sdn Bhd	Freight tank containers and other steel products (Malaysia)	6,939	6,939	66	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	1,669	70	100
Incorporated in Brunei					
² United Engineers (B) Sdn Bhd	Civil, electrical, mechanical engineers and contractors (Brunei)	4,500	4,500	90	90
Incorporated in Hong Kong					
³ Goodman Medical Supplies Limited	Supply of medical equipment and accessories (Hong Kong and Macau)	7,954	7,954	100	100
³ Huge Right Industries Limited	Investment holding (Hong Kong)	646	646	100	100
³ ServiceMaster Hong Kong Limited~	Support management facilities (Hong Kong)	448	640	70	100
³ Uniteers (Hong Kong) Limited	Investment holding (Hong Kong)	— [#]	— [#]	100*	100*

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10 SUBSIDIARY COMPANIES (continued)

Name of company	Principal activities (Place of business) ¹	Cost		Percentage of equity held by the Group	
		2005 \$000	2004 \$000	2005 %	2004 %
Incorporated in Indonesia					
² PT. United Engineers Indonesia	Fabrication of steel structures (Indonesia)	1,968	1,968	60*	60*
⁴ PT. UE DMS Consultants ø	Specialist consultancy services (Indonesia)	163	–	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
Incorporated in Taiwan					
² UMC Taiwan Limited ~	Support management facilities (Taiwan)	1,168	1,668	70	100
² UE ServiceCorp (Taiwan) Limited	Support management facilities (Taiwan)	254	254	100	100
Incorporated in Myanmar					
⁶ UE Myanmar Limited	Dormant (Myanmar)	143	143	100	100
⁶ MPL International Limited	Dormant (Myanmar)	128	128	75	75
Incorporated in Bangladesh					
⁷ UE Trade Corporation (Bangladesh) Pte Ltd	Commission agents and General traders (Bangladesh)	106	106	100	100

10 SUBSIDIARY COMPANIES (continued)

Name of company	Principal activities (Place of business) ¹	Cost		Percentage of equity held by the Group	
		2005 \$000	2004 \$000	2005 %	2004 %
Incorporated in India					
² UE Trade Corporation (India) Private Limited	Import, export, procurement, trading & distribution (India)	117	117	100	100
⁴ UED Developments India Private Limited ø	Dormant (India)	–	–	100	–
Incorporated in Sri Lanka					
² UE Trade Corporation Lanka (Private) Limited	General traders (Sri Lanka)	1,020	1,020	100	100
Incorporated in Thailand					
² UES (Thailand) Company Limited (formerly known as Delichem (Thailand) Company Limited)	Engineering and construction (Thailand)	114	114	90 ^	100
⁸ UE Precision Cleaning Company Limited ø	Supply of specialty chemical solvents and cleaning machines (Thailand)	98	–	100	–
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 The People's Republic of China					
⁹ Anhui Anxin Energy Co. Ltd	Engineering services (The People's Republic of China)	1,207	1,207	100	100
¹⁰ Dalian Xinwei Metalform Products Co Limited	Dormant (The People's Republic of China)	2,739	2,739	60	60

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10 SUBSIDIARY COMPANIES (continued)

Name of company	Principal activities (Place of business) ¹	Cost		Percentage of equity held by the Group	
		2005 \$000	2004 \$000	2005 %	2004 %
Incorporated in The People's Republic of China (continued)					
¹¹ 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
⁹ UE Asia Pacific (Beijing) Co. Ltd ø	General activities (The People's Republic of China)	3,257	–	100	–
² UE China (Shanghai) Co. Ltd ø	Investment holding (The People's Republic of China)	6,108	–	100	–
² UE IEMvirotech (Beijing) Co Ltd	Treatment of medical waste and related activities (The People's Republic of China)	2,045	2,045	70	70

¹ Place of business in Singapore unless otherwise stated

² Audited by associated firms of Ernst & Young, Singapore

³ Audited by Horwath Hong Kong CPA Limited

⁴ Not statutorily required to be audited

⁵ Audited by Paul Hadiwinata, Hidajat & Rekan, Indonesia

⁶ Audited by technical assistance firm of Ernst & Young in Myanmar

⁷ Audited by technical assistance firm of Ernst & Young in Bangladesh

⁸ Audited by A.A.C. Audit Firm, Thailand

⁹ Audited by Anhui Huapu CPA, The People's Republic of China

¹⁰ Audited by Dalian Lianxin CPA, The People's Republic of China

¹¹ Audited by Shanghai Chang Xin CPA, The People's Republic of China

* Direct subsidiary companies of United Engineers Limited

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

@ Acquisition of subsidiary company during the financial year

ø Incorporation of subsidiary company during the financial year

^ Partial dilution of subsidiary company during the financial year

~ UE Managed Solutions Pte Ltd was incorporated during the financial year to own the four wholly-owned subsidiary companies, namely, UMC ServiceMaster Pte Ltd, UMC ServiceMaster Sdn Bhd, ServiceMaster Hong Kong Limited and UMC Taiwan Limited. On 30 September 2005, the Group disposed 30% of UE Managed Solutions Pte Ltd for a cash consideration of \$4,680,000.

11 ASSOCIATED COMPANIES

	GROUP		COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000 (Restated)
Unquoted equity shares				
At cost	119,816	119,816	316	316
Impairment losses	(26)	–	(1)	–
Goodwill on acquisition	(1,023)	(1,023)	–	–
Currency realignment	8,998	(1,013)	–	–
Share of net post acquisition reserves	101,200	95,188	–	–
	228,965	212,968	315	316
Loans receivable	128	128	–	–
Amounts receivable	101	100	86	86
Amount payable	(21,972)	(37,237)	–	–
	(21,743)	(37,009)	86	86
Provision for doubtful receivables	(214)	(214)	(86)	(86)
	(21,957)	(37,223)	–	–
	207,008	175,745	315	316

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 associated company.

