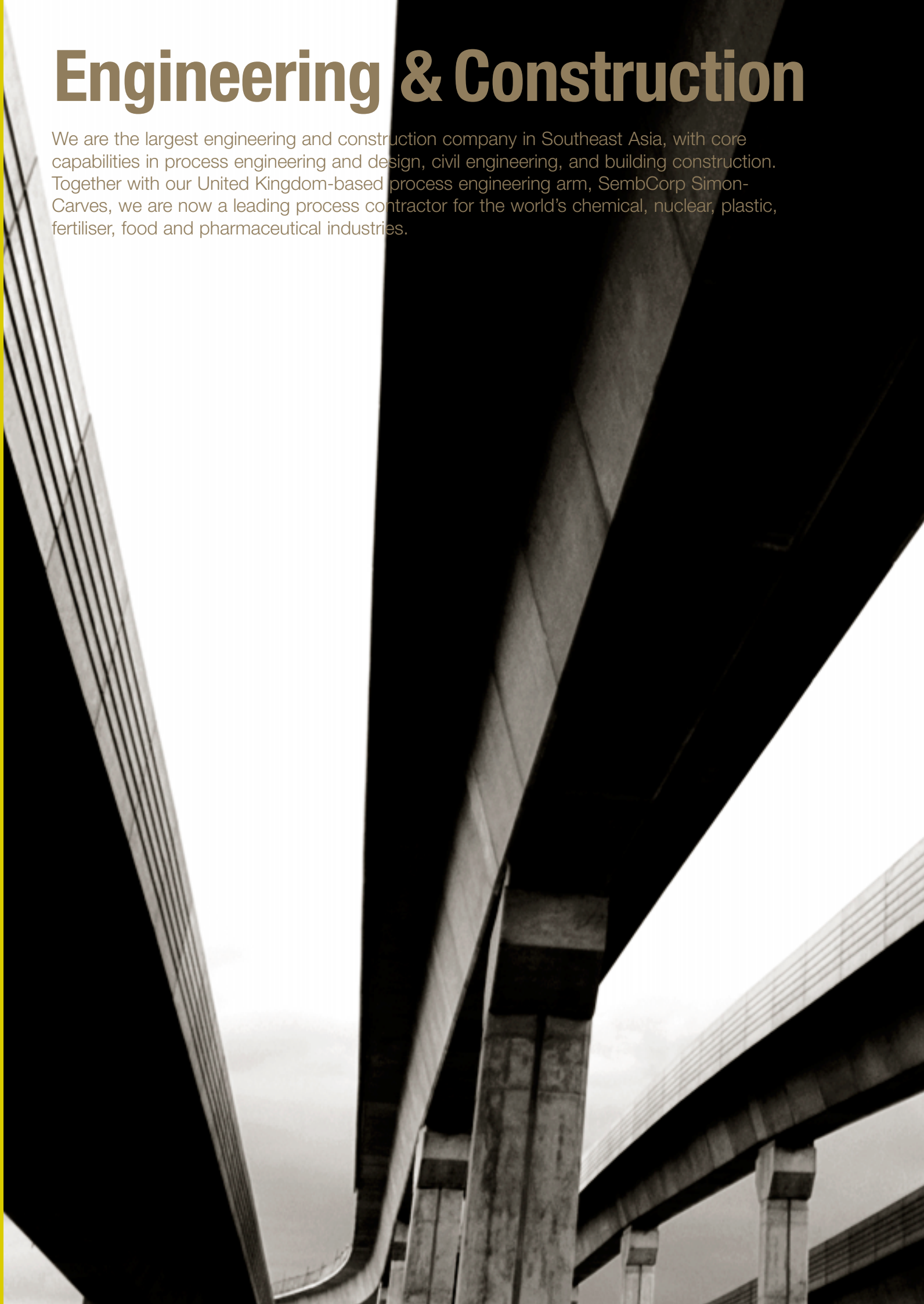


COMPETITIVE EDGE

- Asian market knowledge and track record
- Presence in all market segments in Singapore
- Ability to offer integrated services through the municipal, industrial, commercial and healthcare sectors
- Ability to harness advanced technologies and concepts for innovative solutions such as pneumatic waste conveyancing and automated materials recovery for recycling

Engineering & Construction

We are the largest engineering and construction company in Southeast Asia, with core capabilities in process engineering and design, civil engineering, and building construction. Together with our United Kingdom-based process engineering arm, SembCorp Simon-Carves, we are now a leading process contractor for the world's chemical, nuclear, plastic, fertiliser, food and pharmaceutical industries.





Wong Heang Fine
President & CEO
SembCorp Engineers and Constructors

	2002 S\$'000	2001 S\$'000
Revenue	857,623	618,505
PATMI	(126,968)	5,553

Note: Figures are taken at SembCorp Industries' Group Level for the Key Business

KEY FACTS

- Southeast Asia's largest engineering and construction company
- Experience across 35 countries with operations in China, India, Mexico, the Middle East, Southeast Asia and the United Kingdom,
- More than 1600 employees worldwide, including 650 design professionals
- Acquired Simon-Carves, a United Kingdom-based engineering consultancy firm in 2001

Engineering & Construction

STRATEGY

We remain committed to becoming a world-class, integrated engineering and construction company. To do this, we will:

Turnaround towards profitability in 2003

While focusing on executing our orderbook, we are also in the midst of tightening and strengthening our risk management systems. This is to improve our risk position, in order to ensure future project profitability.

