

**SembCorp Industries**  
**Annual Report**

**20 02**



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# Our Profile

Formed from a merger in October 1998 between STIC – Singapore Technologies Industrial Corporation – and Sembawang Corporation, SembCorp Industries is today Asia's foremost engineering services group.

SembCorp Industries focuses on five Key Businesses to create value for our shareholders:

- Utilities
- Environmental Engineering
- Engineering & Construction
- Logistics
- Marine Engineering

As it is, we are:

- A pioneer in the development of multi-utility centres, as well as the first commercial importer and retailer of natural gas in Singapore.
- The largest and leading environmental

management services company in Singapore and the second largest in Australia. We operate Asia's first automated materials recovery facility together with Australia's VISY Recycling.

- The largest engineering and construction company in Southeast Asia. With the recent acquisition of Simon-Carves, a United Kingdom-based process engineering company, we are extending our engineering capabilities to the petrochemical, chemical, pharmaceutical and defence industries.
- A leading supply chain management logistics company in the Asia-Pacific, we have formed a global strategic alliance with Kuehne & Nagel, a Switzerland-based logistics group, to provide global logistics solutions.
- The largest ship repair and marine-related facilities east of the Suez with shipyards in

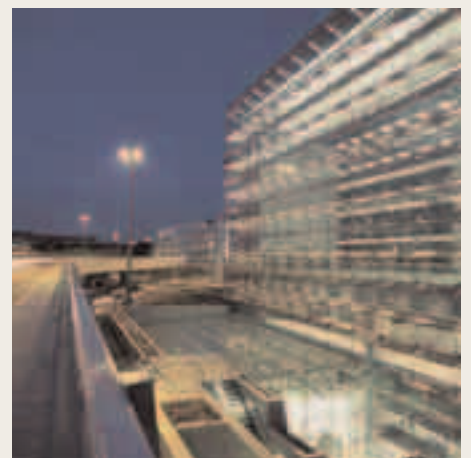
Brazil, China, Indonesia and Singapore.

In Development companies include the Group's minting services, industrial parks, an internet service provider, and other businesses such as hotels and resorts.

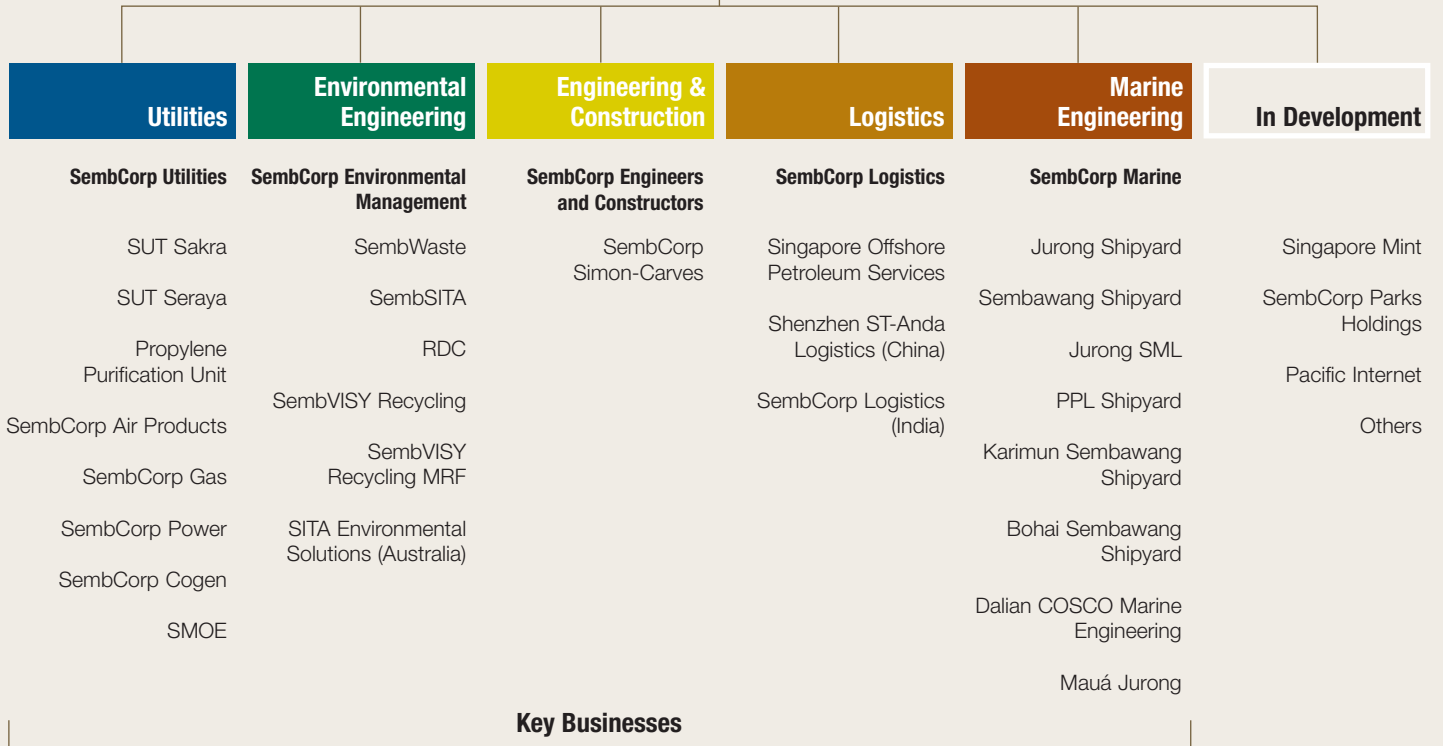
SembCorp Industries has total assets worth about S\$6.0 billion and is placed among the top 25 companies in Singapore by market capitalisation.

We have about 11,000 employees, of whom some 46 per cent hold engineering and technical qualifications.

Listed on the main board of the Singapore Exchange, SembCorp Industries is a component stock of the Straits Times, the Morgan Stanley Capital International, the FTSE Singapore and the FTSE/Hang Seng Asian Sector Indices.



**SembCorp Industries**



**Key Businesses**

Note: This chart shows the first-tier subsidiaries of our Key Businesses and their main operating units as of March 31, 2003



## To Our Shareholders

SembCorp Industries returned a modest profit growth but achieved a stronger balance sheet despite a very difficult year.

Our Profit After Tax and Minority Interests (PATMI) including exceptional items rose 3 per cent to S\$178.3 million. Our Return on Equity was 14 per cent, a level comfortably above our minimum threshold of 12 per cent, and our Return on Total Assets edged down from 5.8 per cent in 2001 to the present 5.6 per cent.

Our balance sheet has however been substantially strengthened. We reduced borrowings by S\$900 million and our gearing has been halved from 1.3 times at end-2001 to 0.6 times. Efforts to divest our non-core assets and operations continued and we received S\$391 million in total proceeds from the divestments completed this year.



SembCorp Industries' Earnings Per Share would have risen in tandem with earnings but fell to 9.89 cents against 10.83 cents in the prior year due to our enlarged equity base following the issuance of about 214 million new shares in a private placement carried out in February 2002. This placement gave us around S\$339 million in net proceeds.

#### **RETURNING 36 PER CENT OF PATMI TO OUR SHAREHOLDERS**

Our Board of Directors is recommending an 18 per cent gross dividend (less tax of 22 per cent), comprising a 12 per cent (3.0 cents per share) ordinary dividend and a 6 per cent (1.5 cents per share) special dividend for 2002.

This proposed dividend is a 50 per cent increase over what was paid out for 2001. At the same time, the proposed dividend represents a 36 per cent payout of PATMI or Net Earnings.

#### **BUSINESS PERFORMANCE IN 2002**

**Utilities'** turnover exceeded S\$1 billion for the first time and its PATMI showed a strong 55 per cent increase to S\$54.2 million. Earnings from integrated utilities grew 30 per cent and offshore engineering posted a 26 per cent increase. Their contribution to PATMI was S\$25.1 million and S\$20.5 million respectively.

We are happy with the performance of this Key Business, which promises stable earnings from long-term offtake contracts spanning 12 to 30 years in duration. The offshore engineering unit also promises growth with a record topside fabrication orderbook of S\$740 million with deliveries up to 2005.

The S\$9 million earnings from our energy business would have been higher had our power generation operation in Singapore (SembCorp Cogen) not been adversely impacted by high spinning reserve costs under the old market rules. However, the New Electricity Market (NEM), introduced by the Singapore Energy Market Authority in January 2003, has a separate Spinning Reserve Market which is expected to drive down spinning reserve costs. This, coupled with the introduction of vesting contracts, should result in an improvement in the earnings from our power generation operations.

**Marine Engineering** had a fairly good year where it turned in a PATMI growth of 14 per cent and an earnings contribution of S\$57.3 million. For the first time, this Key Business achieved a record turnover exceeding S\$1 billion. The orderbook at end-2002 stood at S\$1.4 billion with ship conversions and offshore projects accounting for 46 per cent of it.

**Logistics** showed strong operating performance with a 37 per cent growth in our supply chain management operations excluding exceptional items. However, profit contribution from this Key Business fell 54 per cent to S\$25.2 million mainly due to our Logistics unit's associate, Kuehne & Nagel, charging a CHF206 million (S\$237 million) goodwill amortisation against its full year 2002 accounts. This one-time charge has no cashflow impact on our Group. On the other hand, our global logistics alliance with Kuehne & Nagel has progressed well and is gaining pace. In 2002, we jointly secured 16 major accounts globally and in just the first two months of 2003, eight new accounts have been jointly secured.

**Environmental Engineering** returned a net earnings contribution of S\$9.2 million. This 14 per cent growth against 2001 was lower than what we anticipated due largely to weaker earnings from our Australian operations. Our Environmental Engineering unit has existing contracts worth S\$380 million (till 2005) and as we take steps to improve our operating efficiency, we expect its profitability to improve.

**Engineering & Construction** was a disappointment with a loss of S\$127 million for the full year caused by unforeseen conditions encountered in two projects in Singapore. We carried out a thorough review of the business and systems at SembE&C and these are some of the changes we are implementing at the company:

- SembE&C will be downsized
- The focus will shift to process engineering and design in sectors like rail infrastructure, wastewater treatment, polymers and oil and gas
- Projects in the S\$1.8 billion orderbook will be more effectively executed

The **In Development** companies turned in mixed results. Pacific Internet turned around with a profit contribution of S\$2.1 million. Singapore Food Industries' earnings attributable to the Group grew 8 per cent to S\$22.4 million. On the other hand, Building Materials suffered a loss of S\$10.8 million for the year reflecting the depressed conditions facing the building industry in Singapore.

## OUR PRIORITIES AND THE OUTLOOK FOR 2003

For the coming year, we have set ourselves these priorities:

**Utilities:** We will focus on improving SembCorp Cogen's earnings performance under Singapore's NEM. We are also taking steps to expand our integrated utilities and cogeneration business overseas.

**Marine Engineering:** Our Global Hub Strategy is largely in place and we are devoting our energies to increasing the profit contribution from our yards in Brazil and China. We also want to strengthen our position in the global offshore conversion market. In 2002, we won the Brazilian Petrobras P-50 conversion contract worth US\$244 million and we are better placed to compete for upcoming conversion contracts in Latin America and Africa.

**Logistics:** We want to accelerate the growth of our supply chain management businesses in China and India. In China, we are already one of the largest foreign logistics companies and in India, we are a clear leader. The contribution from these markets is still in the ramp-up phase and we aim to return a stronger earnings performance from our operations there.

**Environmental Engineering:** This business unit still has another year of business re-engineering ahead of it. In 2003, we want to participate in the upcoming bids for two municipal waste collection contracts that are expected to be put up for tender by the Ministry of the Environment in Singapore.

**Engineering & Construction:** We will carry out our downsizing and turnaround programme. With the shift in business focus, we expect the situation to improve in the coming year.

**Divestments:** The divestment programme will continue although most of the major divestments have already been done. Since 1999, we have divested S\$1.86 billion in non-core assets and operations. When the remaining non-core businesses are fully divested, we expect to receive an estimated S\$500 to S\$600 million but this will take three to five years to complete.

The SembCorp Industries' Group engineering orderbook (made up of contracts secured by Utilities' offshore engineering, Environmental Engineering, Engineering & Construction and Marine Engineering but excluding Utilities' and Logistics' long-term contracts) now stands at a very healthy S\$4.3 billion.

Notwithstanding, since we gave our shareholders an outlook for SembCorp Industries in February 2003, two significant events have occurred: a war is being fought in the Middle East and there is an outbreak of SARS – Severe Acute Respiratory Syndrome – that has spread beyond Asia to Europe and the American continent. All these will spell major uncertainties ahead for economies and businesses particularly in Asia, if not globally. Given the continuing uncertain environment, we foresee 2003 to be a difficult and challenging year for us.

## OUR NEW BOARD MEMBER

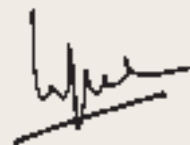
On January 13, 2003, S Iswaran was appointed to our Board of Directors. He is

a Managing Director at Temasek Holdings and was Singapore Technologies' Director of Strategic Development before that. On behalf of the Board, we would like to extend Iswaran a warm welcome and look forward to his contribution.

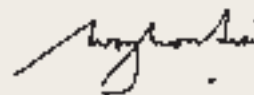
## IN CONCLUSION

2002 has been a difficult year for all of us. We are touched by the way many of our stakeholders stood with us. We are also heartened by the way our management and staff rallied together. We want to thank all of you – our shareholders, customers, suppliers and staff – for your loyalty and support through these times.

As a Group, we have a strong foundation in place for tomorrow's growth and earnings. We want to move forward and make the SembCorp Industries of our vision a reality.



Peter Seah Lim Huat  
Chairman



Wong Kok Siew  
Deputy Chairman & CEO

April 2003



## OVERVIEW

During the year, we increased our turnover and Profit After Tax and Minority Interests (PATMI), notwithstanding the difficult operating environment in 2002.

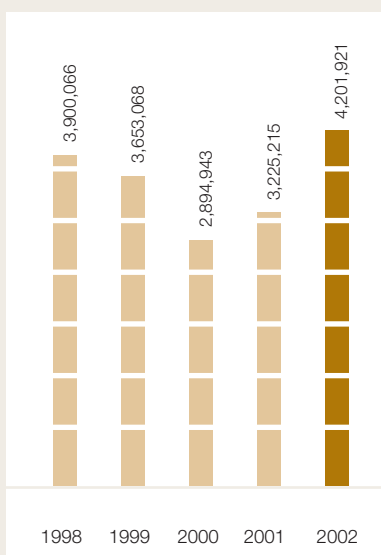
Turnover increased by 30 per cent or S\$1.0 billion in 2002. Half of this increase came

from Utilities and a quarter came from SembCorp Simon-Carves, a subsidiary of SembCorp Engineers and Constructors (SembE&C).

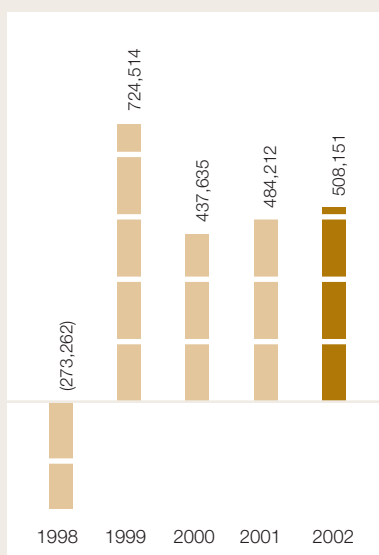
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and PATMI grew by 5 per cent and 3 per cent respectively.

If not for the problems encountered in SembE&C relating to a deep tunnel sewerage system project and a land reclamation project and the one-time impairment loss on goodwill by an associate, Kuhne & Nagel, the increase in PATMI would have been greater.

### TURNOVER (S\$'000)

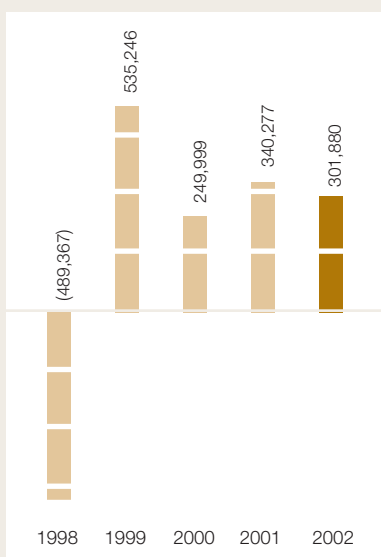


### EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (S\$'000)

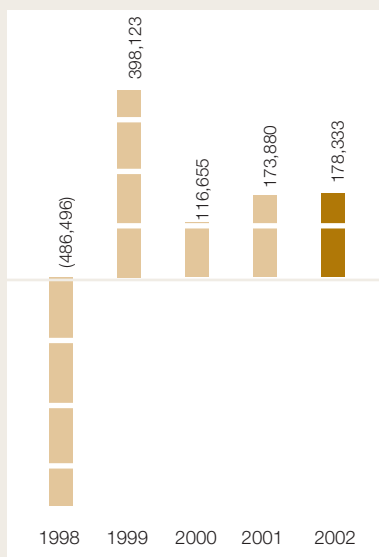


Note: EBITDA was before share of results of associates and joint ventures

### PROFIT BEFORE TAX (S\$'000)



### PROFIT AFTER TAX AND MINORITY INTERESTS (S\$'000)



# Financial Review

## TURNOVER

Turnover in Utilities almost doubled in 2002 due to full year contributions from SembCorp Cogen and SembCorp Power which became operational in September 2001. Marine Engineering's turnover hit S\$1.0 billion, attributed mainly to increased revenue from newbuilding and ship conversion jobs, while

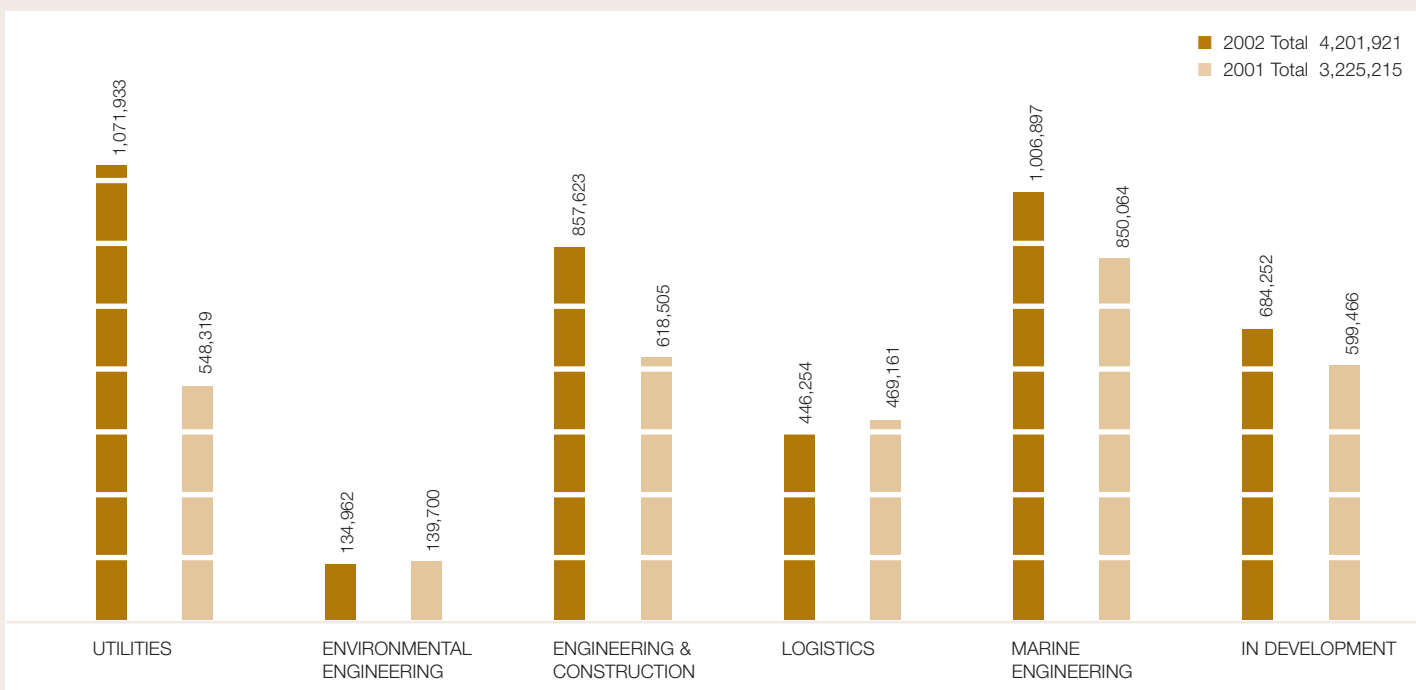
Engineering & Construction's turnover increased due to a full year contribution from SembCorp Simon-Carves, which was acquired in May 2001.

The increases in turnover in the various Key Businesses were offset by a reduction in turnover in Logistics due to the divestment

of a major portion of its marine services business and some investments in 2001.

Turnover from Singapore increased by 20 per cent to S\$2.3 billion. There was also substantial improvement in turnover contributed from China, Europe and the United States.

## TURNOVER BY ACTIVITY (S\$'000)



## TURNOVER BY ACTIVITY (S\$'000)

	2002	%	2001	%
<b>Key Businesses</b>				
Utilities	1,071,933	26	548,319	17
Environmental Engineering	134,962	3	139,700	4
Engineering & Construction	857,623	20	618,505	19
Logistics	446,254	11	469,161	15
Marine Engineering	1,006,897	24	850,064	26
<b>Sub-total for Key Businesses</b>	<b>3,517,669</b>	<b>84</b>	<b>2,625,749</b>	<b>81</b>
<b>In Development</b>				
Food Processing & Distribution	392,289	9	373,928	12
Minting	18,752	*	20,843	1
Industrial Parks	103,369	3	84,588	3
Building Materials	77,799	2	72,334	2
Properties, Financial Services, Hotels & Resorts	88,255	2	46,843	1
Corporate	3,788	*	930	*
<b>Sub-total for In Development</b>	<b>684,252</b>	<b>16</b>	<b>599,466</b>	<b>19</b>
<b>Total</b>	<b>4,201,921</b>	<b>100</b>	<b>3,225,215</b>	<b>100</b>

\* Less than 1%

**EARNINGS**

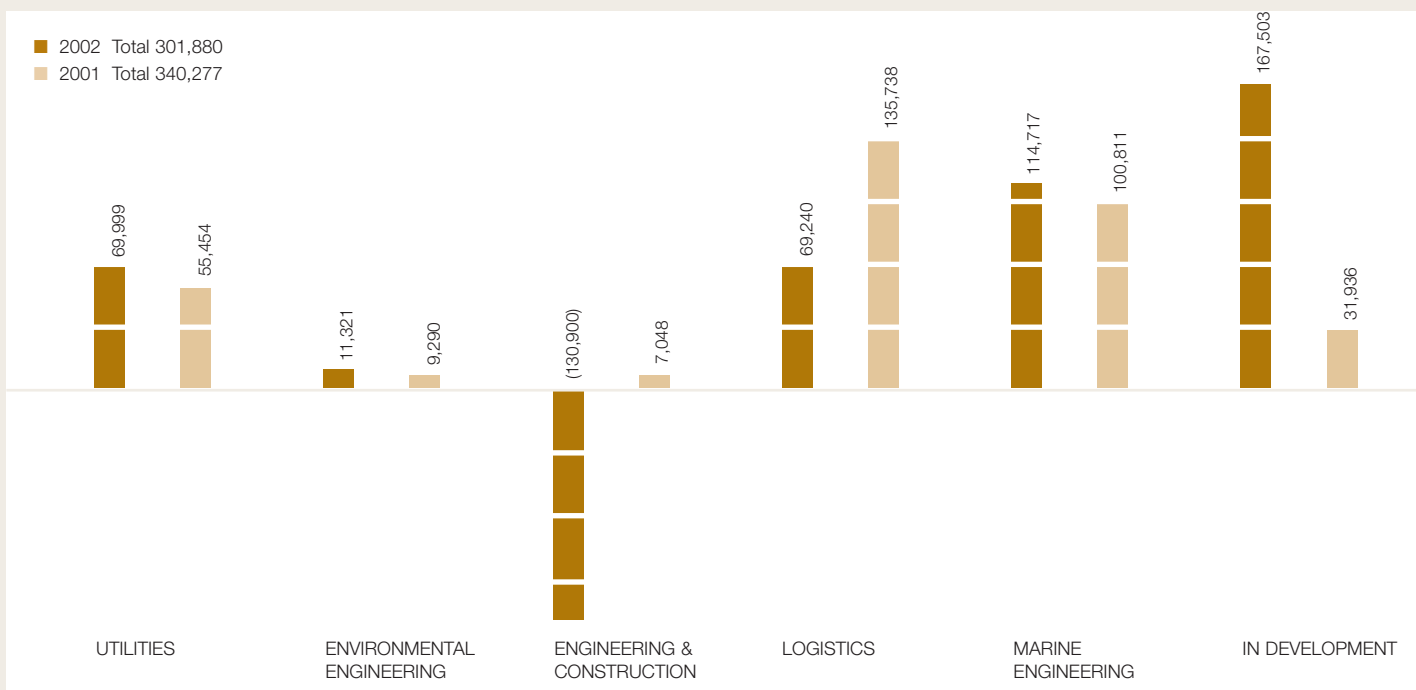
Contribution to PATMI came mainly from Utilities, Marine Engineering and Logistics. Together they contributed 77 per cent to Group PATMI.

Utilities' PATMI registered a healthy growth of 55 per cent primarily due to increased contributions from centralised utilities, offshore engineering and SembCorp Gas. SembCorp Cogen's performance was

however adversely affected by the high spinning reserve costs under the old electricity market rules.

Marine Engineering grew 14 per cent on the back of a healthy order book in ship conversion, newbuilding and offshore; and was further strengthened by a net exceptional gain arising from the sale of Jurong Technologies Industrial Corporation.

Logistics' PATMI declined by 54% as a result of the extraordinary goodwill amortisation taken up by Kuehne & Nagel. Excluding exceptionals, Logistics recorded a growth of 30 per cent, primarily due to growth in supply chain management. Joint marketing efforts and process integration with its associate, Kuehne & Nagel, have also borne fruit and brought in new contracts.

**PROFIT BEFORE TAX BY ACTIVITY (\$S'000)****PROFIT BEFORE TAX BY ACTIVITY (\$S'000)**

	2002	%	2001	%
<b>Key Businesses</b>				
Utilities	69,999	23	55,454	16
Environmental Engineering	11,321	4	9,290	3
Engineering & Construction	(130,900)	(43)	7,048	2
Logistics	69,240	23	135,738	40
Marine Engineering	114,717	38	100,811	30
<b>Sub-total for Key Businesses</b>	<b>134,377</b>	<b>45</b>	<b>308,341</b>	<b>91</b>
<b>In Development</b>				
Food Processing & Distribution	39,803	13	38,883	11
Minting	3,167	1	2,913	1
Industrial Parks	5,696	2	8,363	3
Internet Service Provider	3,515	1	(1,595)	*
IT Services	654	*	4,938	1
Building Materials	(13,175)	(4)	(1,781)	(1)
Properties, Financial Services, Hotels & Resorts	(19,563)	(7)	(2,587)	(1)
Travel & Retail	9	*	3,730	1
Others	(8,886)	(3)	(1,229)	*
Corporate	156,283	52	(19,699)	(6)
<b>Sub-total for In Development</b>	<b>167,503</b>	<b>55</b>	<b>31,936</b>	<b>9</b>
<b>Total</b>	<b>301,880</b>	<b>100</b>	<b>340,277</b>	<b>100</b>

\* Less than 1%

# Financial Review

Environmental Engineering's improved performance was due to on-going restructuring and costs containment measures.

Engineering & Construction made a loss of S\$127 million. Substantial provisions for foreseeable losses relating to a deep tunnel sewerage system project and a land

reclamation project were made during the year.

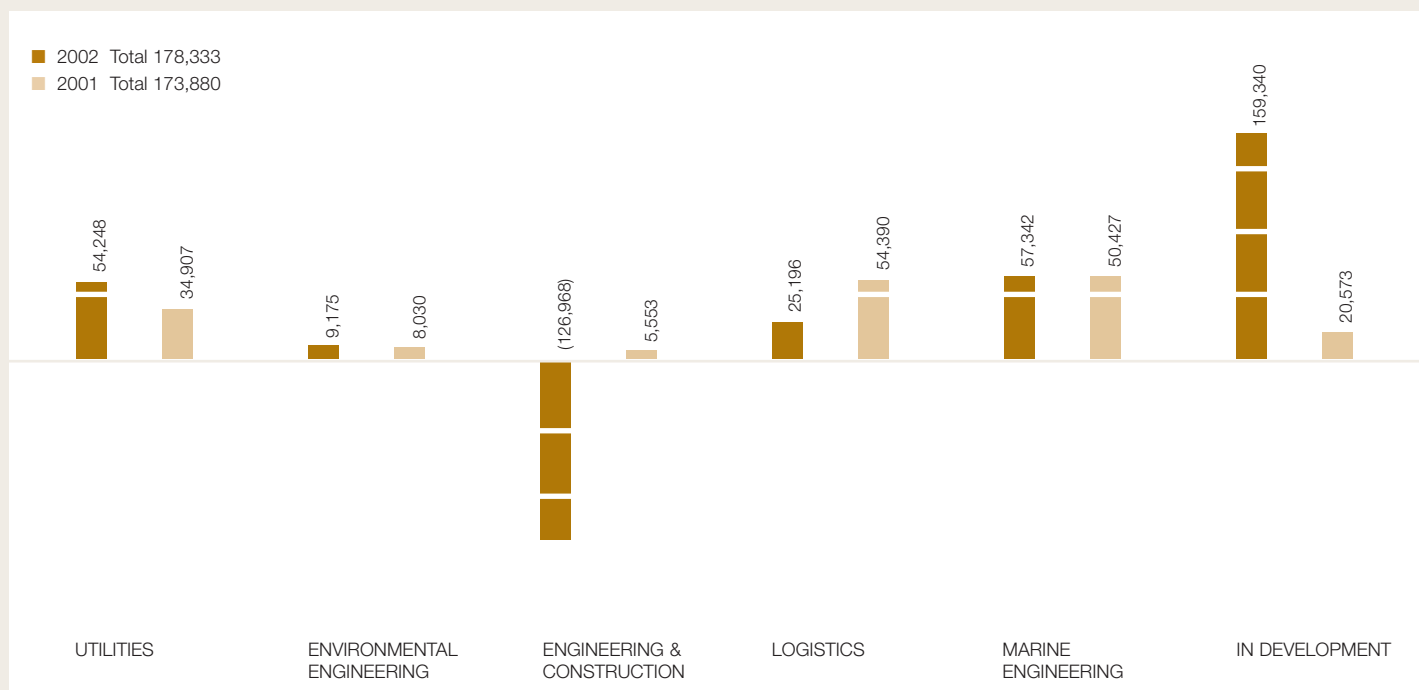
We also made impairment provisions of S\$34 million for our properties and investments in In Development.

During the year, we also sold off our non-core investments in Singapore Food Industries and

Singapore Computer Systems and realised profits of S\$168 million and S\$23 million respectively.

SembCorp Industries continues to focus on its five Key Businesses and sees strong contribution from its three Key Businesses namely Utilities, Marine Engineering and Logistics.

## PROFIT AFTER TAX AND MINORITY INTERESTS BY ACTIVITY (S\$'000)



## PROFIT AFTER TAX AND MINORITY INTERESTS BY ACTIVITY (S\$'000)

	2002	%	2001	%
<b>Key Businesses</b>				
Utilities	54,248	31	34,907	20
Environmental Engineering	9,175	5	8,030	5
Engineering & Construction	(126,968)	(71)	5,553	3
Logistics	25,196	14	54,390	31
Marine Engineering	57,342	32	50,427	29
<b>Sub-total for Key Businesses</b>	<b>18,993</b>	<b>11</b>	<b>153,307</b>	<b>88</b>
<b>In Development</b>				
Food Processing & Distribution	22,397	12	20,748	12
Minting	2,952	2	2,219	1
Industrial Parks	(132)	*	7,734	4
Internet Service Provider	2,140	1	(1,854)	(1)
IT Services	357	*	3,515	2
Building Materials	(10,763)	(6)	28	*
Properties, Financial Services, Hotels & Resorts	(19,714)	(11)	(2,659)	(1)
Travel & Retail	(79)	*	1,596	1
Others	(6,806)	(4)	(1,261)	(1)
Corporate	168,988	95	(9,493)	(5)
<b>Sub-total for In Development</b>	<b>159,340</b>	<b>89</b>	<b>20,573</b>	<b>12</b>
<b>Total</b>	<b>178,333</b>	<b>100</b>	<b>173,880</b>	<b>100</b>

\* Less than 1%

**CAPITAL EXPENDITURE AND CASHFLOW**

Of the total capital expenditure amounting to S\$334 million in 2002, we spent S\$152 million on investments and S\$182 million on fixed assets.

During the year, cashflow from operating activities improved substantially due to better collections from debtors and better creditor management.

The proceeds from the equity placement and divestments were used to make substantial repayment of debt amounting to about S\$0.9 billion.

	2002 S\$m	2001 S\$m	Increase/(Decrease) S\$m
Capital Expenditure:			
Fixed Assets	182.1	267.7	(85.6)
Investments	152.0	176.9	(24.9)

**FINANCIAL INDICATORS**

Earnings Per Share (EPS) would have risen in accordance to the increase in PATMI. However, as a result of the increase in share capital, EPS fell from 10.83 cents to 9.89 cents. Return on Equity, calculated on a much higher equity base was 14.0 per cent, which was higher than the target of 12 per cent. Return on Total Assets edged down slightly from 5.8 per cent to 5.6 per cent.

Net Tangible Assets Per Share increased by 37 per cent to 81 cents due to the increase in capital, share premium and profits during the year. Interest cover was a healthy 5.4 times.

With net debt reduced to only S\$1.3 billion and total of shareholders' funds and minority interests increased by S\$0.5 billion to S\$2.2 billion, our debt/equity ratio has been

reduced substantially from 1.3 times in 2001 to only 0.6 times at the end of 2002. Excluding project finance loans, our net gearing ratio came down to 0.4 times.

Our balance sheet has been significantly strengthened as at the end of the year under review.

	2002	2001	Increase/(Decrease)
Shareholders' Funds (S\$m)	1,515.4	1,025.7	489.7
Return on Equity (%)	14.0	18.5	(4.5)
Return on Total Assets (%)	5.6	5.8	(0.2)
Net Tangible Assets Per Share (S\$)	0.81	0.59	0.22
Earnings Per Share (cents)	9.89	10.83	(0.94)
Interest Cover (times)	5.4	5.4	-
Net Gearing (times)	0.6	1.3	(0.7)
Economic Value Add (EVA™) (S\$m)	(80.5)	(56.2)	(24.3)
Weighted Average Cost of Capital (%)	8.2	8.4	(0.2)
EVA attributable to shareholders (S\$m)	(39.0)	(12.9)	(26.1)

# Corporate Governance

Our principles of corporate governance reflect our heritage and belief in delivering results while building for the future. We believe firmly that the integrity, excellence and commitment in our people supported by a sound system of policies, practices and internal controls are the success elements that will help us create long-term value and returns for our shareholders.

We believe that integrity and professionalism are the cornerstones of our commitment to build a great company which our shareholders, staff, customers, suppliers and other stakeholders can be justifiably proud of. Sound corporate governance is one element of a sound corporation. This is an important requisite for our businesses for their steady growth as a trusted and respected business enterprise.

Corporate governance principles and practices must remain relevant in a changing world. Just as we will be open to new ideas and practices, we will also be disciplined in discarding obsolete or ineffective practices and impractical ideas. This will be an on-going effort to remain lean, relevant and supple, as we evolve with the needs of our business and our people to build a great enterprise and deliver on our promises.

The Report of the Corporate Governance Committee on the Code of Corporate Governance ("Code") dated March 21, 2001, was accepted by the Singapore Government on April 4, 2001. It is now part of the Continuing Obligations of the SGX Listing Manual.

Introduced on July 1, 2002, Clause 710(2) of the new SGX Listing Manual requires that on or after January 1, 2003, an issuer must "describe its corporate governance practices with specific reference to the Code in its annual report. It must disclose any deviation from any aspect of the Code together with an appropriate explanation for such deviation in the annual report".

At the same time, the Code has urged us to adopt a balanced approach by observing **"the spirit and not just blindly follow the letter of the Code..."**

#### THE CODE

The Code is divided into four main sections:

- a) Board Matters
- b) Remuneration Matters
- c) Accountability and Audit
- d) Communication with Shareholders

Each section is classified into Principles and Guidance Notes. We recognise and support the Principles and spirit of the Code. We note that each company needs to develop and maintain its corporate governance processes to meet the specific needs of its business demands. We note also that the Guidance Notes may serve to flesh out the underlying issues underpinning each of the principles. We intend to manage our company, keeping in focus the substance and spirit of the Principles of the Code.

This Report sets out how our company, SembCorp Industries, has applied the principles of good corporate governance within itself and the SembCorp Group in a disclosure-based regime where the accountability of the board to its shareholders and the management to the board, provides

the framework for achieving a mutually beneficial tripartite relationship aimed at creating and growing sustainable shareholder value.

SembCorp Industries is committed to achieving high standards of corporate conduct and has generally complied with the Principles of the Code. In the following sections covering each of the principles, we have outlined our policies and practices.

#### A) BOARD MATTERS

##### Board's Conduct of its Affairs

*Principle 1:* Every company should be headed by an effective Board to lead and control the company.

##### Our Policy and Practices

An effective board for our listed companies and groups must be constituted with a majority of non-executive directors independent of management, with the right core competencies and diversity of experience to enable them, in their collective wisdom, to contribute effectively.

Every director is expected to act in good faith and always in the interest of the Company.

The key roles of our board are to:

- Guide the corporate strategy and directions of the Group
- Ensure effective management leadership of the highest quality and integrity
- Provide oversight in the proper conduct of the Group's business

The Chairman and Chief Executive Officer are separate persons in order to maintain an effective oversight.

The Board comprises 11 directors of whom 10 are non-executive Directors. The Board's Chairman is Peter Seah Lim Huat. The executive Director is Wong Kok Siew who is the Board's Deputy Chairman and Chief Executive Officer.

The Board comprises business leaders,

professionals with financial backgrounds, a practising lawyer and members of the public sector. Profiles of the Directors are found on page 20 of this Annual Report.

The Board meets to review the key activities and business strategies of the Group. The Board delegates specific responsibilities to board committees described in our Corporate Governance Report for 2002 found in page 18. Regular Board meetings are held quarterly to deliberate strategic policies of the Group, including significant acquisitions and disposals, the annual budget, review the performance of the business and endorse the release of the half-yearly and year-end reports. In addition, the Audit Committee has been delegated the authority by the Board to review and approve the release of half-yearly and full-year results. Where necessary, additional board meetings are also held to address significant transactions or issues. A total of seven board meetings were held in the year.

We believe that contributions from each director can be reflected in ways other than the reporting of attendances of each director at board and committee meetings. A director would have been appointed on the strength of his calibre, experience, stature, and his potential to contribute to the proper guidance of the company and its businesses.

To focus on a director's attendances at formal meetings alone may lead to a narrow view of a director's contributions. It may also not do justice to his contributions which can be in many forms including management's access to him for guidance or exchange of views outside the formal environment of board meetings. In addition, he may bring with him relationships which are strategic to the interests of the Group.

The matrix of the Board members' participation in the various board committees is provided on page 19 of this Report. This reflects each board member's additional

# Corporate Governance

responsibilities and special focus on the respective board committees of the Company.

The Board has adopted a set of internal controls which sets out approval limits for capital expenditure, investments and divestments, bank borrowings and cheque signatories arrangements at board level. Approval sub-limits are also provided at management levels to facilitate operational efficiency.

Changes to regulations and accounting standards are monitored closely by Management. To keep pace with regulatory changes, where these changes have an important bearing on the company's or directors' disclosure obligations, directors are briefed either during board meetings, or at specially-convened sessions conducted by professionals.

Newly-appointed directors are given briefings by the Management on the business activities of the Group and its strategic directions.

## **Board Composition and Balance**

*Principle 2:* There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individuals or small group of individuals should be allowed to dominate the Board's decision making.

## **Our Policy and Practices**

The majority of our directors are non-executive and independent of management. This enables the Management to benefit from an external and objective perspective on issues that are brought before the Board. It would also enable the Board to interact and work with management through a robust exchange of ideas and views to help shape the strategic process. This, together with a clear separation of the role of the Chairman and the Chief Executive Officer provides a healthy professional relationship between the Board and Management with clarity of

roles and robust oversight.

The Board comprises 11 directors, 10 of whom are non-executive directors, independent of management. Of the 10 non-executive directors, nine are independent non-executive directors, who are independent of the principal shareholders.

The Board considers non-executive director, K Shanmugam, an independent non-executive director, although he has a relationship with the Company, falling under Guidance Note 2.1(d) by virtue of his position as a managing partner of Allen & Gledhill rendering professional services to the Company in fees aggregating more than S\$200,000.

Notwithstanding this relationship, the Board assesses him as an independent director due to his manifest ability to exercise strong independent judgement in his deliberations in the interests of the Company.

The Board is supported by key board committees to provide independent oversight of Management. These key committees are the Audit Committee, Executive Resource and Compensation Committee (ERCC) / Nominating Committee and Budget Committee which are made up of independent or non-executive directors or external co-opted members. Other committees can be formed from time to time to look into specific areas as and when the need arises.

Membership in the different committees are carefully managed to ensure that there is equitable distribution of responsibilities among board members, to maximise the effectiveness of the board and foster active participation and contribution from board members. Diversity of experiences and appropriate skills are also considered. There is a need to also ensure that there are appropriate checks and balances between the different committees. Hence, membership of budget/investment/executive committees,

with more involvement in key businesses or executive decisions, and the membership of the Audit Committee with its oversight role, must be mutually exclusive.

## **Chairman and Chief Executive Officer**

*Principle 3:* There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's businesses – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

## **Our Policy and Practices**

We believe there must be a clear separation of the roles and responsibilities between the Chairman and the CEO of the Company. The Chairman, who is a non-executive, is responsible for the Board and is free to act independently in the best interests of the Company and shareholders while the CEO is responsible for the running of the Company's business. The Chairman ensures that the members of the Board work together with the Management with the capability and moral authority to engage Management in constructive debate on various matters, including strategic issues and business planning processes.

The CEO is a Board member and has full executive responsibilities over the business directions and operational decisions of the Company.

## **Board Membership**

*Principle 4:* There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors should be required to submit themselves for re-nomination and re-election at regular intervals.

## **Our Policy and Practices**

We believe that Board renewal must be an on-going process, to ensure good governance and maintain relevance to the



changing needs of the company and business. The CEO, while he is also a board member, must also subject himself to retirement and re-election by shareholders as part of board renewal. Nominations and election of board members are the prerogatives and proper rights of all shareholders.

The Nominating Committee comprises Peter Seah Lim Huat, Goh Geok Ling and K Shanmugam, who are also members of the ERCC. The Nominating Committee is responsible for identifying and selecting new directors. It is appropriate that the members of the Nominating Committee and the ERCC are the same as the ERCC, who, in the course of its search for talent, is in touch with individuals who can be potential director candidates.

Our Articles of Association require one-third of our directors to retire and subject themselves to re-election by shareholders at every Annual General Meeting (AGM) ("one-third rotation rule"). In other words, no director stays in office for more than three years without being re-elected by shareholders.

We had, at our last AGM, also altered our Articles of Association to provide for the CEO board member to be subject to the "one-third rotation rule" as well. This is to separate his role as CEO from his position as a board member, and to enable shareholders to exercise their full rights to select all board members.

In addition, a newly-appointed director will submit himself for retirement and election at the AGM immediately following his appointment. Thereafter, he is subject to the "one-third rotation rule".

#### **Board Performance**

*Principle 5:* There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

#### **Our Policy and Practices**

We believe that Board performance is ultimately reflected in the performance of the Group. The Board should ensure compliance with applicable laws and board members should act in good faith, with due diligence and care in the best interests of the Company and its shareholders. In addition to these fiduciary duties, the Board is charged with two key responsibilities: setting strategic directions and ensuring that the Company is ably led. The measure of a board's performance is also tested through its ability to lend support to management especially in times of crisis and to steer the Group in the right direction, including the critical issue of CEO succession.