The associated companies as at 31 December are as follows:

Name of company	Principal activities (Place of business) ¹	Cost		Percentage of equity held by the Group	
		2005 \$000	2004 \$000	2005 %	2004 %
Incorporated in Singapore					
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

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11 ASSOCIATED COMPANIES (continued)

Name of company	Principal activities (Place of business) ¹	Cost		Percentage of equity held by the Group	
		2005 \$000	2004 \$000	2005 %	2004 %
Incorporated in Malaysia (continued)					
BlueScope Lysaght (Malaysia) Sdn Bhd	Steel roofings (Malaysia)	180	180	40	40
Hicom-Selangor Marine Management Sdn Bhd	In process of liquidation (Malaysia)	–	–	29	29
Taipan Asia Travel (M) Sdn Bhd	Travel agents (Malaysia)	189	189	23	23
Incorporated in The People's Republic of China					
³ Anhui Hefei United Power Generation Company Limited	Power generation plant (The People's Republic of China)	105,106	105,106	33	33

¹ Place of business in Singapore unless otherwise stated

² Audited by PricewaterhouseCoopers

³ Audited by KPMG Shanghai, The People's Republic of China

The summarised financial information of the associated companies is as follows:

	GROUP	
	2005 \$000	2004 \$000
Assets and liabilities:		
Current assets	336,991	342,802
Non-current assets	646,947	654,446
Total assets	983,938	997,248
Current liabilities	154,701	133,538
Non-current liabilities	298,622	377,640
Total liabilities	453,323	511,178
Results:		
Revenue	302,557	290,215
Profit for the financial year	49,508	55,740

12 OTHER INVESTMENTS

	GROUP		COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Held for trading investments				
Unquoted redeemable preference shares (2004: At cost less provision of \$195,000)	229	265	-	-
Available-for-sale financial assets				
Unquoted equity shares	5,627	991	4,775	528
Loan receivable	9,887	-	-	-
	15,743	1,256	4,775	528

In 2004, other investments were carried at cost less provision for diminution in value.

Loan receivable relates to a shareholder's loan which represents the Group's net investment in an investee company. The amount is unsecured, bears interest at 3.5% per annum and is not expected to be repayable in the foreseeable future.

13 INTANGIBLES

	Trademark \$000	Software licence \$000	Marketing rights \$000	Goodwill \$000	Total \$000
GROUP					
Cost					
At 1 January 2004	2,137	-	-	230	2,367
Currency realignment	(49)	-	-	-	(49)
Additions	-	1,086	654	-	1,740
At 31 December 2004 and 1 January 2005	2,088	1,086	654	230	4,058
Currency realignment	26	10	5	-	41
Additions	-	-	251	-	251
At 31 December 2005	2,114	1,096	910	230	4,350
Accumulated amortisation					
At 1 January 2004	(1,444)	-	-	-	(1,444)
Currency realignment	30	-	-	-	30
Amortisation	(112)	-	-	-	(112)
At 31 December 2004 and 1 January 2005	(1,526)	-	-	-	(1,526)
Currency realignment	(16)	(1)	(1)	-	(18)
Amortisation	(113)	(361)	(90)	-	(564)
At 31 December 2005	(1,655)	(362)	(91)	-	(2,108)
Net carrying amount					
At 31 December 2004	562	1,086	654	230	2,532
At 31 December 2005	459	734	819	230	2,242

NOTES TO THE FINANCIAL STATEMENTS

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13 INTANGIBLES (continued)

(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 2005, the remaining amortisation period ranges from 5 to 14 years.

(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. As at 31 December 2005, the remaining amortisation period is 2 years.

(c) Marketing rights

Marketing rights expenditures relate to licence fees paid to Positive Impact Waste Solutions, LLC and 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. As at 31 December 2005, the remaining amortisation period is 9 years.

(d) Goodwill

Goodwill is tested for impairment annually. The recoverable amount is based on the value in use by reference to the approved management budgets, business plans and estimated future cash flows, which are discounted to their present value using a pre-tax discount rate of 9% (2004: 8%) that reflects current market assessments of the time value of money and the risks specific to the cash-generating unit.

14 GROSS AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK

	GROUP	
	2005	2004
	\$000	\$000
Costs incurred and attributable profits less recognised losses to date	804,870	558,427
Progress billings	(799,960)	(536,870)
Amounts due from customers for contract work, net	<u>4,910</u>	<u>21,557</u>
Gross amount due from customers for contract work	37,044	37,172
Gross amount due to customers for contract work (Note 21)	(32,134)	(15,615)
	<u>4,910</u>	<u>21,557</u>
Included in progress billings are retention sums of	<u>28,900</u>	<u>14,809</u>

15 STOCKS

	GROUP	
	2005 \$000	2004 \$000
Stocks, at lower of cost and net realisable value		
Engineering supplies and raw materials	2,164	6,246
Trading stocks	49,628	43,342
Total stocks at 31 December	51,792	49,588
Stocks are stated after deducting provision of	4,609	2,192

The cost of stocks recognised as expense and included in 'cost of sales' amounted to \$279,513,000 (2004: \$248,384,000).

16 TRADE & OTHER DEBTORS

	GROUP		COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Trade debtors	206,566	163,700	2,387	2,340
Other debtors (Note 16(a))	66,748	54,519	2,294	3,551
	273,314	218,219	4,681	5,891
Allowance for doubtful receivables				
- trade debtors	(13,729)	(5,629)	-	(339)
- other debtors	(4,005)	(1,648)	(53)	(53)
	255,580	210,942	4,628	5,499
(a) Other debtors comprise:				
Claims/expenses recoverable	31,616	12,423	344	1,662
Deposits	10,013	10,989	115	104
Interest receivable	136	76	6	-
Prepayments*	7,168	9,861	11	101
Project advance	892	9,738	-	-
Tax refundable/advance tax	9,104	6,059	1,747	1,576
Sundry debtors	7,819	5,373	71	108
	66,748	54,519	2,294	3,551

* This relates mainly to purchase of trading stocks.

Trade debtors are non-interest bearing and are generally on 30-90 day terms. They are recognised at their original invoiced amounts which represents their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

16 TRADE & OTHER DEBTORS (continued)

Included in the Group's trade debtors are :

- \$25,727,000 (2004: \$24,477,000) of retention sums relating to construction contracts,
- \$13,062,000 (2004: \$10,431,000) arising from construction contracts that are due for settlement more than 12 months after year-end,
- \$48,075,000 (2004: \$31,020,000) denominated in Malaysian Ringgit,
- \$24,146,000 (2004: \$20,231,000) denominated in Brunei Dollars,
- \$17,928,000 (2004: \$17,953,000) denominated in United States Dollars,
- \$16,752,000 (2004: \$15,045,000) denominated in Indonesian Rupiah,
- \$10,814,000 (2004: \$6,989,000) denominated in Indian Rupees and
- \$7,797,000 (2004: \$9,794,000) denominated in other foreign currencies.