Shift our business focus from civil engineering to process engineering and design by capitalising on SembCorp Simon-Carves' front-end capabilities

We will leverage our petrochemical polymer strengths to develop selected polymer sectors. SembCorp Simon-Carves' strong track record in process engineering enhances our capability mix to secure more projects in the gas and petrochemical industries.

Continue to target opportunities in Singapore and Asia

Our goal is to have more than half our annual turnover come from projects outside Singapore. To achieve this, we will continue to develop our overseas operations, with an emphasis on emerging markets such as China and India.

Build and deepen client relationships

We aim to become the preferred partner for overseas engineering and construction companies expanding into China and Southeast Asia. Such partnerships will enable us to strengthen our foothold in key markets and enhance our core capabilities.

OPERATIONS REVIEW

Despite maintaining a relatively strong orderbook of S\$1.8 billion, SembCorp Engineers and Constructors' (SembE&C) performance in 2002 was subdued, in comparison to the year before. This was primarily due to the depressed global economic climate and losses reported as a result of unforeseen problems on two of our civil engineering projects.

In November, we made allowance for a one-time foreseeable S\$85 million loss on our Tuas View B2b land reclamation project. The project was halted due to a stoppage of sand supply from Indonesia since the beginning of 2002. All land reclamation projects in Singapore have come to a stand-still since and no alternative sources of sand supply are available. We are now in discussions with Jurong Town Corporation to terminate the contract.

Our Kranji Deep Tunnel Sewerage System

project also encountered unanticipated terrain difficulties and we have provided S\$22 million for expected losses brought on by unforeseen complex ground conditions. The project involved the design and construction of a 12.6 kilometre deep tunnel from Kranji Sewage Treatment Plant to the Seletar Expressway flyover off Lentor Avenue.

However, we are focused on executing other existing projects in our orderbook well and profitably, and we expect SembE&C to turn around towards profitability in 2003.

In 2002, the market for engineering and construction work across Asia was fiercely competitive. Aggressive pricing across the market resulted in the margins of many engineering and construction projects being taxed.

Despite the poor climate, demand for construction in Singapore in 2002 actually grew 5 per cent over 2001, and we won S\$700 million in new contracts – 70 per cent of these were new orders in Singapore. The other 30 per cent of new accounts came from overseas, and SembCorp Simon-Carves brought in S\$146 million in sales.

We remained Singapore's top engineering and construction company (ranked by



turnover) for the third year running, in the latest survey of Singapore's Top Contractors by Singapore's Building and Construction Authority (BCA). We attribute this success to our strategic steer-away from high-cost residential and commercial building projects to focus on non-reclamation civil engineering projects.

In Singapore, we secured two design-and-build contracts totalling S\$301 million from the Public Utilities Board for its Changi Water Reclamation Plant Project during the year. The first contract was to build one of the world's largest sludge drying systems and the second was for a sludge digester facility in the same plant. We also completed and handed over the Mass Rapid Transit stations from Boon Keng to Sennet, and the Light Rapid Transit system at Punggol New Town.

OUTLOOK

The BCA has forecasted that Singapore's demand for construction in 2003 will shrink 15 per cent from 2002. Despite the gloom in the domestic construction industry, we anticipate greater opportunities in China and India, particularly in the gas and infrastructure sectors.

Implementing a new portfolio shift towards process engineering and design, we intend

to focus on developing niche sectors in Singapore and overseas. In Singapore, we will continue to bid for projects in rail infrastructure and wastewater treatment, while developing the polymer and gas sectors overseas.

We have tightened and strengthened our risk management systems and will only bid for projects that we have a strong track record and core competence in. By reorganising and restructuring our engineering and construction operations, we hope to turn SembE&C around towards profitability in 2003.

Glossary

Civil Engineering

An aspect of engineering which involves the design or construction of building and infrastructure facilities such as mass rapid transit trains, roads and bridges.

Process Engineering

An aspect of engineering which specialises in the design or construction of process-related facilities such as petrochemical and chemical, oil and gas, pharmaceutical and power plants.

Commissioning

A process undertaken by construction companies to ensure that its completed facility meets the standards as specified in the contract with its client.

Upstream Engineering

A production process undertaken by construction companies at the beginning of the construction and development of a plant.

LDPE

Low Density Polyethylene.

A plastic material produced by the polymerisation of ethylene with a wide range of applications. It is used in the manufacture of plastic films for packaging, motorcars, domestic appliances and footwear.

ORDERBOOK

As of end-December 2002, our orderbook stood at S\$1.8 billion. Major projects are:

Project	Value (S\$m)	Client	Scope of Work	Completion Date
Singapore				
Phthalic Anhydride Plant	97	Continental Petrochemicals	Construction of a Phthalic Anhydride Plant with an output of 80,000 metric tonnes per year	March 2003
Kallang/Paya Lebar Expressway (C421)	235	Land Transport Authority	Construction of a 1.5 km tunnel connecting to one flyover expressway and ancillary works	November 2005
Kallang/Paya Lebar Expressway (C422)	257	Land Transport Authority	Construction of a 1.6 km tunnel connecting to two flyover expressways and ancillary works	November 2005
DTSS Changi WRP C4C	160	Public Utilities Board	Construction of a sludge digester facility for the Changi Water Reclamation Plant	September 2007
Changi WRP EP3	141	Public Utilities Board	Construction of a sludge drying system for the Changi Water Reclamation Plant	January 2008
Overseas				
Nanjing-LDPE-E&P	175	C.T.C.I	Construction of a low density polyethylene plant in Nanjing, China	February 2005