The financial indicators set out in the Code as guides for the evaluation of directors are in our opinion more of a measure of management's performance and hence are less applicable to directors. In any case, such financial indicators provide a snapshot of a company's performance, and do not fully measure the sustainable long-term wealth and value creation of the Company.

The Board through the delegation of its authority to the Nominating Committee, has used its best efforts to ensure that directors appointed to our board possess the background, experience and knowledge in technology, business, finance and management skills critical to the company's business and that each director with his special contributions brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

Informal reviews of a Board's performance are undertaken on a continual basis by the Nominating Committee with inputs from the other Board members and CEO. Renewals or replacement of board members do not necessarily reflect their contributions to date, but may be driven by the need to position and shape the board in line with the medium term needs of the Company and its business.

#### **Access to Information**

*Principle 6:* In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

#### **Our Policy and Practices**

We believe that the Board should be provided with timely and complete information prior to board meetings and as and when the need arises. New Board members are fully briefed on the businesses of the Group.

The Management is required to provide adequate and timely information to the Board on Board affairs and issues that require the Board's decision as well as on-going reports relating to operational and financial performance of the Group. The Articles of Association of the Company provide for directors to convene meetings by teleconferencing or videoconferencing. Where a physical Board meeting is not possible, timely communication with members of the Board is effected through electronic means which include electronic mail, teleconferencing and videoconferencing. Alternatively, Management will arrange to personally meet and brief each director before seeking the Board's approval.

The Board has separate and independent access to the senior management and the Company Secretary at all times. The Board also has access to independent professional advice where appropriate.

Likewise, the Audit Committee must also meet the external and internal auditors separately at least once a year, without the presence of the CEO and other senior management members, in order to have free and unfiltered access to information that it may require.

# Corporate Governance

## B) REMUNERATION MATTERS

### Procedures for Developing

#### Remuneration Policies

*Principle 7:* There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

#### Level and Mix of Remuneration

*Principle 8:* The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A proportion of the remuneration, especially that of executive directors, should be linked to performance.

#### Disclosure on Remuneration

*Principle 9:* Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report.

#### Our Policy and Practices

We believe that a framework of remuneration for the board and key executives should not be taken in isolation. It should be linked to the development of management bench strength and key executives to ensure that there is a continual development of talent and renewal of strong and sound leadership for the continued success of the business and the company. For this reason, the members of the ERCC and the Nominating Committee are the same as highlighted in our Policy and Practices under Principle 4.

The ERCC performs the role of the Remuneration Committee. All the members of the ERCC are independent of management. From time to time, we may co-opt an outside member into the ERCC to provide a global perspective of talent management and remuneration practices.

The ERCC conducts, on an annual basis, a succession planning review of the CEO, all his direct reports, and selected key positions

in the Company. Potential internal and external candidates for succession are reviewed for different time horizons of immediate, medium-term and longer-term needs.

The ERCC reviews the remuneration of its non-executive directors, executive director and senior executives, as well as major human resource management and compensation policies and practices for the rest of the Group.

The ERCC is chaired by Peter Seah Lim Huat, a non-executive director who is independent of management, and comprises two independent non-executive directors. There are no management members on the ERCC.

While the Chairman of the ERCC is not regarded as independent within the context of the definition of "independence" in the Code, he is a non-executive director independent of Management with a clear separation of his role from Management in deliberations of the ERCC. The ERCC has access to expert professional advice on human resource matters whenever there is a need to consult externally. In its deliberations, the ERCC takes into consideration industry practices and norms in compensation. The CEO is not present during the discussions relating to his own compensation, and terms and conditions of service, and the review of his performance. The CEO will be in attendance when the ERCC takes through the discussions on policies and compensations of his senior team and key staff, as well as major compensation and incentive policies such as share options, stock purchase schemes, framework for bonus, staff salaries and other incentive schemes.

The ERCC's scope of responsibilities include:

- Overseeing the development of leadership and management talent in the Group
- Ensuring that companies in the Group have appropriate remuneration policies

- Designing a compensation package with a view of providing competitive packages but with focus on long-term sustainability of business and long-term shareholders' return

The ERCC meets among its members without the presence of Management, at least once a year.

The Deputy Chairman & CEO, as executive director, does not receive director's fees. He is a lead member of Management. His compensation consists of his salary, allowances, bonuses, performance share awards conditional upon his meeting certain performance targets (details are available on page 191 of the Annual Report) and options. Details on share options granted and its fair value are available on pages 75 to 77 and page 89 of the Annual Report, respectively.

Non-executive Directors have remuneration packages which consist of a directors' fee component pursuant to the Company's Directors' Fee policy, an attendance fee component and a share options component pursuant to the Company's Employee Share Option Plan. The Directors' Fee policy is based on a scale of fees divided into basic retainer fees as director and additional fees for attendance and serving on board committees (details are available on page 191 of the Annual Report). Details on share options granted and its fair value are available on pages 78 to 85 and page 89 of the Annual Report, respectively.

The basis of allocation of the number of share options takes into account a director's contributions and additional responsibilities at board committees and other board appointments at the subsidiary level. The report on Directors' Remuneration is found on page 191 of the Annual Report.

Rather than set out the names of the top key executives who are not also directors of the Company, we have shown the number of key employees in remuneration bands of

S\$250,000, from S\$100,000 onwards, of the five key businesses' President & CEOs, President & CEOs of Industrial Parks and Hotels, Group COO and Group CFO on page 19 of the Annual Report. This should give a macro perspective of the remuneration pattern in the Group, while maintaining the confidentiality of staff remuneration matters.

The Company adopts an incentive compensation plan which ties to the creation of economic value add ("EVA"), as well as to attainment of individual performance goals for its key executives. Individual's incentive compensation is linked to the EVA created by the Group and its subsidiaries.

A "bonus bank" is used to hold incentive compensation credited in any year. Typically, one-third of the available balance is paid out in cash each year. With the balance being carried forward to the following year. Such carried-forward balances of the bonus bank may either be reduced or increased in future, based on the yearly EVA performance of the Group and subsidiary.

The Board has decided not to prepare a separate Remuneration Report as most of the information is found in the Directors' Report. We have indicated in this Report where the information required to be disclosed can be found.

## C) ACCOUNTABILITY AND AUDIT

### Accountability

*Principle 10:* The Board is accountable to the shareholders while the Management is accountable to the Board.

### Our Policy and Practices

We have always believed that we should conduct ourselves in ways that deliver maximum sustainable value to our shareholders. We promote best practices as a means to build an excellent business for our shareholders. We are accountable to shareholders for the company/group's performance.

Prompt fulfillment of statutory reporting requirements is but one way of maintaining

shareholders' confidence and trust in our capabilities and integrity.

### Audit Committee

*Principle 11:* The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

### Our Policy and Practices

Our internal policy requires the Audit Committee to have at least three members (preferably four), all of whom shall be non-executive and independent of both management and principal shareholder(s).

The Audit Committee ("AC") consists of three directors all of whom are independent directors. The members bring with them the required expertise in the financial and accounting domains. The AC has a set of Terms of Reference defining its scope of authority which includes reviews of the annual audit plan, internal audit process, the adequacy of internal controls, Interested Party Transactions for which there is a shareholders' mandate renewable annually. The AC reviews and endorses the half-yearly and annual financial statements and the appointment and re-appointment of auditors before recommending them to the Board for approval.

The AC meets with the external and internal auditors, without the presence of management, at least once a year to review the previous financial year's results.

The report of the AC proceedings in 2002 is found in pages 18 and 93 of the Annual Report.

### Internal Controls

*Principle 12:* The Board should ensure that the Management maintains a sound system of internal controls to safeguard shareholders' investments and the company's assets.

### Internal Audit

*Principle 13:* The company should establish an internal audit function that is independent of the activities it audits.

### Our Policy and Practices

We believe in the need to put in place a system of internal controls of the Group's procedures and processes to safeguard shareholders' interests and the company's assets, and to manage risks. Apart from the AC, other board committees may be set up from time to time to address specific issues or risks.

The internal audit function of the Group is supported by the Group Internal Audit Department (GIA). GIA directly reports to the AC Chairman on audit matters and administratively to the CEO, and is staffed by a director, professionals and administrative support personnel. GIA plans its internal audit schedules in consultation with, but independent of Management, and its plan is submitted to the AC for approval at the beginning of each year. The AC must also meet with the GIA team at least once a year without the presence of management.

In carrying out its audit with due professional care, GIA subscribes to, and is guided by the Standards for the Professional Practice of Internal Auditing ("Standards") developed by the Institute of Internal Auditors (IIA).

The Standards set by the IIA cover requirements in respect of the following:

- Independence
- Professional Proficiency
- Scope of Work
- Performance of Audit Work
- Management of the Internal Auditing Department

To ensure that the internal audits are performed by competent professionals, GIA recruits and employs suitably qualified staff. In order that their technical knowledge remains current and relevant, GIA identifies and provides training and development opportunities to the staff. In summary, the internal audit function provided by GIA meets with the standards set by the IIA.

# Corporate Governance

## **D) COMMUNICATION WITH SHAREHOLDERS**

*Principle 14:* Companies should engage in regular, effective and fair communication with their shareholders.

### **Greater Shareholder Participation**

*Principle 15:* Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

### **Our Policy and Practices**

We believe in conveying accurate and timely information to our shareholders. In disseminating material information, we take care to ensure that the information is made publicly available on a timely and non-selective basis to all shareholders.

SembCorp Industries has received several awards including Most Transparent Company Award 2002 (Runners Up in the Multi Industry / Conglomerates Category) for the third consecutive year and The Business Times' Corporate Transparency Index (6<sup>th</sup> placing). The Company was also in the top ten list of Asiamoney's Best Managed Companies 2001 (10<sup>th</sup> placing) following a 16<sup>th</sup> placing in 2000, as well as Asiamoney's Best Investor Relations 2001 (8<sup>th</sup> placing).

SembCorp Industries' Group Corporate Relations department manages investor relations. Information is available to every shareholder on request including via the internet, and a series of events is planned during the year to brief the media and investment analysts on the Group's performance including company and field visits. SembCorp Industries participates in international investor conferences and also organises roadshows to keep international investors updated.

During the release of the respective half-yearly and full-year results, the announcement is first released by MASNET

onto the SGX website to ensure that there is fair disclosure of information. Thereafter, the press and investment analysts meet with the Management for a briefing. All materials used at the briefing are released by MASNET onto the SGX website and are available on the Company website. Videoconferences or teleconferences are also set up to enable international investors access to Management for further clarification and update.

We support the Code's principle to encourage greater shareholder participation. Voting in absentia and by email may only be possible following careful study to ensure that the integrity of the information and authentication of the identities of shareholders through the web are not compromised and legislative changes are being put in place to recognise electronic voting.

## **REPORT ON CORPORATE GOVERNANCE PROCESSES AND ACTIVITIES FOR YEAR 2002**

### **THE BOARD OF DIRECTORS**

Currently, the Board comprises 11 directors of whom 10 are independent of management. The Board meets regularly throughout the year and during the year under review, they met seven times to review and monitor the Company's financial position and operations. To give effect to the efficient discharge of its responsibilities, the Board has established a number of Board Committees, including an Executive Committee, Audit Committee, Executive Resources & Compensation Committee/ Nominating Committee and Budget Committee.

### **THE EXECUTIVE COMMITTEE**

The Executive Committee provides overall strategic direction to the management and guides development policies and strategies for the Group. It reviews and approves major investments recommended by Management and recommends larger

investments to the Board. The Committee also reviews and monitors the financial performance and progress of the Group.

The Executive Committee is chaired by Peter Seah Lim Huat and its members are Wong Kok Siew and Goh Geok Ling. It generally meets once a month.

### **THE AUDIT COMMITTEE**

The AC consists of all independent directors, comprising Lua Cheng Eng as Chairman, K Shanmugam and Richard Hale OBE. During the year under review, the Committee held five meetings.

The main responsibility of the AC is to review with the external auditor, internal auditor and Management, the Company's general policies and control procedures, interested persons transactions, as well as any financial information presented to shareholders. It ensures the adequacy of internal accounting controls and financial reporting controls. The AC may direct matters to be included for special review by the external and internal auditors. It may, as necessary, discuss other matters that the Committee or auditors may wish to bring up. The Committee also recommends the appointment or re-appointment of external auditors.

Upon SGX's announcement of its amended Listing Rule 1207(6) which takes effect from January 3, 2003, the Management is instituting a process whereby it will review the non-audit services provided by its auditors to the Group, excluding its listed subsidiaries SembCorp Logistics and SembCorp Marine, who have their respective audit committees.

The AC will conduct a review to satisfy itself that these non-audit services provided by the Company's auditors would not affect their independence as auditors of the Group.

The AC will have at least one meeting a year with external and internal auditors without the presence of Management.

### THE EXECUTIVE RESOURCE & COMPENSATION COMMITTEE

The Executive Resource & Compensation Committee (ERCC) is chaired by Peter Seah Lim Huat and its members are Goh Geok Ling and K Shanmugam. The ERCC oversees executive compensation and development with the aim of building capable and committed senior management through focused management and progressive policies which can attract, motivate and retain talented executives to meet the current and future needs of the company.

The ERCC met three times during the year to review and approve remuneration and promotion of key executives as well as to decide on issues pertaining to their development and succession. The Committee also establishes guidelines on share options and other long-term incentives plans and approves the grant of such incentives to key executives. The total compensation package, including equity options is designed to reward executives taking into account both the Company's performance and the individual's performance. The underlying philosophy is

to motivate executives to maximise financial returns and shareholder value.

### NOMINATING COMMITTEE

The Nominating Committee is chaired by Peter Seah Lim Huat and its members are Goh Geok Ling and K Shanmugam.

The primary purpose of the Nominating Committee is to support and advise the Company, its unlisted subsidiaries and, where applicable, unlisted associated companies by nominating to these Boards suitable candidates who are best able to discharge their responsibilities as directors having regard to the law and the high standards of governance practised by the Group. In particular, the Nominating Committee recommends candidates who can add value to the management through their contributions in the relevant strategic business areas, and whose appointments will result in the constitution of strong and diverse boards.

### BUDGET COMMITTEE

The Budget Committee comprises Lam Chuan Leong as Chairman, Tay Siew Choon

as Deputy Chairman and Wong Kok Siew as a member. The Committee met twice during the year.

The Budget Committee implemented a planning cycle focusing on different initiatives in each quarter. Activities involved the quarterly and half-yearly review of financial results in relation to the budget, strategic initiatives and a five-year outlook of each main subsidiary, as well as the annual budget process.

### DEALINGS IN SECURITIES

The Company has adopted a Code of Compliance on Dealing in Securities, which prohibit dealings in the Company's securities by its officers during the period commencing one month prior to the announcement of the Company's half-yearly or full-year results. Directors and executives are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

### BOARD COMPOSITION AND COMMITTEES

Board Members	Executive Committee	Audit Committee	Executive Resource & Compensation Committee/ Nominating Committee*	Budget Committee
Peter Seah Lim Huat	Chairman		Chairman	
Wong Kok Siew	Member			Member
Tay Siew Choon				Deputy Chairman
Lua Cheng Eng		Chairman		
K Shanmugam		Member	Member	
Lam Chuan Leong				Chairman
Tetsuro Kawakami				
Chumpol NaLamlieng				
Goh Geok Ling	Member		Member	
Richard Hale OBE		Member		

\*The members of the Executive Resource and Compensation Committee and the Nominating Committee are the same.

### REMUNERATION BAND FOR KEY EXECUTIVES

Remuneration Band	No. of employees
1,500,000 to 1,749,999	1
1,250,000 to 1,499,999	–
1,000,000 to 1,249,999	2
750,000 to 999,999	1
500,000 to 749,999	3
250,000 to 499,999	–
100,000 to 249,999	2



# Board of Directors

## **PETER SEAH LIM HUAT** *Chairman*

Mr Seah is President & Chief Executive Officer of Singapore Technologies Pte Ltd ("STPL") and also a member of its Board of Directors. He was a banker for the past 33 years, retiring as Vice Chairman and Chief Executive Officer of Overseas Union Bank in 2001. He is Chairman of ST Engineering and sits on the boards of CapitaLand Limited, Chartered Semiconductor Manufacturing Ltd, StarHub Pte Ltd and ST Assembly Test Services Ltd. His other appointments include being a member of the Singapore government's Economic Review Committee's Sub-committee on Policies Related To Taxation, The CPF System, Wages and Land and the Institute of Defence and Strategic Studies. Mr Seah also serves on the board of the Government of Singapore Investment Corporation and is Chairman of EDB Ventures. He is Vice President of the Singapore Chinese Chamber of Commerce and Industry and Treasurer of the Singapore Business Federation. Mr Seah graduated from the University of Singapore in 1968 with an honours degree in Business Administration. He has been the Chairman of our Board since October 1, 1999.

## **WONG KOK SIEW** *Deputy Chairman & CEO*

Mr Wong has been the Chief Executive Officer of SembCorp Industries since the

company's formation in 1998. He was President of Singapore Technologies Industrial Corporation from 1989 to 1995 and was Chairman of the company until its merger with Sembawang Corporation, where SembCorp Industries was formed in October 1998. He is also Chairman (non-executive) of Nomura Singapore, and was executive Chairman of Nomura Singapore from 1995 to 1998. Concurrently, Mr Wong is Chairman of International Enterprise Singapore (formerly known as the Trade Development Board of Singapore) since August 2002. Mr Wong is also a Director at the Port of Singapore Authority Corporation Ltd and British-American Tobacco plc (London). Having graduated from McGill University in Canada in 1970 with a Bachelor of Engineering (Distinction) under a Colombo Plan Scholarship, Mr Wong also holds an MBA from McMaster University, Canada. He has been a Board member since June 23, 1998.

## **TAY SIEW CHOON** *Director*

Mr Tay is the Managing Director and Chief Operating Officer of STPL and Deputy Chairman & Chief Executive Officer of Green Dot Capital Pte Ltd, a wholly-owned subsidiary of STPL. Mr Tay graduated from Auckland University in 1970 with a Bachelor of Engineering in Electrical Engineering under the Colombo Plan Scholarship and a Master

of Science in Systems Engineering from the University of Singapore in 1974. He has been on our Board since June 23, 1998.

## **LUA CHENG ENG** *Director*

Mr Lua holds a BA (Honours) from the University of London. He was elected a Fellow of the Chartered Institute of Transport (United Kingdom) in 1985. He is the Chairman of International Factors (Singapore) Ltd, Jurong Engineering Ltd and Jurong Technologies Industrial Corporation Ltd. His other directorships include Intraco Ltd, Jurong Country Club Ltd and Sincere Watch Ltd. Mr Lua is also the President of the Singapore Shipping Association, Board Member of the Maritime & Port Authority of Singapore, Council Member of the Singapore Chinese Chamber of Commerce & Industry, and Member of the Advisory Committee for Customs and Excise Department of Singapore. He has been a Board member since July 29, 1998.

## **K SHANMUGAM** *Director*

Mr Shanmugam is a senior partner and Head of Litigation at Allen & Gledhill. He graduated from the National University of Singapore in 1984 with a LL.B, Honours, (First Class). Mr Shanmugam was appointed a Senior Counsel in 1998. He is amongst others, a member of the Media Development



Authority of Singapore and Criminal Law Advisory Committee of Singapore. Mr Shanmugam is a Member of Parliament of the Sembawang GRC and has been on our Board since July 29, 1998.

**LAM CHUAN LEONG** *Director*

Mr Lam is presently the Permanent Secretary of the Ministry of the Environment of Singapore. He graduated from the University of Singapore with a first class degree in Physics and a Masters of Business Administration from Harvard Business School. In 1991, he attended the Eisenhower Fellowship Programme in the U.S.A and has been on our Board since December 1, 1998.

**TETSURO KAWAKAMI** *Director*

Mr Kawakami is the Senior Adviser of Sumitomo Industries Ltd. He joined Sumitomo Electric Industries Ltd in 1952. He graduated from the Tokyo University of Commerce. He is presently a Member of the Chemical Products Council, an Executive Adviser of Kansai Economic Federation, Deputy Chairman of the Kansai Singapore Association, Vice Chairman of the Japan Tax Association and Chairman of Kansai Institute of Information Systems & Industrial Renovation. He is also a Director of the Nippon Venture Capital Co. Ltd, Japan Atomic Power Company, Daiwa Securities

Group Inc., and Meidensha Corporation. Mr Kawakami has been on our Board since March 30, 1999.

**CHUMPOL NALAMLIENG** *Director*

Mr NaLamlieng is President of The Siam Cement PLC. He has degrees from the University of Washington and Harvard University. Currently, he is Chairman of Siam Pulp and Paper PLC., Chairman of The Phoenix Pulp and Paper PLC, Director of Dole (Thailand) Co., Ltd., and Director and Member of the Audit Committee of Singapore Telecommunications Ltd. He has been on our Board since February 1, 2000.

**GOH GEOK LING** *Director*

Mr Goh is the Chairman of Tuas Power Ltd and a Director of ASTI Holdings Ltd, PKTech International Ltd, 02 Micro International Ltd, Marigold Holdings Pte Ltd, Yew Lian Property & Investment (Pte) Ltd and STPL. He also serves as a Council Member of Singapore's Nanyang Technology University. Mr Goh was previously the Managing Director of Texas Instruments Singapore Pte Ltd. He is a graduate from the University of Sydney with a degree in Bachelor of Engineering and has been on our Board since May 3, 2000.

**RICHARD HALE OBE** *Director*

Mr Hale is a non-executive director of

CapitaLand Ltd, F.J. Benjamin Holdings Ltd, Marco Polo Developments Ltd, The Ascott Group Ltd, Wildlife Reserves Singapore Pte Ltd and World-Wide Shipping Agency (S) Pte Ltd. He was previously a Director and Chief Executive Officer Singapore in The Hongkong and Shanghai Banking Corporation Ltd. He was educated at Radley College, Abingdon, England and was awarded the Order of the British Empire by Queen Elizabeth II in 1993 and the Public Service Star by the Government of Singapore in August 1995. He has been on our Board since September 1, 2000.

**S ISWARAN** *Director*

Mr Iswaran is the Managing Director at Temasek Holdings (Pte) Ltd. He was previously Director (Strategic Development) at STPL. Prior to that, he was Director for Trade in Singapore's Ministry of Trade & Industry. Mr Iswaran is a Member of Parliament of the West Coast GRC. He graduated with a Bachelor of Economics (First Class Honours) from the University of Adelaide, Australia, in 1986 and a Master of Public Administration from Harvard University, USA, in 1995. He joined our Board on January 13, 2003.



**Left to Right**

*Top Row:* Peter Seah Lim Huat, Tay Siew Choon, K Shanmugam, Tetsuro Kawakami, Goh Geok Ling, S Iswaran

*Bottom Row:* Wong Kok Siew, Lua Cheng Eng, Lam Chuan Leong, Chumpol NaLamlieng, Richard Hale OBE

# Corporate Management

## **WONG KOK SIEW**

*Deputy Chairman & CEO*

*(please see Board of Directors write-up on page 20)*

## **LOW SIN LENG**

*Group Chief Operating Officer*

Ms Low joined SembCorp Industries in August 2000. She graduated with a Bachelor of Engineering (Electrical) (Distinction) from the University of Alberta, Canada, in 1975. Ms Low also holds a Master of Business Administration (High Distinction) degree from the Catholic University of Leuven, Belgium. At SembCorp Industries, she leads the implementation of strategic alliance and merger programmes of the Group. Ms Low is also responsible for developing and implementing operating strategies across the Group and manages its corporate headquarters.

## **LIM JOKE MUI**

*Group Chief Financial Officer*

Mrs Lim joined SembCorp Industries in June 2002. She holds a Bachelor of Accountancy degree from the University of Singapore. She is responsible for the Finance, Treasury and Tax functions of the Company, and oversees these functions across the Group.

## **LINDA HOON**

*Senior Vice President & General Counsel*

*Group Legal Operations*

*and Group Company Secretary*

Ms Hoon joined Singapore Technologies Industrial Corporation Ltd ("STIC") in January 1989. She graduated with a Bachelor of Laws degree (Second Upper Honours) in 1986 and later obtained a Master of Laws degree in 1992 from the National University of Singapore. In May 2002, she completed the General Manager Program at Harvard Business School. Ms Hoon oversees the material operational aspects of legal matters within the Group and is chiefly responsible for the formulation and implementation of corporate governance and best practices within the Group.

## **KELVIN LEE**

*Senior Vice President*

*Group Corporate Relations*

Mr Lee joined STIC in November 1986. He has a 22-year background in communications, public and investor relations. Mr Lee heads the Group Corporate Relations department and is responsible for the Investor Relations and Corporate Communications of the SembCorp Industries Group.

## **LILLIAN LEE**

*Director*

*Group Human Resource*

Ms Lee joined STIC in September 1996. She graduated with a Bachelor of Arts (Second Upper Honours) in 1982 from the National University of Singapore. She is responsible for the formulation and implementation of human resource policies, strategies and systems.





**RICHARD QUEK***Director**Group Strategic Development & Planning*

Mr Quek joined SembCorp Industries in April 2001. He graduated with a Bachelor of Science in Business Administration and a Master of Business Administration from the University of Oregon in 1985. His responsibilities cover strategic planning and M&A activities, as well as the divestment of non-core assets at the Group level.

**GOH KIM LEONG***Director**Group Internal Audit &**Organisational Management**and Chief Risk Management Officer*

Mr Goh joined SembCorp Industries in March 2000. He graduated from the University of Toronto, Canada, with a Bachelor of Applied Science (Honours) in Engineering and a Master of Science in Business Studies from the University of London. He oversees the Group's Internal Audit, as well as the development of EVA and risk management tools.

**SWEE LAY SING***Executive Director**Regional Business Japan*

Mr Swee joined STIC in January 1991. He graduated from the Tokyo Institute of Technology with a Master's degree in Architecture and Building Engineering. He is responsible for all Japan-related businesses, and also for promoting SembCorp Industries to the Japanese business community in Japan and the region.

**GRACE QUEK***Senior Vice President**Group Business Development*

Ms Quek joined STIC in March 1991. She graduated with a Bachelor of Business degree from the Curtin University, Australia, in 1985 and received a Master of Business Administration from the Oklahoma City University, USA, in 1989. She manages the business development activities in SembCorp Industries.

**Left to Right**

*Top Row:* Wong Kok Siew, Lim Joke Mui, Kelvin Lee, Richard Quek, Swee Lay Sing

*Bottom Row:* Low Sin Leng, Linda Hoon, Lillian Lee, Goh Kim Leong, Grace Quek

# Financial Management

## **FUNDING**

In the course of the year, we increased our Medium Term Note Programme from S\$500 million to S\$2 billion in line with our strategy to diversify our sources of funding. We continue to seek to expand our relationships with banks in Singapore for access to bilateral facilities. The increase in funding resources will allow SembCorp Industries to grasp opportunities as they arise.

We reduced our net borrowings by about S\$900 million by utilising proceeds from divestments and cashflows generated from our operations. Net gearing was reduced to 0.6 times from 1.3 times, attributable to the lower borrowings and improved shareholders' funds from the share placement during the year, and proceeds from divestments and profits for the year.

We are focused on maintaining an appropriate mix of committed and uncommitted facilities, fixed and floating rate borrowings, prudent financial ratios and reducing the cost of funding. As such, committed funding consists of 84 per cent of the Group's borrowings and 66 per cent of the overall debt portfolio is not exposed to

interest rate fluctuations. The maturity profile of SembCorp Industries is now more evenly spread over different maturities that reduce the impact of refinancing risks. The weighted average cost of funding has been reduced to 4.0 per cent from 4.6 per cent in the previous year.

## **IMPROVEMENT IN WORKING CAPITAL MANAGEMENT**

We have made a concerted effort towards improvement of our cashflow generation and have generated an improved cashflow from operations of S\$530 million compared to a negative cashflow of S\$109 million in the previous year. This improvement of cashflow by S\$639 million was achieved through greater efficiency of debt collection and a more effective creditor management.

## **RISK MANAGEMENT**

We have strengthened our risk management through an Enterprise Risk Management programme to raise the awareness of the importance of risk management in all activities carried out throughout SembCorp Industries. Steps are underway to incorporate risk management perspectives in core operational activities.

Chief Risk Officers have been appointed in SembCorp Industries and its Key Businesses to coordinate and implement the Enterprise Risk Management programme and a structured and systematic approach towards risk management, risk assessment plans and reporting.

## **FINANCIAL DISCIPLINE AND CORPORATE GOVERNANCE**

A systematic approach has been introduced for SembCorp Industries and its Key Businesses to review financial discipline in the Group.

We have set up a certification process for our major subsidiaries to confirm their commitment to and compliance with a prudent financial discipline framework. The framework provides for checklists to systematically highlight the requirements of new accounting standards, recognition of foreseeable losses and impairment of assets. It also establishes the propriety of revenue and cost recognition, assets valuation, liabilities recording and allows for early identification of areas of potential exposures which can then be addressed to minimise any adverse impact to the Group.

## FINANCING &amp; TREASURY HIGHLIGHTS

	2002	%	2001	%
	S\$m		S\$m	
<b>SOURCE OF FUNDING</b>				
<b>Funded bank facilities, capital markets and available funds</b>				
Funded facilities available for drawdown	4,520		3,379	
Cash and cash equivalents	482		409	
Total facilities and available funds	5,002		3,788	
Less: Amount drawn down	(1,615)		(2,384)	
Unutilised funded facilities and funds available	3,387		1,404	
<b>Unfunded bank facilities</b>				
Unfunded facilities available for drawdown	1,285		1,076	
Less: Amount drawn down	(890)		(736)	
Unutilised unfunded facilities available	395		340	
<b>Total unutilised facilities and funds available</b>	<b>3,782</b>		<b>1,744</b>	
<b>Committed facilities</b>				
Committed facilities available	1,517		1,669	
Amount drawn	1,517		1,669	
<b>PROFILE OF GROUP BORROWINGS</b>				
<b>Maturity profile</b>				
Due within 1 year	408	22	1,153	44
Due between 1 to 2 years	252	14	21	1
Due between 2 to 5 years	575	32	455	17
Due after 5 years	580	32	979	38
	1,815	100	2,608	100
<b>Debt mix</b>				
Floating rate debt	612	34	1,442	55
Fixed rate debt	1,203	66	1,166	45
	1,815	100	2,608	100
<b>Currency denomination of debt</b>				
SGD	1,562	86	2,223	85
USD	176	10	339	13
Others	77	4	46	2
	1,815	100	2,608	100
<b>DEBT RATIOS</b>				
<b>Interest cover ratio</b>				
Net profit before interest, tax, depreciation and amortisation	508		484	
Interest on borrowings	94		90	
Interest cover (times)	5.4		5.4	
<b>Debt/equity ratio</b>				
Non-recourse project financing	657	36	562	22
Long term debt	811	45	947	36
Short term debt	347	19	1,099	42
	1,815	100	2,608	100
Less: Cash and cash equivalents	(482)		(409)	
Net Debt	1,333		2,199	
Net Debt excluding project financing	772		1,777	
Net Gearing excluding project financing (times)	0.4		1.0	
Net Gearing including project financing (times)	0.6		1.3	
<b>Cost of Funding</b>				
Floating		2.8		3.7
Fixed		4.5		5.2
Weighted Average Cost of Capital		4.0		4.6

# Corporate Citizenship

At SembCorp Industries, we recognise that to be a truly successful company we must have a strong social commitment to improving the world around us. We see corporate citizenship as an integral part of every decision and action we take. This directly influences how we conduct our business and how we interact with the world at large.

This means:

- Aiming to make a difference in the world and the communities we operate in
- Protecting and enhancing the environment we live in

## AIMING TO MAKE A DIFFERENCE IN OUR WORLD

### Community & Volunteerism

Businesses can only be as successful as the communities and the world they exist in. We take this commitment seriously and participate actively in the communities where we live and work.

We believe that a true commitment to our communities goes beyond just financial aid. That is why we encourage and support our employees in their desire to make a difference in their communities through their contributions of time and business experience.

Our staff started 2002 with a visit to the Chen Su Lan Methodist Children's Home, bringing gifts, food and entertainment to the children at the Home as we celebrated the new year with them.

SMOE of Utilities raised some S\$85,000 at their annual SMOE Singapore Oil Patch Charity Golf Tournament in aid of the Singapore Children's Society, while SembCorp Environmental Management (SembEnviro) launched its first major corporate philanthropy programme for needy children with a donation of S\$20,888 to the Jamiyah Children's Home for its operating needs.

Relying on simple yet meaningful efforts such as collecting newspapers and Christmas carolling, SembCorp Engineers and Constructors collected over S\$27,000 for the ASPN Katong Special School, Yishun

Students Care Service, the Singapore Cheshire Home, and the MINDS (Movement for the Intellectually Disabled of Singapore) Tampines Home, and another S\$31,000 for the Community Chest of Singapore.

Believing that we should also make a difference in our communities using our business expertise, SembCorp Logistics joined the Boys' Brigade Sharity Gift Box Programme as its logistics consultant. We helped collect gifts and food from Sharity Gift Boxes across the island and transported them to our warehouse where items were sorted for distribution to more than 110 charities. We provided warehouse space and storage pallets for these gifts, while our staff spent much of their personal time sorting out the gifts.

### Education

As an engineering services group, we understand how important quality education is to prepare our children for the future. In particular, the less privileged and needy children have a particular place in our hearts.

In 2002, SembEnviro launched its Environmental Management Scholarship, an annual scholarship scheme to provide tertiary education to all children residing in homes. The first corporation to offer a local tertiary scholarship that extends to all 15 of our nation's homes for children, the scholarships are worth some S\$50,000 annually. Apart from the financial help, SembEnviro will also offer the scholars job positions in the company on completion of their scholarships. A programme similar to the Environmental Management Scholarship will also be made available to the children of SembEnviro's staff who are in need of financial assistance.

SembCorp Gas (SembGas) and SembCorp Power (SembPower) were the main sponsors for the National University of Singapore's Engineering Club orientation programme, while SembCorp Marine (SembMarine) set aside S\$250,000 in subsidies to help low-income families to buy school essentials. A School Book Assistance Grant was provided to families living in areas near Jurong Shipyard and Sembawang Shipyard

as part of our Community Responsibility and Care Programme. This was set up specifically to help families in the surrounding areas in times of need.

Apart from supporting the education of our next generation, we also believe that as part of corporate transparency, it is important for our shareholders to have the right tools and skills to be able to hold us accountable. To this end, we believe that investor education is of great importance and we are sponsors of the Securities Investors Association Singapore which provides education, information and research for retail investors in Singapore.

### Arts & Culture

Arts and culture are the living and breathing building blocks to the quality of life in our communities. We support the arts to ensure that it keeps playing that important role in peoples' lives.

In recognition of SembCorp Industries' on-going support of the Arts, we received the Arts Supporter Award 2002 at the Patron of the Arts Awards. This recognised our sponsorship of a recording of works by the local composer, the late Tsao Chieh, who was a member of the management team which founded Pacific Internet.

SembMarine also sponsored the National University of Singapore's Raffles Hall production of the musical "Merson's Gift Shop", and contributed towards efforts in the "Peace Initiative", the Singapore American School's annual concert that raises funds for the education of children in developing countries.

### Sports & Fitness

Team Spirit, Endurance, Speed and Perseverance - these are the values we see in athletic commitment, and values we would like to pass on through our brand sponsorship of sports.

As part of our on-going support of sports in Singapore, SembGas and SembPower are official sponsors of the Football Association of Singapore's S League and the Woodlands Wellington Football Club in Singapore. Apart from the sponsorship which amounted to

S\$330,000 per year, the two Utilities units also held a charity football game, the SembCorp Charity Kick, and raised a total of S\$122,000 for Club Rainbow, a non-profit organisation that supports children with chronic illnesses. SembGas and SembPower were also sponsors of the 8<sup>th</sup> Singapore Straits Regatta held in January.

**PROTECTING AND ENHANCING THE ENVIRONMENT**

Not only are we committed to maintaining high standards of health, safety and environment (See Health, Safety and Environment section), but protecting and preserving the environment we live in is something we hold very close to our heart.

As a responsible member of the global community, we do what we can to protect and enhance the environment and the world we live in. In fact, the very nature of our business aims to help reduce adverse environmental impacts. Key to this is the contribution made by our Environmental Engineering business.

In this year's report, we share with you an essay from Loh Wai Kiew, President & CEO of our Environmental Engineering business. Wai Kiew, who is also the Chairman of the Waste Management and Recycling Association of Singapore, plays an important role in creating environmental awareness in Singapore. She shares here about how all of us at SembCorp Industries see our role and responsibility to the environment and the solid steps we have taken to meet environmental challenges with innovation and determination.

*Dear Shareholder,*

*As a leading environmental services provider, we at SembCorp Environmental Management (SembEnviro), see our role as that of providing leadership in meeting the challenges of a sustainable future for the whole SembCorp Industries Group. Strongly committed to environmental care, we work in close partnerships with communities, industries and governments towards the sound management of social, economic and environmental responsibilities. This is referred to as "the triple bottom line".*

*Our efforts in promoting resource conservation include:*

- *Teaming up with one of the world's leading recycling companies – Australia's VISY Recycling – to set up an automated materials recovery facility (MRF) in Singapore. The MRF sorts and recovers paper, plastics, glass and metals. Since its inception in August 2002, the volume recovered has grown 142 per cent due to the efficiencies at the MRF while achieving a recovery rate of 80 per cent. The facility currently recovers 25 tonnes per shift and is targeting to recover 100 tonnes per shift by the year's end with Phase Two in place and with growing participation from other recycling collectors who bring their recyclables to the MRF. (Figure 1.0)*
- *Pioneering the use of environmentally-friendly crates for the storage of recyclables. The household participation rate and volume of recyclables collected have improved in the precincts that we serve.*
- *Investing in a pilot recovery facility to mine construction and demolition waste. Since the start of operations, the volume of construction and demolition waste recovered at the trial plant has grown 30-fold, rising from 310 tonnes in January 2002, when it was first set up, to 9300 tonnes in December 2002. Encouraged by the results, we are now developing a full-fledged 600,000 tonnes per year automated facility which is expected to be ready by mid-2003. (Figure 2.0)*
- *Employing conversion technologies specific to the markets that we operate in. For example, we invested in a joint venture plant with a leading Malaysian conglomerate to convert palm oil waste to green energy. The facility in Malaysia will save 500 tonnes of empty fruit bunches per day from being otherwise disposed of.*

**SEMBVISY MRF:  
VOLUME RECOVERED IN 2002  
(Tonnes per month)**

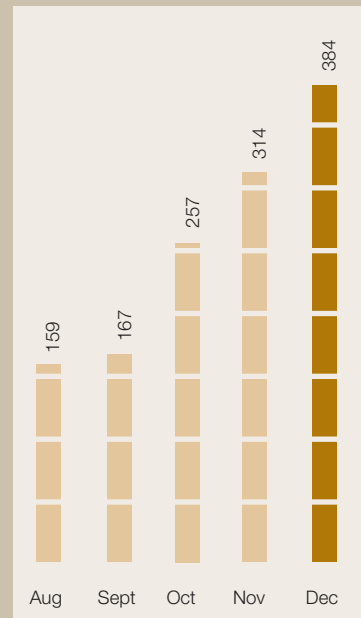


Figure 1.0

# Corporate Citizenship

## CONSTRUCTION & DEMOLITION WASTE: VOLUME RECOVERED IN 2002 (Tonnes per month)

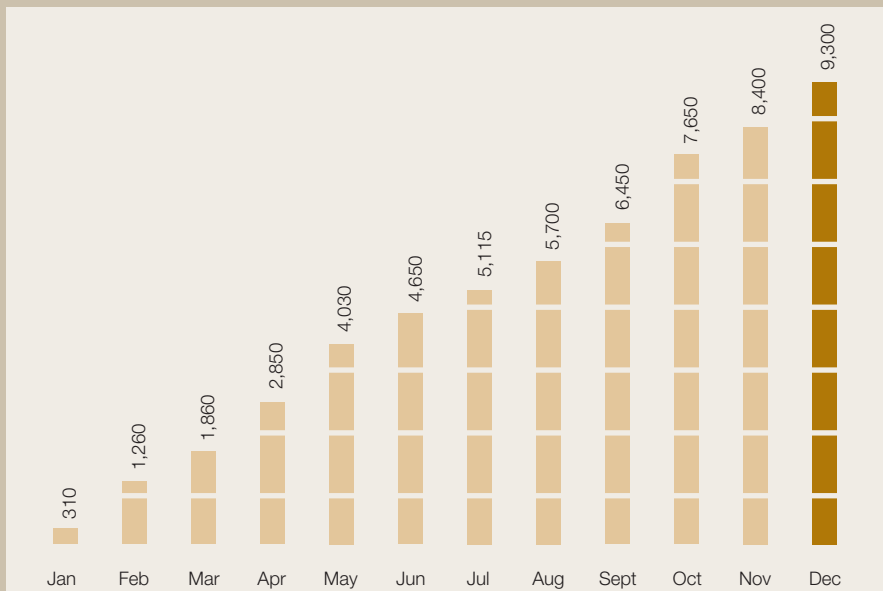


Figure 2.0

- Working closely with the community and city councils in Australia towards zero waste by progressively reducing the volume of waste disposed of at the landfills.
- Expanding into industrial biologics – an environmentally friendly liquid waste treatment using micro-organisms.
- Holding community roadshows and talks in schools and welfare homes to share our 3Rs philosophy “Reduce, Reuse, Recycle”. We are also committed to supporting national events such as Clean and Green Week, sponsored community events with recycling themes such as the Hong Kah North’s Environmental Awareness Programme and the ZhengHua CCC Go Green Family Day, and even jointly attempted to break the Guinness World Record for the longest aluminum can chain with the students of the Singapore Management University.
- Offering an environmental management scholarship scheme for needy children so that they may realise their full potential and

do their bit for the environment and adopting the Jamiyah Children’s Home.

- Adopting endangered tree frog species at the Singapore Zoological Gardens.

Operationally, we are committed to pursuing a high standard of environmental performance. This commitment is best demonstrated in our certification to international quality standards. Four of our businesses are certified to ISO 9001:2000 standards and two of our medical businesses are certified to ISO 14001 standards. This year, we will be working towards certifying the entire SembEnviro stable of companies to ISO 14001 standards.

At the industry level, we are working closely with the Waste Management Recycling Association of Singapore towards the long-term challenge of sustainable development. The Association was set up in August 2001 to raise the level of professionalism and the image of the industry and its workers. It is presently chaired by SembEnviro.

Environmental enhancement and good businesses can and do co-exist. This is what

we at SembCorp Industries hope to show as SembEnviro moves forward towards higher levels of environmental responsiveness and performance.



Loh Wai Kiew  
President & CEO  
SembCorp Environmental Management



SembCorp Industries is committed to responsibly serving our community and safeguarding the environment. We aim to ensure that the health and safety of our customers, employees, the communities in which we operate, as well as the environment are protected through tight certification, regulations, and more importantly, a culture throughout the organisation that recognises the importance of health, safety and environment (HSE) at every level.

During the year, we won 23 safety awards at the Annual Safety Performance Award 2002 organised by the Singapore Ministry of Manpower. Our Engineering & Construction unit received 16 awards comprising 12 Silvers and four Certificates of Merit while our Marine Engineering unit clinched awards for all six projects it submitted, out of which four were selected for Silver Awards and two for Merit Awards. Utilities' SMOE also received the Silver Award for good safety performance from the Ministry of Manpower.

Utilities and Logistics, as well as Marine Engineering (Jurong Shipyard and Sembawang Shipyard) were also each awarded the Singapore H.E.A.L.T.H (Helping Employees Achieve Life-Time Health) Award

respectively. Jurong Shipyard received the Silver Award while each of the others received a Bronze Award. Organised by Singapore's Ministry of Health, the Singapore H.E.A.L.T.H Awards are designed to give national recognition to workplaces with commendable workplace health programmes.

Individual units also continued to achieve accreditations of internationally recognised HSE standards such as ISO 14001 and OHSAS 18001.

Throughout 2002, many initiatives were undertaken to further improve on our HSE efforts.

## UTILITIES

### Integrated Utilities

In 2002, we implemented several measures to make our treatment of wastewater at our multi-utility facilities more eco-friendly. We reduced potable water usage in one of SUT Sakra's wastewater treatment plants by using wastewater for dilution purposes. By diverting existing wastewater flows to the facility, we have cut our usage of potable water for this facility by 89 per cent. We also introduced granular sludge-based

anaerobic technology to reduce sludge production at another wastewater treatment facility and expect a 75 per cent drop in sludge production in 2003 as a result of this initiative.