For the financial year ended 31 December 2005, an allowance for doubtful receivables of \$12,892,000 (2004: \$2,114,000) was recognised in the Group profit and loss account subsequent to a debt recovery assessment performed on trade and other debtors as at 31 December 2005.

17 DUE FROM SUBSIDIARY COMPANIES

Amounts receivable from subsidiary companies are mainly non-trade in nature, unsecured, bear interest ranging from 3.1% to 6.5% per annum except for \$2,857,000 which is interest-free (2004: Interest-free) and are payable on demand.

18 SHORT-TERM INVESTMENTS

	GROUP	
	2005 \$000	2004 \$000
Held for trading investments		
Quoted equity shares (2004: At cost less provision of \$1,163,000)	1,534	1,522
Held-to-maturity investments		
Redeemable convertible bonds	990	–
Available-for-sale financial assets		
Quoted equity shares	22,368	49,952
Unquoted equity shares	1,319	–
	23,687	49,952
	26,211	51,474

In 2004, quoted equity shares were carried at the lower of cost and market value determined on a portfolio basis.

Redeemable convertible bonds bear interest at the rate of US\$SIBOR plus 3.0% per annum, which is 6.3% to 7.1% per annum, receivable quarterly in arrears.

19 BANK BALANCES AND DEPOSITS

	GROUP		COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Cash at banks and in hand	51,206	39,779	2,298	1,863
Fixed deposits	24,557	18,762	7,511	479
	75,763	58,541	9,809	2,342

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

- \$22,120,000 (2004: \$12,397,000) denominated in United States Dollars and
- \$16,372,000 (2004: \$17,307,000) denominated in other foreign currencies.

Bank balances and deposits earn interest at effective interest rates ranging from 0.1% to 11.3% (2004: 0.1% to 8.5%) 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.

20 BANK BORROWINGS

	GROUP	
	2005 \$000	2004 \$000
Bank overdrafts:		
- secured	1,969	11,570
- unsecured	17,856	9,817
	19,825	21,387
Trust receipts and bills payable:		
- secured	17,077	14,840
- unsecured	12,148	20,733
	29,225	35,573
	49,050	56,960

Included in bank overdrafts are:

- \$9,596,000 (2004: \$9,476,000) denominated in Brunei Dollars,
- \$8,307,000 (2004: \$6,395,000) denominated in Malaysian Ringgit and
- \$596,000 (2004: \$959,000) denominated in other foreign currencies.

Included in trust receipts and bills payable are:

- \$24,122,000 (2004: \$31,737,000) denominated in United States Dollars and
- \$4,248,000 (2004: \$2,007,000) denominated in other foreign currencies.

Bank borrowings bear effective interest rates ranging from 2.6% to 9.8% (2004: 1.5% to 8.0%) per annum.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

21 TRADE & OTHER CREDITORS

	GROUP		COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Trade creditors	52,905	52,352	32	77
Accrued property development	345	258	–	–
Accrued staff cost	8,457	10,092	917	716
Accrued job cost	53,103	35,086	–	–
Accrued marketing rights fees (Note 13(c))	–	491	–	–
Other accruals	15,695	8,692	807	1,469
Gross amount due to customers for contract work (Note 14)	32,134	15,615	–	–
Deposits	7,918	9,081	3,609	3,981
Interest payable	3,738	2,247	2,045	1,389
Advances from customers	–	54	–	–
Sundry creditors	6,760	5,446	713	656
	181,055	139,414	8,123	8,288

Trade creditors are non-interest bearing and are normally settled on 60-day terms.

Included in the Group's trade creditors are:

- \$5,045,000 (2004: \$4,181,000) of retention sums relating to construction contracts,
- \$18,614,000 (2004: \$15,416,000) denominated in Malaysian Ringgit,
- \$10,034,000 (2004: \$9,458,00) denominated in United States Dollars and
- \$16,910,000 (2004: \$17,795,000) denominated in other foreign currencies.

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

22 DUE TO SUBSIDIARY COMPANIES

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

23 TERM LOANS

	GROUP		COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Repayable within 1 year				
- secured	50,768	8,990	-	-
- unsecured	356,736	129,006	300,910	82,158
	407,504	137,996	300,910	82,158
Repayable after 1 year				
- secured				
- within 2 years	9,263	49,708	-	-
- within 3 to 5 years	5,097	13,370	-	-
	14,360	63,078	-	-
- unsecured				
- within 3 to 5 years	-	185,000	-	185,000
	14,360	248,078	-	185,000
	421,864	386,074	300,910	267,158

Included in the Group's term loans are:

- \$31,522,000 (2004: \$24,083,000) denominated in United States Dollars and
- \$4,315,000 (2004: \$5,263,000) denominated in other foreign currencies.

Term loans of \$65,128,000 (2004: \$72,068,000) of the subsidiary companies are secured by mortgages on their respective properties and debentures over their assets (Notes 8 and 9).

Floating rate term loans bear effective interest rates ranging from 2.0% to 13.8% (2004: 1.3% to 14.0%) per annum.

The Group has a \$50,000,000 (2004: \$50,000,000) fixed rate loan which bears interest at 3.61% (2004: 3.61%) per annum and is due on 25 October 2006. The amortised cost as at 31 December 2005 is \$49,985,000.

24 DEFERRED TAXATION

	GROUP	
	2005 \$000	2004 \$000
Balance as at 1 January	1,122	2,708
Currency realignment	22	(44)
Charged/(credited) to profit and loss account	98	(1,542)
Balance as at 31 December	1,242	1,122

NOTES TO THE FINANCIAL STATEMENTS

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24 DEFERRED TAXATION (continued)

The deferred taxation arises as a result of:

	GROUP	
	2005	2004
	\$000	\$000
Deferred tax liabilities		
Excess of net book value over the tax written down value of fixed assets	1,596	1,738
Provisions	403	–
Other deferred tax liabilities	59	–
	2,058	1,738
Deferred tax assets		
Provisions	(406)	(215)
Other deferred tax assets	(410)	(401)
	(816)	(616)
	1,242	1,122

As at 31 December 2005, the Group has unabsorbed tax losses and unutilised capital allowances of approximately \$48,449,000 (2004: \$37,569,000) and \$2,639,000 (2004: \$2,461,000) respectively, available for set-off against future assessable income subject to agreement with the tax authorities on the relevant tax regulations. The potential deferred tax asset arising from these unabsorbed tax losses and unutilised capital allowances has not been recognised in the financial statements due to the uncertainty of its utilisation against future taxable profits.

25 SHARE CAPITAL AND SHARE PREMIUM

	GROUP AND COMPANY	
	2005	2004
	\$000	\$000
Share Capital		
(a) Authorised:		
7.5 cents cumulative preference shares of \$1.00 each	875	875
Ordinary shares of \$1.00 each	499,125	499,125
	500,000	500,000
(b) Issued and fully paid:		
7.5 cents cumulative preference shares of \$1.00 each	875	875
Ordinary shares of \$1.00 each, converted into ordinary stock units of \$1.00 each		
Balance at 1 January	213,473	210,102
Share options exercised	1,607	3,371
Balance at 31 December	215,080	213,473
	215,955	214,348

25 SHARE CAPITAL AND SHARE PREMIUM (continued)

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 \$1 stock unit held by every member present in person or by proxy or attorney.

(c) Outstanding Options

As at 31 December 2005, unissued shares granted under Scheme 2000 were as follows:

Date of Grant	Exercise Period	Exercise Price	Balance as at 31.12.04	No. of shares under option granted during the financial year	No. of shares under option exercised during the financial year	No. of shares under option lapsed during the financial year	Balance as at 31.12.05
6.12.00	6.12.01 to 5.12.10	\$1.14	1,096,360	–	480,360	24,000	592,000
5.11.01	5.11.02 to 4.11.11	\$1.01	1,268,000	–	514,200	36,000	717,800
4.10.02	4.10.03 to 3.10.12	\$1.07	1,293,700	–	317,700	35,500	940,500
12.12.03	12.12.04 to 11.12.13	\$1.61	2,457,200	–	220,000	154,200	2,083,000
25.11.04	25.11.05 to 24.11.14	\$1.59	2,486,800	–	73,800	307,000	2,106,000
30.11.05	30.11.06 to 29.11.15	\$1.81	–	2,088,000	–	121,600	1,966,400
			<u>8,602,060</u>	<u>2,088,000</u>	<u>1,606,060</u>	<u>678,300</u>	<u>8,405,700</u>

Share Premium

The share premium of \$897,000 (2004: \$624,000) may be applied only for the purposes specified in the Singapore Companies Act. The balance is not available for distribution of dividends except in the form of shares.

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26 DIVIDENDS PAID

The following dividends were paid under the imputation system:

	GROUP AND COMPANY	
	2005	2004
	\$000	\$000
Cumulative Preference Shares:		
7.5 cents (2004: 7.5 cents) less Singapore income tax of 20%	52	52
Ordinary Stock:		
– Final dividend of 5 cents (2004: 5 cents) less Singapore income tax of 20% (2004: 20%)	8,583	8,495
– Special dividend of 7 cents (2004 : 5 cents) less Singapore income tax of 20% (2004: 20%)	12,016	8,495
	20,651	17,042

The directors have proposed a first and final dividend of 5 cents per \$1.00 ordinary stock, and a special dividend of 5 cents per \$1.00 ordinary stock, less Singapore income tax of 20%, amounting to a total of \$17,206,000 and a final dividend on the 7.5 cents cumulative preference shares of \$1.00 each, less Singapore income tax of 20%, amounting to \$52,000.

27 FUTURE CAPITAL COMMITMENTS

	GROUP	
	2005	2004
	\$000	\$000
Capital commitments not provided for in the financial statements:		
Commitments in respect of contracts placed	8,108	499
Other amounts approved by directors but not yet committed	379,634	30,208
	387,742	30,707

28 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 2010 and contain provisions for rental adjustments. There are no restrictions placed upon the lessee by entering into these leases. Operating lease payments recognised in the consolidated profit and loss account during the financial year amount to \$2,750,000 (2004: \$3,176,000).

Future minimum lease payments for all leases with initial or remaining term of one year or more are as follows:

	GROUP		COMPANY	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Within one year	2,811	915	115	115
After one year but not more than five years	2,037	703	99	205
	4,848	1,618	214	320

28 OPERATING LEASE COMMITMENTS (continued)

(b) Lessors' lease commitments

All leases include a clause to enable revision of the rental charge on an annual basis based on prevailing market conditions.

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

	GROUP		COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Within one year	25,647	30,045	19,172	18,606
After one year but not more than five years	19,924	29,750	15,516	22,179
	45,571	59,795	34,688	40,785

29 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 market price of the shares on the date of grant. The options vest if the employee remains in service for a period of one year from the date of grant. The contractual life of each option granted is nine years. There are no cash settlement alternatives.

	No. 2005	WAEP ⁵ (\$) 2005	No. 2004	WAEP ⁵ (\$) 2004
Outstanding at beginning of financial year ¹	8,602,060	1.37	8,168,360	1.24
Granted during the financial year ⁴	2,088,000	1.81	2,486,800	1.59
Exercised during the financial year ²	(1,606,060)	1.17	(1,842,900)	1.08
Lapsed during the financial year	(678,300)	1.56	(210,200)	1.36
Outstanding at end of financial year ^{1,3}	8,405,700	1.51	8,602,060	1.37
Exercisable at end of financial year	6,439,300	0.71	6,115,260	0.73

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 period was \$1.75 (2004: \$1.66).

³ The range of exercise prices for options outstanding at the end of the year was \$1.01 to \$1.81 (2004: \$1.01 to \$1.61). The weighted average remaining contractual life for these options is 8.22 years (2004: 8.46 years).

⁴ The weighted average fair value of options granted during the financial year was \$0.35.

⁵ WAEP represents the weighted average exercise price.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

29 EMPLOYEE SHARE OPTION SCHEME (continued)

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. Fair value of share options was not assessed for the financial year ended 31 December 2004 as options outstanding as at that date relates mainly to those vested prior to 1 January 2005. The inputs to the model used for the financial year ended 31 December 2005 are shown below.