In the year, we treated some 841,000 cubic metres of wastewater at our wastewater treatment facilities, incinerated 8,200 tonnes of waste at our hazardous waste incineration facility, and recycled some 11,893,000 cubic metres of water. We not only recycle sewage effluent into high grade industrial water (which is then used as process water for our customers on Jurong Island), but also collect condensate return to be utilised in our demineralised water facility.

## Energy

Our 815-megawatt combined cycle generation plant, SembCorp Cogen is designed and built according to Singapore's Green Charter and World Bank emissions standards. A natural gas-fired plant, it has substantially lower emissions of greenhouse gases than conventional plants, and emits a negligible amount of sulphur dioxide, particulate matter, and less carbon dioxide than plants powered by fuel oil.



# Health, Safety and Environment

In cogenerating steam, SembCorp Cogen utilises waste heat from its power generating gas turbines to produce steam. This steam then powers a steam turbine to generate more power. The steam is also used by industrial customers for their process heating requirements. Cogeneration helps to bring fuel utilisation up to the region of 70 to 75 per cent efficiency levels thereby making more efficient use of our energy resources.

In June, SembCorp Gas achieved OHSAS 18001 accreditation, and since January 2000, a zero accident rate has been achieved at Singapore's first commercial gas receiving facility.

## Offshore Engineering

In December, SMOE crossed the 16 million manhours mark for work without lost time injury. This safety record is amongst the very best in an industry that demands very high standards, as our clients are international oil and gas companies which demand extremely high safety requirements from its contractors.

## ENVIRONMENTAL ENGINEERING

This year, Singapore was brought nearer to closing the recycling loop with the opening of our automated materials recycling facility to sort collected recyclables. Asia's first, the facility automatically sorts and recovers

paper, plastics, glass and metals and presently recovers some 25 tonnes of recyclables a shift, with capacity expected to increase to 100 tonnes per shift by end-2003. Integral to our service to society as an environmental engineering company is the key role we play in public education as we continue to share our 3Rs philosophy "Reduce, Reuse and Recycle" with the young and the public at large. To this end, we not only encourage our industrial and commercial clients to recycle with a rewards-cum-loyalty programme, but are also involved in a wide range of initiatives to encourage greater community participation in recycling and environmental awareness.

In 2002, we introduced crates for the collection of recyclables in landed housing estates and worked with key retailers in a "Go Green" initiative organised by the National Environment Agency to provide recycling and refuse bins in strategic places. We launched a Waste Wise Programme that reached out to 30,000 children in 14 schools throughout Singapore and also organised various environmental awareness programmes in local communities such as Hong Kah North, ZhengHua and Woodlands.

We continued to support the adoption of three endangered tree frog species at the

Singapore Zoological Gardens, and throughout the year, continued to hold various public talks and roadshows in schools and community centres. We partnered the private sector in launching their own in-house recycling programmes and sponsored a wide range of events. We helped students of the Singapore Management University secure a place in the Guinness World of Records by contributing some 16,000 used cans for building the world's longest aluminum can chain. By using aluminum cans, the organisers hoped to promote environmental awareness in the campus while raising funds for future community service projects at the same time.

## ENGINEERING & CONSTRUCTION

Apart from the 16 awards clinched at the Annual Safety Performance Award 2002, SembCorp Engineers and Constructors also took a gold in the Safety Innovation Teams Convention 2002.

For 2002, our Accident Frequency Rate was down to 1.5 against the industry average of 2.8, and our Accident Severity Rate was 34 against the industry average of 553. We aim to reduce these numbers even further in 2003.

We also seek to minimise environmental



impact in our operations. Apart from communicating our environmental policy to our employees, partners and clients, we also believe in the importance of integrating environmental management into our day-to-day business management processes. For example, protecting the environment is one of the key considerations in our design, development and construction. A total environmental quality score is established to monitor the environmental design effectiveness of our designs. During the construction process in our projects, systems and procedures are established to minimise pollution and material wastage.

### LOGISTICS

2002 saw the start-up of operations at Jurong Logistics Terminal, our new chemicals solutions centre built with joint venture partner Katoen Natie on Jurong Island. This terminal serves the logistics needs of the chemical and petrochemical industries with a revolutionary bulk supply chain system, particularly known in the industry for its contribution to a greener environment. The bulk supply chain system pioneered successfully by Katoen Natie in Europe has now been introduced to Singapore by Katoen Natie SembCorp. It eliminates the step where materials need to be handled in packed form for transportation between production

facility and processing plant. Instead, products are stored in silos and can be transferred by specialised bulk trailers to their eventual destinations. We have 40 such silos in the Jurong Logistics Terminal. Not only is this system more efficient, it also eliminates the vast volume of packaging materials previously needed.

Other measures to minimise environmental impact are also undertaken at the terminal. These include the segregation of the drainage systems within the terminal from public drains in order to prevent chemical products flowing into them. All waste produced at the terminal is also categorised into recyclables and non-recyclables, and information and trends are monitored so that waste production can be reduced.

### MARINE ENGINEERING

During 2002, Behavioural-Based Safety (BBS) was implemented at both Jurong Shipyard and Sembawang Shipyard. The purpose of BBS is to move away from an independent safety culture that depends on enforced, self-regulatory systems and towards an interdependent one which relies on more effective and permanent behavioural and cultural changes to inculcate the value of individual responsibility in ensuring the safety of oneself and those around.

In addition, Jurong Shipyard also inaugurated the SmartSAFE system that pioneers the use of Palm-based Personal Digital Assistants to update electronic records of safety inspections. Apart from BBS, SmartSAFE also incorporates the yard's Safety Management System and a cross-referencing module on legislative safety requirements.

Copper slag is the single largest source of shipyard waste. JPL Industries, set up to collect and recycle used copper slag, continues to operate successfully, recycling copper slag waste to usable slag or concrete products.

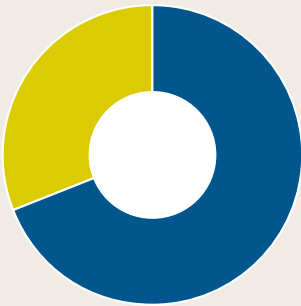


# Human Resources

## EMPLOYEE PROFILE

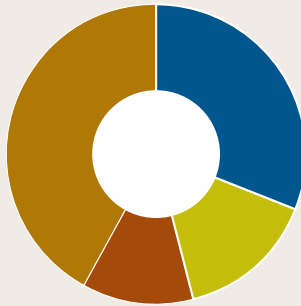
As of December 31, 2002, our permanent headcount stood at 10,815 and contract staff was 4,316<sup>1</sup>. The employee profile shown here reflects the characteristics of our permanent staff.

**GEOGRAPHICAL SPREAD**



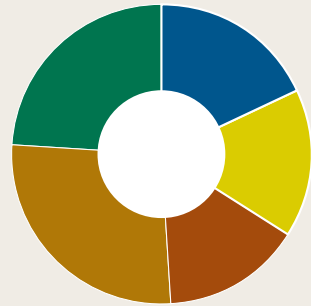
■ Singapore	69%
■ Overseas	31%

**EDUCATION<sup>2</sup>**



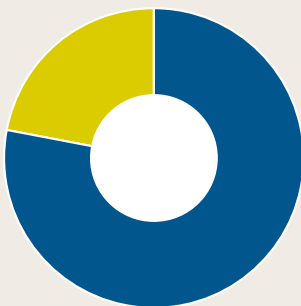
■ Engineering & Technical (tertiary & above)	31%
■ Engineering & Technical (other qualifications)	15%
■ Other Non-engineering & Non-technical (tertiary & above)	12%
■ Other Non-engineering & Non-technical (other qualifications)	42%

**AGE (Years)<sup>2</sup>**



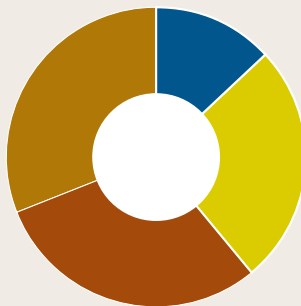
■ Less than 30	18%
■ 30 to less than 35	16%
■ 35 to less than 40	15%
■ 40 to less than 50	27%
■ 50 and above	24%

**GENDER<sup>2</sup>**



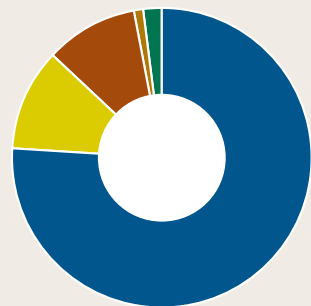
■ Male	78%
■ Female	22%

**LENGTH OF SERVICE (Years)<sup>2</sup>**



■ Less than 1	13%
■ 1 to less than 4	26%
■ 4 to less than 10	30%
■ 10 and above	31%

**NATIONALITY<sup>2</sup>**



■ Singapore Citizen	76%
■ Singapore Permanent Resident	11%
■ Malaysian	10%
■ Rest of Southeast Asia	1%
■ Others	2%

<sup>1</sup> This number excludes indirect contract employees

<sup>2</sup> These statistics relate to permanent employees in Singapore only

## TALENT MANAGEMENT

At SembCorp Industries we want to attract, develop and motivate the best people. People are critical to our success, and we believe that empowered and committed people help us to create a competitive advantage that is irreplaceable.

We believe in being involved in the career development of our employees, and have continued to provide our employees with opportunities for continual training and life-long learning. In 2002, we allocated some 3.6 per cent of our total payroll cost to learning, while each employee received 32.5 learning hours during the year on the average.

With an emphasis on identifying talent and developing it to the fullest, our goal is to create an employment relationship that will inspire the best talents to join and stay with us. We also aim to have a strong succession plan in place, and have invested in a systematic and integrated approach to talent management.

In 2002, we continued to be certified as one of Singapore's People Developer companies. People Developer is Singapore's quality standard for human resource development

which recognises organisations that bring out the best in people for better business results. The People Developer Standard offers a systematic process to review people practices, develop staff and improve training effectiveness. With an eye to achieving business objectives, people development activities are integrated into eight systems – Learning Needs Analysis, Career Development, Resource Allocation, Communication, Induction, Monitoring, Evaluation and Improvement.

In 2002, we also added three new scholarships to our SembCorp Scholarship Programme. First launched in 1998, we have awarded a total of 58 scholarships to date. Through this programme, we aim to ensure that we will have fresh talent at the management level and develop the next generation of executives.

## EMPLOYEE SHARE OPTIONS

We continue to reward employees who have contributed to the growth of SembCorp Industries by giving them the opportunity to have a personal equity interest in the company. Apart from rewarding our employees, we believe that employee stock options are helpful in aligning employees'

interests with those of our shareholders and instilling a sense of loyalty and identification with the goals of the Group.

Excluding staff from our subsidiaries who have their own share option plans, all employees are offered share options provided they meet the criteria set by the Employee Share Option Scheme committee. In 2002, share options were offered in two tranches to our employees.

### SHARE OPTIONS OFFERED IN MAY 2002

Category	Headcount
Senior Management	87
Non-Executive Directors	10
Employees	2501
<b>Total</b>	<b>2598</b>

### SHARE OPTIONS OFFERED IN OCTOBER 2002

Category	Headcount
Senior Management	82
Non-Executive Directors	9
Employees	2449
<b>Total</b>	<b>2540</b>

# Year in Review

## JANUARY

02

SMOE of SembCorp Utilities (SembUtilities), secured its first North Sea platform contract worth S\$189 million with Maersk to build an offshore oil production platform and living quarters.

14

SembCorp Marine (SembMarine) disposed of its 50 per cent interest in Neptune Associated Lines to Neptune Orient Lines (NOL) and concurrently increased its interest in Atlantis Shipyard to 85 per cent by acquiring a 50 per cent equity stake from NOL.

15

Sembawang Shipyard of SembMarine signed a long-term contract, entitled Favoured Customer Contract, with Tschudi & Eitzen Holding of Norway. The contract commits the retrofitting and dry-docking of Tschudi & Eitzen's owned and managed vessels to Sembawang Shipyard for the foreseeable future.

28

SMOE delivered a S\$100 million water injection platform for Vietsovpetro Oil Company of Vietnam.

31

SembLog signed a Shareholder's Agreement with Orix Corporation and World Logi to form a joint venture to acquire the logistics business of Footwork Express in Japan.

## FEBRUARY

14

SITA Environmental Solutions (formerly Pacific Waste Management), the Australian associate of SembCorp Waste Management (SembWaste), was awarded Australia's single biggest waste contract worth approximately S\$142 million. SembWaste holds a strategic 40 per cent stake in SITA Environmental Solutions.

18

SembMarine divested its entire 25.49 per cent interest in Jurong Technologies Industrial Corporation.

28

We completed our S\$346.5 million equity placement by way of an underwritten accelerated book-building exercise. The placement, which was 3.6 times subscribed, was made up of 213.9 million new shares and 106.95 million warrants.

SembWaste's subsidiary SembVISY Recycling launched its pilot recycling programme, giving 4,000 Singapore households free, user-friendly storage crates.

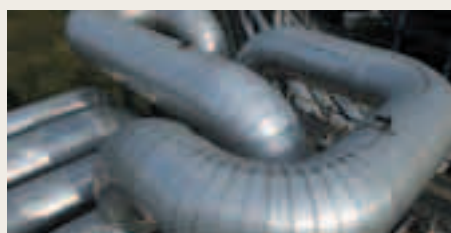
## MARCH

04

SembCorp Engineers and Constructors (SembE&C) secured a S\$141 million contract from Singapore's Public Utilities Board (PUB) to build the world's largest sludge drying system for its Changi Water Reclamation Project.

25

SembMarine acquired the remaining 15 per cent interest in Atlantis Shipyard from Singapore Technologies Marine and merged its operations with SML Shipyard's mid-sized vessel ship repair processes. Atlantis was renamed Jurong SML which will operate as a mid-sized shipyard specialising in the repair of small and medium-sized vessels.



**APRIL****01**

SembLog formed a 50/50 joint venture company, SembCorp Network, with Singapore Food Industries to provide total logistics support and services to its clients in Singapore and the region.

**22**

SembCorp Gas (SembGas) jointly launched its Compressed Natural Gas (CNG) pilot project to introduce CNG buses in Singapore together with Singapore's Ministry of the Environment and SBS Transit. The SembGas CNG station on Jurong Island is the first CNG station in Singapore.

**24**

SembWaste introduced an integrated enterprise portal that centralises all its data in a single online resource. This is the first of its kind among waste management companies in Asia.

**MAY****06**

SES Engineering of SembMarine disposed of its entire 30 per cent interest in MR Tech.

**13**

We reduced our stake in the Wuxi-Singapore Industrial Park Development Company from 54.8 per cent to 38.5 per cent. Management control of the industrial park was transferred to our Chinese partners.

**18**

SembLog Citranusa, a 70/30 joint venture between Singapore Offshore Petroleum Services and Indonesia's Citra Tubindo, celebrated the groundbreaking of its new offshore logistics base in Batam, Indonesia. This new facility will provide logistics and supply chain management support to oil and gas activities in Indonesia.

**31**

We divested our remaining 20 per cent interest in Singapore Computer Systems for S\$53 million, continuing our programme of asset divestment and capital reallocation.

**JUNE****01**

Ho Ching stepped down as one of our Directors.

**03**

SembLog invested approximately S\$18 million in Infolink Systems, the parent company of United States-based Savi Technology. Savi Technology is a leading provider of real-time solutions for the management and security of supply chain assets.

Lim Joke Mui joined SembCorp Industries as our Group Chief Financial Officer.

**19**

SembLog formed a 51/49 joint venture company, SembCorp Logistics (Taiwan), with Pacific Resources Technology Corporation to provide supply chain management solutions to multi-national corporations operating in Taiwan.

# Year in Review

## JULY

03

We increased our borrowing capacity through an enhancement of our Medium Term Note Programme from S\$500 million to S\$2 billion.

11

Sembawang Shipyard of SembMarine and SMOE jointly completed a S\$50 million contract for Shell Petroleum Development Company of Nigeria. The contract involved the fabrication and integration of topside facilities for a Floating Production, Storage and Offloading (FPSO) vessel, which will operate off Nigerian shores.

18

SembE&C secured a second contract worth S\$160 million with PUB to build a sludge digester facility. This forms part of PUB's Changi Water Reclamation Plant Project.

24

Jurong Shipyard of SembMarine delivered a S\$67 million cables ship "Asean Explorer" to its owner, ACPL Marine.

31

SembMarine's Jurong Shipyard signed a US\$244 million contract with Brazil's Petrobras Netherlands to begin conversion works on what will be one of the world's largest FPSO units.

## AUGUST

15

SembVISY extended its enhanced recycling programme to landed residences in five municipal sectors in Singapore. This was a follow-on to the success of the programme's plastic recycling crate system that was introduced in selected housing estates earlier in the year.

## SEPTEMBER

09

Shell International Trading and Shipping Company and Sembawang Shipyard of SembMarine launched the world's first Ship-repair Alliance e-Collaboration Portal [www.semballiance.com](http://www.semballiance.com)

**OCTOBER****01**

Wong Heang Fine joined SembCorp Industries as the new President & CEO of SembE&C.

**21**

The proposed privatisation of SembMarine did not secure the requisite approval of SembMarine's minority shareholders. SembMarine remains a 63 per cent-owned listed subsidiary of SembCorp Industries.

**24**

We acquired 10,015,000 ordinary shares of S\$0.10 each in the capital of SembMarine from the open market at S\$0.874 per share. Following the acquisition, our shareholding in SembMarine increased from 62.86 to 63.57 per cent.

**NOVEMBER****08**

We transferred our wholly-owned businesses RDC and SEMES to SembWaste.

**13**

SembVISY Recycling Materials Recovery Facility (MRF), a 60/40 joint venture between SembWaste and VISY Recycling of Australia, was officially opened in Tuas, Singapore. This is Asia's first automated MRF.

**18**

SembLog Orient Caspian, SembLog's 65 per cent-owned offshore logistics subsidiary, formed a 49/51 joint venture company with the Azpetrol group of Azerbaijan to offer integrated logistics services for oil and gas companies operating in the Caspian Sea region.

**22**

Karimun Shiprepair & Engineering acquired the remaining 35 per cent equity stake in Karimun Sembawang Shipyard from Primabahtera Indoshipyard.

**25**

SembLog announced its acquisition of the remaining 49 per cent equity stake in its Malaysian joint venture, SembCorp Logistics (Malaysia), from listed Haisan Resources of Malaysia.

**29**

We announced that SembE&C was expected to incur a loss of approximately S\$127 million for 2002. The anticipated loss was principally caused by difficulties in two projects – the Tuas View B2b land reclamation project and the Kranji Deep Tunneling Sewerage System project.

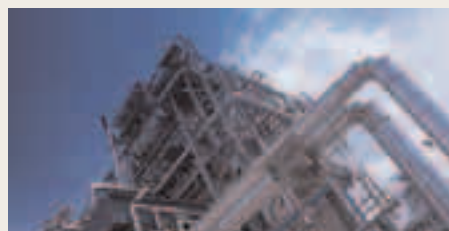
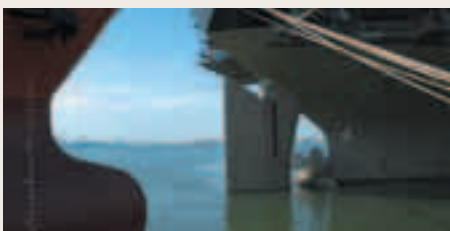
**DECEMBER****11**

SembWaste and its business units were renamed to embrace a single unified brand image. SembWaste was renamed SembCorp Environmental Management (SembEnviro) and SembEnviro subsidiary Semac was renamed SembWaste. SembWaste is now the umbrella brand for SembEnviro's activities in the collection and post-collection of waste, industrial and street cleansing and consultancy activities.

SembEnviro announced that it will offer biological waste treatment services, a move that will enlarge the company's scope of environmental management capabilities.

**13**

We divested our 75 per cent interest in Singapore Food Industries for S\$262.6 million cash by way of a renounceable preferential offer to our shareholders.





# Utilities

We are an energy and integrated utilities service provider. A pioneer in the concept of multi-utility facilities, we offer a range of utilities and support services such as steam, cooling water, high grade industrial water, wastewater treatment and chemical waste incineration to Singapore's petrochemical hub on Jurong Island. A major energy player, we are Singapore's first commercial importer and retailer of natural gas and operate the country's only combined-cycle cogeneration plant. Our expertise also includes offshore oil and gas turnkey contracting for upstream fixed and floating platforms.







**Tang Kin Fei**  
President & CEO  
SembCorp Utilities

	2002 S\$'000	2001 S\$'000
Revenue	<b>1,071,933</b>	548,319
PATMI	<b>54,248</b>	34,907

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

#### KEY FACTS

- A pioneer in the concept of integrated multi-utility centres
- First commercial importer, supplier and retailer of natural gas in Singapore
- Singapore's first independent power producer and cogeneration plant
- Over 1600 MW of gross power generation capacity installed and in development
- Over 100 offshore oil and gas projects delivered worldwide

# Utilities

## STRATEGY

Our aim is to be a leading energy and integrated utilities service provider in the Asia-Pacific. To do this we will:

### **Create synergies between the various elements of our utilities business**

We offer our clients a full range of services by bundling our energy and integrated utilities products and services. Leveraging our expertise across the entire energy value chain, and on the synergies between electricity and gas, we aim to cater to our customers' energy needs.

### **Develop on our unique business model as an integrated multi-utility service provider**

We intend to replicate the success of our one-stop service multi-utility concept abroad in countries such as China. We will continue to consolidate our lead position in Singapore by deepening our core competencies and providing reliable, quality and customer-responsive products and services.

### **Build our businesses in water and wastewater treatment**

Building on our existing water recycling and wastewater treatment capabilities, we are exploring M&As and partnership opportunities in these businesses both locally and abroad. We will also grow new product lines such as district cooling systems and recycled water,

and continue investing in research and development on water treatment technologies with established institutions like Singapore's Nanyang Technological University and Stanford University in the United States.

### **Leverage our first-mover advantage in Singapore's natural gas market**

To protect and increase our market share, we plan to increase gas sales to our industrial and reticulation customers, and are piloting the use of compressed natural gas (CNG) as an alternative fuel source for commercial fleet operators.

### **Strengthen our power generation capabilities as a niche player**

We aim to strengthen our position as a low-cost power producer equipped with high-performance and efficiency facilities. We will focus on niche markets which provide a stable income such as cogeneration facilities with multi-steam customers, as well as power plants with secured offtakes. We are currently exploring greenfield and acquisition opportunities in Asia and Australia.

### **Exploit opportunities for oil and gas works**

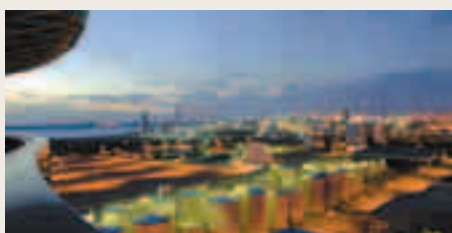
We will continue to build up our position and reputation as a leading turnkey contractor for offshore platforms. In pursuing opportunities to grow our offshore engineering business, we will focus on markets of high interest

to oil and gas majors such as West Africa, the North Sea and the Middle East. We will also explore means to increase our yard space and capacity both locally and abroad.

## OPERATIONS REVIEW

Our Utilities business performed strongly in 2002, with a 95 per cent growth in turnover over 2001. Profit After Tax and Minority Interests (PATMI) rose 55 per cent to S\$54.2 million, accounting for 31 per cent of Group PATMI compared to 20 per cent in 2001.

The strong financial performance by Utilities was primarily due to increased contributions from our integrated utilities division, as well as our offshore engineering unit SMOE, and SembCorp Gas (SembGas). SMOE performed strongly and clinched S\$530 million worth of contracts in 2002. SembGas also performed well in 2002 due to a ramp-up in its gas offtake and it has now reached its full 325 million standard cubic feet per day (mmscfd) offtake level. SembGas secured 30 new reticulation customers in 2002 with an orderbook worth S\$116 million, while our power supply company, SembCorp Power (SembPower), is now an established power retail company with a total of 80 accounts to date.



**KEY OPERATING UNITS**<sup>1</sup>

Division	Our Stake	Joint Venture Partners	Country of Operation	Project Completion Date
<b>INTEGRATED UTILITIES</b>				
<b>Centralised Utilities</b>				
SUT Sakra	80%	Tractebel (20%)	Jurong Island, Singapore	1997
SUT Seraya	100%	–	Jurong Island, Singapore	2000
<b>Water</b>				
SembCorp Water	100%	–	Singapore	–
<b>Chemical Feedstock</b>				
Propylene Purification Unit	100%	–	Jurong Island, Singapore	1999
SembCorp Air Products	60%	Air Products Singapore (40%)	Jurong Island, Singapore	1999
Sakra Island Carbon Dioxide	30%	Singapore Carbon Dioxide Company (50%) Air Products Singapore (20%)	Singapore	1999
<b>ENERGY</b>				
<b>Gas</b>				
SembCorp Gas	50%	Temasek Holdings (30%) Tractebel (20%)	Jurong Island, Singapore	January 2001
<b>Power</b>				
SembCorp Cogen	70%	Tractebel (30%)	Jurong Island, Singapore	September 2001
Kwinana Cogeneration Plant	30%	Edison Mission Energy (70%)	Perth, Australia	1996
Phu My 3 Power Company	33.3%	BP Holdings (33.3%) Consortium of Kyushu Electric Power Co. and Nissho Iwai Corporation (33.3%)	Vung Tau, Vietnam	January 2004
Qianan SembCorp Cogeneration Company	65%	Qianan Xin Di Thermal Power Company (35%)	Hebei, China	1996
SembCorp Power	100%	–	Singapore	2 <sup>nd</sup> half 2001
<b>OFFSHORE ENGINEERING</b>				
<b>Oil and Gas</b>				
SMOE	100%	–	Singapore	–
Gema SembCorp Engineering	90%	Fadel Muhammad (10%)	Indonesia	–
Chiwan Offshore Petroleum Equipment Repair/Manufacturing Co.	35%	China Offshore Oil Nanhai East Corporation (25%) China Offshore Oil Nanhai West Corporation (20%) Chiwan Petroleum Supply Base (20%)	Shenzhen, China	–
Chiwan Sembawang Engineering Co.	32%	China Offshore Oil Engineering Corporation (36%) Shenzhen Petroleum Supply Base Company (32%)	Shenzhen, China	–
Sime SembCorp Engineering	30%	Sime Darby Nominees (70%)	Pasir Gudang, Malaysia	–

<sup>1</sup> As of December 31, 2002

# Utilities

## ORDERBOOK

The orderbook for SMOE as of end-December 2002 was approximately S\$740 million. Our major projects are:

Project	Value (S\$m)	Client	Scope of Work	Completion Date
Halfdan Field Development Phase 3	189	Maersk Olie OG Gas	Engineering, procurement, fabrication, pre-commissioning, loadout and seafastening of process platform and living quarters	March 2003
Panyu Joint Development, South China Sea	260	Devon Energy China	Engineering, procurement, fabrication, installation and hook-up of platform and pipeline facilities	3 <sup>rd</sup> quarter 2003
Dan FG Development Project <sup>2</sup>	–	Maersk Olie OG Gas	Engineering, procurement, fabrication and commissioning of process/utility module, jacket, flare structure and bridges	July 2004
Idd El Shargi North Dome Offshore Oil Field <sup>2</sup>	–	Occidental Petroleum of Qatar	Engineering, procurement, fabrication, precommissioning, loadout, transportation, hook-up and commissioning of central processing facility platform, bridges and flare platform	March 2005
Erha FPSO Project <sup>2</sup>	–	Bouygues Offshore	Detailed engineering, procurement, fabrication and integration to Hull FPSO topsides modules	March 2005

<sup>2</sup> The total contract value for these three contracts secured in 2002 is S\$530 million. The individual contract values are not disclosed at the requests of the clients.

Our multi-utility centres on Jurong Island also performed better than the year before. SUT Sakra signed six new contracts worth S\$2.6 million per year while expansion on its existing facilities continue to cater to customers such as Asahi Kasei Plastics Singapore and Mitsui Bisphenol Singapore. We rounded up the year serving 39 of Jurong Island's 70 companies.

Our power generation company in Singapore, SembCorp Cogen (SembCogen), was however negatively impacted by the delay in the deregulation of Singapore's electricity market, namely high spinning reserve costs under the old market rules. Originally set for 2001, the New Electricity Market (NEM) was launched only in January 2003. Under the NEM, a separate Spinning Reserve Market has now been introduced, and competition in this market is expected to drive down spinning reserve costs.

Earlier this year, we opened Singapore's first CNG station on Jurong Island, and launched a pilot project with the Ministry of the Environment and SBS Transit to introduce CNG as a vehicle fuel in Singapore.

#### OUTLOOK

We expect the performance of our Utilities operations to be better than 2002. Its growth

will be underpinned by stable baseload earnings from its long-term contracts, as well as a strong orderbook of SMOE. The orderbook of SMOE stood at a healthy S\$740 million as at end-December 2002.

Since January 2003, SembCogen has been operating under the NEM. The introduction of a separate Spinning Reserve Market and the introduction of vesting contracts is expected to make the market environment more dynamic and sustainable for SembCogen and other power generation companies in Singapore.

While Temasek Holdings has announced the deferment of the proposed sale of its power generation companies until 2004 at the earliest, we continue to develop our power generation business overseas. Commercial operations of our joint venture 717-megawatt cogeneration plant Phu My 3 in Vietnam is expected to commence in early 2004.

## Glossary

#### HGIW

High grade industrial water. This high quality water is one of the products supplied by our multi-utility facilities for industrial use, and is obtained from the treatment and polishing of tertiary industrial water using the reverse-osmosis process.

#### Reticulation Network

A gas distribution network. This refers to SembGas' medium pressure network serving customers in Singapore's Jurong and Tuas industrial areas.

#### Cogeneration

Co-production of steam and electricity.

#### Combined-cycle

Simultaneous production of thermal energy and electricity. In a combined-cycle facility, the combustion turbine(s) turns gas into energy. Heat from this combustion process is then used to produce steam that powers a steam turbine to generate more power.

#### NEM

The New Electricity Market in Singapore. The NEM consists of a wholesale market and a retail market. The Energy Market Authority is the regulator of the NEM.

#### Spinning Reserve

The excess generating capacity of operating generating sets at any point in time, which enables the power system to meet sudden increases in energy demand or compensate for sudden losses of generation.

#### Production Platform

A generic term for an offshore oil and gas production facility, typically combining the process, water injection, utility, power generation and living quarters modules.

#### Topsides

The part of an offshore oil and gas platform that is above water and contains the hydrocarbon processing equipment.





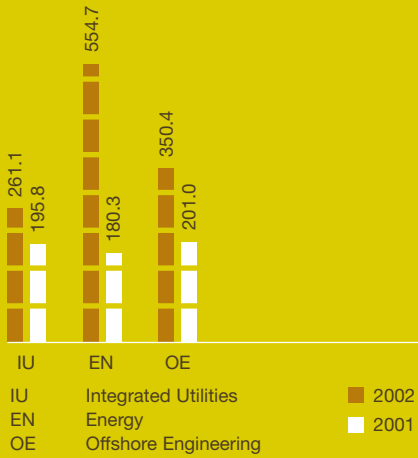
# Environmental Engineering

We are Singapore's largest environmental management services company and the second largest in Australia. We offer a complete integrated suite of solutions for waste treatment and environmental project management, catering to the municipal, industrial, commercial and healthcare sectors.

## COMPETITIVE EDGE

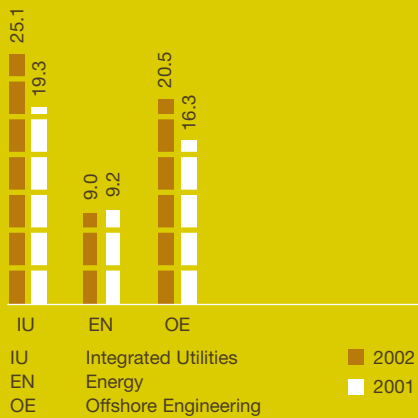
- First-mover and industry leader in Singapore's integrated utilities and energy market
- Proven business model and track record as a pioneer in the concept of multi-utility facilities, with the ability to replicate our business model
- Wastewater treatment with unique track record and experience in treating wastewater from multiple sources and customers
- Ability to profit from the synergy between electricity and gas, and leverage infrastructure and bundling advantages across investments
- Unique cogeneration experience in providing support to petrochemical hubs where a high reliability of steam supply is required
- Strong engineering capability and unique ability to offer a full range of total turnkey capabilities in offshore oil and gas engineering

## TURNOVER BY DIVISION (\$m)



Note: Excludes inter-company elimination

## PATMI BY DIVISION (\$m)



Note: Excludes corporate / development costs





**Loh Wai Kiew**  
President & CEO  
SembCorp Environmental Management

	2002 S\$'000	2001 S\$'000
Revenue	<b>134,962</b>	139,700
PATMI	<b>9,175</b>	8,030

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

#### KEY FACTS

- Market presence in Australia, China, Malaysia and Singapore.
- Largest environmental management services company in Singapore and 2<sup>nd</sup> largest in Australia
- More than 1600 employees in Singapore and Australia
- Serving 55 per cent of Singapore's municipal waste market
- Commanding a 20 per cent market share of Singapore's industrial and commercial sectors
- Singapore's leading medical waste service provider
- Operating Asia's first automated materials recovery facility together with Australia's VISY Recycling

# Environmental Engineering

## STRATEGY

To be Asia's leading provider of total integrated environmental management solutions, we will:

### Expand our business base in Singapore even further

We see opportunities opening up for us in the near future. In 2003, two municipal sectors will be put up for bid in Singapore and the Singapore government is expected to increase its push towards making recycling an integral part of life. This represents huge opportunities for us to consolidate our position as the leading local waste management player.

### Continue to explore opportunities in Asia to enhance our regional presence

We are exploring opportunities in China, India, and Sri Lanka where we can provide solutions to increasing environmental issues as a result of rapid urbanisation in these emerging economies.

### Utilise advanced technology to provide innovative solutions

We are committed to harnessing technology to offer innovative environmental management systems, improve operational efficiency and protect the environment. We have introduced systems such as pneumatic

waste systems and industrial biologics.

## OPERATIONS REVIEW

We achieved a 14 per cent increase in Profit After Tax and Minority Interests (PATMI) in 2002, which is attributed to our on-going cost-cutting and restructuring measures.

In Singapore, we maintained our position as the country's top environmental management services company, retaining a 55 per cent market share in the municipal sector, a 20 per cent in the industrial and commercial (ICW) sector, and dominating the medical sector. Our Australian associate, SITA Environmental Solutions (formerly Pacific Waste Management), continued to remain the country's second largest environmental management company.

In 2002, we continued to rationalise our operations and introduced innovative technological systems to keep us well ahead of other players in the market.

In November, we renamed our holding company SembCorp Environmental Management (SembEnviro), and realigned our companies under this single brand. Semac was renamed SembWaste, and our business units structured under eight different brands for the different market segments:

- SembWaste Municipal
- SembWaste Industrial
- SembWaste Medical
- SembWaste Cleansing
- SembWaste Consultancy & Technology
- SembVISY Recycling
- SembVISY Recycling Materials Recovery Facility
- SembEnviro Conversion Technologies

During the year, we made significant progress towards our goal of closing the recycling loop in Singapore. In the municipal sector, we launched a pilot household recycling project, giving out free, user-friendly, recycled storage crates to several housing estates. These crates eliminate the need for residents to sort their recyclables into separate bags and have been well received. The rates of participation and the volume of materials recovered continue to be on the rise. The success of this pilot project and our experience with it puts us well ahead of the Singapore government's push to have every one in two households recycling materials by end-2003.

We also officially opened Asia's first automated materials recovery facility (MRF) in Tuas. This is a 60/40 joint venture between SembEnviro and VISY Recycling of Australia. This facility automatically sorts and recovers paper, plastics, glass and metals and

## NEW SEMBENVIRO BRANDS



SembCorp Environmental  
Management

- **SembWaste Municipal**
- **SembWaste Industrial**
- **SembWaste Medical**
- **SembWaste Cleansing**
- **SembWaste Consultancy & Technology**
- **SembVISY Recycling**
- **SembVISY Recycling Materials Recovery Facility**
- **SembEnviro Conversion Technologies**

Municipal waste collection and post-collection

Industrial and commercial waste collection

Medical waste collection

Industrial and street cleansing

Provision of environmental engineering expertise

Recycling collection for both municipal and industrial sectors

Materials recovery from municipal and industrial sectors

Recovery of energy from waste including biomass, incineration and industrial biologics



presently recovers some 25 tonnes of recyclables a shift. SembVISY Recycling expects to increase the MRF's capacity four-fold to 100 tonnes per shift by end-2003.

In early 2003, we formed a 30/70 joint venture with Consolidated Plantations to design, build, own and operate a S\$20 million Biomass Waste-to-Energy plant in Tennamaram, Malaysia. This new facility will convert empty fruit bunches from oil palm into energy. The plant is expected to be completed in end-2004.

In Australia, our associate, SITA Environmental Solutions, won Australia's single biggest waste contract worth S\$142 million. We hold a strategic 40 per cent shareholding stake in SITA Environmental Solutions.

#### **OUTLOOK**

Discounting any deterioration in Singapore's economic conditions, the outlook for 2003 is expected to be favourable, with profit growth expected through organic growth of our businesses and improvement in market share.

In the coming year, we are well-positioned to compete for two local municipal sectors which will be up for bid, and at least one municipal sector in Asia as well.

We will also leverage the Singapore government's push towards a 60 per cent household recycling target by 2012. With recycling programmes and facilities in place, we can build on the recycling business to reduce our waste disposal costs, create a second income stream, and build a critical mass for the SembVISY Recycling MRF.

On the innovation front, we have secured a S\$2.2 million contract together with our partner Shinmaywa (Asia) to install a proprietary mobile pneumatic waste collection system in three new condominium projects which will be launched in 2003. Called the Singmatic System, this waste collection system differs from conventional waste collection methods because refuse from housing estates is drawn into trucks via a vacuum pipe at collection points. The collection points at the housing estates are linked to the various households by underground conveyance pipes and waste is stored temporarily in underground tanks before being collected by the trucks. Fully automated, the system requires minimal manpower, is faster than conventional waste collection methods and eliminates hygiene problems commonly faced by manual waste collection.

We expect contributions from our regional

operations to be favourable as we continue to expand our revenue base, improve our efficiency and raise service standards.

## Glossary

#### **Recovery**

Generic term encompassing the reuse, recycling or regeneration of waste.

#### **Recycling**

Direct re-introduction of a waste type into the production cycle from which it originates as a total or partial replacement for a new material.

#### **MRF**

Materials recovery facility. This facility acts as a hub for recyclable materials, like paper, metals, plastics and glass. These are collected from businesses and households, and are delivered to a MRF where they are sorted and baled, ready to be reprocessed into end-user products.

#### **Biomass**

Recovery of calories contained in incinerated waste, allowing thermal or electrical energy to be generated.

#### **Municipal Waste**

Waste produced by households and trade premises.

#### **Medical Waste**

Waste produced by hospitals and healthcare establishments.

#### **ICW**

Industrial Commercial Waste. Waste resulting from industrial or commercial activities.

#### **Construction Waste**

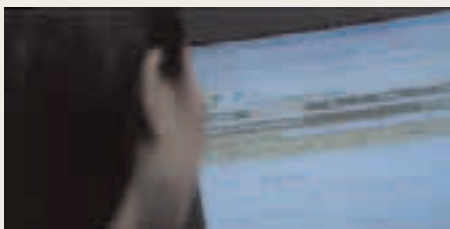
Waste resulting from construction activities.

#### **Post-processing Plant**

Also known as downstream processing. Generally refers to facilities that turn paper, plastic, glass or metals into value-added new products.

#### **Closed-loop Recycling**

The process of using products made from recycled materials, then reprocessing these products again when they become waste.

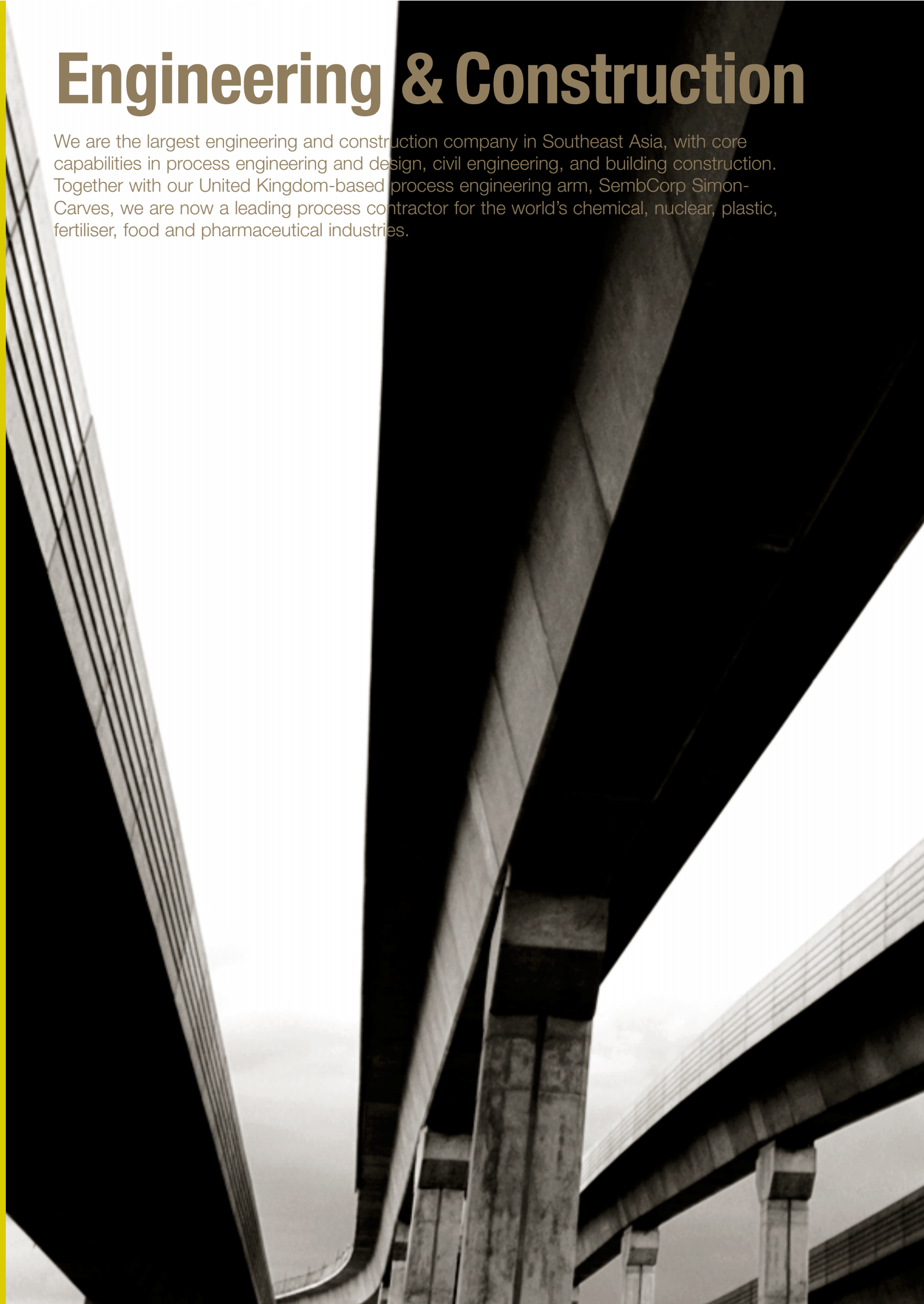


## COMPETITIVE EDGE

- 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	<b>857,623</b>	618,505
PATMI	<b>(126,968)</b>	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
<b>Singapore</b>				
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
<b>Overseas</b>				
Nanjing-LDPE-E&P	175	C.T.C.I	Construction of a low density polyethylene plant in Nanjing, China	February 2005

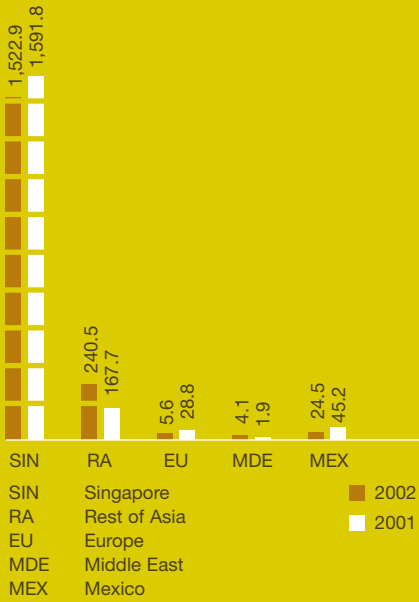
# Logistics

We are Asia's largest integrated logistics provider, providing end-to-end supply chain management via physical and information technology networks. We specialise in the handling of fast moving consumer goods, electronic goods, parts and components, hazardous goods, chemicals, medical supplies and pharmaceuticals. Through a strategic alliance with Kuehne & Nagel, who is the world's number one seafreight company and number five airfreight forwarder, we serve the Asia-Pacific, Europe and the United States.