	2005
Dividend yield (%)	2.58 to 3.06
Expected volatility (%)	21.00 to 27.00
Historical volatility (%)	21.00 to 27.00
Risk-free interest rate (%)	2.36 to 3.06
Expected life of options (years)	5.50
Share price (S\$)	<u>1.61 to 1.91</u>

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.

30 CONTINGENT LIABILITY, UNSECURED

In April 2004, a section of the steel reinforcement cage of a raft foundation slab for the proposed basement construction for the Fusionpolis building collapsed. Greatearth-United Engineers Joint Venture is the appointed main contractor. The Ministry of Manpower has released its findings on 5 May 2005 and has filed charges against the Joint-Venture and three of its officers. The maximum potential fines of \$800,000 have been fully provided for. As reported previously, there is a contingent liability for potential claims due to delays arising from the accident and other delaying events. It is not practicable to determine the financial impact of any possible claims by the client at this point in time.

31 RELATED PARTY TRANSACTIONS

Compensation of key management executives

	GROUP	
	2005	2004
	\$000	\$000
Short-term employee benefits	2,612	2,927
Central Provident Fund	94	102
Share-based payments	191	–
Total compensation paid to key management executives	<u>2,897</u>	<u>3,029</u>
Comprising amounts paid to:		
Directors of the Company	542	567
Other key management executives	2,355	2,462
	<u>2,897</u>	<u>3,029</u>

31 RELATED PARTY TRANSACTIONS *(continued)*

Key Management Executives' Interests in Employee Share Option Scheme

The aggregate number of share options granted to Directors of the Company and other key management executives during the financial year were 90,000 and 333,000 (2004: 100,000 and 452,000) respectively. The share options were granted on the same terms and conditions as those offered to other executives of the Group. The outstanding number of share options granted to Directors of the Company and other key management executives at the end of the financial year were 665,000 and 2,011,000 (2004: 575,000 and 2,007,000) respectively.

Directors' fees amount to \$240,000 (2004: \$240,000).

In addition to the above, Chemech Industries (Pte) Ltd, a company in which a director has deemed interest, performed consultancy services for the Company, for which the Company paid \$240,000 (2004: \$240,000).

32 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 debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, commodity price risk, foreign currency risk, interest rate risk and liquidity risk. The Group does not hold or issue derivative financial instruments for trading purposes. Derivative transactions, including principally interest rate swaps and forward currency 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.

Credit risk

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

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

Commodity price risk

Price risk arises from the fluctuation of price on the commodities held for trading and contracts entered into by the Group.

The Group monitors its exposure to price risk by setting limits on the type and quantum of commodities that it trades in so as to reduce concentration of price risk.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading and investment activities, mainly by movements in exchange rates for United States Dollars, Indian Rupees and Chinese Renminbi. It is the Group's policy to hedge these risks through foreign currency forward exchange contracts. The primary purpose of the Group's foreign currency hedging activities is to protect against volatility associated with foreign currency purchases of materials and other assets and liabilities created in the normal course of business. The Group does not use foreign currency forward exchange contracts for trading purposes. As at 31 December 2005, the Group had entered into forward foreign currency exchange sell contracts amounting to \$3,000,000 (2004: Buy contracts amounting to \$682,000). The fair value of the contracts amount to \$3,000,000 (2004: \$612,000).

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

Interest rate risk

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

All loans are on floating rates except for the \$50,000,000 (2004: \$50,000,000) fixed rate loan which bears interest at 3.61% (2004: 3.61%) per annum and is due on 25 October 2006. The Group's interest rate risk exposure is also disclosed in Note 23.

Liquidity risk

To manage liquidity risk, the Group monitors its net operating cash flows and maintains an adequate level of committed banking facilities through regular review of its working capital requirements. The Company expects to successfully re-finance a \$190 million term loan upon its maturity in October 2006.

33 FINANCIAL INSTRUMENTS

Credit risk

There are no significant concentrations of credit risk within the Group or the Company.

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.

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.

33 FINANCIAL INSTRUMENTS *(continued)*

Fair values *(continued)*

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 debtors, bank overdrafts, current trade and other creditors and current term loans, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are re-priced frequently.

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

- Quoted shares
- Derivative financial instruments

- Long term loans

- Unquoted shares

Methods and assumptions

Fair value has been determined by reference to published prices at the balance sheet date without factoring in transaction costs.

Fair value has been determined using discounted cash flows. Where repayment terms are not fixed, future cash flows are projected based on management's best estimates. The discount rates used are the current market incremental lending rates for similar types of lending, borrowing and leasing arrangements.

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 gain of \$47,000 (2004: \$Nil) has been recognised in the profit and loss account in relation to the change in fair value of financial assets or financial liabilities.

34 SEGMENT INFORMATION

The Group's core businesses comprise Engineering & Construction Division, Trading Division and Integrated Facility Management Division. Other operations of the Group comprise investment management and corporate activities, neither of which constitutes a separately reportable segment.

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

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

The following tables present revenue and profit information regarding industry segments for the years ended 31 December 2005 and 2004 and certain asset and liability information regarding industry segments at 31 December 2005 and 2004.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

34 SEGMENT INFORMATION (continued)

Business segments

	Engineering and Construction \$000	Trading Management \$000	Integrated Facility \$000	Corporate Services & Others \$000	Elimination \$000	Group \$000
Year ended 31 December 2005						
Segment Revenue						
Sales to external customers	373,680	190,263	100,680	2,386	–	667,009
Inter-segment sales	75	7,420	1,356	5,364	(14,215)	–
Total revenue	<u>373,755</u>	<u>197,683</u>	<u>102,036</u>	<u>7,750</u>	<u>(14,215)</u>	<u>667,009</u>
Segment result	(2,793)	(22,851)	20,367	22,263*	–	16,986
Finance costs						(13,519)
Finance income						2,010
Share of results of associated companies	21,270	1,305	–	–	–	<u>22,575</u>
Profit before taxation						<u>28,052</u>
Taxation						(2,158)
Minority interests						(3,320)
Net profit						<u>22,574</u>
Segment assets	279,814	101,426	643,570	60,551	–	1,085,361
Investment in associated companies	200,897	5,959	–	152	–	207,008
Unallocated assets						<u>9,104</u>
Total assets						<u>1,301,473</u>
Segment liabilities	139,414	15,963	21,328	4,350	–	181,055
Unallocated liabilities						<u>474,357</u>
Total liabilities						<u>655,412</u>
Other Segment Information						
Capital expenditure	4,004	1,515	8,520	6,066	–	20,105
Surplus on revaluation of investment property	–	–	1,038	–	–	1,038
Allowance for doubtful trade receivables	2,921	7,155	84	–	–	10,160
Allowance for doubtful non-trade receivables	–	2,625	107	–	–	2,732
Allowance for doubtful trade receivables written back	9	990	141	–	–	1,140
Allowance for doubtful non-trade receivables written back	–	189	–	–	–	189
Amortisation	–	–	564	–	–	564
Depreciation	1,995	1,823	1,670	691	–	6,179
Impairment of fixed assets	–	276	–	–	–	276

* Net of corporate expenses of \$8,952,000.