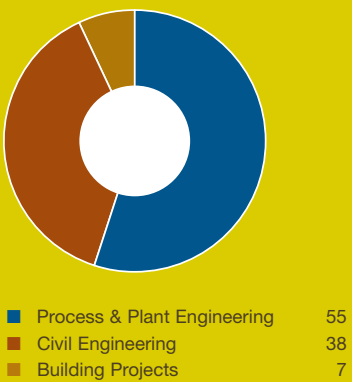
## COMPETITIVE EDGE

- Unique ability to offer a full range of turnkey capabilities across the entire engineering, procurement and construction value chain for our projects
- One of the most IT-advanced construction companies in the region with a developed infrastructure providing timely, relevant and accurate information to our operations globally
- Strong reputation and track record in delivering ingenious construction methods including precast construction solutions

## TURNOVER BY TERRITORY (\$m)



## ORDERBOOK BY BUSINESS (%) (2002)







**Koh Soo Keong**  
President & CEO  
SembCorp Logistics

	2002 S\$'000	2001 S\$'000
Revenue	<b>446,254</b>	469,161
PATMI	<b>25,196</b>	54,390

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

#### KEY FACTS

- Asia's largest integrated logistics provider serving 11 countries globally
- In global partnership with the world's leading logistics group – Kuehne & Nagel – to provide worldwide logistics services
- One of China's top supply chain management providers with operations in more than 700 cities
- India's leading third-party logistics service provider serving 500 cities
- Global warehousing space in excess of 10 million square feet
- Operating regional offshore supply bases in Azerbaijan, Indonesia, Singapore and Thailand

# Logistics

## STRATEGY

To be a global player in supply chain management, we will:

### **Strengthen our existing Asia-Pacific network and accelerate growth in key overseas markets**

We expect to enter markets in Japan and Korea by end-2003 and are also looking to accelerate growth for our businesses in China and India, both organically and through selective mergers or acquisitions.

### **Harvest the synergies of our joint partnership with Kuehne & Nagel (KN)**

Through our strategic alliance with KN in 2001, we have extended our global reach to markets in Europe and the United States. Our joint marketing efforts have secured us contracts in contract logistics and freight forwarding.

### **Leverage strengths and partnerships to develop specialised industry knowledge**

Through our partnership with KN, we will focus on five key industry clusters globally – consumer/retail, chemical, healthcare and electronics.

### **Harness technology to create innovative supply chain management solutions**

Investing in advanced technology remains

one of our competitive strengths. Through a new partnership with United States-based Savi Technology, we can now add secure supply chain management systems to our portfolio of innovative logistics services.

## OPERATIONS REVIEW

Revenue from our logistics operations remained healthy at S\$446.3 million. Net earnings contribution from SembCorp Logistics (SembLog) however declined from S\$54.4 million to S\$25.2 million mainly due to a one-time goodwill write-off by its 20 per cent associate, Kuenhe & Nagel (KN).

Consequently, KN did not make any earnings contribution to SembLog compared to its contribution of S\$30.9 million in 2001.

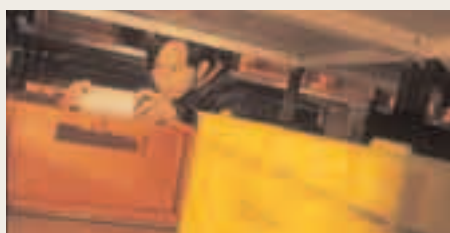
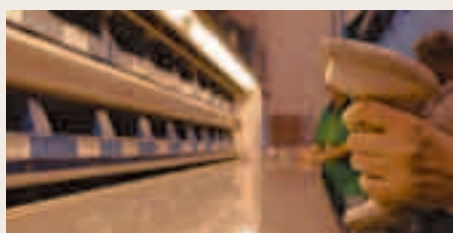
At the operating level, however, SembLog turned in strong growth in supply chain management in all our three key markets where EBIT earnings growth of 16 per cent for Singapore and 63 per cent each from China and India were recorded.

Our joint marketing efforts with KN secured us 16 joint accounts. In addition, SembLog's joint venture with KN in the area of freight management in Singapore, ST-KN, secured another 50 accounts. We have integrated our systems with KN's new Customer Relationship Management system that links

both companies, in all business areas of seafreight, airfreight and contract logistics. Together with KN, we have adopted a common focus on five key industry clusters globally – consumer/retail, chemical, healthcare and electronics. During the year, we established SembLog's marketing arms in the Europe and the United States, and worked with KN to promote our logistics network to multi-nationals at their global headquarters. KN has also established senior representation in our office in Singapore, greatly enhancing communication between both companies.

In keeping with our plans to expand our Asian network, we entered the Taiwanese market in June 2002, forming a 51/49 joint venture SembCorp Logistics (Taiwan) with Pacific Resources Technology Corporation (PRTC). The joint venture operates four distribution centres in Taipei, Kaohsiung and Taichung. With strong operations already in China, we are now ideally placed to leverage the huge volume of China-Taiwan trade (estimated at more than US\$26 billion<sup>1</sup>).

June also saw us enter into another strategic alliance, this time to advance our technological edge. We became the only preferred logistics partner of Savi Technology, when we invested US\$10 million in its parent company Infolink Systems. Savi supplies the technology used





by the United States Department of Defence to track its military assets. Together with Savi, SembLog has developed secure supply chain management solutions that utilise proprietary technology to screen, seal, track and trace containers. We believe our secure supply chain solutions are well-positioned to meet increased security requirements for sea-bound cargo entering the United States under the Container Security Initiative.

In 2002, we also completed the Singapore Army Logistics Base (ALB) for the Singapore Armed Forces based on the Design-Build-Operate concept. The ALB features state-of-the-art technology that controls all warehousing and distribution functions, manages and tracks inventory and consumption patterns.

#### **OUTLOOK**

For 2003, our Singapore operations will be underpinned by a baseload of outsourcing contracts from the public sector and existing commercial customers. We also expect a higher contribution from the healthcare and chemical sectors from 2003.

We remain committed to accelerating growth in China and India, which we expect to account for up to 50 per cent of our supply chain management revenue by 2005.

Growth in China should come from greater operational efficiency with new IT systems and bundling of services to increase value-add to our clients. In India, we plan to improve our business mix to yield greater returns.

For our offshore logistics operations, we will grow contributions from new supply bases in Batam, Indonesia and Baku, Azerbaijan. We will also continue to explore business opportunities in Sakhalin and offer regionally integrated supply chain management for the oil and gas industry.

<sup>1</sup> Source: *The Republic of China Yearbook – Taiwan 2001*

## Glossary

#### **RFID**

Radio Frequency Identification. A data collection technology that uses electronic tags to store identification data and a wireless transmitter to capture it.

#### **TAV**

Total Asset Visibility. A network developed by the United States Department of Defence which is designed to track all military shipments through truck, train and ship transportation from the manufacturer to the battlefield.

#### **Freight Forwarder**

A party contracted to act on behalf of a shipper to transport goods to other enterprises by way of air, rail or sea.

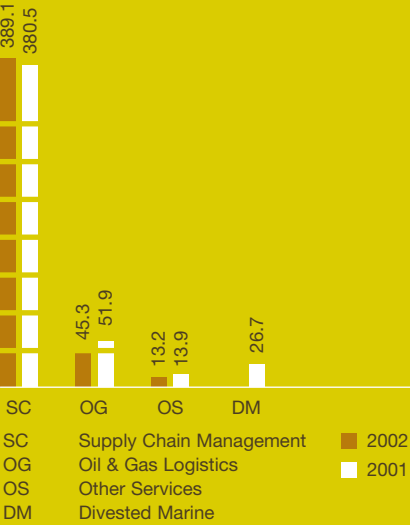
# Marine Engineering

A global leader in marine engineering, we specialise in ship repair, newbuilding, ship conversion and offshore engineering. We have an established global presence with eight strategically located shipyards in Brazil, China, Indonesia and Singapore. With a combined docking capacity of 2.2 million dead weight tonnes (dwt), we have the largest ship repair and marine-related facilities east of the Suez.

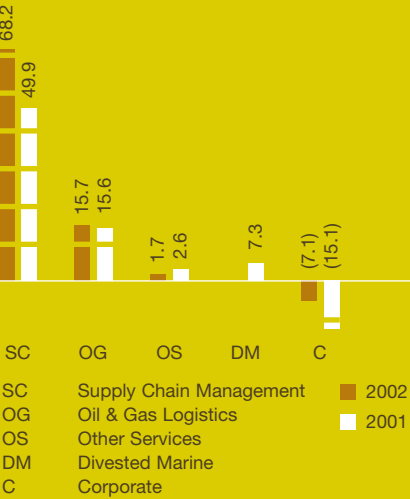
## COMPETITIVE EDGE

- Established regional track record with in-depth knowledge of the Asian customer base
- Globally positioned through strategic global partnership with Kuehne & Nagel
- First-mover advantage in China and India
- Offering comprehensive supply chain management services by harnessing the latest information technology, supply chain optimisation models and decision support tools
- Partnering global leader in supply chain security and asset management – Savi Technology – to develop a secure supply chain management system

## TURNOVER BY BUSINESS (\$m)



## PATMI (EXCLUDING EXCEPTIONAL ITEMS) BY BUSINESS (\$m)







**Tan Kwi Kin**  
President & CEO  
SembCorp Marine

	2002 S\$'000	2001 S\$'000
Revenue	<b>1,006,897</b>	850,064
PATMI	<b>57,342</b>	50,427

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

#### KEY FACTS

- A global leader in marine engineering
- Global network of eight shipyards in key international locations
- The largest ship repair and marine-related facilities east of the Suez, with a combined docking capacity of 2.2 million dwt
- A world leader in the repair of VLCCs, the conversion FPSO/FSO units, and the repair, upgrading and building of jack-ups and semi-submersibles
- A key niche player in the newbuilding of product tankers, feeder container vessels and offshore supply vessels

# Marine Engineering

## STRATEGY

To remain a world leader in ship repair, ship conversion and offshore engineering, we will:

### Build a strong international network of shipyards through our Global Hub Strategy

We continue to strengthen our global presence with a network of strategically located shipyards. We have a substantial sphere of influence in the Asia-Pacific with four shipyards in Singapore, two in China, and one in Indonesia, while our shipyard in Brazil positions us closer to the offshore and conversion markets in the Gulf of Mexico, South America and the West African region. This global presence will enable us to continue to dominate the marine engineering market against the backdrop of increasing competitive pressure from low cost shipyards. We will also continue to explore the establishment of new hubs such as in the Middle East and the European regions.

### Leverage the brands and reputation of our shipyards

Our shipyards operate as distinct brand names and have developed expertise in particular niches. We will capitalise on this strong branding, individual reputations and services to become a market leader

across different segments of the global marine industry.

### Focus on higher value and niche markets

We will continue to leverage our proven capability in handling complex vessels such as Very Large Crude Carriers (VLCC), container vessels, liquid natural gas/liquid petroleum gas tankers, chemical tankers and cruise ships, and will also focus on turnkey projects with high design, engineering and procurement content. We will also continue to grow our niche markets in the construction of container vessels, chemical tankers, conversion of Floating Production, Storage and Offloading (FPSO) systems and Floating Storage and Offloading (FSO) systems and the upgrading of semi-submersibles and jack-ups.

### Enhance long-term partnerships and alliances

We continue to develop long-term alliance partnerships with our customers. These not only provide a stable baseload, but also help the ship owners and shipyards to further develop and improve on our systems and cost structures.

## OPERATIONS REVIEW

Despite continued economic gloom this year, SembCorp Marine (SembMarine) posted a

record-high turnover of S\$1.0 billion for the first time. This was an 18 per cent increase in turnover from 2001. This improvement was mainly due to the increased revenue from newbuildings and ship conversion contracts.

SembMarine's Profit After Tax and Minority Interests (PATMI) contribution to the Group grew 14 per cent to S\$57.3 million, making up 32 per cent of the Group's PATMI. The improvement in profitability came from a healthy orderbook in ship conversion, newbuilding and offshore.

Our orderbook carried over into 2003 was a healthy S\$1.4 billion. In 2002, we secured a US\$244 million contract with Brazil's Petrobras Netherlands BV to convert a VLCC to an FPSO unit (P-50). On completion, the P-50 will be one of the world's largest FPSOs.

Long-term alliances provide a stable clientele base which contributes on average 15 to 25 per cent of our ship repair revenues every year. In 2002, we secured new alliance partners when we signed the Favoured Customer Contracts with Norway's Tschudi & Eitzen and USA's Alaska Tanker as well as an evergreen alliance with BHP & T-Billiton of Australia. Sembawang Shipyard will exclusively retrofit and dry-dock vessels

## ORDERBOOK

As of end-December 2002, our orderbook was S\$1.4 billion at the Group level.

Sector	Project	Value (S\$m)	Client	Completion Date
Newbuilding	Construction of 2 semi-submersibles and 2 jack-ups and container vessels	448	GlobalSantaFe International Corporation and various owners	2003 and 2004
Ship conversion and offshore engineering	Conversions to FPSO, FSO, pipe lay barge, etc	652	Various owners	From 1 <sup>st</sup> quarter 2003 to 2004
Overseas	Topsides and utilities modules	334	Halliburton Productos Ltda & KPSM	End-2003

belonging to these three new alliance partners. We also launched the world's first Ship Repair Alliance e-Collaboration Portal [www.semballiance.com](http://www.semballiance.com) with Shell International Trading and Shipping Company.

We delivered two key projects this year. A S\$50 million contract, done in conjunction with SMOE of SembCorp Utilities, for the fabrication and integration of topside facilities onto an FPSO for the Shell Petroleum Development Company of Nigeria and a S\$67 million Cablesip 'ASEAN Explorer' for ACPL Marine, a leader in the submarine telecommunications fibre optic cable industry.

Our acquisition of Dalian COSCO Marine Engineering took effect in April 2002 with key personnel posted to the Dalian COSCO Marine Engineering yard in China.

Meanwhile, we streamlined our operations in Singapore. Atlantis Shipyard became a wholly-owned subsidiary, and was renamed Jurong SML. Merged with SML's shipyard operations, Jurong SML will now operate as a mid-sized shipyard, giving us a single vehicle specialising in the repair and conversion of mid-sized vessels. We also secured the remaining 35 per cent interest in Karimun Sembawang Shipyard in Indonesia.

SembMarine divested its entire 25.5 per cent share in non-core Jurong Technologies Industrial Corporation for S\$11.8 million, and disposed its 30 per cent interest in MR Tech. In December, we announced plans to unwind our cross-shareholdings in JPL Industries. SembMarine's shareholding in JPL Industries is now 53.8 per cent while Jurong Clavon, a 50 per cent-owned associate of SembMarine, will cease to be a shareholder of JPL Corporation.

In October, the proposed privatisation of our marine engineering unit did not secure the requisite approval of SembMarine's minority shareholders. SembMarine remains a 63.6 per cent-owned listed subsidiary of SembCorp Industries.

### OUTLOOK

With our current orderbook, we expect to maintain our performance in 2003.

Ship repair will remain competitive with increasing competition from low cost centres such as China and Vietnam. However, an increase in freight rates and the more stringent requirements are expected to have positive impact on the market.

Market fundamentals for FPSO/FSOs remain

strong despite short-term geopolitical uncertainties. Offshore deepwater rig utilisation remains strong particularly in West Africa, Brazil and the Asia-Pacific region. There is also a healthy on-going demand for the repair and upgrading of our existing rig fleets. Demand continues to be healthy in the niche market for product tankers, feeder container vessels and offshore supply vessels, while opportunities for the newbuilding of offshore drilling rigs remain bright due to the ageing fleets.

## Glossary

### Newbuildings

The construction of all types of marine vessels. These may be ship-shaped or mobile drilling units such as jack-ups and semi-submersibles.

### Tankers

Vessels of varying sizes that are used for the transportation of crude oil.

### Bulkers

Vessels of varying sizes that are used for transporting dry commodities.

### VLCC

Very Large Crude Carriers of 180,000 dwt to less than 300,000 dwt.

### ULCC

Ultra Large Crude Carriers, usually of 300,000 dwt and above.

### FPSO

Floating Production, Storage and Offloading. These systems are tanker-like vessels moored to the ocean floor. They are able to store oil produced from subsea wells and offload the hydrocarbons to shuttle tankers, and are ideally suited for fields with limited infrastructure. FPSOs are used in deepwater and ultra deepwater endeavours.

### FSO

Floating Storage and Offloading. These systems are used when oil and gas processing is performed at a separate facility.

### Semi-submersible

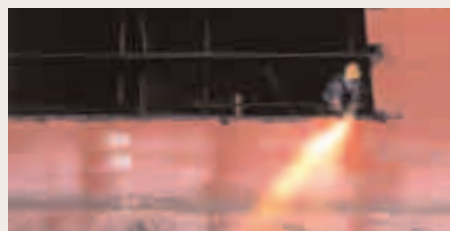
Mobile floating drilling platforms. Also known as Semis. The lower hull is partially submerged and the unit is moored with wires and/or chains or is dynamically positioned. Semis are most often used for the development and exploration drilling in water depths up to 10,000 ft. Semis are used worldwide and are particularly favoured in harsh environments because of their superior motion characteristics.

### Jack-up

Mobile, self-elevating drilling platforms with legs that are lowered to the ocean floor to provide a foundation for the drilling platform, which lies well above the surface to allow storm waves to pass underneath. They are used in water depths of less than 350 ft (shallow water).

### Freight Rate

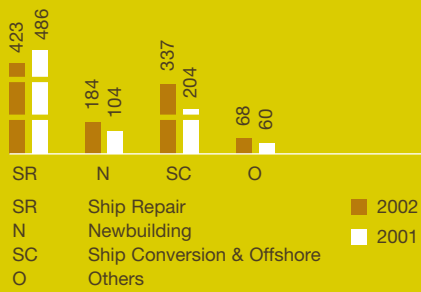
Day charter rates for all types of vessels.



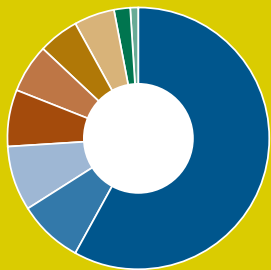
## COMPETITIVE EDGE

- An established reputation with international ship owners and oil majors with more than 30 years of proven track record
- An extensive track record for quality, timely delivery and the ability to handle complex turnkey projects with high Health, Safety and Environment standards and within budget
- Global network of strategically located shipyards providing service hubs along major shipping routes, each with a strong brand name and its own niche market
- Long-term contracts and partner alliance arrangements that provide a stable client base

## TURNOVER BY BUSINESS (\$\$m)



## SHIP REPAIR BY VESSEL TYPE (%)



# Marine Engineering

## GLOBAL NETWORK OF SHIPYARDS

Shipyards	% Ownership	Location	Capacity (dwt)	Facilities	Activities
Jurong Shipyards	100	Singapore	1,100,000	Berthing quays, workshops, cranes	Ship repair, newbuilding, ship conversion offshore engineering
Sembawang Shipyards	100	Singapore	710,000	Berthing quays workshops, cranes	Ship repair, ship conversion and refurbishment and modification of passenger vessels
Jurong SML	100	Singapore	52,500	3 slipways	Repair of small and medium-sized vessels, construction of mid-sized vessels
PPL Shipyards	50	Singapore	–	700 metres water frontage, water depth of 6.5 metres	Design and construction of offshore drilling rigs
Karimun Sembawang Shipyards	100	Karimun, Indonesia	65,000	Workshop and engineering facilities	Ship repair, conversion, steel fabrication and piping works
Bohai Sembawang Shipyards	50	Tianjin, China	85,000	Berths and workshops	Ship repair, conversion, onshore and offshore engineering
Dalian COSCO Marine Engineering	20	Dalian, China	230,000	1,400 metre-long berths and workshops	Ship repair, conversion, offshore engineering
Mauá Jurong	35	Brazil	60,000	Berths and workshops	Shipbuilding, ship repair, topside fabrication, conversion and construction of floating production and drilling units



## OPERATIONS REVIEW

We continued our strategy of divesting our non-core businesses during the year. In 2002, total value unlocked by divestments amounted to S\$391 million.

Turnover from In Development businesses grew by 14 per cent, mainly attributable to better performance from the industrial parks and the sales from some of our Cairnhill property units.

Some of the key divestments made during the year include our disposal of our entire 75 per cent interest in Singapore Food Industries for S\$263 million completed in December. Other significant divestments included the sales of our remaining 20 per cent interest in Singapore Computer Systems, our 25.5 per cent interest in Jurong Technologies Industrial Corporation and our entire 50 per cent share in Neptune Associated Lines.

We also reduced our effective shareholding in Wuxi-Singapore Industrial Park Development from 54.9 per cent to 38.4 per cent. In addition, we also divested 81 per cent of our interest in SembPark Midland Management (formerly Zenith Development).

Pacific Internet performed well and is now profitable. In 2002, PATMI contribution from Pacific Internet was S\$2.1 million, a S\$3.9 million improvement over a net loss of S\$1.8 million in 2001. It celebrated its 7<sup>th</sup> Anniversary, introducing several new services to users including wireless broadband for enterprises and a web acceleration service.

## OUTLOOK

We plan to keep up the pace of our divestments. There is an estimated S\$500 million to S\$600 million of value that may be unlocked from the divestment of our remaining non-core assets. It is our aim to continue recovering more value for our shareholders by monetising these assets at the best feasible prices.



# Shareholders' Information

## STATISTICS OF SHAREHOLDERS AS OF APRIL 1, 2003

Authorised Share Capital:	2,000,000,000 ordinary shares
Issued and fully Paid-up Capital:	1,820,861,507 ordinary shares
Number of Shareholders:	32,576
Class of Shares:	Ordinary Shares of S\$0.25 each with equal voting rights

## Shareholdings held by the public

Based on information available to the Company as of April 1, 2003, 48.51 per cent of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

Substantial Shareholders	Direct Interest	Indirect Interest	Total Interest	%
1 Temasek Holdings (Private) Limited	215,554,693	721,973,167*	937,527,860	51.49
2 Singapore Technologies Pte Ltd	711,254,167	–	711,254,167	39.06
3 Singapore Technologies Holdings Pte Ltd	–	711,254,167*	711,254,167	39.06

\* Temasek is deemed to be interested in the 711,254,167 shares held by Singapore Technologies Pte Ltd, as well as the balance of 10,719,000 shares held by its other subsidiaries. Singapore Technologies Holdings Pte Ltd is also deemed to be interested in the 711,254,167 shares held by Singapore Technologies Pte Ltd.

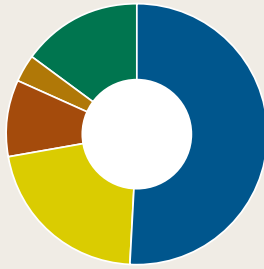
## TOP TWENTY SHAREHOLDERS

No.	Name	No. of Shares Held	%
1	Singapore Technologies Pte Ltd	711,254,167	39.06
2	Temasek Holdings (Private) Limited	215,554,693	11.84
3	Raffles Nominees Pte Ltd	145,768,013	8.00
4	DBS Nominees Pte Ltd	125,925,101	6.91
5	United Overseas Bank Nominees Pte Ltd	92,662,036	5.09
6	Citibank Nominees Singapore Pte Ltd	91,352,963	5.02
7	HSBC (Singapore) Nominees Pte Ltd	57,835,269	3.18
8	DB Nominees (S) Pte Ltd	39,985,291	2.19
9	Oversea-Chinese Bank Nominees Pte Ltd	29,127,689	1.60
10	Startree Investments Pte Ltd	10,000,000	0.55
11	OCBC Securities Private Ltd	7,332,591	0.40
12	Morgan Stanley Asia (Singapore)	6,851,250	0.38
13	GK Goh Stockbrokers Pte Ltd	5,968,728	0.33
14	J M Sassoon & Co (Pte) Ltd	5,081,148	0.28
15	Overseas Union Bank Nominees Pte Ltd	4,355,499	0.24
16	Phillip Securities Pte Ltd	3,575,963	0.20
17	Hong Leong Finance Nominees Pte Ltd	2,719,887	0.15
18	UOB Kay Hian Pte Ltd	2,713,049	0.15
19	DBS Vickers Secs (S) Pte Ltd	2,322,291	0.13
20	Lin Shui Chin	2,023,000	0.11
		<b>1,562,408,628</b>	<b>85.81</b>

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	1,748	5.37	733,906	0.04
1,000 – 10,000	26,091	80.09	94,095,035	5.17
10,001 – 1,000,000	4,711	14.46	155,896,526	8.56
1,000,001 and above	26	0.08	1,570,136,040	86.23
	<b>32,576</b>	<b>100.00</b>	<b>1,820,861,507</b>	<b>100.00</b>

**SHARES OWNERSHIP BY INVESTOR CATEGORY**

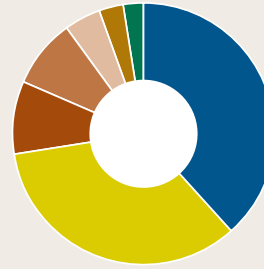
Shareholders as of October 31, 2002



Strategic	50.9%
Institutional	21.4%
Retail	9.5%
Others	3.4%
Below Threshold	14.9%

**SHARES OWNERSHIP BY GEOGRAPHICAL DISTRIBUTION**

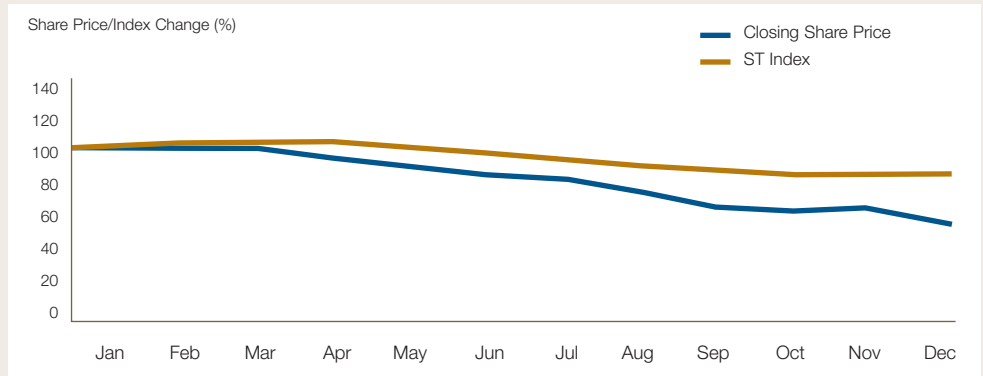
Shareholders as of October 31, 2002



Singapore	38.3%
UK	34.2%
Other Europe	9.0%
U.S.A	8.5%
Japan	4.5%
Hong Kong	2.5%
Others	3.0%

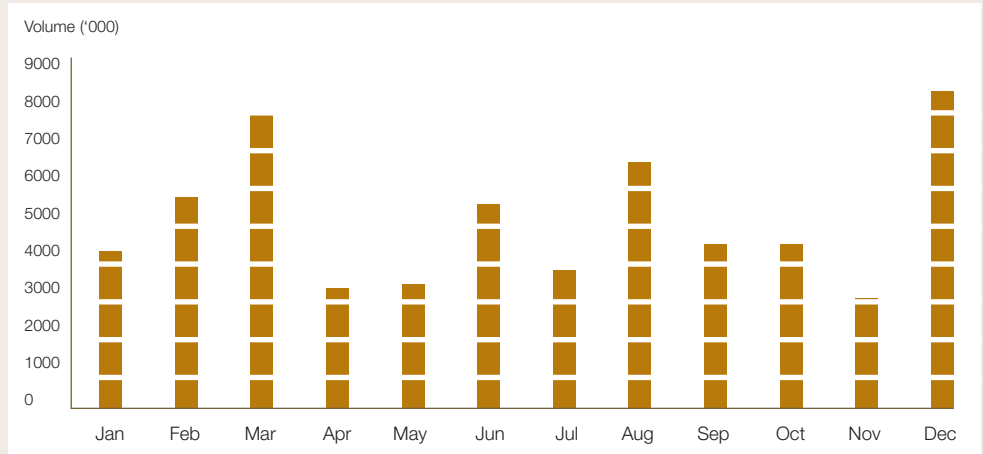
**AVERAGE MONTHLY SHARE PRICE AND STRAITS TIMES INDEX (STI) 2002**

Month	Closing Share Price (S\$)	ST Index
January	1.67	1698.15
February	1.68	1731.99
March	1.65	1792.02
April	1.56	1751.30
May	1.45	1723.80
June	1.36	1608.45
July	1.35	1571.02
August	1.21	1511.34
September	1.01	1421.88
October	0.95	1419.34
November	0.94	1409.44
December	0.79	1354.89



**AVERAGE MONTHLY TRADE VOLUME 2002**

Month	Volume ('000)
January	4160.46
February	5501.88
March	7689.82
April	3164.38
May	3290.11
June	5346.65
July	3589.77
August	6406.03
September	4326.38
October	4309.68
November	2917.83
December	8314.20



Source: Thomson Financial

# Corporate Information

## REGISTERED OFFICE

30 Hill Street, #05-04  
Singapore 179360  
Tel: (65) 6723 3113  
Fax: (65) 6822 3254  
www.sembcorp.com.sg

## DATE OF INCORPORATION

May 20, 1998  
(incorporated as Minaret Limited)

July 22, 1998  
(name changed to SembCorp  
Industries Ltd)

## EFFECTIVE DATE OF MERGER

October 3, 1998

## BOARD OF DIRECTORS

Peter Seah Lim Huat  
*Chairman*

Wong Kok Siew  
*Deputy Chairman & CEO*

Tay Siew Choon  
Lua Cheng Eng  
K Shanmugam  
Lam Chuan Leong  
Tetsuro Kawakami  
Chumpol NaLamlieng  
Goh Geok Ling  
Richard Hale OBE  
S Iswaran

## EXECUTIVE COMMITTEE

Peter Seah Lim Huat  
*Chairman*

Wong Kok Siew  
Goh Geok Ling

## AUDIT COMMITTEE

Lua Cheng Eng  
*Chairman*

K Shanmugam  
Richard Hale OBE

## EXECUTIVE RESOURCE & COMPENSATION / NOMINATING COMMITTEE

Peter Seah Lim Huat  
*Chairman*

Goh Geok Ling  
K Shanmugam

## BUDGET COMMITTEE

Lam Chuan Leong  
*Chairman*

Tay Siew Choon  
*Deputy Chairman*

Wong Kok Siew

## GROUP COMPANY SECRETARY

Linda Hoon

## REGISTRAR

M & C Services Private Limited  
138 Robinson Road, #17-00  
The Corporate Office  
Singapore 068906

## BANKERS

Citibank NA  
3 Temasek Avenue, #17-00, Centennial Tower  
Singapore 039190

Oversea-Chinese Banking Corporation Ltd  
65 Chulia Street, OCBC Centre  
Singapore 049513

United Overseas Bank Ltd  
80 Raffles Place, UOB Plaza  
Singapore 048624

Sumitomo Mitsui Banking Corporation  
3 Temasek Avenue, #06-01, Centennial Tower  
Singapore 039190

The Development Bank of Singapore Limited  
6 Shenton Way, DBS Building  
Singapore 068809

## AUDITORS

KPMG  
Certified Public Accountants  
16 Raffles Quay, #22-00  
Hong Leong Building  
Singapore 048581

Partner-in-Charge: Soo Nam Chow  
(Appointed during the financial year ended  
December 31, 2000)

## CORPORATE MANAGEMENT

Wong Kok Siew  
*Deputy Chairman & CEO*

Low Sin Leng  
*Group Chief Operating Officer*

Lim Joke Mui  
*Group Chief Financial Officer*

Linda Hoon  
*Senior Vice President & General Counsel*  
*Group Legal Operations and*  
*Group Company Secretary*

Kelvin Lee  
*Senior Vice President*  
*Group Corporate Relations*

Lillian Lee  
*Director*  
*Group Human Resource*

Richard Quek  
*Director*  
*Group Strategic Development & Planning*

Goh Kim Leong  
*Director*  
*Group Internal Audit & Organisational*  
*Management*  
*and Chief Risk Management Officer*

Swee Lay Sing  
*Executive Director*  
*Regional Business Japan*

Grace Quek  
*Senior Vice President*  
*Group Business Development*

## LINE MANAGEMENT

### Utilities

Tang Kin Fei  
*President & CEO*  
*SembCorp Utilities*

### Environmental Engineering

Loh Wai Kiew  
*President & CEO*  
*SembCorp Environmental Management*

### Engineering & Construction

Wong Heang Fine  
*President & CEO*  
*SembCorp Engineers and Constructors*

### Logistics

Koh Soo Keong  
*President & CEO*  
*SembCorp Logistics*

### Marine Engineering

Tan Kwi Kin  
*President & CEO*  
*SembCorp Marine*

### In Development

Lye Fei  
*President & CEO*  
*SembCorp Parks Holdings*  
*SembCorp Parks Management*

Chong Phit Lian  
*President & CEO*  
*Singapore Precision Industries*

Tan Tong Hai  
*President & CEO*  
*Pacific Internet*

## SEMBCORP INDUSTRIES

30 Hill Street, #05-04  
Singapore 179360  
Tel: (65) 6723 3113  
Fax: (65) 6822 3254  
www.sembcorp.com.sg

## UTILITIES

### SembCorp Utilities

60 Admiralty Road West, #02-01  
Singapore 759947  
Tel: (65) 6752 2222  
Fax: (65) 6758 6852  
www.sembutilities.com

## INTEGRATED UTILITIES

### SUT Sakra

51 Sakra Avenue  
Singapore 627894  
Tel: (65) 6266 0416  
Fax: (65) 6267 5662  
www.sutononline.com

### SUT Seraya

51 Sakra Avenue  
Singapore 627864  
Tel: (65) 6267 0416  
Fax: (65) 6267 5662  
www.sutononline.com

### Propylene Purification Unit

71 Sakra Avenue  
Singapore 627865  
Tel: (65) 6867 7040 ext 120  
Fax: (65) 6867 6963  
www.sembutilities.com

### SembCorp Air Products

71 Sakra Avenue  
Singapore 627894  
Tel: (65) 6867 7040 ext 120  
Fax: (65) 6867 6963  
www.sembutilities.com

## ENERGY

### SembCorp Gas

80 Sakra Road  
Singapore 627863  
Tel: (65) 6796 9933  
Fax: (65) 6867 7066  
www.sembgas.com

### SembCorp Power

30 Hill Street, #04-02  
Singapore 179360  
Tel: (65) 6236 6280  
Fax: (65) 6223 3376  
www.sembpower.com

### SembCorp Cogen

51 Sakra Avenue  
SUT Building  
Levels 2 & 3  
Singapore 627894  
Tel: (65) 6267 5296  
Fax: (65) 6267 5405

## OFFSHORE ENGINEERING

### SMOE

60 Admiralty Road West, #01-00  
Singapore 759947  
Tel: (65) 6752 2222  
Fax: (65) 6752 8552  
www.smoe.com

## ENVIRONMENTAL ENGINEERING

### SembCorp Environmental Management

3 Lim Teck Kim Road, #08-01  
Singapore Technologies Building  
Singapore 088934  
Tel: (65) 6323 4548  
Fax: (65) 6323 4598  
www.gowaste.com.sg

### SembWaste

3 Lim Teck Kim Road, #08-01  
Singapore Technologies Building  
Singapore 088934  
Customer Service Hotline:  
Tel: (65) 1800 278 6135 (Municipal)  
(65) 6861 2288 (Industrial & Commercial)  
Fax: (65) 6225 4785 (Municipal)  
(65) 6227 1443 (Industrial & Commercial)  
www.gowaste.com.sg

## SembCorp SITA

3 Lim Teck Kim Road, #08-01  
Singapore Technologies Building  
Singapore 088934  
Tel: (65) 6323 4548  
Fax: (65) 6323 4598  
www.gowaste.com.sg

## SembVISY Recycling

12 Tuas Avenue 18  
Singapore 638896  
Tel: (65) 6861 5955 / 6861 5381  
Fax: (65) 6862 1468  
www.gowaste.com.sg

## SembVISY Recycling MRF

12 Tuas Avenue 18  
Singapore 638896  
Tel: (65) 6861 5955 / 6861 5381  
Fax: (65) 6862 1468  
www.gowaste.com.sg

## ENGINEERING & CONSTRUCTION

### SembCorp Engineers and Constructors

60 Admiralty Road West, #03-00  
Singapore 759947  
Tel: (65) 6754 6678  
Fax: (65) 6758 9891  
www.sembcorpenc.com

### SembCorp Simon-Carves

PO Box 17, Cheadle Hulme  
Cheadle, Cheshire  
SK8 5BR  
United Kingdom  
Tel: (44) 0161 486 4000  
Fax: (65) 0161 486 1302  
www.simoncarves.com

### SembCorp (Malaysia)

Suite 1006, 10<sup>th</sup> floor, Menara Amcorp  
Jalan Persiaran Barat, 46200 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel: (603) 7955 5293  
Fax: (603) 7955 5290

# Listings

## **Sempec Indonesia**

Wisma GKB1, 12<sup>th</sup> floor, Suite 1209  
Jl. Jend. Sudirman No. 28  
Jakarta 10210, Indonesia  
Tel: (62-21) 574 1128  
Fax: (62-21) 574 1130

## **SembCorp Infrastructure (India)**

Crest House 1<sup>st</sup> Floor  
#3/1, Langford Road  
Langford Town  
Bangalore 560025, India  
Tel: (91-80) 207 6788/9  
Fax: (91-80) 207 6787

## **SembCorp (Tianjin) Construction Engineering Co.**

Rm 3518, Golden Emperor Building  
20 Nanjing Road, Hexi District  
Tianjin 300041, China  
Tel: (86-22) 2312 3198  
Fax: (86-22) 2312 2452

## **SembCorp Engineers and Constructors Middle East**

Unit 251, LOB 15  
Jebel Ali Free Zone  
Dubai, UAE  
Tel: (9714) 881 5165  
Fax: (9714) 881 9179

## **LOGISTICS**

### **SembCorp Logistics**

5 Clementi Loop  
ST Logistics Centre  
Singapore 129816  
Tel: (65) 6462 2288  
Fax: (65) 6462 8890  
www.semblog.com

### **Singapore Offshore Petroleum Services**

Loyang Offshore Supply Base  
Loyang Crescent  
Singapore 508988  
Tel: (65) 6545 2541  
Fax: (65) 6542 8807  
www.sopsloyang.com

## **Shenzhen ST-Anda Logistics Co.**

18/F, Times Plaza  
No.1 Taizi Road, Shekou  
Shenzhen, 518067 China  
People's Republic of China  
Tel: (86) 755 6819188  
Fax: (86) 755 6819288  
www.st-anda.com

## **SembCorp Logistics (Australia)**

197-201 Barry Road  
Campbellfield VIC 3061  
Australia  
Tel: (61) 3 9357 8082  
Fax: (86) 3 9357 8086  
www.semblog.com.au

## **SembCorp Logistics (India)**

154 & 155 Kodambakkam High Road  
Nungambakkam  
Chennai – 600 034, India  
Tel: (91) 44 823 0054/41  
Fax: (91) 44 823 0050  
www.semcorpindia.com

## **SembCorp Logistics (Taiwan)**

9Fl.-1, YoHo Building, 582, Ruigang Road  
Neihu 114, Taipei  
Taiwan  
Tel: (886) 2 2627 2206  
Fax: (886) 2 2627 2458

## **KPN-ST Logistics Co.**

117 Moo 1 Bangna-Trad Highway Km. 21  
Bangsaothong District, Samutprakarn 10540  
Thailand  
Tel: (662) 740 1740  
Fax: (662) 312 8436  
www.kpnstl.co.th

## **SembCorp Logistics (Malaysia)**

Lot. 4 Jalan Sultan Mohd. 3  
Kaw. Perind. Bandar Sultan Sulaiman  
Nungambakkam 42000 Port Kelang  
Selangor D.E., Malaysia  
Tel: (603) 3176 6112/115  
Fax: (603) 3176 6117

## **Kuehne & Nagel International**

Kuehne & Nagel-Haus  
CH-8834 Schindellegi  
Tel: (41) (1) 78 69-551  
Fax: (41) (1) 78 69-651  
www.kuehne-nagel.com

## **MARINE ENGINEERING**

### **SembCorp Marine**

29 Tanjong Kling Road  
Singapore 628054  
Tel: (65) 6265 1766  
Fax: (65) 6261 0738  
www.semcorpmarine.com.sg

## **IN DEVELOPMENT**

### **The Singapore Mint**

(A division of Singapore Precision Industries Pte Ltd)  
20 Teban Gardens Crescent  
Singapore 608928  
Tel: (65) 6566 2626  
Fax: (65) 6565 2626  
www.mint.com.sg

### **SembCorp Parks Holdings**

3 Lim Teck Kim Road, #12-02  
Singapore Technologies Building  
Singapore 088934  
Tel: (65) 6221 5374  
Fax: (65) 6222 1994  
www.sembspark.com.sg

### **Pacific Internet**

#04-09/14, Cintech III  
Singapore 118256  
Tel: (65) 6872 0622  
Fax: (65) 6872 6334  
www.pacific.net.sg



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# Directors' Report

Year ended December 31, 2002

Our report, together with the financial statements of the Group for the year ended December 31, 2002, were approved by the directors on February 10, 2003. Subsequent to that date and as further detailed in note 1(a) to the revised financial statements, the previous financial statements of the Group were revised to take into account the impairment loss recognised by an associate in respect of its investment in a subsidiary. The revised financial statements were authorised for issue by the Board of Directors on April 8, 2003. We are pleased to submit this annual report to the members of the Company together with the audited revised financial statements for the financial year ended December 31, 2002.

## DIRECTORS

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

Peter Seah Lim Huat  
Wong Kok Siew  
Tay Siew Choon  
Lua Cheng Eng  
K Shanmugam  
Lam Chuan Leong  
Tetsuro Kawakami  
Chumpol NaLamlieng  
Goh Geok Ling  
Richard Hale OBE  
S Iswaran (Appointed on January 13, 2003)

## PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year have been those of an investment holding company, as well as the corporate headquarters which gives direction, provides management services and integrates the activities of its subsidiaries.

The subsidiaries were involved in five key businesses as follows:

### (i) Utilities

Its principal activities are in power, gas, utilities and specialised chemical feedstock industries. It is the provider of utilities and terminal services on Jurong Island. It also invests in, manages and operates power generation plants in Singapore and in the region. It is also involved in engineering, construction and fabrication of offshore platforms, modules and floating production systems for oil and gas companies worldwide.

### (ii) Environmental Engineering

The business provides integrated waste management services in the Asia-Pacific region. Its activities include waste collection and transportation, industrial cleaning, waste re-cycling and re-use, waste-to-energy incineration, landfilling and consultancy and engineering.

### (iii) Engineering & Construction

It is an Engineering & Construction service provider with principal activities ranging from turnkey construction, design consultancy, infrastructure development, and project management. It is also involved in petrochemical, chemical and industrial process engineering and manufacturing of precast components.

### (iv) Logistics

Its principal activities are in supply chain management and offshore logistics. It provides one-stop integrated logistics management services including automated warehouse and inventory management. The business operates offshore supply bases in Singapore, China and Thailand.

### (v) Marine Engineering

This business focuses principally on ship repair, shipbuilding, specialised ship conversions and offshore structures.

In addition, the Group is involved in the following businesses (collectively referred to as "In Development"):

#### Minting

The minting business covers design and minting of circulation coins, production of commemorative issues, and sale of numismatic items.

## Directors' Report

Year ended December 31, 2002

### PRINCIPAL ACTIVITIES *(continued)*

#### Industrial Parks

It invests, owns, operates and manages five industrial parks in Riau Indonesia, China and Vietnam.

#### Internet Services Provider

It provides internet access and related on-line services.