34 SEGMENT INFORMATION (continued)

Business segments (continued)

	Engineering and Construction \$000	Trading Management \$000	Integrated Facility Management \$000	Corporate Services & Others \$000	Elimination \$000	Group \$000
Year ended 31 December 2004						
Segment Revenue						
Sales to external customers	306,143	200,353	90,182	1,041	–	597,719
Inter-segment sales	113	10,948	1,750	4,850	(17,661)	–
Total revenue	<u>306,256</u>	<u>211,301</u>	<u>91,932</u>	<u>5,891</u>	<u>(17,661)</u>	<u>597,719</u>
Segment result	4,657	(835)	16,235	15,663*	–	35,720
Finance costs						(8,585)
Finance income						1,509
Share of results of associated companies	30,743	638	–	–	–	<u>31,381</u>
Profit before taxation						60,025
Taxation						(2,681)
Minority interests						(8,214)
Net profit						<u>49,130</u>
Segment assets	212,140	114,717	628,861	61,633	–	1,017,351
Investment in associated companies	170,505	5,064	–	176	–	175,745
Unallocated assets						6,059
Total assets						<u>1,199,155</u>
Segment liabilities	97,180	20,377	21,694	163	–	139,414
Unallocated liabilities						448,265
Total liabilities						<u>587,679</u>
Other Segment Information						
Capital expenditure	1,669	2,359	14,613	315	–	18,956
Allowance for doubtful trade receivables	28	1,257	199	–	–	1,484
Allowance for doubtful non-trade receivables	–	630	–	–	–	630
Allowance for doubtful trade receivables written back	3	107	14	–	–	124
Amortisation	–	–	112	–	–	112
Depreciation	<u>2,172</u>	<u>1,861</u>	<u>1,393</u>	<u>384</u>	<u>–</u>	<u>5,810</u>

* Net of corporate expenses of \$7,839,000.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2005

34 SEGMENT INFORMATION (continued)

Geographical segments

The following table presents revenue and expenditure information regarding geographical segments for the years ended 31 December 2005 and 2004 and certain asset information regarding geographical segments at 31 December 2005 and 2004.

	Singapore \$000	Other Asean Countries \$000	Other Asian Countries \$000	Others \$000	Elimination \$000	Group \$000
Year ended 31 December 2005						
Segment Revenue						
Sales to external customers	351,770	172,021	141,787	1,431	–	667,009
Inter-segment sales	8,647	304	5,264	–	(14,215)	–
Total revenue	<u>360,417</u>	<u>172,325</u>	<u>147,051</u>	<u>1,431</u>	<u>(14,215)</u>	<u>667,009</u>
Other geographical information						
Segment assets	846,895	150,709	87,757	–	–	1,085,361
Capital expenditure	<u>5,294</u>	<u>4,746</u>	<u>10,065</u>	<u>–</u>	<u>–</u>	<u>20,105</u>
Year ended 31 December 2004						
Segment Revenue						
Sales to external customers	277,170	174,054	145,436	1,059	–	597,719
Inter-segment sales	17,243	68	350	–	(17,661)	–
Total revenue	<u>294,413</u>	<u>174,122</u>	<u>145,786</u>	<u>1,059</u>	<u>(17,661)</u>	<u>597,719</u>
Other geographical information						
Segment assets	822,304	129,799	65,248	–	–	1,017,351
Capital expenditure	<u>4,808</u>	<u>10,042</u>	<u>4,106</u>	<u>–</u>	<u>–</u>	<u>18,956</u>

35 COMPARATIVE FIGURES

Certain rental and housekeeping expenses of \$1,090,000 in 2004 were reclassified from Administrative Costs to Cost of Sales which have been restated as \$46,529,000 (2004: \$47,619,000) and \$519,653,000 (2004: \$518,563,000) respectively to better reflect the economic substance of the items.

The following have also been reclassified to better reflect the nature of the balances and to conform to current year's classification.

	GROUP	
	Restated 2004 \$000	Previous 2004 \$000
Presented in the Balance Sheet		
Stocks and work-in-progress	–	86,760
Gross amount due from customers for contract work	37,172	–
Stocks	49,588	–
	86,760	86,760
Presented in the Notes to the Financial Statements		
Note 3:		
Rendering of services	60,689	377,287
Revenue from construction contracts	278,666	–
Rental income	37,932	–
	377,287	377,287
Note 9:		
Net book value of:		
Freehold land and buildings	–	3,411
Long leasehold land and buildings	–	396
Freehold/long leasehold land	2,088	–
Freehold/long leasehold buildings	1,719	–
	3,807	3,807

	COMPANY	
	Restated 2004 \$000	Previous 2004 \$000
Presented in the Balance Sheet		
Subsidiary companies (Note 2(b)(i))	323,561	379,836
Reclassify from amount due from subsidiary companies	10,499	–
Subsidiary companies (Note 10)	334,060	379,836
Reserves	56,275	–
Due from subsidiary companies (Note 17)	3,857	16,043
Due to subsidiary companies (Note 22)	(21,035)	(22,722)
	373,157	373,157

Other changes in comparative figures have been explained in various notes to the financial statements.

36 AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 December 2005 were authorised for issue in accordance with a resolution of the directors on 28 March 2006.