#### Others

Other principal activities include trading of granite and the manufacturing of ready-mixed concrete, asphalt premix, graded stones and cement, investment in and management of development properties, hotels and resorts.

The food processing and distribution business was sold in December 2002. The business was involved in food importing, wholesale and retail distribution, processing and manufacture of food products, institutional catering, provision of abattoir and hog auctioning services.

Except for the disposal of food processing and distribution business, there have been no significant changes in the principal activities of the Company and the Group during the financial year.

### ACQUISITIONS AND DISPOSALS OF INTERESTS IN SUBSIDIARIES

During the financial year, there were the following acquisitions, incorporations and disposals of subsidiaries:

	Equity interest acquired	Net tangible assets acquired	Consideration
	%	\$'000	\$'000
<b>(a) ACQUISITIONS OF INTERESTS IN SUBSIDIARIES:</b>			
<b>The Company</b>			
SembCorp Marine Ltd	0.71	6,572	8,760
<b>Utilities</b>			
SembCorp Air Products (Hyco) Pte Ltd	15.0	4,114	6,342
<b>Environmental Engineering</b>			
Singapore Environmental Management and Engineering Services Pte Ltd	40.0	400	400
SembVISY Recycling MRF Pte Ltd #	100.0	*	*
# Subsequent to the acquisition, the equity interest in SembVISY Recycling MRF Pte Ltd was diluted to 60% arising from the issuance of 4 new ordinary shares each to the Company and a minority shareholder.			
<b>Logistics</b>			
BaroMedical Services (Asia) Pte Ltd	8.5	379	408
SembCorp Logistics (Malaysia) Sdn Bhd	30.2	186	186
<b>Marine Engineering</b>			
JPL Concrete Products Pte Ltd	16.3	610	1,048
Jurong SML Pte Ltd (formerly known as Atlantis Shipyard Pte Ltd)	65.0	12,449	14,300
<b>In Development</b>			
S Daniels Plc @	67.5	24,667	45,200
Unitech Prefab Limited	39.7	2,986	4,480
Wuxi Garden City Mall Hotel Co., Ltd	25.0	*	*

@ Part of Singapore Food Industries Limited which was disposed of in December 2002.

### (b) INCORPORATION OF SUBSIDIARIES:

	Place of incorporation	Effective interest held by the group
		%
<b>Logistics</b>		
SembCorp Logistics (Taiwan) Limited	Republic of China	31.43

# Directors' Report

Year ended December 31, 2002

## ACQUISITIONS AND DISPOSALS OF INTERESTS IN SUBSIDIARIES *(continued)*

### (c) DISPOSAL OF INTERESTS IN SUBSIDIARIES:

	Equity interest disposed	Share of net tangible assets/ (liabilities) disposed	Consideration
	%	\$'000	\$'000
<b>Marine Engineering</b>			
JPL Industries Pte Ltd	9.7	1,603	1,440
<b>In Development</b>			
SembPark Midland Management Pte Ltd	81.0	(89)	*
Singapore Food Industries Limited and its subsidiaries	75.0	75,096	262,500
Wuxi Singapore Industrial Park Development Co., Ltd	22.0	*	*

\* Amount was less than \$1,000.

### (d) DILUTION OF INTERESTS IN SUBSIDIARIES:

The Group's effective interest in SembCorp Logistics Ltd was diluted from 61.70% to 61.62% following the issue of new shares by SembCorp Logistics Ltd.

### (e) SUBSIDIARIES UNDER LIQUIDATION/DE-REGISTRATION:

#### (i) Under voluntary liquidation:

Contech-Meyer Development Pte Ltd  
 Contech Remedial Engineering Pte Ltd  
 Dilmun Navigation (Singapore) Pte Ltd  
 Keleste (Singapore) Pte Ltd  
 Lam Guan Development Pte Ltd  
 PTA Industries Sdn Bhd  
 Sembawang Alsuwaiket Arabia Ltd  
 Sembawang Development & Management Pte Ltd  
 Sembwin Pte Ltd  
 Semjom Agencies Pte Ltd  
 Singapore Technologies Industrial B.V.  
 SML Ocean Shipping (I) Pte Ltd  
 Specon Builders Pte Ltd  
 Tembeling Development Pte Ltd  
 Vietnam Singapore International Marketing Pte Ltd  
 Water Jet Netherlands Antilles N.V.  
 Water Jet Shipping Corporation  
 Wong Heng Engineering Pte Ltd

#### (ii) Under de-registration:

Brooktree Resources Limited  
 Mandino Pte Ltd

## Directors' Report

Year ended December 31, 2002

### ACQUISITIONS AND DISPOSALS OF INTERESTS IN SUBSIDIARIES *(continued)*

#### (f) SUBSIDIARIES LIQUIDATED/DE-REGISTERED:

Air Tech Products Pte Ltd  
 Enviro Consult Singapore Pte Ltd  
 Inpact Enterprise Pte Ltd  
 RDC Development Pte Ltd  
 Seletaris Investments Limited  
 Sembawang Chemicals Pte Ltd  
 Sembawang Corporation Holdings Pte Ltd  
 Sembawang Food Investment Pte Ltd  
 Sembawang Industrial Manufacturing Pte Ltd  
 Sembawang Reefer Lines (Bahamas) Ltd  
 Sembawang Reefer Lines (Jambu) Pte Ltd  
 Sembawang Repromac Pte Ltd  
 Sembawang Services Pte Ltd  
 Sembawang Shipyard (India) Pte Ltd  
 Sembawang SMI Asia Pte Ltd  
 Sembawang (UK) Ltd  
 Spire Properties Pte Ltd  
 Thomas Walk Properties Pte Ltd  
 Unipacific Investments Corporation  
 Ventura Development (DST) Pte Ltd  
 Zippy Properties Pte Ltd

### FINANCIAL RESULTS

The results of the Group and of the Company for the financial year are as follows:

	<b>The Group</b>	<b>The Company</b>
	\$'000	\$'000
Profit after taxation	247,512	50,773
Minority interests	(69,179)	–
Profit attributable to members of the Company	<u>178,333</u>	<u>50,773</u>

# Directors' Report

Year ended December 31, 2002

## TRANSFERS TO AND FROM RESERVES AND PROVISIONS

The following material transfers to and from reserves were made during the financial year:

	<u>The Group</u>	<u>The Company</u>
	\$'000	\$'000
<b>Increase/(decrease) in reserves:</b>		
<b>Share Premium Account</b>		
• Issue of shares under equity placement	285,203	285,203
• Issue of shares upon exercise of share options	627	627
<b>Capital Reserves</b>		
• Share of reserve of associates	35	–
• Realisation of capital reserve upon disposal of associates and changes in group structure	(7,718)	–
• Goodwill on acquisition of subsidiary previously written off against capital reserve	19,390	–
• Utilisation of premium on redemption of bonds	(222)	–
<b>Currency Translation Reserve</b>		
• Exchange differences on consolidation	870	–
• Exchange differences on net investments in foreign entities	(727)	–
• Realisation upon disposal of a subsidiary and an associate	649	–
<b>Revenue Reserve</b>		
• Profit for the year	178,333	50,773
• Realisation of capital reserve upon disposal of an associate	2,250	–
• Final dividend for the year 2001	(42,608)	(42,608)
• Effect of adopting new/revised Singapore Statements of Accounting Standard	(5,794)	–

Material movements in provisions (including allowance, impairment, depreciation and amortisation) are as set out in the notes to the accompanying financial statements.

## ISSUES OF SHARES AND DEBENTURES

During the financial year, the Company issued the following ordinary shares of \$0.25 each fully paid for cash:

- 213,900,000 ordinary shares at a premium of \$1.37 per share and 106,950,000 warrants pursuant to a private placement. Proceeds from the share issue are to fund future investments and acquisitions to expand the Group's five key business areas, namely, utilities, engineering and construction, environmental engineering, logistics and marine engineering, and for general working capital purposes. The warrants carry the right to subscribe for 106,950,000 ordinary shares of \$0.25 per share at an exercise price of \$1.7334 over an exercisable period from February 28, 2002 to February 28, 2003.
- 618,608 ordinary shares at a premium upon the exercises of the options under the Company's Executives' Share Option Scheme.



## Directors' Report

Year ended December 31, 2002

### ISSUES OF SHARES AND DEBENTURES *(continued)*

There were the following changes to the share capital of the subsidiaries during the financial year:

#### Issue of Shares

Name of subsidiaries	Description of shares issued	Purpose of issue
SembCorp Air Products (Hyco) Pte Ltd	1,500,000 ordinary shares of \$1 each fully paid at par for cash	To provide additional working capital
SembVISY Recycling MRF Pte Ltd	8 ordinary shares of \$1 each fully paid at par for cash	To incorporate the company
SembCorp Engineers and Constructors Pte Ltd	Reclassification of its authorised share capital of \$200,000,000 divided into 200,000,000 ordinary shares of \$1 each to 190,000,000 ordinary shares of \$1 each and 1,000,000,000 redeemable preference shares of \$0.01 each	
	70,000,000 redeemable preference shares of \$0.01 each at a premium of \$0.99 each fully paid for cash	To provide additional working capital
SembCorp Logistics Ltd	1,165,024 ordinary shares of \$0.25 each at a premium fully paid for cash	Options exercised under Executives' Share Option Scheme
SembCorp Logistics (Taiwan) Limited	3,921,569 ordinary shares of NT\$10 each fully paid at par for cash	To incorporate the company and to provide initial working capital
SembCorp Zenecon Pte Ltd	1,470,000 ordinary shares of \$1 each fully paid at par for cash	To provide additional working capital
SembCorp Marine Ltd	8,181,000 ordinary shares of \$0.10 each at a premium fully paid for cash	Options exercised under the share option plan
JPL Industries Pte Ltd	1,048,000 ordinary shares of \$1 each fully paid at par for cash	To provide additional working capital
RDC Holdings Pte Ltd	10,000,000 ordinary shares of \$1 each fully paid at par for cash	To provide additional working capital
RDC International Pte Ltd	10,000,000 ordinary shares of par \$1 each fully paid at par for cash	To provide additional working capital
SembCorp Investment Ltd (formerly known as STIC Garden City Hotels Pte Ltd)	45,000,000 ordinary shares of \$1 each fully paid at par for cash	To provide funds for purchase of property, plant and equipment
SembOCL Pte Ltd	1,093,400 ordinary shares of \$1 each fully paid at par for cash	To provide additional working capital

No debentures were issued by the Company or its subsidiaries during the year.

#### Capital Reduction

During the financial year, the issued and paid up share capital of a subsidiary, Singapore Precision Industries Pte Ltd, was reduced by \$13,000,000 to \$15,000,000 divided into 15,000,000 ordinary shares of \$1 each following a capital reduction exercise that was effected by a Special Resolution duly passed at an Extraordinary General Meeting of the subsidiary on March 4, 2002. This capital reduction was approved by the High Court of the Republic of Singapore on June 3, 2002.

## Directors' Report

Year ended December 31, 2002

### DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Cap. 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
<b>Peter Seah Lim Huat</b>						
SembCorp Industries Ltd	Options to subscribe for ordinary shares of \$0.25 each at – \$1.99 per share	27/6/2001 to 26/6/2005	140,000	140,000	–	–
	– \$1.55 per share	20/4/2002 to 19/4/2006	140,000	140,000	–	–
	– \$1.59 per share	8/5/2003 to 7/5/2007	–	70,000	–	–
	– \$0.98 per share	18/10/2003 to 17/10/2007	–	70,000	–	–
CapitalLand Limited	Ordinary shares of \$1.00 each	–	113,000	113,000	–	–
	Options to subscribe for ordinary shares of \$1.00 each at \$1.71 per share	11/5/2003 to 10/5/2007	–	90,000	–	–
Chartered Semiconductor Manufacturing Ltd	Options to subscribe for ordinary shares of \$0.26 each at – \$3.46 per share	22/2/2003 to 22/2/2007	–	23,443	–	–
	– \$1.86 per share	30/8/2003 to 30/8/2007	–	46,887	–	–
Singapore Technologies Engineering Ltd	Options to subscribe for ordinary shares of \$0.10 each at \$1.92 per share	13/8/2003 to 12/8/2007	–	89,000	–	–
StarHub Pte Ltd	Options to subscribe for ordinary shares of \$0.10 each at \$0.22 per share	30/11/2003 to 29/11/2010	–	150,000	–	–
STT Communications Ltd	Options to subscribe for ordinary shares of \$0.50 each at \$0.50 per share	29/6/2003 to 28/6/2012	–	8,000	–	–

## Directors' Report

Year ended December 31, 2002

### DIRECTORS' INTERESTS (continued)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
<b>Peter Seah Lim Huat</b> (continued)						
The Ascott Group Limited	Options to subscribe for ordinary shares of \$0.20 each at \$0.353 per share	4/5/2003 to 3/5/2007	–	12,000	–	–
Singapore Telecommunications Ltd	Ordinary shares of \$0.15 each	–	3,310	3,360	–	–
<b>Wong Kok Siew</b>						
SembCorp Industries Ltd	Ordinary shares of \$0.25 each	–	236,446	636,446	–	–
	Options to subscribe for ordinary shares of \$0.25 each at – \$2.26 per share	20/5/2001 to 19/5/2009	500,000	500,000	–	–
	– \$1.99 per share	27/6/2001 to 26/6/2010	500,000	500,000	–	–
	– \$1.55 per share	20/4/2002 to 19/4/2011	500,000	500,000	–	–
	– \$1.59 per share	8/5/2003 to 7/5/2012	–	400,000	–	–
	– \$0.98 per share	18/10/2003 to 17/10/2012	–	400,000	–	–
	Conditional award of 280,000 performance shares to be delivered after 2002 (Note 1a)	–	Up to 560,000	Up to 560,000	–	–
	Conditional award of 300,000 performance shares to be delivered after 2003 (Note 1b)	–	Up to 600,000	Up to 600,000	–	–
	Conditional award of 400,000 performance shares to be delivered after 2004 (Note 1c)	–	–	Up to 800,000	–	–

**Note 1:** The actual number delivered will depend on the achievement of set targets over a 3-year period as indicated below. Achievement of targets below 80% level will mean no performance shares will be delivered, while achievement up to 200% will mean up to twice the number of conditional performance shares awarded could be delivered.

- (a) Period from 2000 to 2002
- (b) Period from 2001 to 2003
- (c) Period from 2002 to 2004

# Directors' Report

Year ended December 31, 2002

## DIRECTORS' INTERESTS *(continued)*

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
<b>Wong Kok Siew</b> <i>(continued)</i>						
SembCorp Industries Ltd	Conditional award of 1,000,000 restricted shares	–	–	800,000 (Note 2)	–	–
SembCorp Logistics Ltd	Options to subscribe for ordinary shares of \$0.25 each at					
	– \$2.50375 per share	29/6/2001 to 28/6/2005	80,000	80,000	–	–
	– \$1.8375 per share	16/5/2002 to 15/5/2006	120,000	120,000	–	–
	– \$2.01 per share	28/2/2003 to 27/2/2007	–	200,000	–	–
SembCorp Marine Ltd	Ordinary shares of \$0.10 each	–	–	75,000	–	–
	Options to subscribe for ordinary shares of \$0.10 each at					
	– \$0.70 per share	8/9/2001 to 7/9/2005	300,000	225,000	–	–
	– \$0.66 per share	28/9/2002 to 27/9/2006	250,000	250,000	–	–
	– \$0.90 per share	8/11/2003 to 7/11/2007	–	250,000	–	–

**Note 2:** 1,000,000 SembCorp Industries Shares are comprised in conditional awards of restricted stocks granted to Wong Kok Siew pursuant to the SembCorp Industries Restricted Stock Plan subject to completion of the vesting period referred to below and Wong Kok Siew continuing to be in the employment of the SembCorp Industries Group at the time of the vesting. Of the 1,000,000 SembCorp Industries Shares:

- (i) 200,000 SembCorp Industries Shares were awarded on August 20, 2002;
- (ii) 200,000 SembCorp Industries Shares will vest on August 20, 2003;
- (iii) 200,000 SembCorp Industries Shares will vest on August 20, 2004;
- (iv) 200,000 SembCorp Industries Shares will vest on August 20, 2005; and
- (v) 200,000 SembCorp Industries Shares will vest on August 20, 2006;

If Wong Kok Siew ceases to be in the employment of the SembCorp Industries Group before the completion of each vesting date, his awards of all SembCorp Industries Shares not vested will lapse with immediate effect and become null and void but he will be entitled to retain all SembCorp Industries Shares which have vested on or before the date of his cessation of employment.

## Directors' Report

Year ended December 31, 2002

### DIRECTORS' INTERESTS (continued)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
<b>Wong Kok Siew (continued)</b>						
Raffles Holdings Limited	Ordinary shares of \$0.50 each	–	10,000	10,000	–	–
Singapore Food Industries Limited	Ordinary shares of \$0.05 each	–	80,000	80,000	–	–
	Options to subscribe for ordinary shares of \$0.05 each at					
	– \$0.78 per share	30/10/2001 to 29/10/2009	100,000	100,000	–	–
	– \$0.55 per share	24/8/2001 to 23/8/2005	200,000	200,000	–	–
	– \$0.69 per share	28/7/2002 to 27/7/2006	120,000	120,000	–	–
	– \$0.78 per share	9/8/2003 to 8/8/2007	–	120,000	–	–
Singapore Technologies Engineering Ltd	Ordinary shares of \$0.10 each	–	5,137	5,137	–	–
ST Assembly Test Services Ltd	Ordinary shares of \$0.25 each	–	2,000	2,000	–	–
Vertex Venture Holdings Ltd	Ordinary shares of \$0.20 each	–	2,635	– (Note 3)	–	–
Pacific Internet Ltd	Options to subscribe for ordinary shares of \$2.00 each at					
	– US\$32.48 per share	10/11/2000 to 9/11/2004	8,000	8,000	–	–
	– US\$25.60 per share	25/4/2001 to 24/4/2005	6,000	6,000	–	–
	– US\$3.60 per share	10/1/2002 to 9/1/2006	6,000	6,000	–	–
Singapore Telecommunications Ltd	Ordinary shares of \$0.15 each	–	3,110	3,420	–	–

**Note 3:** On September 20, 2002, The Development Bank of Singapore Ltd announced, for and on behalf of Ellensburg Holdings Pte. Ltd. ("Offeror"), a wholly-owned subsidiary of Singapore Technologies Pte Ltd that the Offeror intends to make a voluntary conditional cash offer ("Offer") for all the issued ordinary shares of \$0.20 each ("Shares") in the capital of Vertex Venture Holdings Ltd ("VH"). The Offer became unconditional in all respects on October 23, 2002 and closed at 3.30 p.m. on November 22, 2002. On December 9, 2002, the Offeror exercised its right of compulsory acquisition to acquire the Shares of the VH shareholders who had not accepted the Offer or had failed or refused to accept the Offer by 3.30 p.m. on November 22, 2002. VH was delisted from the Official List of the Singapore Exchange Securities Trading Limited on December 12, 2002.

# Directors' Report

Year ended December 31, 2002

## DIRECTORS' INTERESTS *(continued)*

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
<b>Tay Siew Choon</b>						
SembCorp Industries Ltd	Ordinary shares of \$0.25 each	–	54,598	54,598	–	–
	Options to subscribe for ordinary shares of \$0.25 each at – \$2.535 per share	11/4/1999 to 10/4/2002	144,611	–	–	–
	– \$1.294 per share	22/4/2000 to 20/4/2003	224,295	224,295	–	–
	– \$2.26 per share	20/5/2001 to 19/5/2009	500,000	500,000	–	–
	– \$1.99 per share	27/6/2001 to 26/6/2010	500,000	500,000	–	–
	– \$1.55 per share	20/4/2002 to 19/4/2006	50,000	50,000	–	–
	– \$1.59 per share	8/5/2003 to 7/5/2007	–	25,000	–	–
	– \$0.98 per share	18/10/2003 to 17/10/2007	–	25,000	–	–
SembCorp Logistics Ltd	Options to subscribe for ordinary shares of \$0.25 each at \$2.50375 per share	29/6/2001 to 28/9/2002	60,000	–	–	–
CapitalLand Limited	Options to subscribe for ordinary shares of \$1.00 each at – \$2.54 per share	12/6/2001 to 12/6/2005	53,850	53,850	–	–
	– \$2.50 per share	19/6/2002 to 18/6/2006	50,000	50,000	–	–
	– \$1.71 per share	11/5/2003 to 10/5/2007	–	40,000	–	–



## Directors' Report

Year ended December 31, 2002

### DIRECTORS' INTERESTS (continued)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
<b>Tay Siew Choon</b> (continued)						
Chartered Semiconductor Manufacturing Ltd	Options to subscribe for ordinary shares of \$0.26 each at – \$4.26 per share #	15/8/2002 to 15/8/2006	23,443#	23,443	–	–
	– \$3.46 per share	22/2/2003 to 22/2/2007	–	29,304	–	–
	– \$3.88 per share	1/5/2003 to 1/5/2007	–	234,439	–	–
	– \$1.86 per share	30/8/2003 to 30/8/2007	–	46,887	–	–
Raffles Holdings Limited	Ordinary shares of \$0.50 each	–	10,000	10,000	–	–
Singapore Computer Systems Limited	Ordinary shares of \$0.25 each	–	371,000	571,000	–	–
	Options to subscribe for ordinary shares of \$0.25 each at – \$2.20 per share	19/10/2001 to 18/10/2005	80,000	80,000	–	–
	– \$2.08 per share	15/3/2002 to 14/3/2006	100,000	100,000	–	–
	– \$1.55 per share	8/3/2003 to 7/3/2007	–	75,000	–	–
	Conditional award of 600,000 restricted shares	–	–	600,000 (Note 4)	–	–

# The number of shares and exercise price have been adjusted for the effect of rights issue during the financial year.

**Note 4:** 600,000 Singapore Computer Systems Limited ordinary shares of \$0.25 each ("SCS shares") are conditional awards of restricted stocks granted to Tay Siew Choon pursuant to the Green Dot Capital Restricted Stock Plan, with the following vesting period:

- (i) 200,000 SCS shares will vest on June 30, 2003;
- (ii) 200,000 SCS shares will vest on June 30, 2004; and
- (iii) 200,000 SCS shares will vest on June 30, 2005;

# Directors' Report

Year ended December 31, 2002

## DIRECTORS' INTERESTS (continued)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
<b>Tay Siew Choon</b> (continued)						
Singapore Food Industries Limited	Ordinary shares of \$0.05 each	–	270,000	520,000	–	–
	Options to subscribe for ordinary shares of \$0.05 each at – \$0.78 per share	30/10/2001 to 29/10/2004	200,000	–	–	–
	– \$0.55 per share	24/8/2001 to 23/8/2005	200,000	150,000	–	–
SNP Corporation Ltd	Options to subscribe for ordinary shares of \$0.50 each at – \$0.50 per share	23/4/2002 to 22/4/2011	20,000	20,000	–	–
	– \$0.71 per share	17/4/2003 to 16/4/2007	–	50,000	–	–
ST Assembly Test Services Ltd	Ordinary shares of \$0.25 each	–	4,000	4,000	–	–
STT Communications Ltd	Options to subscribe for ordinary shares of \$0.50 each at – \$1.42 per share	19/9/2001 to 18/9/2010	100,000	100,000	–	–
	– \$0.92 per share	28/4/2002 to 27/4/2011	15,000	15,000	–	–
	– \$0.50 per share	24/11/2002 to 23/11/2011	30,000	30,000	–	–
	– \$0.50 per share	29/6/2003 to 28/6/2012	–	80,000	–	–
The Ascott Group Limited	Options to subscribe for ordinary shares of \$0.20 each at – \$0.37 per share	20/12/2001 to 19/12/2010	10,000	10,000	–	–
	– \$0.32 per share	29/6/2002 to 28/6/2011	12,000	12,000	–	–
	– \$0.353 per share	4/5/2003 to 3/5/2012	–	12,000	–	–
Vertex Investment (II) Ltd	Ordinary shares of US\$1.00 each	–	–	–	2	2

## Directors' Report

Year ended December 31, 2002

### DIRECTORS' INTERESTS (continued)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
<b>Tay Siew Choon</b> (continued)						
Vertex Technology Fund Ltd	Ordinary shares of US\$1.00 each	–	–	–	20	20
Vertex Technology Fund (II) Ltd	Ordinary shares of US\$1.00 each	–	–	–	500	500
	Redeemable preference shares of US\$0.01 each	–	–	–	500	500
Vertex Venture Holdings Ltd	Ordinary shares of \$0.20 each	–	71,208	– (Note 3)	–	–
Pacific Internet Ltd	Options to subscribe for ordinary shares of \$2.00 each at US\$32.48 per share	10/11/2000 to 9/11/2004	8,000	8,000	–	–
SMRT Corporation Ltd	Ordinary shares of \$0.10 each	–	–	–	30,000	30,000
Singapore Telecommunications Ltd	Ordinary shares of \$0.15 each	–	3,110	3,220	–	–
<b>Lua Cheng Eng</b>						
SembCorp Industries Ltd	Options to subscribe for ordinary shares of \$0.25 each at					
	– \$1.99 per share	27/6/2001 to 26/6/2005	70,000	70,000	–	–
	– \$1.55 per share	20/4/2002 to 19/4/2006	140,000	140,000	–	–
	– \$1.59 per share	8/5/2003 to 7/5/2007	–	70,000	–	–
	– \$0.98 per share	18/10/2003 to 17/10/2007	–	70,000	–	–

**Note 3:** On September 20, 2002, The Development Bank of Singapore Ltd announced, for and on behalf of Ellensburg Holdings Pte. Ltd. ("Offeror"), a wholly-owned subsidiary of Singapore Technologies Pte Ltd that the Offeror intends to make a voluntary conditional cash offer ("Offer") for all the issued ordinary shares of \$0.20 each ("Shares") in the capital of Vertex Venture Holdings Ltd ("VVH"). The Offer became unconditional in all respects on October 23, 2002 and closed at 3.30 p.m. on November 22, 2002. On December 9, 2002, the Offeror exercised its right of compulsory acquisition to acquire the Shares of the VVH shareholders who had not accepted the Offer or had failed or refused to accept the Offer by 3.30 p.m. on November 22, 2002. VVH was delisted from the Official List of the Singapore Exchange Securities Trading Limited on December 12, 2002.

# Directors' Report

Year ended December 31, 2002

## DIRECTORS' INTERESTS *(continued)*

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
<b>Lua Cheng Eng</b> <i>(continued)</i>						
SembCorp Marine Ltd	Options to subscribe for ordinary shares of \$0.10 each at – \$0.70 per share	8/9/2001 to 7/9/2005	150,000	75,000	–	–
	– \$0.66 per share	28/9/2002 to 27/9/2006	130,000	97,500	–	–
	– \$0.90 per share	8/11/2003 to 7/11/2007	–	130,000	–	–
Singapore Telecommunications Ltd	Ordinary shares of \$0.15 each	–	3,080	3,480	–	–
<b>K Shanmugam</b>						
SembCorp Industries Ltd	Options to subscribe for ordinary shares of \$0.25 each at – \$1.99 per share	27/6/2001 to 26/6/2005	70,000	70,000	–	–
	– \$1.55 per share	20/4/2002 to 19/4/2006	70,000	70,000	–	–
	– \$1.59 per share	8/5/2003 to 7/5/2007	–	35,000	–	–
	– \$0.98 per share	18/10/2003 to 17/10/2007	–	35,000	–	–
Chartered Semiconductor Manufacturing Ltd	Ordinary shares of \$0.26 each	–	90,000	200,000	–	–
Vertex Technology Fund (II) Ltd	Ordinary shares of US\$1.00 each	–	10	10	–	–
	Redeemable preference shares of US\$0.01 each	–	10	10	–	–
Singapore Airlines Ltd	Ordinary shares of \$0.50 each	–	9,000	–	–	–
Singapore Telecommunications Ltd	Ordinary shares of \$0.15 each	–	3,240	3,360	–	–

## Directors' Report

Year ended December 31, 2002

### DIRECTORS' INTERESTS (continued)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
<b>Lam Chuan Leong</b>						
Singapore Telecommunications Ltd	Ordinary shares of \$0.15 each	–	3,640	3,760	–	–
<b>Tetsuro Kawakami</b>						
SembCorp Industries Ltd	Ordinary shares of \$0.25 each	–	–	–	10,000	10,000
	Options to subscribe for ordinary shares of \$0.25 each at – \$1.99 per share	27/6/2001 to 26/6/2005	35,000	35,000	–	–
	– \$1.55 per share	20/4/2002 to 19/4/2006	35,000	35,000	–	–
	– \$1.59 per share	8/5/2003 to 7/5/2007	–	17,500	–	–
	– \$0.98 per share	18/10/2003 to 17/10/2007	–	17,500	–	–
<b>Chumpol NaLamlieng</b>						
SembCorp Industries Ltd	Options to subscribe for ordinary shares of \$0.25 each at – \$1.99 per share	27/6/2001 to 26/6/2005	30,000	30,000	–	–
	– \$1.55 per share	20/4/2002 to 19/4/2006	35,000	35,000	–	–
	– \$1.59 per share	8/5/2003 to 7/5/2007	–	17,500	–	–
	– \$0.98 per share	18/10/2003 to 17/10/2007	–	17,500	–	–
Singapore Telecommunications Ltd	Options to subscribe for ordinary shares of \$0.15 each at \$1.42 per share	8/9/2003 to 9/9/2007	–	60,000	–	–



# Directors' Report

Year ended December 31, 2002

## DIRECTORS' INTERESTS *(continued)*

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
<b>Goh Geok Ling</b>						
SembCorp Industries Ltd	Ordinary shares of \$0.25 each	–	125,000	140,000	–	–
	Options to subscribe for ordinary shares of \$0.25 each at					
	– \$1.99 per share	27/6/2001 to 26/6/2005	30,000	30,000	–	–
	– \$1.55 per share	20/4/2002 to 19/4/2006	50,000	50,000	–	–
	– \$1.59 per share	8/5/2003 to 7/5/2007	–	25,000	–	–
	– \$0.98 per share	18/10/2003 to 17/10/2007	–	25,000	–	–
CapitaLand Limited	Ordinary shares of \$1.00 each	–	12,000	12,000	–	–
Chartered Semiconductor Manufacturing Ltd	American depository shares	–	2,500	2,500	–	–
Raffles Holdings Limited	Ordinary shares of \$0.50 each	–	100,000	100,000	–	–
Singapore Technologies Engineering Ltd	Ordinary shares of \$0.10 each	–	55,000	55,000	–	–
ST Assembly Test Services Ltd	Ordinary shares of \$0.25 each	–	3,000	3,000	–	–
	American depository shares	–	2,700	2,700	–	–
Vertex Venture Holdings Ltd	Ordinary shares of \$0.20 each	–	22,772	– (Note 3)	–	–
Singapore Airport Terminal Services Ltd	Ordinary shares of \$0.10 each	–	10,000	10,000	–	–

**Note 3:** On September 20, 2002, The Development Bank of Singapore Ltd announced, for and on behalf of Ellensburg Holdings Pte. Ltd. ("Offeror"), a wholly-owned subsidiary of Singapore Technologies Pte Ltd that the Offeror intends to make a voluntary conditional cash offer ("Offer") for all the issued ordinary shares of \$0.20 each ("Shares") in the capital of Vertex Venture Holdings Ltd ("VVH"). The Offer became unconditional in all respects on October 23, 2002 and closed at 3.30 p.m. on November 22, 2002. On December 9, 2002, the Offeror exercised its right of compulsory acquisition to acquire the Shares of the VVH shareholders who had not accepted the Offer or had failed or refused to accept the Offer by 3.30 p.m. on November 22, 2002. VVH was delisted from the Official List of the Singapore Exchange Securities Trading Limited on December 12, 2002.

## Directors' Report

Year ended December 31, 2002

### DIRECTORS' INTERESTS *(continued)*

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
<b>Goh Geok Ling</b> <i>(continued)</i>						
Singapore Food Industries Limited	Ordinary shares of \$0.05 each	–	–	–	100,000	100,000
Singapore Telecommunications Ltd	Ordinary shares of \$0.15 each	–	33,180	33,280	–	–
<b>Richard Hale OBE</b>						
SembCorp Industries Ltd	Options to subscribe for ordinary shares of \$0.25 each at – \$1.55 per share	20/4/2002 to 19/4/2006	70,000	70,000	–	–
	– \$1.59 per share	8/5/2003 to 7/5/2007	–	35,000	–	–
	– \$0.98 per share	18/10/2003 to 17/10/2007	–	35,000	–	–
CapitaLand Limited	Options to subscribe for ordinary shares of \$1.00 each at – \$2.54 per share	13/6/2001 to 11/6/2005	53,850	53,850	–	–
	– \$2.50 per share	18/6/2002 to 18/6/2006	30,000	30,000	–	–
	– \$1.71 per share	11/5/2003 to 10/5/2007	–	15,000	–	–
Raffles Holdings Limited	Ordinary shares of \$0.50 each	–	5,000	5,000	–	–
SNP Corporation Ltd	Ordinary shares of \$0.50 each	–	38,000	138,000	–	–
	Options to subscribe for ordinary shares of \$0.50 each at – \$0.50 per share	14/4/2000 to 31/10/2003	100,000	–	–	–
	– \$1.39 per share	30/3/2001 to 31/10/2003	100,000	100,000	–	–

# Directors' Report

Year ended December 31, 2002

## DIRECTORS' INTERESTS *(continued)*

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
<b>Richard Hale OBE</b> <i>(continued)</i>						
The Ascott Group Limited	Options to subscribe for ordinary shares of \$0.20 each at – \$0.37 per share	20/12/2001 to 19/12/2005	150,000	150,000	–	–
	– \$0.32 per share	18/2/2002 to 18/2/2006	150,000	150,000	–	–
	– \$0.353 per share	4/5/2003 to 3/5/2007	–	150,000	–	–
Singapore Airlines Ltd	Ordinary shares of \$0.50 each	–	1,000	1,000	–	–

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

There were no changes in the above-mentioned direct and deemed interests of the directors in the Company and related corporations between the end of the financial year and January 21, 2003.

Except as disclosed under the "Share Options" and "Share-Based Incentives" sections of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the last financial year, no director 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 he is a member or with a company in which he has a substantial financial interest except as follows:

- (i) SembCorp Engineers and Constructors Pte Ltd ("SECPL") has entered into various design contracts with its associate, ST Architects & Engineers Pte Ltd ("STAE"), in which Mr Wong Kok Siew, a director of the Company, is a shareholder by virtue of his professional capacity under the Professional Engineers Act, Chapter 253; and
- (ii) The Group has paid professional fees to a firm in which Mr K Shanmugam, a director of the Company, is a member as disclosed in the financial statements.

However, both Mr Wong Kok Siew and Mr K Shanmugam have not received or become entitled to receive any benefits arising from these transactions other than those to which they are ordinarily entitled as a shareholder of STAE and as member of the firm respectively.

## DIVIDENDS

Since the end of the last financial year, the Company paid a first and final dividend of \$37,603,000 in respect of the previous financial year, as proposed in the directors' report of that year. In addition, the Company paid a net dividend of \$5,005,000 in respect of the previous year due to the issue of shares under the private placement and options which were exercised after the final dividend was proposed and which qualified for such dividend.

No dividend has been paid in respect of the year under review and the directors now recommend a net final dividend of \$63,912,000 to be paid in respect of the financial year under review.

## BAD AND DOUBTFUL DEBTS

Before the profit and loss account and the balance sheet of the Company were made out, the directors took reasonable steps to ascertain what action had been taken in relation to writing off bad debts and providing for doubtful debts of the Company. The directors have satisfied themselves that all known bad debts have been written off and that adequate provision has been made for doubtful debts.

## Directors' Report

Year ended December 31, 2002

### **BAD AND DOUBTFUL DEBTS** *(continued)*

At the date of this report, the directors are not aware of any circumstances which would render any amounts written off for bad debts or provided for doubtful debts in the Company inadequate to any substantial extent.

### **CURRENT ASSETS**

Before the profit and loss account and the balance sheet of the Company were made out, the directors took reasonable steps to ensure that current assets of the Company which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values and that adequate provision has been made for the diminution in value of such current assets.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report which would render the values attributable to current assets in the Group misleading.

### **CHARGES AND CONTINGENT LIABILITIES**

Since the end of the financial year:

- (i) no charge on the assets of the Group or of the Company has arisen which secures the liabilities of any other person; and
- (ii) no contingent liability of the Group or of the Company has arisen.

### **ABILITY TO MEET OBLIGATIONS**

No contingent liability or other liability of the Group or of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

### **OTHER CIRCUMSTANCES AFFECTING THE FINANCIAL STATEMENTS**

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render misleading any amount stated in the financial statements of the Group or of the Company.

### **UNUSUAL ITEMS**

Except for the exceptional items and effect of changes in accounting policies as set out in note 31(e) and 35 to the financial statements respectively, in the opinion of the directors, no item, transaction or event of a material and unusual nature has substantially affected the results of the operations of the Group, or of the Company, during the financial year.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### **SHARE OPTIONS**

#### **(a) SembCorp Industries Share Option Plan**

The SembCorp Industries Share Option Plan (the "Option Plan") was approved and adopted at the Company's Extraordinary General Meeting held on June 3, 2000. The Option Plan is administered by the Executives' Share Option Scheme Committee ("ESOSC") which comprises the following members:

Peter Seah Lim Huat  
Goh Geok Ling  
K Shanmugam

Other information regarding the Option Plan is as follows:

- (i) The exercise price of the options can be set at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant.
- (ii) The options can be exercised 12 months after the grant for market price options and 24 months for discounted options.
- (iii) The options granted expire after 5 years for non-executive directors and 10 years for the executives of Group and parent Group.

# Directors' Report

Year ended December 31, 2002

## SHARE OPTIONS *(continued)*

### (a) SembCorp Industries Share Option Plan *(continued)*

At the end of the financial year, details of the options granted under the Option Plan on unissued shares of \$0.25 each of the Company are as follows:

#### SembCorp Industries Ltd

Ordinary shares of \$0.25 each

Date of grant of options	Exercise price per share	Options outstanding at 1/1/2002	Options granted	Options exercised	Options cancelled/lapsed/not accepted	Options outstanding at 31/12/2002	Number of options holders/ (including number of directors) at 31/12/2002	Exercise period
10/4/1997	\$2.535	4,051,725	–	–	(4,051,725)	–	–	11/4/1999 to 10/4/2002
21/4/1998	\$1.294	2,722,516	–	(455,960)	(110,450)	2,156,106	148 (1)	22/4/2000 to 20/4/2003
8/5/1997	\$2.623	2,339,667	–	–	(2,339,667)	–	–	9/5/1999 to 7/5/2002
12/5/1998	\$1.172	948,169	–	(160,648)	(45,776)	741,745	28 (–)	13/5/2000 to 11/5/2003
19/5/1999	\$2.260	597,527	–	–	(99,559)	497,968	41 (–)	20/5/2001 to 19/5/2004
15/9/1999	\$2.120	14,000	–	–	–	14,000	1 (–)	16/9/2001 to 15/9/2004
26/6/2000	\$1.990	740,000	–	–	(6,000)	734,000	17 (6)	27/6/2001 to 26/6/2005
26/6/2000	\$1.990	12,020,900	–	–	(721,300)	11,299,600	948 (2)	27/6/2001 to 26/6/2010
24/7/2000	\$2.262	7,035,203	–	–	(224,983)	6,810,220	368 (2)	20/5/2001 to 19/5/2009
24/7/2000	\$2.120	224,451	–	–	(19,996)	204,455	17 (–)	16/9/2001 to 15/9/2009
19/4/2001	\$1.550	783,000	–	–	(6,000)	777,000	14 (8)	20/4/2002 to 19/4/2006
19/4/2001	\$1.550	14,462,200	–	(2,000)	(970,000)	13,490,200	1,648 (1)	20/4/2002 to 19/4/2011
7/5/2002	\$1.590	–	448,000	–	(43,000)	405,000	14 (8)	8/5/2003 to 7/5/2007
7/5/2002	\$1.590	–	9,329,250	–	(1,446,750)	7,882,500	1,837 (1)	8/5/2003 to 7/5/2012
17/10/2002	\$0.980	–	398,000	–	(37,000)	361,000	15 (8)	18/10/2003 to 17/10/2007
17/10/2002	\$0.980	–	9,084,250	–	(1,491,250)	7,593,000	1,593 (1)	18/10/2003 to 17/10/2012
		45,939,358	19,259,500	(618,608)	(11,613,456)	52,966,794		



## Directors' Report

Year ended December 31, 2002

### SHARE OPTIONS *(continued)*

#### (a) SembCorp Industries Share Option Plan *(continued)*

The fair values of options of the Company granted at the date of the grant are estimated using the Black-Scholes Option-pricing model on the basis of the following assumptions on dividend yield, risk-free interest rate, expected volatility and expected lives, as follows:

Option period (both dates inclusive)	Number of unissued ordinary shares	Exercise Price	Fair Value of Options	Dividend Yield %	Risk-free Interest Rate %	Expected Volatility %	Expected Lives (years)
8/5/2003 to 7/5/2007	405,000	\$1.59	\$0.344	1.94	3.857	33.54	3
8/5/2003 to 7/5/2012	7,882,500	\$1.59	\$0.344	1.94	3.857	33.54	3
18/10/2003 to 17/10/2007	361,000	\$0.98	\$0.273	2.83	3.337	36.91	3
18/10/2003 to 17/10/2012	7,593,000	\$0.98	\$0.273	2.83	3.337	36.91	3

The details of options of the Company granted and exercised since commencement of the Scheme were as follows:

Option participants	Options granted during the year (1)	Aggregate Options granted (2)	Aggregate options cancelled/ lapsed/ not accepted (3)	Aggregate options exercised (4)	Aggregate options outstanding (5)
<b>Directors of the Company</b>					
Peter Seah Lim Huat	140,000	420,000	–	–	420,000
Wong Kok Siew	800,000	2,800,000	(500,000)	–	2,300,000
Tay Siew Choon	50,000	2,079,578	(755,283)	–	1,324,295
Lua Cheng Eng	140,000	350,000	–	–	350,000
K Shanmugam	70,000	210,000	–	–	210,000
Lam Chuan Leong	70,000	140,000	(140,000)	–	–
Tetsuro Kawakami	35,000	105,000	–	–	105,000
Chumpol NaLamlieng	35,000	100,000	–	–	100,000
Goh Geok Ling	50,000	130,000	–	–	130,000
Richard Hale OBE	70,000	140,000	–	–	140,000
<b>Other Executives</b>					
Group	17,671,500	93,350,144	(39,668,616)	(6,409,029)	47,272,499
Parent Group	78,000	266,000	(11,000)	–	255,000
<b>Former Directors of the Company</b>					
	50,000	360,000	–	–	360,000
	<u>19,259,500</u>	<u>100,450,722</u>	<u>(41,074,899)</u>	<u>(6,409,029)</u>	<u>52,966,794</u>

(1) Options granted during the financial year under review.

(2) Aggregate options granted since commencement of the Plan to the end of financial year under review.

(3) Aggregate options lapsed or not accepted since commencement of the Plan to end of financial year under review.

(4) Aggregate options exercised since commencement of the Plan to end of financial year under review.

(5) Aggregate options outstanding as at end of the financial year under review.

Since the commencement of the Option Plan, no options have been granted to the controlling shareholders of the Company or their associates. No participant under the Option Plan has been granted 5% or more of the total options available.

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.

## Directors' Report

Year ended December 31, 2002

### SHARE OPTIONS *(continued)*

#### (b) Share Options of the Subsidiaries

As at year-end, the details of share options of the subsidiaries are as follows:

##### SembCorp Logistics Ltd

Ordinary shares of \$0.25 each

Date of grant of options	Exercise price per share	Options outstanding at 1/1/2002	Options granted	Options exercised	Options cancelled/lapsed/not accepted	Options outstanding at 31/12/2002	Number of options holders/ (including number of SCl directors) at 31/12/2002	Exercise period
12/5/1997	\$1.0325	405,720	–	(402,464)	(3,256)	–	–	13/5/1998 to 12/5/2002
12/4/1999	\$0.99	436,000	–	(227,000)	–	209,000	10 (–)	13/4/2000 to 4/9/2009
3/9/1999	\$1.4375	520,000	–	–	–	520,000	1 (–)	4/9/2000 to 3/9/2009
6/3/2000	\$2.2625	6,544,000	–	–	(128,000)	6,416,000	119 (–)	7/3/2001 to 6/3/2010
28/6/2000	\$2.5038	7,321,480	–	–	–	7,321,480	970 (1)	29/6/2001 to 28/6/2010
15/5/2001	\$1.8375	6,897,680	–	(535,560)	–	6,362,120	840 (1)	16/5/2002 to 15/5/2011
18/10/2001	\$1.49	763,000	–	–	–	763,000	28 (–)	18/10/2002 to 17/10/2011
27/2/2002	\$2.01	–	7,579,000	–	–	7,579,000	1,133 (1)	28/2/2003 to 27/2/2012
27/9/2002	\$1.60	–	1,119,000	–	–	1,119,000	59 (–)	27/9/2003 to 26/2/2012
		<u>22,887,880</u>	<u>8,698,000</u>	<u>(1,165,024)</u>	<u>(131,256)</u>	<u>30,289,600</u>		

##### SembCorp Marine Ltd

Ordinary shares of \$0.10 each

27/4/1998	\$0.79	4,660,000	–	(3,270,000)	(10,000)	1,380,000	23 (–)	27/4/2000 to 26/4/2003
10/3/1999	\$0.65	929,000	–	(405,000)	(30,000)	494,000	17 (–)	10/3/2001 to 9/3/2004
8/9/2000	\$0.70	14,933,000	–	(3,502,000)	(431,000)	11,000,000	741 (2)	8/9/2001 to 7/9/2010
27/9/2001	\$0.66	13,885,000	–	(1,004,000)	(511,000)	12,370,000	900 (2)	28/9/2002 to 27/9/2011
7/11/2002	\$0.90	–	15,611,000	–	(10,000)	15,601,000	1,117 (2)	8/11/2003 to 7/11/2012
		<u>34,407,000</u>	<u>15,611,000</u>	<u>(8,181,000)</u>	<u>(992,000)</u>	<u>40,845,000</u>		

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options as at the end of the financial year.

## Directors' Report

Year ended December 31, 2002

### SHARE OPTIONS *(continued)*

#### (b) Share Options of the Subsidiaries *(continued)*

The fair values of options of the subsidiaries granted at the date of the grant are estimated using the Black-Scholes Option-pricing model on the basis of the following assumptions on dividend yield, risk-free interest rate, expected volatility and expected lives, as follows:

Option period (both dates inclusive)	Number of unissued ordinary shares	Exercise Price	Fair Value of options	Dividend yield %	Risk-free interest rate %	Expected volatility %	Expected lives (years)
<b>SembCorp</b>							
<b>Logistics Ltd</b>							
28/2/2003 to 27/2/2012	7,579,000	\$2.01	\$0.722	0.65	3.85	49.79	3
27/9/2003 to 26/2/2012	1,119,000	\$1.60	\$0.557	0.76	3.36	42.08	3
<b>SembCorp Marine Ltd</b>							
8/11/2003 to 7/11/2012	15,601,000	\$0.90	\$0.200	3.89	3.42	40.15	2.5

#### (c) Proforma Financial Effect under United States Financial Accounting Standard No. 123

Strictly for information purposes only, the proforma consolidated profit after taxation and minority interests and the earnings per share would have been as follows had the Company accounted for the fair value of the options granted under United States Financial Accounting Standard No. 123:

	2002 \$'000
Profit after taxation and minority interests:	
– As reported	178,333
– Proforma	168,620
Earnings per share (in cents):	
– As reported	9.89
– Proforma	9.35
Diluted earnings per share (in cents):	
– As reported	9.88
– Proforma	9.34

These proforma amounts may not be representative of future disclosures as the estimated fair value of share options are only determined in respect of options granted since the financial year ended December 31, 1999 and which is amortised over the vesting period.

# Directors' Report

Year ended December 31, 2002

## SHARE-BASED INCENTIVES

### (a) Performance Share Plan

The SembCorp Industries Performance Share Plan (the "Performance Plan") was approved at the Company's Extraordinary General Meeting held on June 3, 2000. The Performance Plan was established with the objective of motivating senior executives to strive for superior performance and sustaining long-term growth for the Company. The Performance Plan is administered by the Executives' Share Option Scheme Committee ("ESOSC").

Under the Performance Plan, the awards, which are granted conditional on performance targets set based on medium-term corporate objectives at the start of each rolling three-year performance qualifying period. The final number of shares given will depend on the level of achievement of those targets over the three-year performance period. A specific number of performance shares shall be released by the ESOSC to the recipient at the end of the performance period provided the minimum level of targets achieved is not less than 80% of the targets set.

Recipients who do not meet at least 80% of the targets set at the end of the performance period will not be entitled to the performance shares. If the achievement of the targets exceeds 100%, more performance shares than the original award could be delivered up to a maximum of 200% of the original award.

The details of performance shares of the Company awarded since commencement of the Performance Plan were as follows:

Performance shares participants	Conditional shares awarded during the year (1)	Aggregate conditional shares awarded (2)	Aggregate conditional shares lapsed (3)	Aggregate conditional shares outstanding (4)
<b>Directors of the Company</b>				
Wong Kok Siew	400,000	980,000	–	980,000
<b>Key Executives of the Group</b>	530,000	1,340,000	370,000	970,000
	<u>930,000</u>	<u>2,320,000</u>	<u>370,000</u>	<u>1,950,000</u>

(1) Conditional shares awarded during the financial year under review.

(2) Aggregate conditional shares awarded since commencement of the Performance Plan to the end of financial year under review.

(3) Aggregate conditional shares lapsed since commencement of the Performance Plan to the end of financial year under review.

(4) Aggregate conditional shares outstanding as at end of the financial year under review.

### (b) Restricted Stock Plan

The SembCorp Industries Restricted Stock Plan (the "Restricted Plan") was approved at the Company's Extraordinary General Meeting held on June 3, 2000. The Restricted Plan is administered by the ESOSC.

Under the Restricted Plan, awards granted vest only after the satisfactory completion of time-based service conditions or where the award is performance-related, after a further period of service beyond the performance target completion date (performance-based restricted awards). No minimum vesting period is prescribed under the Restricted Plan and the length of the vesting period in respect of each award will be determined on a case-by-case basis. Performance-based restricted awards differ from awards granted under the Performance Plan in that an extended vesting period is imposed beyond the performance target completion date.

During the financial year, Wong Kok Siew, a key executive and also an executive director of the Board, was awarded 1,000,000 shares under the Restricted Plan which will be vested over a period of 5 years. An award of 200,000 restricted stocks were vested and issued to him during the year.

## Directors' Report

Year ended December 31, 2002

### AUDIT COMMITTEE

The members of the Audit Committee at the date of this report are as follows:

Lua Cheng Eng (Chairman)  
K Shanmugam  
Richard Hale OBE

The principal responsibility of the Committee is to assist the Board of Directors in the identification and monitoring of areas of significant business risks including the following:

- the effectiveness of the management of financial business risks and the reliability of management reporting;
- compliance with laws and regulations, particularly those of the Companies Act, Chapter 50 and the Singapore Exchange Listing Manual;
- the appropriateness of half year and full year announcements and reports;
- the effectiveness and efficiency of internal and external audits; and
- interested person transactions.

Specific functions of the Committee include reviewing the scope of work of the internal and external auditors, and receiving and considering the reports of the internal and the external auditors. The Committee also recommends the appointment of the external auditors and reviews the level of audit fees.

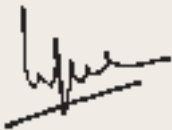
In addition, the Audit Committee has, in accordance with Chapter 9A of the Singapore Exchange Listing Manual, reviewed the requirements for approval and disclosure of interested person transactions, reviewed the internal procedures set up by the Company to identify and report and where necessary, seek approval for interested person transactions and, with the assistance of the internal auditors, reviewed interested person transactions.

The Audit Committee has recommended to the Board of Directors that the auditors, KPMG, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

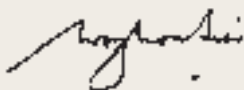
### AUDITORS

The auditors, KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



**Peter Seah Lim Huat**  
Chairman



**Wong Kok Siew**  
Deputy Chairman & CEO

Singapore  
April 8, 2003



## Statement by Directors

Year ended December 31, 2002

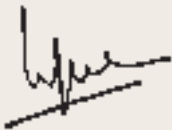
Our statement was dated February 10, 2003 in respect of the financial statements of the Group for the year ended and as at December 31, 2002, which were approved by the directors on the same date. Subsequent to that date and as further detailed in note 1(a) to the revised financial statements, the previous financial statements of the Group were revised to take into account the impairment loss recognised by an associate in respect of its investment in a subsidiary. The revised financial statements were authorised for issue by the Board of Directors on April 8, 2003. We are pleased to set out below our revised statement in respect of the revised financial statements as set out on pages 96 to 190.

We, being directors of the Company, do hereby state that in our opinion:

- (a) the financial statements 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 December 31, 2002, and of the results of the business and changes in equity of the Group and of the Company and the cash flows of the Group for the year ended on that date; and
- (b) 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.

The board of directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors



**Peter Seah Lim Huat**  
Chairman



**Wong Kok Siew**  
Deputy Chairman & CEO

Singapore  
April 8, 2003

## Report of the Auditors to the Members of SembCorp Industries Ltd

Our report was dated February 10, 2003 in respect of the financial statements of the Group for the year ended and as at December 31, 2002, which were approved by the directors on the same date. Subsequent to that date and as further detailed in note 1(a) to the revised financial statements, the previous financial statements of the Group were revised to take into account the impairment loss recognised by an associate in respect of its investment in a subsidiary. Accordingly, we have withdrawn our report dated February 10, 2003 and set out below our report on the revised financial statements as set out on pages 96 to 190.

We have audited the consolidated financial statements of the Group and the financial statements of the Company for the year ended December 31, 2002. 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 financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Statements of Accounting Standard so as to give a true and fair view of:
  - (i) the state of affairs of the Group and of the Company as at December 31, 2002 and of the results and changes in equity of the Group and of the Company, and of the cash flows of the Group for the year ended on that date; and
  - (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements of the Company and consolidated financial statements of the Group;
- (b) the accounting and other records, and the registers required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of the subsidiaries which have been audited by our associated firms and those of which we have not acted as auditors, being financial statements that have been included in the consolidated financial statements. We have also considered the financial statements of those subsidiaries which are not required by the law of their country of incorporation to be audited, being financial statements that have been included in the consolidated financial statements. The names of these subsidiaries are stated in note 43 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under Section 207(3) of the Act.



**KPMG**

Certified Public Accountants

Singapore  
April 8, 2003

## Balance Sheets

as at December 31, 2002

	Note	The Group		The Company	
		2002 \$'000	Restated 2001 \$'000	2002 \$'000	2001 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	3	2,168,628	2,257,062	838	1,264
Investment properties	4	547	547	-	-
Investments in subsidiaries	5	-	-	2,691,029	2,612,269
Interests in associates	6	562,037	583,116	-	-
Interests in joint ventures	7	271,774	242,830	-	-
Other financial assets	8	146,596	162,605	90	90
Long-term receivables and prepayments	9	388,154	358,088	-	-
Intangible assets	11	52,339	53,681	-	-
Deferred tax assets	12	5,326	5,100	-	-
		<b>3,595,401</b>	3,663,029	<b>2,691,957</b>	2,613,623
<b>Current assets</b>					
Development properties	13	130,510	263,648	-	-
Inventories and work-in-progress	14	490,418	427,551	-	-
Trade and other receivables	15	1,296,760	1,358,216	357,977	639,260
Current portion of long-term receivables	9	18,681	20,928	-	-
Current portion of hire purchase and lease receivables	10	21,951	23,992	-	-
Other financial assets	8	1,798	1,175	-	-
Cash and cash equivalents	16	482,059	408,636	16,241	15,230
		<b>2,442,177</b>	2,504,146	<b>374,218</b>	654,490
<b>Current liabilities</b>					
Bank overdrafts	16	11,852	6,582	-	-
Trade and other payables	17	1,537,949	1,417,413	1,294,501	1,843,176
Excess of progress billings over work-in-progress	14	95,528	14,906	-	-
Provisions	18	254,421	255,045	-	-
Employee benefits	19	809	976	809	976
Current tax payable		97,154	117,251	-	-
Interest-bearing borrowings	20	350,567	1,074,634	-	-
Current portion of obligations under hire purchase and finance leases	21	1,059	4,080	-	-
Loan stocks (unsecured)	22	4,709	12,750	-	-
		<b>2,354,048</b>	2,903,637	<b>1,295,310</b>	1,844,152
<b>Net current assets/(liabilities)</b>		<b>88,129</b>	(399,491)	<b>(921,092)</b>	(1,189,662)
Balance carried forward		<b>3,683,530</b>	3,263,538	<b>1,770,865</b>	1,423,961

## Balance Sheets

as at December 31, 2002

	Note	The Group		The Company	
		2002 \$'000	Restated 2001 \$'000	2002 \$'000	2001 \$'000
Balance brought forward		<b>3,683,530</b>	3,263,538	<b>1,770,865</b>	1,423,961
<b>Non-current liabilities</b>					
Employee benefits	19	<b>5,210</b>	5,944	<b>333</b>	1,248
Interest-bearing borrowings	20	<b>1,264,288</b>	1,309,079	<b>500,000</b>	500,000
Obligations under hire purchase and finance leases	21	<b>1,621</b>	8,589	–	–
Loan stocks (unsecured)	22	–	4,800	–	–
Deposits from customers		<b>1,165</b>	1,311	–	–
Other long-term liabilities	23	<b>169,066</b>	146,396	–	–
Deferred tax liabilities	12	<b>83,780</b>	97,827	<b>195</b>	–
		<b>1,525,130</b>	1,573,946	<b>500,528</b>	501,248
		<b>2,158,400</b>	1,689,592	<b>1,270,337</b>	922,713
<b>Share capital</b>	24	<b>455,215</b>	401,586	<b>455,215</b>	401,586
<b>Reserves:</b>	25				
– Share premium		<b>291,941</b>	6,111	<b>291,941</b>	6,111
– Merger reserve		<b>29,201</b>	29,201	–	–
– Capital reserve		<b>31,195</b>	19,710	–	–
– Currency translation reserve		<b>29,917</b>	29,125	–	–
– Accumulated profits		<b>677,953</b>	539,978	<b>523,181</b>	515,016
		<b>1,515,422</b>	1,025,711	<b>1,270,337</b>	922,713
Minority interests		<b>642,978</b>	663,881	–	–
		<b>2,158,400</b>	1,689,592	<b>1,270,337</b>	922,713

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

## Profit and Loss Accounts

Year ended December 31, 2002

	Note	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Turnover</b>	30	<b>4,201,921</b>	3,225,215	<b>80,277</b>	618,348
Cost of sales		<b>(3,761,712)</b>	(2,768,800)	-	-
Gross profit		<b>440,209</b>	456,415	<b>80,277</b>	618,348
General and administrative expenses		<b>(374,810)</b>	(333,082)	<b>(5,456)</b>	(12,787)
<b>Profit from operations</b>		<b>65,399</b>	123,333	<b>74,821</b>	605,561
Non-operating income (net)		<b>266,552</b>	213,728	<b>7,326</b>	16,234
Finance costs		<b>(93,521)</b>	(90,162)	<b>(27,925)</b>	(22,716)
		<b>238,430</b>	246,899	<b>54,222</b>	599,079
Share of results of:					
- associates		<b>26,176</b>	70,434	-	-
- joint ventures		<b>37,274</b>	22,944	-	-
<b>Profit from ordinary activities before taxation</b>	31	<b>301,880</b>	340,277	<b>54,222</b>	599,079
Taxation	32	<b>(54,368)</b>	(94,435)	<b>(3,449)</b>	(148,396)
<b>Profit after taxation</b>		<b>247,512</b>	245,842	<b>50,773</b>	450,683
Minority interests		<b>(69,179)</b>	(71,962)	-	-
<b>Net profit attributable to shareholders</b>		<b>178,333</b>	173,880	<b>50,773</b>	450,683
<b>Earnings per share</b>	33				
- Basic		<b>9.89 cents</b>	10.83 cents		
- Diluted		<b>9.88 cents</b>	10.82 cents		

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

## Consolidated Statement of Changes in Equity

Year ended December 31, 2002

The Group	Share capital	Share premium	Merger reserve	Capital reserve	Currency translation reserve	Accumulated profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At January 1, 2001, as previously reported	401,286	4,927	29,201	19,540	9,808	391,287	856,049
Effect of adopting SAS 12 (note 35)	-	-	-	-	-	(3,584)	(3,584)
At January 1, 2001, restated	401,286	4,927	29,201	19,540	9,808	387,703	852,465
Issue of shares under Executives' Share Option Scheme	300	1,184	-	-	-	-	1,484
Share of capital reserves of associates	-	-	-	1,189	-	-	1,189
Realisation of capital reserve upon disposal of a subsidiary and an associate	-	-	-	(1,688)	-	-	(1,688)
Goodwill on acquisition of subsidiaries and associates previously written off against reserves now charged to profit and loss account	-	-	-	470	-	8,710	9,180
Redeemable convertible loan stock of a subsidiary	-	-	-	199	-	-	199
Exchange difference on consolidation	-	-	-	-	19,273	-	19,273
Foreign exchange gain on net investment in foreign entities	-	-	-	-	44	-	44
Profit for the year	-	-	-	-	-	173,880	173,880
Final dividend paid of 2.5 cents per share less tax at 24.5% in respect of year 2000	-	-	-	-	-	(30,315)	(30,315)
At December 31, 2001	401,586	6,111	29,201	19,710	29,125	539,978	1,025,711
At January 1, 2002, as previously reported	401,586	6,111	29,201	19,710	29,125	545,772	1,031,505
Effect of adopting SAS 12 (note 35)	-	-	-	-	-	(5,794)	(5,794)
At January 1, 2002, restated	401,586	6,111	29,201	19,710	29,125	539,978	1,025,711
Issues of shares under Equity Placement	53,475	285,203	-	-	-	-	338,678
Issue of shares under Executives' Share Option Scheme	154	627	-	-	-	-	781
Share of capital reserve of associates	-	-	-	35	-	-	35
Realisation of reserve upon disposal of associates and changes in group structure	-	-	-	(7,718)	649	2,250	(4,819)
Goodwill on acquisition of subsidiary previously written off against reserves now charged to profit and loss account	-	-	-	19,390	-	-	19,390
Utilisation of premium on redemption of bonds	-	-	-	(222)	-	-	(222)
Exchange difference on consolidation	-	-	-	-	870	-	870
Foreign exchange loss on net investments in foreign entities	-	-	-	-	(727)	-	(727)
Profit for the year	-	-	-	-	-	178,333	178,333
Final dividend paid of 3.0 cents per share less tax at 22% in respect of year 2001	-	-	-	-	-	(42,608)	(42,608)
At December 31, 2002	455,215	291,941	29,201	31,195	29,917	677,953	1,515,422

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



## Statement of Changes in Equity

Year ended December 31, 2002

The Company	Share capital	Share premium	Accumulated profits	Total
	\$'000	\$'000	\$'000	\$'000
At January 1, 2001	401,286	4,927	94,648	500,861
Issue of ordinary shares under Executives' Share Option Scheme	300	1,184	–	1,484
Profit for the year	–	–	450,683	450,683
Final dividend paid of 2.5 cents per share less tax at 24.5% in respect of year 2000	–	–	(30,315)	(30,315)
At December 31, 2001	401,586	6,111	515,016	922,713
Issue of shares under Equity Placement	53,475	285,203	–	338,678
Issue of shares under Executives' Share Option Scheme	154	627	–	781
Profit for the year	–	–	50,773	50,773
Final dividend paid of 3.0 cents per share less tax of 22% in respect of year 2001	–	–	(42,608)	(42,608)
At December 31, 2002	455,215	291,941	523,181	1,270,337

*The accompanying notes form an integral part of these financial statements.*

## Consolidated Statement of Cash Flows

Year ended December 31, 2002

	2002	2001
	\$'000	\$'000
<b>Operating Activities</b>		
Profit before taxation and minority interests	<b>301,880</b>	340,277
Adjustments for:		
Interest income	<b>(23,584)</b>	(45,661)
Dividend income	<b>(310)</b>	(492)
Interest expense	<b>93,521</b>	90,162
Depreciation of property, plant and equipment	<b>170,932</b>	145,484
Share of results of associates and joint ventures	<b>(63,450)</b>	(93,378)
Gain on disposal of property, plant and equipment	<b>(1,518)</b>	(9,740)
Gain on disposal of investments	<b>(419)</b>	(10,370)
(Gain)/Loss on disposal of associates and joint ventures	<b>(44,870)</b>	(31,144)
Gain on disposal/dilution of interests in subsidiaries and business	<b>(167,951)</b>	(85,200)
Allowance for doubtful receivables made (net)	<b>12,948</b>	25,427
Write-off and impairment loss (reversed)/made:		
– property, plant and equipment	<b>48,623</b>	(531)
– associates and joint ventures	<b>819</b>	3,076
– investment property	<b>–</b>	519
– investments and development properties	<b>31,136</b>	7,084
– goodwill	<b>981</b>	17,342
Allowance for impairment loss of development and software costs	<b>11,797</b>	–
Amortisation of:		
– intangible assets	<b>5,169</b>	1,567
– loan discount	<b>98</b>	100
Provisions made	<b>3,602</b>	36,117
Allowance for inventory obsolescence and foreseeable losses and inventories written off (net)	<b>70,352</b>	11,200
Provision for compensation costs of share-based incentives and retirements benefits and gratuities	<b>565</b>	4,151
Operating profit before working capital changes	<b>450,321</b>	405,990
Changes in working capital:		
Inventories and work-in-progress	<b>(63,674)</b>	(74,230)
Receivables	<b>114,577</b>	(313,764)
Development properties	<b>8,222</b>	(21,609)
Short-term investments	<b>(250)</b>	–
Payables	<b>163,030</b>	16,079
Balances with related parties	<b>(71,092)</b>	(54,615)
Benefits and gratuities paid	<b>(466)</b>	(676)
	<b>600,668</b>	(42,825)
Income tax paid	<b>(70,829)</b>	(66,267)
Cash flows from operating activities carried forward	<b>529,839</b>	(109,092)

# Consolidated Statement of Cash Flows

Year ended December 31, 2002

	2002 \$'000	2001 \$'000
Cash flows from operating activities brought forward	<b>529,839</b>	(109,092)
<b>Investing Activities</b>		
Dividend received	<b>35,594</b>	27,861
Interest received	<b>24,565</b>	44,897
Payment for debt purchase	-	(2,570)
Proceeds from disposal of:		
– interest in subsidiaries and business	<b>222,748</b>	153,604
– interest in associates	<b>91,124</b>	62,147
– property, plant and equipment	<b>27,163</b>	31,931
– investments	<b>37,209</b>	50,370
Acquisitions of:		
– subsidiaries and business net of cash acquired	<b>(88,912)</b>	(24,040)
– associates and joint ventures	<b>(32,327)</b>	(94,410)
– property, plant and equipment	<b>(182,118)</b>	(267,688)
– long-term investments	<b>(30,744)</b>	(5,500)
– business undertaking	-	(3,234)
Development and software costs paid	<b>(10,242)</b>	(2,116)
Transferable license fees paid	-	(1,113)
Return of capital from associates and investments	<b>5,921</b>	3,714
Long-term balances with related parties	<b>32,624</b>	114,340
Long-term receivables	<b>(62,123)</b>	(101,812)
Cash flows from investing activities	<b>70,482</b>	(13,619)
<b>Financing Activities</b>		
Realisation of losses on interest rate swaps	-	(9,712)
Proceeds from issue of shares (net)	<b>339,459</b>	1,484
Proceeds from issue of shares to minority shareholders of subsidiaries	<b>9,908</b>	109,428
(Payment of)/Proceeds from term loans (net)	<b>(299,683)</b>	218,731
Other long-term liabilities	<b>1,087</b>	67
Dividends paid to shareholders of the Company	<b>(42,608)</b>	(30,315)
Dividends paid to minority shareholders of subsidiaries	<b>(50,323)</b>	(33,231)
Hire purchase and finance lease obligations	<b>(8,038)</b>	9,210
Redemption of loan stock	<b>(12,750)</b>	-
Short-term borrowings	<b>(376,393)</b>	(295,914)
Fixed deposit pledged with a bank for banking facilities	<b>(53,831)</b>	-
Interest paid	<b>(93,060)</b>	(95,715)
Redemption of redeemable cumulative preference shares	-	(7,500)
Cash flows from financing activities	<b>(586,232)</b>	(133,467)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>14,089</b>	(256,178)
<b>Cash and Cash Equivalents at beginning of year</b>	<b>402,054</b>	657,635
Effect of Exchange Rate Changes on Balances held in Foreign Currency	<b>233</b>	597
<b>Cash and Cash Equivalents at end of year (Note 16)</b>	<b>416,376</b>	402,054

## Consolidated Statement of Cash Flows

Year ended December 31, 2002

The attributable net assets of subsidiaries and business acquired and disposed of during the year are as follows:

	2002	2001
	\$'000	\$'000
<b>Acquisition</b>		
Property, plant and equipment	141,708	684,615
Investments	458	1,080
Intangible assets and prepayments	13,017	46,528
Net current liabilities	(15,352)	(196,208)
Non-current liabilities	(50,789)	(383,752)
Minority interests	(5,419)	(53,835)
Interest in subsidiaries previously accounted for as associates/joint ventures	(34,902)	(54,044)
Goodwill	33,406	43,345
Total consideration payable	82,127	87,729
Interest in equity investment given up	-	(9,762)
Net shareholders' loans receivable given up	-	(4,182)
	82,127	73,785
Consideration not yet paid	(2,400)	-
Net cash at bank of subsidiaries acquired	9,185	(49,745)
Cash outflow on acquisition	88,912	24,040
<b>Disposal</b>		
Property, plant and equipment	233,253	97,349
Non-current assets	45,826	13,647
Net current (liabilities)/assets	(32,930)	32,373
Non-current liabilities	(102,817)	(1,289)
Minority interests	(49,163)	(172)
	94,169	141,908
Gain on disposal	167,951	25,174
Realisation of capital reserves	19,390	-
Cost of investment transferred to associates/joint venture	(18,579)	-
Total consideration receivable	262,931	167,082
Consideration not yet received	-	(1,350)
Net cash at bank of subsidiaries disposed	(40,183)	(12,128)
Cash inflow on disposal	222,748	153,604

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

# Notes to the Financial Statements

December 31, 2002

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the directors on April 8, 2003.

## 1. GENERAL INFORMATION

### (a) Revised Financial Statements

The financial statements of the Group were previously approved by the Board of Directors on February 10, 2003. However, on March 31, 2003, an associate announced its financial results for the financial year ended December 31, 2002, which included an impairment loss of CHF206 million (equivalent to \$237 million) for the goodwill in its subsidiary. As a result, the previous financial statements of the Group were withdrawn and the financial statements were revised to take into account the above impairment loss. These revised financial statements were authorised for issue by the Board of Directors on April 8, 2003.

### (b) Domicile and Activities

SembCorp Industries Ltd (the "Company") is a company incorporated in the Republic of Singapore and has its registered office at 30 Hill Street #05-04, Singapore 179360.

The principal activities of the Company are those of an investment holding company, as well as the corporate headquarters which gives direction, provides management services and integrates the activities of its subsidiaries. The principal activities of the subsidiaries are set out in Note 43 to the financial statements.

The ultimate holding company during the financial year is Temasek Holdings (Private) Limited, a company incorporated in the Republic of Singapore.

The consolidated financial statements relate to the Company and its subsidiaries (referred to as the "Group") and the Group's interests in associates and joint ventures.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

These financial statements are prepared in accordance with Singapore Statements of Accounting Standard ("SAS") including related Interpretations promulgated by the Institute of Certified Public Accountants of Singapore and the applicable requirements of the Singapore Companies Act, Chapter 50.

The historical cost basis is used except that certain property, plant and equipment and investment properties are stated at valuation and certain investments in securities are stated at fair value. Amounts are expressed in Singapore dollars thousand, unless stated otherwise.

### (b) Consolidation

#### (i) Subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses. Subsidiaries are consolidated with the Company in the Group's financial statements.

In respect of acquisitions accounted for by the use of purchase method of accounting goodwill, which represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, is accounted for in accordance with note 2(e).

Business combinations which meet the criteria set out in Section 69B of the Act and in Statement of Accounting Standard No. 22, "Business Combinations", are accounted for under the pooling of interests method in the preparation of the consolidated financial statements. Under this method of accounting, the difference between the nominal value of the share capital issued and the nominal value of shares received is taken to the merger deficit/reserve.

#### (ii) Associates

Associates are companies in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued unless the Group has incurred obligations or made payments on behalf to satisfy obligations of the associates that the Group has guaranteed or otherwise committed.

## Notes to the Financial Statements

December 31, 2002

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (b) Consolidation *(continued)*

##### (iii) Joint Ventures

Joint ventures are those enterprises whose activities the Group has joint control over established by contractual agreement.

For incorporated joint ventures, the Group accounts for the results of the joint ventures in the same manner as associates, from the date joint control commences until the day that the joint control ceases.

For unincorporated joint ventures, the proportionate share in the unincorporated joint ventures' individual income, expenses, assets and liabilities are included in financial statements of the Group with items of a similar nature on a line by line basis.

##### (iv) Accounting for Associates and Joint Ventures

Investments in associates and joint ventures are stated in the Company's balance sheet at cost less impairment losses. The Group's investments in these entities includes goodwill on acquisition, net of accumulated amortisation.

The results of the associates and joint ventures are included in the Company's profit and loss account to the extent of dividends received and receivable, provided the Company's right to receive the dividend is established before the balance sheet date.

##### (v) Transactions Eliminated on Consolidation

All significant intra-group transactions, balances and unrealised gains are eliminated on consolidation. Unrealised gains resulting from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

##### (vi) Disposals

On disposal of a subsidiary, an associate or a joint venture, any attributable amount of purchased goodwill not previously amortised through the profit and loss account or which has previously been dealt with as a movement in Group reserves is included in the calculation of the profit or loss on disposal.

##### (vii) Accounting Policies of Subsidiaries

Where necessary, accounting policies for subsidiaries and material associates and joint ventures have been adjusted on consolidation to be consistent with the policies adopted by the Group.

#### (c) Foreign Currencies

##### (i) Foreign Currency Transactions

Monetary assets and liabilities in foreign currencies, except for foreign currency assets and liabilities hedged by forward exchange contracts, are translated into Singapore dollars at rates of exchange approximate to those ruling at the balance sheet date. Foreign currency assets and liabilities hedged by forward exchange contracts are translated into Singapore dollars at the contracted forward exchange rates. Transactions in foreign currencies are translated at rates ruling on transaction dates. Translation differences are included in the profit and loss account, except:

- Where foreign currency loans provide an effective hedge against the net investment in foreign subsidiaries, associates and joint ventures, exchange differences arising on the loans are recognised directly in equity until disposal of the investment.
- Where monetary items in substance form part of the Group's net investment in the foreign subsidiaries, associates and joint ventures, exchange differences arising on such monetary items are recognised directly in equity until disposal of the investments.
- Unrealised exchange differences arising on translation of long-term foreign currency monetary items other than those set out above are deferred and amortised over the period to maturity of the monetary items.

##### (ii) Foreign Operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Singapore dollars at the rates of exchange ruling at the balance sheet date. The results of foreign operations are translated at the average exchange rates for the year. Exchange differences arising on translation are recognised directly in equity.



# Notes to the Financial Statements

December 31, 2002

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (d) Property, Plant and Equipment

#### (i) **Owned Assets**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except for certain property, plant and equipment which are stated at their revalued amounts. The revalued amount is the fair value determined on the basis of existing use at the date of revaluation less any subsequent accumulated depreciation. Revaluations are performed by independent professional valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

#### (ii) **Revaluation Surplus**

Any increase on revaluation is credited to revaluation reserve unless it offsets a previous decrease in value recognised in the profit and loss account. A decrease in value is recognised in the profit and loss account where it exceeds the increase previously recognised in the revaluation surplus.

#### (iii) **Subsequent Expenditure**

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

#### (iv) **Disposal**

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

For property, plant and equipment carried at revalued amounts, any related revaluation surplus is transferred from the revaluation reserve to accumulated profits and is not taken into account in arriving at the gain or loss on disposal.

#### (v) **Finance Leased Assets**

Finance leases are those leasing agreements including hire purchases that give rights approximating to ownership. Property, plant and equipment acquired by way of such leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit and loss account. Capitalised leased assets are depreciated over the shorter of the economic useful life of the asset and the lease term.

#### (vi) **Depreciation**

Depreciation is provided on a straight-line basis so as to write off items of property, plant and equipment, and major components that are accounted for separately, over their estimated useful lives as follows:

Leasehold land and wet berthage	Lease period ranging from 20 to 60 years
Land improvements	Lease period ranging from 20 to 60 years
Buildings	60 years or remaining lease period, if lower
Improvements to premises	1 to 10 years
Quays and dry docks	60 years or remaining lease period, if lower
Floating docks	20 years
Plant and machinery	3 to 30 years
Marine vessels	3 to 25 years
Tools and workshop equipment	3 to 10 years
Motor vehicles	2 to 10 years
Furniture, fittings and office equipment	1 to 10 years

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

Fully depreciated assets are retained in the financial statements until they are no longer in use.

## Notes to the Financial Statements

December 31, 2002

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (e) Intangible Assets

##### (i) Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill is stated at cost less accumulated amortisation and impairment losses. Goodwill arising on acquisitions of associates and joint ventures is included in investments in associates and investments in joint ventures respectively. Goodwill is amortised from the date of initial recognition over its estimated useful life of not more than 20 years.

##### (ii) Negative Goodwill

Negative goodwill arising on acquisition represents the excess of the fair value of the identifiable net assets acquired over the cost of acquisition. Negative goodwill is presented as a deduction from assets in the same balance sheet classification as goodwill.

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those assets that are depreciable or amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

##### (iii) Goodwill/Negative Goodwill prior to January 1, 2001

Goodwill/negative goodwill arising on acquisition that occurred prior to January 1, 2001, is taken to capital reserves and where this resulted in a net debit balance in the capital reserve account, the net debit balance was taken to revenue reserves. The attributable goodwill will be taken to the profit and loss account when (a) the business is disposed or discontinued or (b) the goodwill is impaired.

##### (iv) Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

##### (v) Other Intangible Assets

Other intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

##### (vi) Subsequent Expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

##### (vii) Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets. Goodwill is amortised from the date of initial recognition; other intangible assets are amortised from the date the asset is available for use. The estimated useful lives are as follows:

Goodwill	1 to 20 years
Capitalised development costs	10 years

# Notes to the Financial Statements

December 31, 2002

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (f) Investment Properties

Significant investment properties, which are held on long-term basis for their investment potential and income, are stated at fair value. The fair value is determined annually by independent professional valuers.

Investment properties held on long-term basis which are not significant in value to the Group's net assets are stated at cost less impairment loss.

Any increase in value is credited to the revaluation surplus unless it offsets a previous decrease in value recognised in the profit and loss account. A decrease in value is recognised in the profit and loss account where it exceeds the increase previously recognised in the revaluation surplus.

When an investment property is disposed of, the resulting gain or loss recognised in the profit and loss account is the difference between net disposal proceeds and the carrying amount of the property. Any amount in the revaluation surplus that relates to the property is transferred to the profit and loss account in calculating the gain or loss.

### (g) Financial Assets

Debt and equity securities held for the long-term are stated at cost adjusted for amortisation of premium and accretion of discounts, less allowance for impairment loss which, in the opinion of the directors, is other than temporary. Premium or discount is amortised on acquisition of the investment on the straight-line basis over the period of the investment.

Debt and equity securities held for the short term are stated at lower of cost and market value, on a portfolio basis. Any increases or decreases in carrying amount are included in the profit and loss account.

Profits or losses on disposal of financial assets are determined as the difference between the net disposal proceeds and the carrying amount of the financial assets and are accounted for in the profit and loss account as they arise.

### (h) Derivative Financial Instruments

Derivative financial instruments are used to manage exposure to foreign exchange, interest rate and commodity price risks arising from operational, financing and investment activities. Derivative financial instruments are not used for trading purposes.

Gains and losses from forward exchange contracts and currency swaps used to hedge anticipated future currency transactions are deferred until the forecasted transaction occurs. Where the hedged item is a recognised asset or liability, it is translated at the contracted forward rates.

Interest differentials under swap arrangements are accrued and recorded as adjustments to the interest expense relating to the hedged loans. For interest rate forward contracts, the amounts received or paid on cash settlements, representing the gain or loss, are deferred and recognised over the life of the underlying asset or liability as an adjustment to interest income or expense. For purchased interest rate options, the premiums paid are included in the balance sheet under other receivables or other payables. The premiums are amortised as interest income or expense over the life of the agreements.

### (i) Inventories

#### (i) Finished Goods and Components

Except for inventories of gold bullion and numismatic items containing gold which are stated at current market price, inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

## Notes to the Financial Statements

December 31, 2002

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (i) Inventories *(continued)*

##### (ii) Long-term Contracts

The accounting policy for recognition of contract revenue is set out in note 2(t)(ii). When the outcome of a long-term contract can be estimated reliably, contract revenue and costs are recognised as income and expense using the percentage of completion method. When the outcome of a long-term contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that can probably be recovered and contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Long-term contracts-in-progress at the balance sheet date are recorded in the balance sheet at cost plus attributable profit less recognised losses, net of progress claims and allowance for foreseeable losses, and are presented in the balance sheet as "Work-in-progress" (as an asset) or "Excess of progress claims over work-in-progress" (as a liability), as applicable. Long-term contract costs include cost of direct materials, direct labour and costs incurred in connection with the project.

Progress claims not yet paid by the customer are included in the balance sheet under "Trade receivables". Amounts received before progress claims are included in the balance sheet, as a liability, as "Advances on long-term contract".

##### (iii) Development Property

Development property is stated at the lower of cost and net realisable value.

Development properties comprise the cost of real estate purchased, construction cost, finance cost and other direct expenditure and related overheads incurred during construction. Net realisable value represents the estimated selling price less anticipated cost of disposal. Progress bills rendered on the property in the course of development are deducted from the book value of the property.

The carrying amounts, both those revalued and those measured at cost, are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount, and if carrying values exceed this recoverable amount, assets are written down.

Interest payable on loan funding a development property is capitalised by reference to the actual rate of borrowings for development purposes, with regard to that part of the development cost financed by the loan, as a cost of the development property until the date of its practical completion, which is taken to be the date of issue of the Temporary Occupation Permit.

##### (j) Deferred Asset Grants

Asset related grants are credited to a deferred asset grants account and are released to the profit and loss account on the straight-line basis over the estimated useful lives of the relevant assets.

Income related grants are credited to the profit and loss account in the period to which they relate.

##### (k) Trade and Other Receivables

Trade and other receivables are stated at cost less allowance for doubtful receivables.

##### (l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

##### (m) Impairment

The carrying amounts of the Group's assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. An impairment loss in respect of property, plant and equipment or investment property carried at revalued amount is recognised in the same way as a revaluation decrease as described in notes 2(d)(ii) and 2(f) respectively. All other impairment losses are recognised in the profit and loss account.

# Notes to the Financial Statements

December 31, 2002

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **(m) Impairment** *(continued)*

#### **(i) Calculation of Recoverable Amount**

The recoverable amount is the greater of the asset's net selling price and value in use. 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### **(ii) Reversal of Impairment Loss**

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only 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. A reversal of an impairment loss in respect of property, plant and equipment or investment property carried at revalued amount is recognised in the same way as a revaluation increase as described in notes 2(d)(ii) and 2(f) respectively. All other reversals of impairment are recognised in the profit and loss account.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

### **(n) Liabilities and Interest-Bearing Borrowings**

Trade and other payables and interest-bearing borrowings are stated at cost. Interest-bearing borrowings are recognised initially at cost less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

### **(o) Employee Benefits**

#### **(i) Defined Contribution Plans**

Contributions to defined contribution plans are recognised as an expense in the profit and loss account as incurred.

#### **(ii) Defined Benefit Plans**

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each defined benefit plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on high quality bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary on a regular basis using relevant actuary method such as projected unit credit method; in the intervening years the calculation is updated based on information received from the actuary.

When the benefits of a plan change, the portion of the increased benefit relating to past service by employees is recognised as an expense in the profit and loss account on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the profit and loss account.

Actuarial gains and losses arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and what has actually occurred. They are recognised in the profit and loss account, over the expected average remaining working lives of the employees participating in the plan, only to the extent that their cumulative amount exceeds 10% of the greater of the present value of the obligation or of the fair value of plan assets. Unrecognised actuarial gains and losses are reflected in the balance sheet.

For defined benefit plans, the actuarial cost charged to the profit and loss account consists of current service cost, interest cost, expected return on plan assets and past service cost as well as actuarial gains or losses to the extent that they are recognised. The past service cost for the enhancement of pension benefits is accounted for when such benefit vests or becomes a constructive obligation.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

## Notes to the Financial Statements

December 31, 2002

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (o) Employee Benefits *(continued)*

##### (iii) Short-term Compensated Absences

Provision is made when services are rendered by employees that increase their entitlement to future compensated absences.

##### (iv) Staff Retirement Benefits

Retirement benefits payable to certain categories of employees upon their retirement are provided for in the financial statements based on their entitlement under the staff retirement benefit plan or, in respect of unionised employees who joined on or before December 31, 1988, based on an agreement with the Union.

The Group's net obligation in respect of retirement benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected future salary increase and is discounted to its present value and the fair value of any related assets is deducted.

##### (v) Equity and Equity-Related Compensation Benefits

###### Share Option Plan

The share option programme allows the Group's employees to acquire shares of the Group companies. No compensation cost or obligation is recognised when share options are issued under Executives' Share Option Scheme. When options are exercised, equity is increased by the amount of the proceeds received.

###### Performance Share Plan

An initial estimate is made for the cost of compensation under the Group's performance share plan based on the number of shares expected to be awarded at the end of the performance period, valued at market price at the date of the grant of the award. The cost is charged to the profit and loss account on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance criteria relate.

At each reporting date, the compensation cost is remeasured based on the latest estimate of the number of shares that will be awarded considering the performance criteria and the market price of the shares at the reporting date. Any increase or decrease in compensation cost over the previous estimate is recorded in the profit and loss account for that reporting period.

The final measure of compensation cost is based on the number of shares ultimately awarded and the market price at the date the performance criteria are met.

###### Restricted Stock Plan

An initial estimate is made for the cost of compensation under the Group's restricted stock plan based on the numbers of shares expected to be awarded upon satisfactory completion of time-based service condition, valued at market price at the date of the grant of the award. The cost is charged to the profit and loss account on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance criteria relate.

At each reporting date, the compensation cost for remaining shares to be released under the restricted stock plan is remeasured based on the market price of shares at the reporting date. Any increase or decrease in compensation cost over the previous estimate is recorded in the profit and loss account for that reporting period.

##### (p) Convertible Notes

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments, net of attributable transaction costs. The equity component of the convertible notes is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense is recognised in the profit and loss account on a straight-line basis.

##### (q) Provisions

A provision is recognised in the balance sheet when there is a legal or constructive obligation as a result of a past event, the obligation can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.



# Notes to the Financial Statements

December 31, 2002

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **(r) Deferred Taxation**

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

### **(s) Share Capital**

#### **(i) Preference Share Capital**

Preference share capital is classified as equity if it is non-redeemable. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders.

#### **(ii) Dividend**

Dividends on redeemable convertible preference share capital are recognised as liability on an accrual basis. Other dividends are recognised as liability in the period in which they are declared.

Dividends on redeemable convertible preference share capital classified as a liability are accounted for as interest expense. Dividends on ordinary shares and redeemable convertible preference share capital classified as equity are accounted for as movements in revenue reserve.

### **(t) Revenue Recognition**

#### **(i) Income on goods sold and services rendered**

Revenue on goods sold is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue on service work is recognised when the work is completed. Revenue excludes goods and services or other sales taxes and is after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### **(ii) Contract Revenue**

Revenue from repair work, engineering, overhaul, service work and marine and civil construction contracts is recognised based on the percentage of completion method measured by reference to the value of work performed relative to the total contract value. Allowance is made where applicable for any foreseeable losses on uncompleted contracts as soon as the possibility of the loss is ascertained.

#### **(iii) Shipping income**

Shipping income, which comprises charter hire fees, is recognised on an accrual basis.

#### **(iv) Income for hire purchase, mortgage, lease and instalment receivables**

Interest income on hire purchase, finance leases and mortgage loans is recognised in the profit and loss account based on the "sum-of-digits" method.