INFORMATION ON PREFERENCE SHAREHOLDERS AND ORDINARY STOCKHOLDERS

AS AT 6TH MARCH 2006

AUTHORISED CAPITAL

875,000	7.5 cents Cumulative Preference Shares	\$ 875,000
499,125,000	Ordinary Shares	499,125,000

ISSUED AND FULLY PAID-UP CAPITAL

875,000	7.5 cents Cumulative Preference Shares	\$ 875,000
215,787,633	Ordinary Shares each converted into Stock Units	215,787,633

VOTING RIGHTS

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

Size of Stockholdings	NUMBER OF STOCKHOLDERS			
	Preference Shareholders	%	Ordinary Stockholders	%
1 – 999	13	28.89	499	8.77
1,000 – 10,000	24	53.33	3,926	68.97
10,001 – 1,000,000	8	17.78	1,244	21.86
1,000,001 and above	-	-	23	0.40
	45	100.00	5,692	100.00

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

As at 6th March 2006, approximately 56% of the share capital of the Company was held by the public and accordingly, Rule 723 of the SGX-ST's Listing Manual has been complied with.

INTERESTS OF THE DIRECTORS

As at 21st January 2006, the details of the Directors' interests in the share capital of the Company and its subsidiary companies remained the same as those set out on earlier pages.

INFORMATION ON PREFERENCE SHAREHOLDERS AND ORDINARY STOCKHOLDERS

AS AT 6TH MARCH 2006

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

	Preference Shares	%	Ordinary Stock	%
*Oversea-Chinese Banking Corporation Limited	9,500	1.08	-	-
The Great Eastern Life Assurance Company Limited	576,160	65.85	30,727,916	14.24
The Straits Trading Company Limited	-	-	26,609,240	12.33
WBL Corporation Limited	-	-	21,712,000	10.06
**Kambau Pte Ltd	69,000	7.89	1,815,333	0.84

* Also deemed to have an interest in :

- (1) 612,300 preference shares, of which 576,160 preference shares were held by The Great Eastern Life Assurance Company Limited, 20,500 preference shares were held by Oversea-Chinese Bank Nominees Pte Ltd, 9,640 preference shares were held by The Overseas Assurance Corporation Limited, 4,000 preference shares were held by United Overseas Bank Nominees Pte Ltd (for the beneficial interest of The Great Eastern Life Assurance Company Limited) and 2,000 preference shares were held by DBS Nominees Pte Ltd (for the beneficial interest of The Overseas Assurance Corporation Limited).

- (2) 43,880,456 ordinary stocks, of which 30,727,916 ordinary stocks were held by The Great Eastern Life Assurance Company Limited, 6,935,394 ordinary stocks were held by Oversea-Chinese Bank Nominees Pte Ltd and 6,209,146 ordinary stocks were held by The Overseas Assurance Corporation Limited, 4,000 ordinary stocks were held by United Overseas Bank Nominees Pte Ltd (for the beneficial interest of The Great Eastern Life Assurance Company Limited) and 4,000 ordinary stocks were held by DBS Nominees Pte Ltd (for the beneficial interest of The Overseas Assurance Corporation Limited).

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

Note: Great Eastern Holdings Limited is deemed to have an interest in 36,945,062 ordinary stocks, of which 30,727,916 ordinary stocks were held by The Great Eastern Life Assurance Company Limited, 6,209,146 ordinary stocks were held by The Overseas Assurance Corporation Limited, 4,000 ordinary stocks were held by United Overseas Bank Nominees Pte Ltd (for the beneficial interest of The Great Eastern Life Assurance Company Limited) and 4,000 ordinary stocks were held by DBS Nominees Pte Ltd (for the beneficial interest of The Overseas Assurance Corporation Limited).

INFORMATION ON PREFERENCE SHAREHOLDERS AND ORDINARY STOCKHOLDERS

AS AT 6TH MARCH 2006

Eleven Largest Preference Shareholders

	Number of shares held	%
1. The Great Eastern Life Assurance Company Limited	576,160	65.85
2. Kambau Pte Ltd	69,000	7.89
3. The Shaw Foundation Pte Ltd	40,000	4.57
4. OCBC Securities Private Ltd	34,000	3.89
5. Oversea-Chinese Bank Nominees Pte Ltd	20,500	2.34
6. William Tan Cheng Ju	18,420	2.11
7. Ng Lee Kiang	13,000	1.49
8. Ng Ing Liang	11,000	1.26
9. Thia Cheng Song	10,000	1.14
10. Hatim Fidahusein Nakhoda	9,640	1.10
11. The Overseas Assurance Corporation Limited – Singapore Life Assurance Fund	9,640	1.10
	9,640	1.10
	811,360	92.74

Twenty Largest Ordinary Stockholders

	Number of stock units held	%
1. The Great Eastern Life Assurance Company Limited	30,727,916	14.24
2. The Straits Trading Company Limited	26,609,240	12.33
3. WBL Corporation Limited	21,712,000	10.06
4. Capital Intelligence Limited	9,889,000	4.58
5. DBS Nominees Pte Ltd	8,352,518	3.87
6. Oversea-Chinese Bank Nominees Pte Ltd	7,226,191	3.35
7. The Overseas Assurance Corporation Limited	6,210,479	2.88
8. United Overseas Bank Nominees (Private) Ltd	5,816,789	2.70
9. Citibank Nominees Singapore Pte Ltd	2,857,373	1.32
10. Singapore Investments Pte Ltd	2,656,554	1.23
11. Kota Trading Company Sendirian Berhad	2,579,432	1.20
12. OCBC Nominees Singapore Pte Ltd	2,414,656	1.12
13. Lee Foundation	2,174,597	1.01
14. HSBC (Singapore) Nominees Pte Ltd	2,159,248	1.00
15. Kambau Pte Ltd	1,815,333	0.84
16. Tropical Produce Company Pte Ltd	1,713,557	0.79
17. Morph Investments Ltd	1,472,667	0.68
18. Eng Hueng Fook Henry	1,470,000	0.68
19. Selected Holdings Pte Ltd	1,237,666	0.57
20. Boon Kia Hak Martin (Wen Jiahe Martin)	1,060,666	0.49
	140,155,882	64.94

MAJOR PROPERTIES HELD BY THE GROUP AS AT 31 DECEMBER 2005.