Interest income on instalment sale is recognised based on the accrual of instalments from customers.

#### **(v) Electricity revenue**

Revenue is billed and recognised upon delivery.

#### **(vi) Dividend and interest income**

Dividend income is recognised in the profit and loss account when the right to receive payment is established.

Interest income is recognised on an accrual basis.

#### **(vii) Income from factoring accounts**

Factoring commission is recognised upon acceptance of the factored invoices. Factoring interest is recognised on the accrual basis.

## Notes to the Financial Statements

December 31, 2002

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **(u) Operating Leases**

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease payments made. Contingent rentals are charged to the profit and loss account in the accounting period in which they are incurred.

#### **(v) Finance Costs**

Interest expense and similar charges are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale. The interest components of finance lease payments is recognised in the profit and loss account using the effective interest rate method.

#### **(w) Interest Rate Swaps**

Interest rate swap agreements are accounted for in a manner consistent with the costs of the underlying borrowings being hedged. Where there is an excess of such interest rate swap agreements over the underlying borrowings, these interest rate swap agreements are valued at market prices and the resultant profits and losses are taken up in the profit and loss account.

#### **(x) Segment Reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

#### **(y) Discontinuing Operations**

A discontinuing operation is a clearly distinguishable component of the Group's business that will be abandoned or terminated pursuant to a single plan, and which represents a separate major line of business or geographical area of operations.

# Notes to the Financial Statements

December 31, 2002

## 3. PROPERTY, PLANT AND EQUIPMENT

### The Group

	At Valuation				At Cost							Total \$'000		
	Leasehold and freehold land, buildings and wet berthage \$'000	Dry docks \$'000	Plant & machinery \$'000	Marine vessels \$'000	Leasehold and freehold land, buildings and wet berthage \$'000	Improve- ments to premises \$'000	Quays and dry docks \$'000	Plant & machinery \$'000	Marine vessels \$'000	Tools and workshop equipment \$'000	Furniture, fittings and office equipment \$'000		Motor vehicles \$'000	Capital work-in progress \$'000
<b>Cost/Valuation</b>														
Balance at January 1, 2002	120,866	100,900	667	-	995,079	67,260	207,175	1,372,110	73,136	50,451	138,882	90,496	42,098	3,259,120
Translation differences on consolidation	-	-	-	-	(20,983)	182	-	(3,851)	750	(388)	(427)	(703)	(945)	(26,365)
Additions	-	-	-	-	19,366	3,175	-	74,449	-	2,070	16,840	6,026	60,192	182,118
Acquisition of subsidiaries	-	-	-	-	18,724	31,166	23,931	127,250	7,701	2,730	4,905	1,836	751	218,994
Reclassification	-	-	-	-	(11,157)	21	-	55,517	-	(2,744)	1,826	415	(43,878)	-
Transfer from development property and intangible assets	-	-	-	-	8,268	-	-	-	-	-	-	-	-	8,268
Change of use of development property	-	-	-	-	85,000	-	-	-	-	-	-	-	-	85,000
Disposals/write offs	-	-	-	-	(15,632)	(655)	(4)	(17,179)	(841)	(1,705)	(8,758)	(13,665)	(11,668)	(70,107)
Disposals/liquidation of subsidiaries	-	-	-	-	(206,888)	(5,400)	-	(114,931)	-	(17,909)	(13,932)	(10,586)	-	(369,646)
Balance at December 31, 2002	120,866	100,900	667	-	871,777	95,749	231,102	1,493,365	80,746	32,505	139,336	73,819	46,550	3,287,382
<b>Accumulated Depreciation and Impairment Losses</b>														
Balance at January 1, 2002	14,145	6,014	-	-	298,311	46,946	79,183	339,351	14,944	37,915	99,549	60,718	4,982	1,002,058
Translation differences on consolidation	-	-	-	-	(2,054)	100	-	(722)	452	(260)	(52)	(275)	-	(2,811)
Depreciation for the year	2,411	1,465	-	-	29,198	4,722	6,218	92,875	4,641	4,238	17,958	10,002	1	173,729
Acquisition of subsidiaries	-	-	-	-	3,271	7,365	11,234	42,576	5,120	2,260	3,989	1,471	-	77,286
Reclassification	-	-	-	-	(4)	140	-	(192)	-	(849)	675	230	-	-
Transfer from development property and intangible assets	-	-	-	-	726	-	-	-	-	-	-	-	-	726
Disposals/write offs	-	-	-	-	(4,787)	(599)	-	(13,510)	(378)	(1,586)	(7,472)	(10,446)	(4,889)	(43,667)
Disposals/liquidation of subsidiaries	-	-	-	-	(40,480)	(3,091)	-	(58,581)	-	(15,952)	(10,518)	(7,771)	-	(136,393)
Allowance made/(written back) for impairment losses	-	-	-	-	(6,981)	130	-	1,129	-	-	-	-	-	(5,722)
- other expenses	-	-	-	-	13,988	-	-	33,167	-	-	56	51	6,286	53,548
- exceptional items	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2002	16,556	7,479	-	-	291,188	55,713	96,635	436,093	24,779	25,766	104,185	53,980	6,380	1,118,754
Depreciation charge for 2001	2,421	1,466	-	-	28,372	3,109	4,538	66,792	9,272	3,718	16,294	11,122	23	147,127
<b>Carrying Amount</b>														
At December 31, 2002	104,310	93,421	667	-	580,589	40,036	134,467	1,057,272	55,967	6,739	35,151	19,839	40,170	2,168,628
At December 31, 2001	106,721	94,886	667	-	696,768	20,314	127,992	1,032,759	58,192	12,536	39,333	29,778	37,116	2,257,062

## Notes to the Financial Statements

December 31, 2002

### 3. PROPERTY, PLANT AND EQUIPMENT *(continued)*

- (i) If the following revalued property, plant and equipment had been included in the financial statements at cost less accumulated depreciation, the net book value would have been:

	2002	2001
	\$'000	\$'000
Leasehold land and buildings and wet berthage	<b>27,769</b>	29,235
Dry docks	<b>32,812</b>	34,799
	<b>60,581</b>	64,034

- (ii) The depreciation charge of the Group in the profit and loss account for the year is arrived at as follows:

	Note	2002	2001
		\$'000	\$'000
Charge for the year		<b>173,729</b>	147,127
Amount capitalised in work-in-progress		<b>(2,797)</b>	(1,643)
	31(b)	<b>170,932</b>	145,484

- (iii) Property, plant and equipment with the following net book value have been pledged to secure loan and bank overdraft facilities granted to subsidiaries:

	2002	2001
	\$'000	\$'000
Leasehold land and buildings	<b>100,074</b>	141,179
Plant and machinery	<b>815,041</b>	757,785
Marine vessels	-	453
Capital work-in-progress	<b>1,233</b>	7,713
Other assets	<b>7,002</b>	43,132
	<b>923,350</b>	950,262

- (iv) Assets with net book value of \$1,526,000 (2001: \$5,796,000) were acquired under hire purchase and lease agreements.
- (v) An independent professional valuation of a subsidiary's leasehold land, buildings and improvements, stated at valuation of \$64,847,000 (2001: \$64,847,000) was carried out by a firm of professional valuers on an open market existing use basis as at June 5, 1999.

The valuation of a subsidiary's shipyard complex comprising leasehold land of 360,383 square metres, wet berthage, buildings and dry docks, valued at \$49,862,000 (2001: \$49,862,000) was performed by a firm of professional valuers at December 31, 1972.

A subsidiary's buildings and dry docks stated at valuation of \$24,405,000 (2001: \$24,405,000) and \$83,900,000 (2001: \$83,900,000) respectively are based on a valuation performed by a firm of professional valuers on an open market existing use basis at July 8, 1994.

- (vi) During the year, interest, operating lease expenses and direct staff costs capitalised amounting to \$1,434,000 (2001: \$19,256,000), \$1,212,000 (2001: \$727,000) and \$984,000 (2001: \$5,921,000), respectively, during the construction period of the power plant.

# Notes to the Financial Statements

December 31, 2002

## 3. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(vii) General and administrative expense for the year include the following significant impairment losses which are described as exceptional items:

	Note	The Group \$'000
Freehold property	(a)	7,460
Land reclamation project	(b)	34,892
Overseas tile factory	(c)	7,196
Marine engineering assets	(d)	4,000
Impairment loss	31(e)	<u>53,548</u>

- (a) The continued decline in property prices in 2002 caused the directors of a subsidiary to perform an assessment of the recoverable amount of the freehold property. Based on the assessment as at December 31, 2002, the carrying amount of the freehold property was written down by \$7,460,000.

The recoverable amount of the freehold property was determined based on its value in use, calculated based on projections of future market related rents and using the average annual yield for rental of freehold properties of 4%.

- (b) In 2001, a subsidiary secured a land reclamation project in conjunction with a development of a prototype land reclamation system. During 2002, the stoppage of sand supply caused the subsidiary to assess the recoverable amount of the plant, and equipment and other assets acquired under the project. The recoverable amounts of the related plant and equipment were assessed to be nominal as these are specialised assets, acquired for the patented technology used and have low resale values. As a result, the Group recognised impairment losses of \$34,892,000.
- (c) The continued losses of an overseas tile factory subsidiary that has ceased production in 2001 caused the Group to reassess the recoverable amount of the property, plant and equipment of this tile factory in 2002. No value was attributed to the property, plant and equipment due to past experience of production problems, deterioration from non-usage for almost 2 years and difficulty in finding a buyer. Accordingly, the Group recognised additional impairment loss of \$7,196,000 on the property, plant and equipment.
- (d) Due to the continued difficult operating environment in Karimun, the impairment loss for property, plant and equipment of the marine engineering business of \$4,000,000 presents the write-down of net book value to recoverable amount. This recoverable amount was determined based on the value-in-use at the cash generating unit level. In determining the value-in-use at the cash generating unit level, the cashflows were discounted at a rate of 6% per annum on a pre-tax basis.

### The Company

	Leasehold improvements \$'000	Motor vehicles \$'000	Furniture, fitting and equipment \$'000	Total \$'000
<b>2002</b>				
Balance at beginning of the year	515	399	1,976	2,890
Additions	–	–	350	350
Disposals/write off	(515)	–	(4)	(519)
Balance at end of the year	<u>–</u>	<u>399</u>	<u>2,322</u>	<u>2,721</u>
<b>Depreciation and Impairment Losses</b>				
Balance at beginning of the year	235	124	1,267	1,626
Depreciation for the year	280	80	415	775
Disposals/write off	(515)	–	(3)	(518)
Balance at end of the year	<u>–</u>	<u>204</u>	<u>1,679</u>	<u>1,883</u>
Depreciation charge for 2001	<u>103</u>	<u>80</u>	<u>461</u>	<u>644</u>
<b>Carrying Amount</b>				
At December 31, 2002	<u>–</u>	<u>195</u>	<u>643</u>	<u>838</u>
At December 31, 2001	<u>280</u>	<u>275</u>	<u>709</u>	<u>1,264</u>

## Notes to the Financial Statements

December 31, 2002

### 4. INVESTMENT PROPERTIES – THE GROUP

	2002 \$'000	2001 \$'000
Leasehold apartment units, at cost	1,066	1,066
Allowance for impairment losses	(519)	(519)
	<b>547</b>	547

The leasehold apartment unit of a subsidiary is situated in Shanghai, People's Republic of China.

### 5. INVESTMENTS IN SUBSIDIARIES – THE COMPANY

	2002 \$'000	2001 \$'000
Quoted equity shares, at cost	1,693,165	1,684,405
Unquoted equity shares, at cost	807,864	807,864
Preference shares, at cost	190,000	120,000
	<b>2,691,029</b>	2,612,269
Market value of quoted equity shares	<b>1,637,946</b>	1,678,567

### 6. INTERESTS IN ASSOCIATES – THE GROUP

	Note	2002 \$'000	2001 \$'000
Quoted equity shares, at cost		674,738	719,633
Unquoted equity shares, at cost		463,524	436,907
		<b>1,138,262</b>	1,156,540
Goodwill written off		(574,179)	(580,552)
Currency translation adjustment		39,605	30,299
Share of post-acquisition reserves			
– Capital reserves		(19,526)	(17,038)
– Revenue reserves		106,779	123,475
– Allowance for impairment losses	(i)	(128,904)	(129,608)
		<b>(41,651)</b>	(23,171)
Carrying value	(ii)	<b>562,037</b>	583,116
Market value of quoted equity shares		<b>602,658</b>	672,138

(i) The movements in allowance for impairment losses during the financial year are as follows:

	Note	2002 \$'000	2001 \$'000
Balance at beginning of the year		129,608	145,579
Allowance made/(written back) during the year:			
– other expenses	31(b)	(490)	(3,324)
– exceptional item	31(e)	1,309	6,400
Amount utilised		(1,416)	(19,047)
Translation differences		(107)	–
Balance at end of the year		<b>128,904</b>	129,608



# Notes to the Financial Statements

December 31, 2002

## 6. INTERESTS IN ASSOCIATES – THE GROUP *(continued)*

(ii) Carrying value as at year end include goodwill on acquisition as follows:

	2002	2001
	\$'000	\$'000
Balance at beginning of the year	28,440	–
Acquisition of associate	–	30,126
Amortisation charge for the year	(5,800)	(1,686)
Disposal of subsidiary	(13,318)	–
Balance at end of the year	<u>9,322</u>	<u>28,440</u>

The amortisation charge for the year is included as share of associates' results during the year.

Details of the associates are set out in note 44 to the financial statements.

## 7. INTERESTS IN JOINT VENTURES – THE GROUP

	Note	2002	2001
		\$'000	\$'000
Unquoted shares, at costs		204,119	203,588
Goodwill written off		(544)	(544)
		<u>203,575</u>	<u>203,044</u>
Currency translation adjustment		10,873	11,454
Share of post-acquisition reserves			
– Revenue reserves		85,616	56,630
– Capital reserves		–	(8)
– Allowance for impairment losses	(i)	(28,290)	(28,290)
		<u>57,326</u>	<u>28,332</u>
Carrying value	(ii)	<u>271,774</u>	<u>242,830</u>

(i) The movements in allowance for impairment losses during the financial year are as follows:

	2002	2001
	\$'000	\$'000
Balance at beginning of the year	28,290	104,111
Transfer to impairment loss of property, plant and equipment	–	(73,929)
Amount utilised	–	(1,892)
Balance at end of the year	<u>28,290</u>	<u>28,290</u>

(ii) Carrying value as at year end include goodwill on acquisition as follows:

	2002	2001
	\$'000	\$'000
Balance at beginning of the year	2,052	–
Acquisition during the year	(30,639)	2,052
Amortisation during the year	961	–
Balance at end of the year	<u>(27,626)</u>	<u>2,052</u>

The amortisation charge for the year is included as share of joint ventures' results during the year.

Details of the joint ventures are set out in note 45 to the financial statements.

## Notes to the Financial Statements

December 31, 2002

### 8. OTHER FINANCIAL ASSETS

#### (a) Non-Current Financial Assets

##### Quoted investments at cost:

Equity shares	<b>112,644</b>	117,945	-	-
Bonds, loan stocks and negotiable certificate of deposits	-	1,068	-	-
Warrants	-	225	-	-
Unit trusts	<b>4,567</b>	4,533	-	-
	<b>117,211</b>	123,771	-	-

##### Unquoted investments at cost:

Equity shares	<b>83,036</b>	54,223	-	-
Other investments	<b>67,859</b>	106,995	-	-
	<b>150,895</b>	161,218	-	-
Investments in venture funds and limited partnerships	<b>12,025</b>	8,951	-	-
Corporate club memberships	<b>1,490</b>	2,345	<b>90</b>	90
	<b>13,515</b>	11,296	<b>90</b>	90
	<b>281,621</b>	296,285	<b>90</b>	90
Allowance for impairment losses	<b>(135,025)</b>	(133,680)	-	-
	<b>146,596</b>	162,605	<b>90</b>	90

##### Market value of:

- Quoted equity shares	<b>34,006</b>	33,840
- Quoted bonds, loan stocks and negotiable certificate of deposits	-	1,009
- Quoted warrants	-	13
- Quoted unit trusts	<b>2,827</b>	3,676

The movements in allowance for impairment losses during the financial year are as follows:

	Note	2002 \$'000	2001 \$'000
Balance at beginning of the year		<b>133,680</b>	129,984
Translation		<b>250</b>	-
Disposal of a subsidiary		<b>(256)</b>	-
Allowance made/(written back) during the year, net:			
- other expenses	31(b)	<b>(4,255)</b>	-
- exceptional items	31(e)	<b>12,593</b>	7,023
Amount utilised		<b>(6,987)</b>	(3,327)
Balance at end of the year		<b>135,025</b>	133,680

# Notes to the Financial Statements

December 31, 2002

## 8. OTHER FINANCIAL ASSETS *(continued)*

### (b) Current Financial Assets

	The Group	
	2002	2001
	\$'000	\$'000
Quoted:		
– bonds and loan stocks	1,537	1,546
Unquoted		
– equity shares	719	–
– other investments	45	–
	764	–
	2,301	1,546
Allowance for impairment losses	(503)	(371)
	1,798	1,175
Market value of:		
– Quoted bonds and loan stocks	1,573	1,409

The movements in allowance for impairment losses during the financial year are as follows:

	Note	2002	2001
		\$'000	\$'000
Balance at beginning of the year		371	371
Allowance made during the year	31(b)	132	–
Balance at end of the year		503	371

## 9. LONG-TERM RECEIVABLES AND PREPAYMENTS – THE GROUP

	Note	2002	2001
		\$'000	\$'000
Hire purchase and lease receivables due after 12 months	10	63,867	84,701
Trade receivables	26	156,626	111,738
Loan receivables (unsecured)		33,012	48,136
Staff loans		11	–
Amount due from related parties	28	57,425	75,350
Prepayments	(a)	66,757	44,159
Recoverables		58,274	48,890
		435,972	412,974
Less: allowance for doubtful receivables	(b)	(29,137)	(33,958)
		406,835	379,016
Amount due within one year		(18,681)	(20,928)
		388,154	358,088

### (a) Prepayments

Prepayments are charged on a straight-line basis over the period of prepayments and relate primarily to:

- (i) capacity charges prepaid under the End User Agreement for gas delivery;
- (ii) connection fees prepaid under the Generation Connection and Use of System Agreement for the use of the transmission lines;
- (iii) service fees prepaid under the Gasoil Supply and Storage Agreement for the usage of the tanks; and
- (iv) prepaid Singapore Electricity Pool membership fees.

## Notes to the Financial Statements

December 31, 2002

### 9. LONG-TERM RECEIVABLES AND PREPAYMENTS – THE GROUP (continued)

#### (b) Allowance for doubtful receivables

The movements in allowance for doubtful receivables during the financial year are as follows:

	Note	2002 \$'000	2001 \$'000
Balance at beginning of the year		33,958	49,324
Translation adjustments		–	(26)
Allowance made/(written back) during the year			
– trade	31(b)	(2,697)	(5,274)
– loans	31(e)	–	(10,066)
Amount utilised		(2,124)	–
Balance at end of the year		<u>29,137</u>	<u>33,958</u>

### 10. HIRE PURCHASE AND LEASE RECEIVABLES – THE GROUP

	Minimum lease payment \$'000	Estimated residual value \$'000	Total gross investment in lease \$'000	Unearned interest income \$'000	Allowance for doubtful receivables \$'000	Present value of minimum lease payment net of allowances \$'000
<b>2002</b>						
Within 1 year	25,223	8,943	34,166	(4,092)	(8,123)	21,951
After 1 year but within 5 years	32,801	3,000	35,801	(8,887)	–	26,914
After 5 years	37,970	4,500	42,470	(5,517)	–	36,953
	<u>95,994</u>	<u>16,443</u>	<u>112,437</u>	<u>(18,496)</u>	<u>(8,123)</u>	<u>85,818</u>
Less:						
Amount due within 1 year	(25,223)	(8,943)	(34,166)	4,092	8,123	(21,951)
	<u>70,771</u>	<u>7,500</u>	<u>78,271</u>	<u>(14,404)</u>	<u>–</u>	<u>63,867</u>
<b>2001</b>						
Within 1 year	35,321	364	35,685	(5,025)	(6,668)	23,992
After 1 year but within 5 years	39,652	9,961	49,613	(10,727)	–	38,886
After 5 years	45,657	7,500	53,157	(7,342)	–	45,815
	<u>120,630</u>	<u>17,825</u>	<u>138,455</u>	<u>(23,094)</u>	<u>(6,668)</u>	<u>108,693</u>
Less:						
Amount due within 1 year	(35,321)	(364)	(35,685)	5,025	6,668	(23,992)
	<u>85,309</u>	<u>17,461</u>	<u>102,770</u>	<u>(18,069)</u>	<u>–</u>	<u>84,701</u>

Under the terms of the lease agreements, no contingent rents are recognised.

The movements in allowance for doubtful receivables during the financial year are as follows:

	Note	2002 \$'000	2001 \$'000
Balance at beginning of the year		6,668	6,900
Allowance made during the year, net of amount written back	31(b)	2,537	775
Amount utilised		(1,082)	(1,007)
Balance at end of the year		<u>8,123</u>	<u>6,668</u>

# Notes to the Financial Statements

December 31, 2002

## 11. INTANGIBLE ASSETS - THE GROUP

	Note	Goodwill \$'000	Development and software costs \$'000	Others \$'000	Total \$'000
<b>Cost</b>					
Balance at beginning of the year		48,345	5,511	5,739	59,595
Translation adjustment		–	(56)	–	(56)
Acquisition of subsidiary		15,405	–	–	15,405
Additions during the year		33,406	10,242	260	43,908
Disposal of subsidiary		(39,185)	–	(4,194)	(43,379)
Balance at end of the year		<u>57,971</u>	<u>15,697</u>	<u>1,805</u>	<u>75,473</u>
<b>Accumulated Amortisation and Impairment Losses</b>					
Balance at beginning of the year		5,907	–	7	5,914
Translation adjustments		–	(1)	–	(1)
Amortisation charge for the year	31(b)	3,648	1,245	276	5,169
Impairment loss					
– other expenses	31(b)	981	–	–	981
– exceptional items	31(e)	–	11,797	–	11,797
Disposal of subsidiary		(530)	–	(196)	(726)
Balance at end of the year		<u>10,006</u>	<u>13,041</u>	<u>87</u>	<u>23,134</u>
<b>Carrying Amount</b>					
At December 31, 2002		<u>47,965</u>	<u>2,656</u>	<u>1,718</u>	<u>52,339</u>
At December 31, 2001		<u>42,438</u>	<u>5,511</u>	<u>5,732</u>	<u>53,681</u>

In 2002, the stoppage of sand supply for the land reclamation project of a subsidiary as explained in note 3(vii) (b) caused the subsidiary to assess the recoverable amount of its capitalised expenditure relating to development of the prototype.

Based on this assessment, the carrying amount of the development expenditure was fully written down by \$11,797,000 and included in the profit and loss account of the Group under "General and Administrative Expenses". The directors of the Group do not expect such expenditure to be recoverable given the uncertainty over the continuation of land reclamation projects in the future.

## Notes to the Financial Statements

December 31, 2002

### 12. DEFERRED TAX

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

	At Jan 1, 2002	Effect of adopting SAS 12 (2001)	Charged/ (credited) to profit and loss account (note 32)	Acquisition of subsidiary	Disposal of subsidiary	Reclassi- fication	Exchange differences	At Dec 31, 2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>								
<b>Deferred tax liabilities</b>								
Property, plant and equipment	93,790	8,209	(16,885)	1,131	(2,976)	–	415	83,684
Interest in associates	642	10,248	1,248	–	–	–	–	12,138
Related parties	2,080	–	(2,066)	–	–	–	–	14
Inventories	2,326	–	(225)	–	–	–	–	2,101
Other items	209	6	(2,111)	–	–	2,507	88	699
Total	99,047	18,463	(20,039)	1,131	(2,976)	2,507	503	98,636

#### Deferred tax assets

Property, plant and equipment	(387)	(3,142)	(1,282)	–	–	–	–	(4,811)
Inventories	(2,744)	(274)	1,638	–	246	–	–	(1,134)
Trade receivables	(2,437)	(846)	(1,655)	–	691	–	(47)	(4,294)
Trade and other payables	(1,939)	(283)	(1,773)	–	291	–	(58)	(3,762)
Tax losses	(9,586)	–	7,778	–	–	–	13	(1,795)
Provisions	(2,025)	(291)	(62)	–	361	–	–	(2,017)
Capital and investment allowance	–	–	(1,305)	–	–	–	–	(1,305)
Other items	(565)	(264)	(213)	–	5	–	(27)	(1,064)
Total	(19,683)	(5,100)	3,126	–	1,594	–	(119)	(20,182)

#### Company

##### Deferred tax liabilities

	At Jan 1, 2002	Effect of adopting SAS 12 (2001)	Charged/ (credited) to profit and loss account (note 32)	At Dec 31, 2002
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	–	–	195	195
Investment property	–	–	–	–
Inventories	–	–	–	–
Other items	–	–	–	–
Total	–	–	195	195

##### Deferred tax assets

Provisions	–	–	–	–
Other items	–	–	–	–
Total	–	–	–	–



# Notes to the Financial Statements

December 31, 2002

## 12. DEFERRED TAX *(continued)*

Deferred tax liabilities and assets are set off when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The following amounts, determined after appropriate offsetting are as follows:

	The Group		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities	<b>(83,780)</b>	(97,827)	<b>(195)</b>	–
Deferred tax assets	<b>5,326</b>	5,100	–	–
	<b>(78,454)</b>	(92,727)	<b>(195)</b>	–

The following items have not been included in the computation of deferred tax assets.

	The Group		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Deductible temporary differences	<b>116,834</b>	137,211	<b>1,187</b>	1,342
Tax losses	<b>257,757</b>	208,596	–	–
Capital allowances	<b>56,116</b>	30,176	–	–
	<b>430,707</b>	375,983	<b>1,187</b>	1,342

The tax losses of the Group amounting to \$65,933,000 (2001: \$85,215,000) expire between 2003 and 2007 (2001: 2002 and 2010). The deductible temporary differences do not expire under current tax legislation.

Deferred tax assets have not been recognised under the following circumstances:

- where they are qualified for offset against the tax liabilities of member companies within the Group under the Loss Transfer System of Group Relief but the terms of the transfer have not been ascertained as at year end; and
- where it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

## 13. DEVELOPMENT PROPERTIES – THE GROUP

	2002	2001
	\$'000	\$'000
Cost of land	<b>116,610</b>	308,880
Development costs	<b>78,525</b>	124,816
	<b>195,135</b>	433,696
Progress payments received	–	(438)
	<b>195,135</b>	433,258
Allowance for foreseeable losses	<b>(64,625)</b>	(169,610)
	<b>130,510</b>	263,648

## Notes to the Financial Statements

December 31, 2002

### 13. DEVELOPMENT PROPERTIES – THE GROUP *(continued)*

During the financial year, development property with a net carrying value of \$85 million was transferred to property, plant and equipment as a result of change of use.

The movements in allowance for foreseeable losses during the financial year are as follows:

	Note	2002 \$'000	2001 \$'000
Balance at beginning of the year		<b>169,610</b>	121,236
Translation adjustments		–	37
Allowance made/(written back) during the year, net			
– other expenses	31(b)	<b>(4,829)</b>	61
Disposal of subsidiary		<b>(1,809)</b>	–
Transfer due to change in group structure	28	<b>(42,102)</b>	48,276
Amount utilised		<b>(56,245)</b>	–
Balance at end of the year		<b>64,625</b>	169,610

Interest expenses capitalised as development costs, representing actual borrowing costs incurred in financing the purchases of land and development, amounted to \$1,561,000 (2001: \$6,030,000) during the financial year.

During the financial year, interest capitalised amounting to \$1,869,235 (2001: \$76,813) has been recognised as cost of sales.

Development properties for the Group relate mainly to the following development projects:

#### **The Edge On Cairnhill Road**

A proposed 20-storey residential development at 130 Cairnhill Road, on a freehold land area of 4,304 sqm and with gross floor area of 12,051 sqm. The property has been pledged as security for a loan granted to a subsidiary (Note 20).

#### **Yan Kit Road**

A proposed 10-storey residential development at 27 – 35 Yan Kit Road, on a freehold land area of 2,283 sqm and with gross floor area of 6,360 sqm.

The Group has 100% effective interests in the above two properties as at December 31, 2002 and December 31, 2001.

# Notes to the Financial Statements

December 31, 2002

## 14. INVENTORIES AND WORK-IN-PROGRESS – THE GROUP

	Note	2002 \$'000	2001 \$'000
Raw materials		78,426	84,094
Finished goods, purchased products and components		33,753	68,944
		<b>112,179</b>	153,038
Allowance for inventory obsolescence	(a)	<b>(8,191)</b>	(8,034)
		<b>103,988</b>	145,004
Work-in-progress	(b)	<b>386,430</b>	282,547
		<b>490,418</b>	427,551
<b>(a) Allowance for inventory obsolescence:</b>			
Balance at beginning of the year		8,034	6,296
Translation adjustments		(48)	41
Disposals of subsidiaries		(1,924)	–
Acquisitions of subsidiaries		341	–
Allowance made during the year, net of amount written back	31(b)	2,351	2,055
Amount utilised		(563)	(358)
Balance at end of the year		<b>8,191</b>	8,034
<b>(b) Work-in-progress:</b>			
Costs		2,835,269	1,090,462
Attributable profits		93,047	40,039
Allowance for foreseeable losses	(c)	<b>(70,890)</b>	(13,658)
		<b>2,857,426</b>	1,116,843
Progress billings received and receivable		<b>(2,566,524)</b>	(849,202)
		<b>290,902</b>	267,641
Comprising:			
Work-in-progress		<b>386,430</b>	282,547
Excess of progress billings over work-in-progress		<b>(95,528)</b>	(14,906)
		<b>290,902</b>	267,641
<b>(c) Allowance for foreseeable losses:</b>			
Balance at beginning of the year		13,658	4,868
Allowance made/(written back) during the year			
– profits from operations	31(b)	3,554	9,140
– exceptional items	31(e)	64,447	–
Amount utilised		(10,769)	(350)
Balance at end of the year		<b>70,890</b>	13,658

Inventory includes finished goods stated at net realisable value of \$26,216,000 (2001: \$39,909,000).

## Notes to the Financial Statements

December 31, 2002

### 15. TRADE AND OTHER RECEIVABLES

	Note	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Trade receivables	26	<b>757,349</b>	852,755	-	-
Other receivables, deposits and prepayments	27	<b>253,951</b>	235,336	<b>22,972</b>	9,968
Advance to suppliers		<b>9,294</b>	9,875	-	-
Amount due from related parties	28	<b>276,166</b>	260,250	<b>335,005</b>	629,292
		<b>1,296,760</b>	1,358,216	<b>357,977</b>	639,260

### 16. CASH AND CASH EQUIVALENTS

	Note	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Bank balances, fixed deposits and cash		<b>482,059</b>	408,636	<b>16,241</b>	15,230
Bank overdrafts					
- secured		<b>(1,635)</b>	(3,129)	-	-
- unsecured		<b>(10,217)</b>	(3,453)	-	-
		<b>(11,852)</b>	(6,582)	-	-
		<b>470,207</b>	402,054	<b>16,241</b>	15,230
Fixed deposits	(iii)	<b>(53,831)</b>	-	-	-
Amounts used in cash flow statements		<b>416,376</b>	402,054	<b>16,241</b>	15,230

Included in the bank balances, deposits and cash of the Group are the following:

- Cash at bank amounting to \$76,856 (2001: \$89,669) represents bank account in a foreign bank whose operation has been frozen and the amount is not immediately available for use.
- Cash at bank amounting to \$12,045,629 (2001: \$1,986,859) held under The Project Account Rules under the Housing Developers, withdrawals of which is restricted to payments for development expenditure incurred for property developed for sales.
- Fixed deposits amounting to \$53,831,000 (2001: \$Nil) pledged as security for bank facilities granted to certain subsidiaries.
- The use of a subsidiary's cash and cash equivalents of \$95,896,115 (2001: \$139,200,990) is restricted to working capital purpose, and repayments of loan in accordance with the terms stipulated in the loan agreement entered by the subsidiary with its bankers.

Included in bank overdrafts of the Group are the following:

- Bank overdraft of \$Nil (2001: \$613,000) is secured by a floating charge over all the assets of a subsidiary.
- Bank overdraft of \$1,635,000 (2001: \$1,654,000) is secured by certain assets of a subsidiary with net book value of \$46,154,000 (2001: \$3,524,686).

### 17. TRADE AND OTHER PAYABLES

	Note	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Trade payables		<b>633,286</b>	609,854	-	-
Advance payments from customers		<b>61,910</b>	44,129	-	-
Amount due to related parties	28	<b>78,022</b>	110,438	<b>1,279,527</b>	1,824,423
Other payables and accrued charges	29	<b>764,731</b>	652,992	<b>14,974</b>	18,753
		<b>1,537,949</b>	1,417,413	<b>1,294,501</b>	1,843,176

# Notes to the Financial Statements

December 31, 2002

## 18. PROVISIONS – THE GROUP

	Note	Loan undertakings \$'000	Obligations relating to disposal of business \$'000	Net exposure arising from legal claims \$'000	Legal, professional, and other related expenses \$'000	Others \$'000	Total \$'000
Balance at							
January 1, 2002		32,831	11,356	156,000	50,000	4,858	255,045
Provision made/ (written back) during the year	31(b)	(426)	–	–	–	3,602	3,176
Provisions utilised during the year		–	(3,302)	–	–	(498)	(3,800)
Balance at December 31, 2002		32,405	8,054	156,000	50,000	7,962	254,421

### Loan Undertakings

This relates to the Group's share of loan undertakings of joint venture, associates and other investee companies.

### Obligations Relating to Disposal of Business

This relates to the disposal of marine services business in which a subsidiary retains certain obligations in respect of outstanding receivables, salvage and insurance claims, and vessels condition pursuant to the Sales and Purchase Agreement.

### Net Exposure Arising from Legal Claims

The provision represents the Group's exposure to the ongoing litigations, as detailed in note 39.

### Others

This relates mainly to provision for losses and other claims in respect of customers' inventories managed by a subsidiary.

## 19. EMPLOYEE BENEFITS

	Note	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Compensation cost for share-based incentives	(a)	1,142	3,224	1,142	2,224
Provision for retirement benefit and gratuities	(b)	4,877	3,696	–	–
		<b>6,019</b>	6,920	<b>1,142</b>	2,224
Current		809	976	809	976
Non-current		5,210	5,944	333	1,248
		<b>6,019</b>	6,920	<b>1,142</b>	2,224

### (a) Compensation Costs for Share-based Incentives

Movements in compensation cost for share-based incentives are as follows:

	Note	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Balance at beginning of the year		3,224	–	2,224	–
Provision made (written back)/ made during the year	31(a)	(1,082)	3,224	(1,082)	2,224
Disposal of subsidiary		(1,000)	–	–	–
		<b>1,142</b>	3,224	<b>1,142</b>	2,224

## Notes to the Financial Statements

December 31, 2002

### 19. EMPLOYEE BENEFITS *(continued)*

#### (a) Compensation Costs for Share-based Incentives *(continued)*

##### Share Option Plan

The SembCorp Industries Share Option Plan (the "Option Plan") was approved and adopted at the Company's Extraordinary General Meeting held on June 3, 2000. The Option Plan is administered by the Executives' Share Option Scheme Committee ("ESOSC") which comprises the following members:

Peter Seah Lim Huat  
Goh Geok Ling  
K Shanmugam

Other information regarding the Option Plan is set out below:

- (i) The exercise price of the options can be set at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant.
- (ii) The options can be exercised 12 months after the grant for market price options and 24 months for discounted options.
- (iii) The options granted expire after 5 years for non-executive directors and 10 years for the Group and parent group executives.

##### Performance Share Plan

The SembCorp Industries Performance Share Plan (the "Performance Plan") was approved and adopted at the Company's Extraordinary General Meeting held on June 3, 2000. The Performance Plan is administered by the ESOSC.

Other information regarding the Performance Plan is set out below:

- (i) The awards of performance shares are given conditional on performance targets set based on medium-term corporate objectives.
- (ii) The final number of shares given will depend on the level of achievement of the targets over a rolling three-year performance period and will only be released at the end of the performance period.

##### Restricted Stock Plan

The SembCorp Industries Restricted Stock Plan (the "Restricted Plan") was approved and adopted at the Company's Extraordinary General Meeting held on June 3, 2000. The Plan is administered by the ESOSC.

Other information regarding the Restricted Plan are set out below:

- (i) Restricted awards vest upon the satisfactory completion of time-based service conditions.
- (ii) Restricted awards vest upon the satisfactory completion of the period of service beyond a performance-target completion date.

# Notes to the Financial Statements

December 31, 2002

## 19. Employee Benefits (continued)

### (a) Compensation Costs for Share-based Incentives (continued)

As at the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of \$0.25 each of the Company were as follows:

Movements of share options outstanding:

Date of grant of options	Exercise price	Number of options outstanding at Jan 1, 2002	Options granted	Options exercised	Options cancelled/lapsed/not accepted	Number of options outstanding at Dec 31, 2002	Number of options exercisable at Jan 1, 2002	Number of options exercisable at Dec 31, 2002	Proceeds on options exercised during the year Credited to share capital \$'000	Proceeds on options Credited to share premium \$'000	Exercise period
10/04/1997	2.535	4,051,725	-	-	(4,051,725)	-	4,051,725	-	-	-	11/04/1999 - 10/04/2002
21/04/1998	1.294	2,722,516	-	(455,960)	(110,450)	2,156,106	2,722,516	114	476	-	22/04/2000 - 20/04/2003
08/05/1997	2.623	2,339,667	-	-	(2,339,667)	-	2,339,667	-	-	-	09/05/1999 - 07/05/2002
12/05/1998	1.172	948,169	-	(160,648)	(45,776)	741,745	948,169	40	148	-	13/05/2000 - 11/05/2003
19/05/1999	2.260	597,527	-	-	(99,559)	497,968	597,527	-	-	-	20/05/2001 - 19/05/2004
15/09/1999	2.12	14,000	-	-	-	14,000	14,000	-	-	-	16/09/2001 - 15/09/2004
26/06/2000	1.99	740,000	-	-	(6,000)	734,000	185,000	-	-	-	27/06/2001 - 26/06/2005
26/06/2000	1.99	12,020,900	-	-	(721,300)	11,299,600	5,116,575	-	-	-	27/06/2001 - 26/06/2010
24/07/2000	2.262	7,035,203	-	-	(224,983)	6,810,220	7,035,203	-	-	-	20/05/2001 - 19/05/2009
24/07/2000	2.12	224,451	-	-	(19,996)	204,455	224,451	-	-	-	16/09/2001 - 15/09/2009
19/04/2001	1.55	783,000	-	-	(6,000)	777,000	-	-	-	-	20/04/2002 - 19/04/2006
19/04/2001	1.55	14,462,200	-	(2,000)	(970,000)	13,490,200	350,900	-*	3	-	20/04/2002 - 19/04/2011
07/05/2002	1.59	-	448,000	-	(43,000)	405,000	-	-	-	-	08/05/2003 - 07/05/2007
07/05/2002	1.59	-	9,329,250	-	(1,446,750)	7,882,500	-	-	-	-	08/05/2003 - 07/05/2012
17/10/2002	0.98	-	398,000	-	(37,000)	361,000	-	-	-	-	18/10/2003 - 17/10/2007
17/10/2002	0.98	-	9,084,250	-	(1,491,250)	7,593,000	-	-	-	-	18/10/2003 - 17/10/2012
		45,939,358	19,259,500	(6,18,608)	(11,613,456)	52,966,794	23,585,733	154	627		

\* less than \$1,000



## Notes to the Financial Statements

December 31, 2002

### 19. Employee Benefits (continued)

#### (b) Provision for retirement benefits and gratuities

Note	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Balance at beginning of the year	<b>3,696</b>	3,768	-	-
Disposal of subsidiaries	-	(323)	-	-
Provision made during the year, net of amount written back	31(a) <b>1,647</b>	927	-	-
Provision utilised	<b>(466)</b>	(676)	-	-
Balance at end of the year	<b>4,877</b>	3,696	-	-

#### (c) Defined Benefit Obligations

The employees of a wholly-owned subsidiary, SembCorp Simon-Carves Limited ["SembCorp Simon-Carves"] which was acquired by the Group on May 25, 2001, continued to participate in the pension scheme of its former parent company, Simon Group Plc ("SG Plc Pension"), until November 24, 2001. During this period, SembCorp Simon-Carves continued to contribute to the SG Plc Pension and related contributions has been charged to the profit and loss account of the subsidiary.

Since November 25, 2001, SembCorp Simon-Carves has operated its own defined benefit pension scheme ("Simon-Carves Pension") in the United Kingdom. A bulk transfer of the pension assets and liabilities was made by SG Plc Pension to Simon-Carves Pension on May 24, 2002 based on the value of the pension assets and liabilities on May 25, 2001.

The Simon-Carves Pension is available to all the employees of SembCorp Simon-Carves upon their joining the company. The assets of the pension are held separately from SembCorp Simon-Carves under a trust fund and are invested in equity funds and bonds.

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Present value of unfunded obligations	<b>21,628</b>	3,479	-	-
Present value of funded obligations	<b>36,369</b>	42,472	-	-
Fair value of plan assets	<b>(36,369)</b>	(42,472)	-	-
Present value of net obligations	<b>21,628</b>	3,479	-	-
Actuarial losses not recognised in accordance with SAS 17	<b>(21,886)</b>	(3,521)	-	-
Net asset	<b>(258)</b>	(42)	-	-

Movements in the net assets are as follows:

At beginning of the year	-	-	-	-
Contributions to pension fund	<b>(2,797)</b>	(2,553)	-	-
Expenses recognised during the year	<b>2,591</b>	2,553	-	-
Translation difference	<b>(52)</b>	-	-	-
	<b>(258)</b>	-	-	-

# Notes to the Financial Statements

December 31, 2002

## 19. EMPLOYEE BENEFITS (continued)

### (c) Defined Benefit Obligations (continued)

Expense recognised in the profit and loss account

Note	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
	2,760	2,511	-	-
Current service costs				
Interest on obligation	2,843	-	-	-
Expected return on plan assets	(3,251)	-	-	-
Actuarial losses	239	-	-	-
Net assets not recognised	-	42	-	-
31 (a)	<b>2,591</b>	2,553	-	-

The expense is recognised in the following line items in the profit and loss account

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Cost of sales	2,244	2,076	-	-
Administrative expenses	347	477	-	-
	<b>2,591</b>	2,553	-	-
Actual (return)/decline in value of plan assets	<b>11,859</b>	2,168	-	-

### Principal actuarial assumptions

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2002 %	2001 %
Discount rate at December 31	5.5	5.9
Expected return on plan assets at December 31	6.9	7.3
Future annual salary increases	3.3	3.5
Future pension increases	3.6	3.6

Past service cost and net actuarial results are amortised over the estimated service life of the employees under plan benefits. The estimated service life for pension plans is between 14 and 17 years.