Type of Property	Address	Description	Tenure of Land	Land Area	Group's effective interest	Held By	Valuation as at 31/12/2005	Valuation as at 31/12/2004
Residential/Commercial/Office Development known as UE Square (Completed)	81 & 83 Clemenceau Avenue, Singapore	15 storey block comprising of 130 units of service apartments and a 4 storey shopping podium, and an 18 storey office building with 2 basement carpark levels	929 years leasehold from 1/1/1953. Remaining lease of 876 years	355,023 sqft (32,982 sqm)	100%	United Engineers Limited	S\$427.5 million	S\$425 million
Office/Workshop/Warehouse (Completed)	257 Jalan Ahmad Ibrahim, Singapore	3 blocks of office & industrial space	30 years leasehold from 1/2/1980. Remaining lease of 4 years	294,773 sqft (27,395 sqm)	100%	United Engineers Limited	NA	NA
Warehouse complex known as UE Tech Park (Completed)	8 & 10 Pandan Crescent, Singapore	2 blocks of 6 storey and 5 storey warehouse space	92 years 8 months leasehold from 1/10/1975. Remaining lease of 61 years	348,497 sqft (32,376 sqm)	90%	United Tech Park Pte Ltd	S\$105 million	S\$105 million
Residential Studio Apartments & townhouses known as Park Avenue Residences (Completed)	80 Kim Yam Road, Singapore	10 storey block with a 2/3 storey conserved building. Total of 31 apartments & 5 townhouses with basement car parks	99 years leasehold from 12/12/1996. Remaining lease of 90 years	12,906 sqft (1,199 sqm)	100%	UE Ville Developments Pte Ltd	S\$18.2 million	S\$17 million
4 adjoining shophouses developed into an eatery cum commercial offices (Completed)	206 – 212 South Bridge Road, Singapore	4 units of refurbished 3 storey shophouses with attic (1 corner & 3 intermediate)	999 years leasehold from 1/10/1877. Remaining lease of 870 years	5,242 sqft (487 sqm)	96.25%	Greatearth Developments Pte Ltd	S\$7.4 million	S\$7.4 million
Residential Apartments known as Park Avenue International, Pudong (Completed)	519 Fu Shan Road/ 400 Pudian Road, Pudong District, Shanghai, China	75 apartment units	70 years leasehold from 8/6/2001. Remaining lease of 65 years.	65,649 sqft (6,099 sqm)	100%	United Engineers Developments Pte Ltd	S\$18 million	S\$18 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	41 apartment units	20 years leasehold from 2004. Remaining lease of 18 years.	67,866 sqft (6,305 sqm)	100%	PT UE Developments	S\$7.4 million	S\$7.7 million
Residential Apartments known as Residensi 71 (Completed)	Jalan Teuku Cik Di Tiro, No. 71, Menteng, Jakarta, Indonesia	18 apartment units	10 years leasehold from 2005. Remaining lease of 9 years.	14,703 sqft (1,366 sqm)	100%	PT UE Developments	S\$1.8 million	Newly acquired, no previous valuation

NOTICE OF ANNUAL GENERAL MEETING



(Incorporated in the Republic of Singapore)
(Company Registration No. 191200018G)

NOTICE IS HEREBY GIVEN that the Ninety-Second Annual General Meeting of the Company will be held at 81A Clemenceau Avenue, 5th Storey, Park Avenue Suites, UE Square, Singapore 239918, on Tuesday, 25 April 2006 at 10.30 a.m. for the following purposes :

ORDINARY BUSINESS

1. To receive and adopt the Reports of the Directors and of the Auditors and the Audited Accounts for the year ended 31 December 2005.
- 2(a). To declare a dividend of 7.5 cents on the Cumulative Preference Shares, less income tax, for the year ended 31 December 2005, as recommended by the Directors.
- 2(b). To declare a first and final dividend of 5 cents per ordinary stock, less income tax, for the year ended 31 December 2005, as recommended by the Directors.
- 2(c). To declare a special dividend of 5 cents per ordinary stock, less income tax, for the year ended 31 December 2005, as recommended by the Directors.
3. To re-elect Mr Lai Teck Poh, a Director retiring under Article 99 of the Articles of Association of the Company, and who being eligible, offers himself for re-election.

Note : Mr Lai, if re-elected, will remain a member of the Remuneration Committee

4. To re-elect Dr Michael Lim Chun Leng, a Director retiring under Article 99 of the Articles of Association of the Company, and who being eligible, offers himself for re-election.

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

5. To consider, and if thought fit, to pass the following resolution :

“That pursuant to Section 153(6) of the Companies Act (Cap. 50), Mr Tang I-Fang be and is hereby re-appointed as Director of the Company to hold office from the date of this Annual General Meeting until the next Annual General Meeting.”

6. To approve Directors' Fees of \$240,000 (2004 : \$240,000).
7. To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to fix their remuneration.
8. To transact any other ordinary business of which due notice shall have been given.

SPECIAL BUSINESS

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

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

- (a) (i) issue shares in the capital of the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

"That authority be and is hereby given to the Directors to offer and grant options pursuant to the United Engineers Share Option Scheme 2000 (the "Scheme 2000") and to allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the Scheme 2000, provided that the aggregate number of ordinary shares to be issued pursuant to the Scheme 2000 shall not exceed 10% of the issued ordinary share capital of the Company from time to time; and that contingent upon any of the ordinary shares in the Company being issued and being credited as fully paid, the same be and shall thereby be converted into stock units transferable in amounts and multiples of \$1.00."

By Order of the Board

Miss Eileen Lim
Group Company Secretary

Singapore
3 April 2006

NOTICE OF ANNUAL GENERAL MEETING

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 ITEMS OF SPECIAL BUSINESS

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

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

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Members will be closed from 4 May 2006 to 8 May 2006 (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 3 May 2006 will be registered to determine such dividend entitlements.

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(Company Registration No. 191200018G)

IMPORTANT

- For investors who have used their CPF monies to buy United Engineers Limited shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
- This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
- CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent Banks so that their Agent Banks may register, in the required format, with the Company Secretary. (Agent Banks : please see note no. 8 on required format.

I/We, (Name) _____

of (Address) _____

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to vote for me/us on my/our behalf, at the 92nd Annual General Meeting of the Company, to be held at 81A Clemenceau Avenue, 5th Storey, Park Avenue Suites, UE Square, Singapore 239918 on 25 April 2006 at 10.30 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

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

Dated this _____ day of _____ 2006.

Number of Stock Units Held	
Number of Preference Shares Held	

Signature(s) of Member(s) / Common Seal
IMPORTANT : PLEASE READ NOTES OVERLEAF

NOTES

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

GENERAL

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



UNITED ENGINEERS LIMITED
Company Registration No.191200018G
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