## 20. INTEREST-BEARING BORROWINGS

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Secured				
- short-term loans	9,142	10,909	-	-
- long-term loans	744,160	767,362	-	-
	<b>753,302</b>	778,271	-	-
Unsecured				
- short-term loans	214,279	658,632	-	-
- long-term loans	647,274	946,810	500,000	500,000
	<b>861,553</b>	1,605,442	500,000	500,000
	<b>1,614,855</b>	2,383,713	500,000	500,000
The term loans are repayable:				
- within 12 months	350,567	1,074,634	-	-
- after 12 months	1,264,288	1,309,079	500,000	500,000
	<b>1,614,855</b>	2,383,713	500,000	500,000

## Notes to the Financial Statements

December 31, 2002

### 20. INTEREST-BEARING BORROWINGS *(continued)*

#### Terms and debt repayment schedule

	Total	Within 1 year	After 1 year but within 5 years	After 5 years
	\$'000	\$'000	\$'000	\$'000
<b>2002</b>				
<b>The Group</b>				
Secured term loans:				
Weighted average variable rate of 2.72% p.a.	740,738	85,730	307,492	347,516
Weighted average fixed rate of 9.13% p.a.	12,564	4,924	7,640	–
Unsecured term loans:				
Weighted variable rate of 2.63% p.a.	253,565	224,264	26,418	2,883
Weighted fixed rate of 4.03% p.a.	607,988	35,649	416,839	155,500
	<b>1,614,855</b>	<b>350,567</b>	<b>758,389</b>	<b>505,899</b>
<b>The Company</b>				
Medium term notes (unsecured):				
Weighted average fixed rate of 4.10% p.a.	500,000	–	350,000	150,000
<b>2001</b>				
<b>The Group</b>				
Secured term loans:				
Weighted average variable rate of 3.15% p.a.	757,601	138,512	230,222	388,867
Weighted average fixed rate of 11.01% p.a.	18,106	10,446	7,660	–
Unsecured term loans:				
Weighted variable rate of 2.80% p.a.	823,606	674,284	119,467	29,855
Weighted fixed rate of 4.11% p.a.	784,400	251,392	370,416	162,592
	<b>2,383,713</b>	<b>1,074,634</b>	<b>727,765</b>	<b>581,314</b>
<b>The Company</b>				
Medium term notes (unsecured):				
Weighted average fixed rate of 4.10% p.a.	500,000	–	350,000	150,000

The above includes foreign currency loans denominated mainly in United States dollar ("US\$"), of US\$101 million equivalent to S\$176 million. (2001: US\$167 million equivalent to S\$306 million)

The terms of medium term notes issued by the Company are as follows:

	Amount \$'000	Redeemable at par on:
Tranche 1	250,000	Oct 31, 2005
Tranche 2	150,000	June 6, 2008
Tranche 3	100,000	June 7, 2004
	<b>500,000</b>	

# Notes to the Financial Statements

December 31, 2002

## 20. INTEREST-BEARING BORROWINGS (continued)

The secured loans are collateralised by the following assets:

	Net Book Value	
	2002	2001
	\$'000	\$'000
Property, plant and equipment		
– leasehold and freehold land	<b>100,074</b>	135,241
– plant and machinery	<b>815,041</b>	749,751
– others	<b>7,002</b>	69,219
Development properties	–	103,654
Capital work-in-progress	<b>1,233</b>	7,713
Net assets of certain subsidiaries	<b>6,476</b>	6,510
Other current assets	<b>22,017</b>	19,970
	<b>951,843</b>	1,092,058

## 21. OBLIGATION UNDER HIRE PURCHASE AND FINANCE LEASES – THE GROUP

	2002			2001		
	Payments	Interest	Principal	Payments	Interest	Principal
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Within 1 year	<b>1,354</b>	<b>295</b>	<b>1,059</b>	5,272	1,192	4,080
After 1 year but within 5 years	<b>1,825</b>	<b>447</b>	<b>1,378</b>	10,122	1,543	8,579
After 5 years	<b>257</b>	<b>14</b>	<b>243</b>	13	3	10
	<b>2,082</b>	<b>461</b>	<b>1,621</b>	10,135	1,546	8,589
	<b>3,436</b>	<b>756</b>	<b>2,680</b>	15,407	2,738	12,669

Under the terms of the lease agreements, no contingent rents are payable. The interest rates range from 3.0% to 15.08% (2001: 3.5% to 16.2%) per annum.

## 22. LOAN STOCKS (UNSECURED) – THE GROUP

	2002	2001
	\$'000	\$'000
Repayable within 1 year	<b>4,709</b>	12,750
Repayable within 2 to 5 years	–	4,800
	<b>4,709</b>	17,550

Loan stocks consist of the following:

- (i) A balance of \$5,000,000 convertible loan stock which bears interest at 6% per annum and is redeemable or convertible on the earlier of October 31, 2003 and the date the subsidiary achieves initial public offering (“IPO”). Interest payment will be waived if the subsidiary obtains IPO before October 31, 2003.

The value of the conversion option of \$300,000, being the difference between the principal amount of the loan stock of \$5 million and its present value of \$4.7 million had been taken to capital reserve. The value of the conversion option representing the discount on the loan stock is amortised to the profit and loss account over the remaining life of the loan. During the year, discount of \$98,000 (2001: \$100,000) was amortised to the profit and loss account.

- (ii) \$12,750,000 unredeemed amount of 3.75% unsecured bonds of another subsidiary issued in December 1997 were redeemed at par in December 2002.

## Notes to the Financial Statements

December 31, 2002

### 23. OTHER LONG-TERM LIABILITIES – THE GROUP

	Note	2002 \$'000	2001 \$'000
Deferred income		–	42
Deferred grants		6	13
Amount due to related parties	28	164,971	142,341
Other long term loan		4,089	4,000
		<b>169,066</b>	<b>146,396</b>

The other long-term loan includes an amount of \$2,500,000 (2001: \$2,500,000) granted by a shareholder of an investee company. The loan is unsecured, interest free and is repayable after 12 months. The subsidiary has granted an option to this shareholder to purchase all of the subsidiary's interest in the investee company for \$2,500,000 (2001: \$2,500,000).

### 24. SHARE CAPITAL – THE GROUP AND THE COMPANY

	2002 \$'000	2001 \$'000
Authorised:		
2,000,000,000 ordinary shares of \$0.25 each	<b>500,000</b>	500,000
Issued and fully paid:-		
1,820,861,507 (2001: 1,606,342,899) ordinary shares of \$0.25 each	<b>455,215</b>	401,586

During the financial year, the Company issued the following ordinary shares of \$0.25 each fully paid for cash:

- 213,900,000 ordinary shares at a premium of \$1.37 per share and 106,950,000 warrants pursuant to a private placement. Proceeds from the share issue are to fund future investments and acquisitions to expand the Group's five key business areas, namely, utilities, engineering and construction, environmental engineering, logistics and marine engineering, and for general working capital purposes. The warrants carry the right to subscribe for 106,950,000 ordinary shares of \$0.25 per share at an exercise price of \$1.7334 over an exercisable period from February 28, 2002 to February 28, 2003.
- 618,608 ordinary shares at a premium upon the exercises of the options under the Company's Executives' Share Option Scheme.

As at December 31, 2002, the Company's issued and paid up capital comprised 1,820,861,507 (December 31, 2001: 1,606,342,899) ordinary shares of \$0.25 each. In addition, there were:

- 52,966,794 (December 31, 2001: 45,939,358) unissued ordinary shares of \$0.25 each under options granted to eligible employees and directors under the Company's Executives' Share Option Scheme, and
- 106,950,000 (December 31, 2001: nil) warrants carrying the right to subscribe for 106,950,000 ordinary shares of \$0.25 each at an exercise price of \$1.7334.

### 25. RESERVES – THE GROUP AND THE COMPANY

#### Share Premium

The application of the share premium account is governed by Section 69 – 69F of the Companies Act, Chapter 50.

#### Merger Reserve

Merger reserve represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares acquired in respect of the acquisition of subsidiaries accounted for under the pooling of interest method.

# Notes to the Financial Statements

December 31, 2002

## 25. RESERVES – THE GROUP AND THE COMPANY *(continued)*

### Capital Reserve

The capital reserve includes the Group's share of capital reserves of associates and joint ventures, capitalisation of accumulated profits for issue of bonus shares by subsidiaries, and capital reserve (net of goodwill) on consolidation of subsidiaries, capital redemption reserve and convertible loan stock reserve.

### Currency Translation Reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Group, as well as from the translation of liabilities that hedge the Group's net investment in foreign entities.

### Accumulated profits

	2002	2001
	\$'000	\$'000
Accumulated profits/(losses) are retained in:		
The Company	523,181	515,016
Subsidiaries	214,667	92,682
Associates	(22,125)	(6,133)
Joint ventures companies	57,326	28,340
Less: Consolidation adjustments	(95,096)	(89,927)
	<b>677,953</b>	<b>539,978</b>

## 26. TRADE RECEIVABLES – THE GROUP

	Note	2002	2001
		\$'000	\$'000
Trade receivables including work completed but unbilled		962,631	1,020,023
Allowance for doubtful receivables		(48,656)	(55,530)
		<b>913,975</b>	<b>964,493</b>
Amount due after one year	9	(156,626)	(111,738)
		<b>757,349</b>	<b>852,755</b>

Included in trade receivables are retention monies on contracts amounting to \$27,795,218 (2001: \$26,468,759).

The movements in allowance for doubtful receivables during the financial year are as follows:

	Note	2002	2001
		\$'000	\$'000
Balance at beginning of the year		55,530	47,486
Translation adjustments		2	656
Disposals of subsidiaries		(9,332)	(1,172)
Acquisitions of subsidiaries		5,570	804
Allowance made during the year, net of amount written back	31(b)	5,206	14,117
Amount utilised		(8,320)	(6,361)
Balance at end of the year		<b>48,656</b>	<b>55,530</b>

## Notes to the Financial Statements

December 31, 2002

### 27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Deposits	<b>12,906</b>	11,787	<b>237</b>	44
Prepayments	<b>35,754</b>	36,131	<b>793</b>	879
Tax recoverable	<b>70,257</b>	44,161	<b>19,896</b>	5,489
Sundry receivables	<b>136,281</b>	133,661	<b>2,091</b>	3,601
Recoverables	<b>16,252</b>	28,665	-	-
Interest receivable	<b>446</b>	1,877	-	-
	<b>271,896</b>	256,282	<b>23,017</b>	10,013
Allowance for doubtful sundry receivables	<b>(17,945)</b>	(20,946)	<b>(45)</b>	(45)
	<b>253,951</b>	235,336	<b>22,972</b>	9,968

The movements in allowance for doubtful receivables during the financial year are as follows:

	Note	The Group		The Company	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the year		<b>20,946</b>	17,521	<b>45</b>	45
Disposals of subsidiaries		<b>(2,411)</b>	-	-	-
Acquisition of receivables		-	2,198	-	-
Translation adjustments		<b>(180)</b>	58	-	-
Allowance made during the year, net of amount written back	31(b)	<b>159</b>	1,501	-	-
Amount utilised		<b>(569)</b>	(332)	-	-
Balance at end of the year		<b>17,945</b>	20,946	<b>45</b>	45

Sundry receivables include an amount of \$451,340 (2001: \$192,836) in respect of loans to directors of the subsidiaries and associates which were granted in accordance with employee loan schemes approved by the members of the subsidiaries and associates.



# Notes to the Financial Statements

December 31, 2002

## 28. AMOUNTS DUE FROM/(TO) RELATED PARTIES

The Group	Note	Ultimate holding company		Associates		Joint ventures		Related companies		Minority shareholders of subsidiaries		Total	
		2002	2001	2002	2001	2002	2001	2002	2001	2002	2001		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Amounts due from:													
Trade		-	-	26,187	40,459	20,448	23,346	30,960	32,481	-	-	77,595	96,286
Loans		-	-	180,726	164,590	121,493	81,697	943	-	-	-	303,162	246,287
Non-trade		164	164	24,674	4,190	14,163	13,533	71,499	72,333	6,228	19,023	116,728	109,243
		164	164	231,587	209,239	156,104	118,576	103,402	104,814	6,228	19,023	497,485	451,816
Allowance for doubtful receivables		-	-	(130,394)	(80,931)	(30,647)	(28,542)	(2,853)	(6,743)	-	-	(163,894)	(116,216)
		164	164	101,193	128,308	125,457	90,034	100,549	98,071	6,228	19,023	333,591	335,600
Amounts due:													
Within 1 year	15	164	164	59,865	88,262	109,546	54,916	100,363	97,885	6,228	19,023	276,166	260,250
After 1 year	9	-	-	41,328	40,046	15,911	35,118	186	186	-	-	57,425	75,350
		164	164	101,193	128,308	125,457	90,034	100,549	98,071	6,228	19,023	333,591	335,600

(i) Included in loans due from joint ventures is 1% unsecured loan stocks 1999 of \$5,250,000 (2001: \$5,250,000) which may, at option of a subsidiary, be converted at a certain ratio into shares in whole or in part at any time prior to the maturity date provided that all the stockholders shall convert the stocks at the same time.

The maturity date of the loan stocks has been extended from May 17, 2001 to October 16, 2003.

(ii) Included in non-trade balance due from related companies are floating rate notes of \$70,000,000 (2001: \$70,000,000) issued by a related corporation, ST Treasury Services Limited and guaranteed by a related corporation, Singapore Technologies Pte Ltd. Interest on the floating rate notes range from 0.95% to 2.88% (2001: 2.12% to 3.21%) per annum.



# Notes to the Financial Statements

December 31, 2002

## 28. AMOUNTS DUE FROM/(TO) RELATED PARTIES (continued)

The Group	Note	Ultimate holding company		Associates		Joint ventures		Related companies		Minority shareholders of subsidiaries		Total
		2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Amounts due to:												
Trade		-	-	(8,463)	-	(4,112)	-	(3,000)	-	-	(15,575)	-
Non-trade		-	-	(30,901)	(50,445)	(10,653)	(6,832)	(5,909)	(7,705)	(8,911)	(13,209)	(78,191)
Loans		-	-	(16,154)	(21,290)	(506)	(4,409)	(44,084)	(44,910)	(110,400)	(103,979)	(174,588)
		-	-	(55,518)	(71,735)	(15,271)	(11,241)	(52,893)	(52,615)	(119,311)	(117,188)	(252,779)
Amounts due to:												
- within 1 year	17	-	-	(35,651)	(71,735)	(11,689)	(7,270)	(9,036)	(8,249)	(21,646)	(23,184)	(110,438)
- after 1 year	23	-	-	(19,867)	-	(3,582)	(3,971)	(43,857)	(44,366)	(97,665)	(94,004)	(142,341)
		-	-	(55,518)	(71,735)	(15,271)	(11,241)	(52,893)	(52,615)	(119,311)	(117,188)	(252,779)

The Company	Note	Subsidiaries		Associates		Joint ventures		Related companies		Total	
		2002	2001	2002	2001	2002	2001	2002	2001		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Amounts due from:											
Non-trade		28,145	386,945	2,706	3,267	799	1,640	280	128	31,930	391,980
Loans		303,075	237,312	-	-	-	-	-	-	303,075	237,312
	15	331,220	624,257	2,706	3,267	799	1,640	280	128	335,005	629,292
Amounts due to:											
Non-trade		(1,278,418)	(1,711,150)	(5)	(217)	-	-	(1,052)	(1,099)	(1,279,475)	(1,712,466)
Loans		(52)	(111,957)	-	-	-	-	-	-	(52)	(111,957)
	17	(1,278,470)	(1,823,107)	(5)	(217)	-	-	(1,052)	(1,099)	(1,279,527)	(1,824,423)

## Notes to the Financial Statements

December 31, 2002

### 29. OTHER PAYABLES AND ACCRUED CHARGES

	The Group		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Accrued operating expenses	641,626	485,170	11,105	15,003
Deposits	11,244	8,643	–	–
Accrued interest payable	20,787	20,090	2,550	2,566
Other payables	91,074	139,089	1,319	1,184
	<b>764,731</b>	<b>652,992</b>	<b>14,974</b>	<b>18,753</b>

### 30. TURNOVER

Turnover of the Company represents dividend income recognised.

Turnover of the Group comprises the following:

	2002	2001
	\$'000	\$'000
Utilities services	196,242	154,564
Construction and engineering related activities	1,209,294	824,283
Environmental management and related services	133,770	139,700
Integrated logistics and related services	379,493	407,202
Ship repair, building, conversion and related services	992,588	836,132
Abattoir, auction and related services	141,031	149,370
Food supplies	251,258	224,625
Rental income and property management service fees	15,674	12,964
Sales of goods	722,501	359,959
Miscellaneous services rendered (net)	100,939	97,352
Property sales	49,739	–
Others	9,392	19,064
	<b>4,201,921</b>	<b>3,225,215</b>

### 31. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation include the following:

	Note	The Group		The Company	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
<b>(a) Staff costs</b>					
Staff costs		594,927	553,729	12,599	17,872
Included in staff costs are:					
Directors' remuneration paid/payable to directors of					
– Company		2,935	2,704	2,935	2,704
– Subsidiaries		12,856	9,460	–	–
Provision made/(written back) for:					
– share-based incentives	19(a)	(1,082)	3,224	(1,082)	2,224
– retirement benefits and gratuities	19(b)	1,647	927	–	–
Contributions to:					
– defined benefit plan	19(c)	2,591	2,553	–	–
– defined contribution plan		36,865	37,663	1,070	1,071
		<b>15,135</b>	<b>16,614</b>	<b>103</b>	<b>103</b>
Number of employees as at December 31					

# Notes to the Financial Statements

December 31, 2002

## 31. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION *(continued)*

	Note	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>(b) Other expenses</b>					
Allowance made/(written back) for					
– long term trade receivables	9	<b>(2,697)</b>	(5,274)	–	–
– hire purchase and lease receivables	10	<b>2,537</b>	775	–	–
– foreseeable losses on development properties	13	<b>(4,829)</b>	61	–	–
– inventory obsolescence	14	<b>2,351</b>	2,055	–	–
– foreseeable losses on work-in-progress	14	<b>3,554</b>	9,140	–	–
– trade receivables	26	<b>5,206</b>	14,117	–	–
– other receivables	27	<b>159</b>	1,501	–	–
– related parties receivables	28	<b>5,158</b>	11,655	–	–
Allowance made/(written back) for impairment losses					
– property, plant and equipment	3	<b>(5,722)</b>	4,498	–	–
– investment properties	4	–	519	–	–
– interests in associates	6	<b>(490)</b>	(3,324)	–	–
– investments held for short term	8	<b>132</b>	–	–	–
– long-term investments	8	<b>(4,255)</b>	–	–	–
– intangible assets	11	<b>981</b>	–	–	–
Amortisation					
– intangible assets	11	<b>5,169</b>	1,567	–	–
– loan stock discount	22	<b>98</b>	100	–	–
Auditors' remuneration					
– auditors of the Company					
– current year		<b>1,390</b>	1,355	<b>200</b>	200
– (over)/under provision in prior year		<b>(26)</b>	(12)	<b>(38)</b>	82
– other auditors					
– current year		<b>1,318</b>	1,147	–	–
– under provision in prior year		<b>5</b>	14	–	–
– fees for other professional services paid/payable to					
– auditors of the Company		<b>1,059</b>	892	<b>181</b>	762
– other auditors		<b>649</b>	288	–	–
Bad debts written off/(recovered)					
– Trade		<b>5,742</b>	–	–	–
– Other		–	820	–	–
Deferred expenditure and preliminary expenses written off		<b>31</b>	194	–	–
Depreciation of property, plant and equipment	3	<b>170,932</b>	145,484	<b>775</b>	644
Dividend income from subsidiaries		–	–	<b>80,277</b>	618,348
Professional fee paid to a firm in which a director is a member		<b>860</b>	1,845	<b>234</b>	221
Interest expense paid to banks		<b>765</b>	2,887	–	–
Inventories written off		–	5	–	–
Operating lease expenses		<b>23,643</b>	18,004	<b>897</b>	896
Property, plant and equipment written off		<b>796</b>	817	<b>1</b>	1
Provisions made/(written back) during the year	18	<b>3,176</b>	(13,883)	–	–
Research and development expenditure		<b>758</b>	638	–	–

## Notes to the Financial Statements

December 31, 2002

### 31. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION *(continued)*

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>(c) Non-operating income</b>				
Bad debts recovered				
– trade	424	1,898	–	–
– non-trade	4,214	289	–	–
Exchange (loss)/gain	(2,520)	5,447	–	–
Grants received				
– assets related	272	167	–	–
– income related	246	78	–	–
Gross dividend income				
– quoted equity investments	218	208	–	–
– unquoted equity investments	92	284	–	–
Interest income				
– subsidiaries	–	–	5,993	13,940
– related companies	3,854	4,155	–	–
– associates and joint ventures	4,415	14,083	–	–
– banks and others	15,315	27,423	–	18
Gain/(Loss) from disposal of				
– property, plant and equipment (net)	1,518	9,740	–	–
– associate	3,951	4,635	–	–
– investments				
– quoted	–	11,592	–	–
– unquoted	(138)	(1,222)	–	–
Rental income				
– related companies	373	329	92	–
– associates and joint ventures	154	195	–	–
<b>(d) Finance costs</b>				
Interest paid and payable to				
– subsidiaries	–	–	7,418	6,310
– related companies	1,872	2,096	–	–
– associates and joint ventures	263	692	–	–
– unsecured loan stocks	92	478	–	–
– bank loans and others	91,294	86,896	20,507	16,406
	<b>93,521</b>	<b>90,162</b>	<b>27,925</b>	<b>22,716</b>

# Notes to the Financial Statements

December 31, 2002

## 31. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION *(continued)*

	Note	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>(e) Exceptional items included in:</b>					
<b>Cost of goods sold</b>					
Allowance made for foreseeable losses on work-in-progress	14	(64,447)	–	–	–
Write-down of development property arising from change of use		(27,495)	–	–	–
<b>General and administrative expenses</b>					
Allowances (made)/written back for impairments in					
– property, plant and equipment	3	(53,548)	5,846	–	–
– interests in associates	6	(1,309)	(6,400)	–	–
– long-term investment	8	(12,593)	(7,023)	–	–
Allowance (made)/written back for amounts due from					
– loan receivables	9	–	10,066	–	–
– related parties	28	(2,585)	(2,653)	–	–
Impairment loss on goodwill and intangible assets	11	(11,797)	(17,342)	–	–
Provision for legal, professional and other related expenses		–	(50,000)	–	–
Others		(583)	(1,430)	–	–
<b>Non-operating income</b>					
Gain on disposals/dilution of					
– associates		40,919	26,509	–	–
– subsidiaries		167,951	60,985	–	–
– business		–	24,215	–	–
– long-term investment		557	–	–	–
		<b>35,070</b>	<b>42,773</b>	–	–
<b>Share of results of associates</b>					
Impairment loss on goodwill arising from the acquisition of a subsidiary		(48,406)	–	–	–

## 32. INCOME TAXES

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Current tax expense</b>				
Current year	<b>53,737</b>	75,875	<b>3,254</b>	148,407
Over provided in prior years	<b>(586)</b>	(2,341)	–	(11)
	<b>53,151</b>	73,534	<b>3,254</b>	148,396
<b>Deferred tax expense</b>				
Movements in temporary differences	<b>(6,597)</b>	(2,654)	<b>195</b>	–
Reduction in tax rate	<b>(6,357)</b>	(3,225)	–	–
Over provided in prior years	<b>(3,959)</b>	(398)	–	–
	<b>(16,913)</b>	(6,277)	<b>195</b>	–
	<b>36,238</b>	67,257	<b>3,449</b>	148,396
Share of taxation:				
– associates	<b>9,842</b>	23,768	–	–
– jointly-controlled entities	<b>8,288</b>	3,410	–	–
Income tax expense	<b>54,368</b>	94,435	<b>3,449</b>	148,396



## Notes to the Financial Statements

December 31, 2002

### 32. INCOME TAXES (continued)

#### Reconciliation of effective tax rate

	2002	2002	2001	2001
	%	\$'000	%	\$'000
<b>Group</b>				
Profit before share of results of associates and joint ventures, and tax		<b>238,430</b>		246,899
Income tax using Singapore tax rates	<b>22.0</b>	<b>52,454</b>	24.5	60,490
Effect of reduction in tax rates	<b>(2.7)</b>	<b>(6,357)</b>	(1.3)	(3,225)
Effect of different tax rates in other countries	<b>2.1</b>	<b>5,099</b>	2.4	5,953
Tax incentives and income not subject to tax	<b>(30.6)</b>	<b>(72,927)</b>	(22.2)	(54,849)
Expenses not deductible for tax purposes	<b>11.2</b>	<b>26,723</b>	19.9	49,281
Utilisation of tax losses	<b>(1.0)</b>	<b>(2,375)</b>	(0.8)	(2,119)
Under/(over) provided in prior years	<b>(1.9)</b>	<b>(4,545)</b>	(1.1)	(2,739)
Deferred tax benefit not recognised	<b>15.3</b>	<b>36,354</b>	4.4	10,932
Others	<b>0.8</b>	<b>1,812</b>	1.4	3,533
Income tax expense	<b>15.2</b>	<b>36,238</b>	27.2	67,257
<b>Company</b>				
Profit before tax		<b>54,222</b>		599,079
Income tax using Singapore tax rate	<b>22</b>	<b>11,929</b>	24.5	146,774
Expenses not deductible for tax purposes	<b>0.5</b>	<b>264</b>	0.2	1,060
Over provided in prior years	-	-	-	(11)
Deferred tax benefits not recognised	-	-	0.1	504
Group tax relief	<b>(16.1)</b>	<b>(8,739)</b>	-	-
Others	-	<b>(5)</b>	-	69
Income tax expense	<b>6.4</b>	<b>3,449</b>	24.8	148,396

### 33. EARNINGS PER SHARE – THE GROUP

	2002	2001
	\$'000	\$'000
<b>(a) Basic earnings per share</b>		
Basic earnings per share is based on:		
(i) Net profit for the year	<b>178,333</b>	173,880
(ii) Weighted average number of ordinary shares:		
Issued ordinary shares at beginning of the year	<b>1,606,343</b>	1,605,143
Weighted average number of shares issued under		
– Share placement	<b>196,146</b>	-
– Executives' Share Option Scheme	<b>455</b>	931
	<b>1,802,944</b>	1,606,074
<b>(b) Diluted earnings per share</b>		

The average fair value of one ordinary share during 2002 was \$1.3238 (2001: \$1.6192) per share.

In calculating diluted earnings per share, the weighted average number of ordinary shares is adjusted for the effects of all dilutive potential ordinary shares. The calculation has not included the effects arising from the exercising of the warrants which are anti-dilutive.

The weighted average number of ordinary shares adjusted for the unissued ordinary shares under the Share Option Scheme can be specified as follows:

	2002	2001
	'000	'000
Weighted average number of shares issued used in the calculation of basic earnings per share	<b>1,802,944</b>	1,606,074
Weighted average number of unissued ordinary shares under share options	<b>10,852</b>	18,915
Number of shares that would have been issued at fair value	<b>(8,653)</b>	(17,456)
Weighted average number of ordinary shares (diluted)	<b>1,805,143</b>	1,607,533

# Notes to the Financial Statements

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## 34. DISCONTINUING OPERATIONS

In 1998, pursuant to the merger between Singapore Technologies Industrial Corporation Ltd and Sembawang Corporation Limited, the Board of Directors approved the Group's plan to exit from its non-core businesses, namely property development, financial services and hotels and resorts so as to focus on its core businesses.

During the financial year, certain subsidiaries in the In-Development segment were sold or placed under voluntary liquidation. The Group continues to actively seek buyers for its non-core businesses.

The total assets and liabilities results and cash flows of the discontinuing operations are as follows:

	Property development	Financial services	Hotels and resorts	Total
	\$'000	\$'000	\$'000	\$'000
<b>2002</b>				
<b>Balance Sheet</b>				
Total assets	158,207	18,886	324,394	501,487
Total liabilities	(292,280)	(17,979)	(309,912)	(620,171)
<b>Profit and Loss account</b>				
Turnover	139,066	1,777	46,707	187,550
Total expenses	(158,629)	(2,197)	(65,460)	(226,286)
Profit/(Loss) before taxation	(19,563)	(420)	(18,753)	(38,736)
Taxation	(151)	(66)	(490)	(707)
Loss after taxation	(19,714)	(486)	(19,243)	(39,443)
Minority interests	-	-	3,017	3,017
Net profit/(loss) attributable to shareholders	(19,714)	(486)	(16,226)	(36,426)
<b>Cash Flows</b>				
Cash inflow/(outflow) from operating activities	180,812	13,378	9,096	203,286
Cash inflow/(outflow) from investing activities	-	29,768	(6,561)	23,207
Cash inflow/(outflow) from financing activities	(170,627)	(43,810)	(2,879)	(217,316)
Net cash inflow/(outflow)	10,185	(664)	(344)	9,177
<b>2001</b>				
<b>Balance Sheet</b>				
Total assets	258,107	66,106	347,816	672,029
Total liabilities	(370,451)	(65,009)	(329,389)	(764,849)
<b>Profit and Loss account</b>				
Turnover	7,983	6,074	41,281	55,338
Total expenses	(10,265)	(4,120)	(59,901)	(74,286)
Profit/(Loss) before taxation	(2,282)	1,954	(18,620)	(18,948)
Taxation	(72)	(4,589)	(11)	(4,672)
Loss after taxation	(2,354)	(2,635)	(18,631)	(23,620)
Minority interests	-	131	9,204	9,335
Net loss attributable to shareholders	(2,354)	(2,504)	(9,427)	(14,285)
<b>Cash Flows</b>				
Cash inflow/(outflow) from operating activities	(11,693)	(29,931)	331	(41,293)
Cash inflow/(outflow) from investing activities	(6)	32,522	(2,483)	30,033
Cash inflow/(outflow) from financing activities	14,401	(4,465)	2,223	12,159
Net cash inflow/(outflow)	2,702	(1,874)	71	899

## Notes to the Financial Statements

December 31, 2002

### 35. CHANGES IN ACCOUNTING POLICIES

For the year ended December 31, 2002, five new or revised accounting standards were adopted.

The adoption of SAS 12 (2001) - Income Taxes resulted in the Group and the Company recognising deferred tax in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets and liabilities that affect neither accounting nor taxable profits. This change in accounting policy has been accounted for by restating comparatives and adjusting the opening balances of revenue reserves at January 1, 2002 and 2001.

This change in accounting policy, applied retrospectively, has the following impact (net of tax):

#### Effect of changes in accounting policy on net profit for the year.

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Net profit before change in accounting policy	179,517	176,090	50,773	450,683
Effect of adopting SAS 12 (2001)	(1,184)	(2,210)	-	-
	<b>178,333</b>	173,880	<b>50,773</b>	450,683
Opening accumulated profits as previously reported	545,772	391,287	515,016	94,648
Effect of adopting SAS 12 (income taxes)	(5,794)	(3,584)	-	-
Opening accumulated profits as restated	<b>539,978</b>	387,703	<b>515,016</b>	94,648

The adoption of SAS 30 – Interim Financial Reporting, SAS 38 – *Financial Reporting in Hyperinflationary Economies*, SAS 39 – *Agriculture* and the limited revisions to SAS 17 (2001) – *Employee Benefits* did not give rise to any adjustments to the opening balances of accumulated profits of the prior and current periods or to changes in comparatives.

### 36. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

In December 2002, the Group disposed of its entire shareholding in the food processing and distribution business. The business contributed \$22,424,000 and \$20,376,000 to the consolidated net profits for the year ended 2002 and 2001 respectively.

During the year, the Group disposed of and acquired other subsidiaries, as shown in "Acquisitions and Disposals of Interests in Subsidiaries" in Directors' Report. The financial impact to the net profit of the Group arising from these disposals and acquisitions is not material.

The effect of acquisitions and disposals of subsidiaries' net assets is set out in the consolidated statement of cash flows on page 103.

### 37. RELATED PARTY TRANSACTIONS – THE GROUP

#### Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the related party information disclosed elsewhere in the financial statements, the Group had the following significant transactions with related parties during the year on terms agreed between the parties as follows:

	2002 \$'000	2001 \$'000
<b>Related Companies</b>		
Sales	33,190	19,799
Purchases including rental	241	419
Management fees paid/payable	800	1,500
<b>Associates and Joint Ventures</b>		
Sales	12,763	54,594
Purchases including rental	10,496	3,184
Purchase of vessel	-	23,048

# Notes to the Financial Statements

December 31, 2002

## 38. FINANCIAL INSTRUMENTS

### (a) Financial risk management objectives and policies

The Group is subject to market risks including changes in interest rate, foreign currency, and commodity prices as well as credit risk. The Group has written risk management policies which set out the Group's expectations and objectives in the management of risks. Processes are put in place to monitor its risk management activities on a regular and timely basis.

The Group monitors and hedges, where appropriate, its exposure to fluctuations in interest rates, foreign currency and commodity prices. Exposures to foreign currency risks are also hedged naturally where possible.

### (b) Working Capital Management

The Group and the Company manage their working capital requirements with the view to minimise cost. The net current liabilities as shown in the financial statements reflect management's intention to continue to utilise short-term bank loans and overdraft facilities to meet the working capital requirements having regard to the operating environment and expected cash flow of the Group and the Company. Such working capital requirements are within the credit facilities established and which are adequate and available to the Group and the Company to meet their obligations.

### (c) Credit Risks

The Group monitors its exposure to credit risks arising from sales to trade customers on an on-going basis where credit evaluations are done on customers that require credit.

The Group only deals with pre-approved non-trade customers and financial institutions with good credit rating and imposes a cap on the amount to be transacted with any of these counterparties so as to reduce its concentration risks.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheets.

### (d) Commodity Risks

The Group hedges by the use of derivatives against fluctuations in price which affects revenue and purchases of fuel. Contracts for differences are entered into with its counterparty at a strike price, with or without fixing the quantity upfront to hedge against adverse price movements on the sale of electricity. Exposure to price fluctuations arising on the purchase of fuel is managed via fuel oil swaps where the price of fuel is indexed to a benchmark fuel price index, for example 180 CST fuel oil.

For precious metal commodities, like gold, hedges against fluctuations in metal price are by the use of forward contracts or options to purchase at an agreed price. The quantum of commitment is based on actual or forecasted requirements.

### (e) Interest Rate Risks

The Group's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts where to the extent that is possible and cost effective working capital is financed by variable rate loans while long term investments are financed by fixed rate loans. The Group enters into interest rate swaps to convert variable rate loans undertaken to fund long term investments to fixed rate loans. Under the interest rate swaps, the Group agrees to exchange at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed notional principal amounts. It is the Group's policy that the duration of the interest rate swap should not exceed the tenor of the underlying debt.

## Notes to the Financial Statements

December 31, 2002

### 38. FINANCIAL INSTRUMENTS (continued)

#### (f) Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at balance sheet date and the periods in which they are repriced.

	Note	Effective interest rate %	Total \$'000	Within 1 year \$'000	1 to 5 years \$'000	After 5 years \$'000
<b>The Group</b>						
<b>2002</b>						
<b>Financial assets</b>						
Debts securities – long-term		6.80	<b>63,711</b>	3,711	–	60,000
Loan receivables		6.94	<b>26,739</b>	25,626	1,113	–
Hire purchase and lease receivables		5.57	<b>93,941</b>	30,074	63,867	–
Balances with related parties	28	0.90	<b>70,000</b>	70,000	–	–
		4.65	<b>155,978</b>	141,396	–	14,582
			<b>225,978</b>	211,396	–	14,582
Trade receivables		4.07	<b>150,742</b>	19,478	131,264	–
Other receivables		3.49	<b>11,399</b>	6,827	4,572	–
Cash and cash equivalents		1.07	<b>320,603</b>	320,085	518	–
			<b>893,113</b>	617,197	201,334	74,582
<b>Financial liabilities</b>						
Secured term loans:						
– Floating rate loans		2.90	<b>(309,465)</b>	(309,465)	–	–
		2.11	<b>(431,273)</b>	(431,273)	–	–
– Effect of interest rate swaps		2.87	<b>–</b>	381,927	(246,480)	(135,447)
		4.98	<b>(431,273)</b>	(49,346)	(246,480)	(135,447)
	20		<b>(740,738)</b>	(358,811)	(246,480)	(135,447)
– Fixed rate loans	20	9.13	<b>(12,564)</b>	(4,924)	(7,640)	–
Unsecured term loans:						
– Floating rate loans		2.73	<b>(193,565)</b>	(193,565)	–	–
		1.55	<b>(60,000)</b>	(60,000)	–	–
– Effect of interest rate swaps		5.63	<b>–</b>	–	–	–
		7.18	<b>(60,000)</b>	(60,000)	–	–
	20		<b>(253,565)</b>	(253,565)	–	–
– Fixed rate loans		3.70	<b>(107,988)</b>	(35,649)	(66,839)	(5,500)
Medium term notes	20	4.10	<b>(500,000)</b>	–	(350,000)	(150,000)
Loan stocks	22	6.00	<b>(4,709)</b>	(4,709)	–	–
Hire purchase and finance lease liabilities	21	9.97	<b>(2,680)</b>	(1,059)	(1,378)	(243)
Balances with related parties		5.15	<b>(162,999)</b>	(77,875)	(873)	(84,251)
Bank overdraft	16	8.52	<b>(11,852)</b>	(11,852)	–	–
			<b>(1,797,095)</b>	(748,444)	(673,210)	(375,441)
Total			<b>(903,982)</b>	(131,247)	(471,876)	(300,859)

# Notes to the Financial Statements

December 31, 2002

## 38. FINANCIAL INSTRUMENTS (continued)

### (f) Effective interest rates and repricing analysis (continued)

	Note	Effective interest rate %	Total \$'000	Within 1 year \$'000	1 to 5 years \$'000	After 5 years \$'000
<b>The Group</b>						
<b>2001</b>						
<b>Financial assets</b>						
Debts securities – long-term		5.72	97,365	10,494	26,871	60,000
Loan receivables		7.92	38,199	31,873	6,326	–
– Effect of interest rate swaps		(1.12)	–	(2,519)	2,519	–
			38,199	29,354	8,845	–
Hire purchase and lease receivables		14.76	115,361	30,660	38,886	45,815
– Effect of interest rate swaps		(1.12)	–	(14,246)	14,246	–
			115,361	16,414	53,132	45,815
Balances with related parties	28	1.20	70,000	70,000	–	–
		4.85	113,418	113,418	–	–
			183,418	183,418	–	–
Trade receivables		4.05	97,604	8,581	29,866	59,157
Other receivables		3.00	9,528	9,528	–	–
Cash and cash equivalents		1.30	276,314	276,314	–	–
			817,789	534,103	118,714	164,972
<b>Financial liabilities</b>						
Secured term loans:						
– Floating rate loans		4.02	(292,539)	(292,539)	–	–
– Effect of interest rate swaps		4.03	–	50,000	(50,000)	–
– Floating rate loans		2.74	(465,062)	(465,062)	–	–
– Effect of interest rate swaps		2.26	–	425,453	(288,143)	(137,310)
			(757,601)	(282,148)	(388,143)	(137,310)
– Fixed rate loans		11.01	(18,106)	(10,446)	(7,660)	–
Unsecured term loans:						
– Floating rate loans		2.68	(823,606)	(823,606)	–	–
– Effect of interest rate swaps		5.62	–	40,000	(40,000)	–
			(823,606)	(783,606)	(40,000)	–
– Fixed rate loans		4.12	(284,400)	(251,392)	(20,416)	(12,592)
Medium term notes	20	4.10	(500,000)	–	(350,000)	(150,000)
Loan stocks	22	4.37	(17,550)	(12,750)	(4,800)	–
Hire purchase and finance lease liabilities	21	12.23	(12,669)	(4,080)	(8,579)	(10)
Balances with related parties		3.69	(174,256)	(105,065)	(18,107)	(51,084)
Bank overdraft	16	9.70	(6,582)	(6,582)	–	–
			(2,594,770)	(1,456,069)	(787,705)	(350,996)
Total			(1,776,981)	(921,966)	(668,991)	(186,024)

## Notes to the Financial Statements

December 31, 2002

### 38. FINANCIAL INSTRUMENTS (continued)

#### (f) Effective interest rates and repricing analysis (continued)

	Note	Effective interest rate %	Total \$'000	Within 1 year \$'000	1 to 5 years \$'000	After 5 years \$'000
<b>The Company</b>						
<b>2002</b>						
<b>Financial assets</b>						
Balances with related parties		0.44	<b>298,606</b>	298,606	–	–
<b>Financial liabilities</b>						
Balances with related parties		0.10	<b>(1,272,783)</b>	(1,272,783)	–	–
		4.17	<b>(52)</b>	(52)	–	–
			<b>(1,272,835)</b>	(1,272,835)	–	–
Medium term notes	20	4.10	<b>(500,000)</b>	–	(350,000)	(150,000)
			<b>(1,772,835)</b>	(1,272,835)	(350,000)	(150,000)
Total			<b>(1,474,229)</b>	(974,229)	(350,000)	(150,000)
<b>2001</b>						
<b>Financial assets</b>						
Balances with related parties		3.64	221,971	221,971	–	–
Cash and cash equivalents		1.09	15,196	15,196	–	–
			<b>237,167</b>	237,167	–	–
<b>Financial liabilities</b>						
Balances with related parties		1.00	(1,435,807)	(1,435,807)	–	–
		3.75	(48)	(48)	–	–
			<b>(1,435,855)</b>	(1,435,855)	–	–
Medium term notes	20	4.10	(500,000)	–	(350,000)	(150,000)
			<b>(1,935,855)</b>	(1,435,855)	(350,000)	(150,000)
Total			<b>(1,698,688)</b>	(1,198,688)	(350,000)	(150,000)

#### (g) Foreign Currency Risks

The Group operates globally and is exposed to foreign currency exchange rate movement primarily in US Dollar on sales and purchases, assets and liabilities which arise from daily operations. Such risks are hedged either by forward foreign exchange contracts in respect of actual or forecasted currency exposures or hedged naturally by a matching sale, purchase or a matching asset, liability of the same currency and amount. Companies within the Group are allowed to decide on the tenor of the forward foreign currency contracts that is applicable to the industry that the companies are in.

#### (h) Sensitivity analysis

In managing its interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, any prolonged adverse changes in foreign exchange and interest rates would have an impact on consolidated earnings.

At December 31, 2002, it is estimated that a one percentage point increase/decrease in interest rates would decrease/increase the Group's profit before tax by approximately \$3,348,000 (2001: \$9,934,000). The effect of interest rate swaps has been considered in computing the effect of changes in interest rates.



# Notes to the Financial Statements

December 31, 2002

## 38. FINANCIAL INSTRUMENTS *(continued)*

### (i) Fair values

#### (i) **Recognised financial instruments**

The aggregate net fair values of financial assets and liabilities which are not carried at fair value in the balance sheet as at December 31 are represented in the following table:

Note	2002 Carrying amount \$'000	2002 Fair value \$'000	2001 Carrying amount \$'000	2001 Fair value \$'000
<b>The Group</b>				
<b>Financial assets</b>				
Quoted equity shares	41,026	34,006	54,839	33,840
Debt securities				
– Quoted	1,537	1,573	2,243	2,418
– Unquoted	58,636	58,328	81,131	95,268
Quoted warrants	–	–	225	13
Investment in venture funds and limited partnership	10,991	10,338	8,349	8,597
Quoted unit trusts	4,567	2,827	4,533	3,676
Unquoted other investments	8,299	6,566	8,142	6,678
Unquoted floating rate notes issued by a related company	28 70,000	70,081	70,000	70,219
Loan receivables	1,113	1,008	14,178	11,828
Hire purchase and lease receivables	85,818	85,079	108,693	104,504
	<b>281,987</b>	<b>269,806</b>	352,333	337,041
<b>Financial liabilities</b>				
Secured term loans:				
– fixed rate loans	(12,564)	(11,587)	(18,106)	(16,865)
– floating rate loan	20 (740,738)	(738,876)	(757,601)	(755,871)
Unsecured term loans:				
– fixed rate loans	(107,988)	(110,139)	(284,400)	(287,397)
– floating rate loan	(253,565)	(253,501)	(823,606)	(823,179)
Medium term notes	20 (500,000)	(532,067)	(500,000)	(518,567)
Hire purchase and finance lease liabilities	21 (2,680)	(2,311)	(12,669)	(11,410)
	<b>(1,617,535)</b>	<b>(1,648,481)</b>	(2,396,382)	(2,413,289)
Total	<b>(1,335,548)</b>	<b>(1,378,675)</b>	(2,044,049)	(2,076,248)
Unrecognised losses		<b>(43,127)</b>		(32,199)
<b>The Company</b>				
<b>Financial liabilities</b>				
Medium term notes	20 (500,000)	(532,067)	(500,000)	(518,567)
Unrecognised loss		<b>(32,067)</b>		(18,567)

## Notes to the Financial Statements

December 31, 2002

### (i) Fair values (continued)

#### (i) Recognised financial instruments (continued)

The fair value of long-term quoted securities is their quoted bid price at the balance sheet date. For other financial instruments, fair value has been determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

It is not practicable to determine the fair values of the following financial assets and liabilities of the Group:

- long-term unquoted equity investments because of lack of quoted market prices; and
- balances with related parties and long-term trade receivables where information on financial instruments having similar terms and characteristics are not available.

However, the Group does not anticipate that the carrying amounts of the above financial assets and liabilities recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

#### (ii) Financial assets carried in excess of fair value

The above financial assets have not been written down to their fair values because they are held for long-term and the directors believe the carrying amounts will ultimately be recoverable.

#### (iii) Unrecognised financial instruments

The valuation of financial instruments not recognised in the balance sheet reflects amounts which the Group expects to pay or receive to terminate the contracts or replace the contracts at their current market rates at the balance sheet date.

The notional amount and net fair value receivable/(payable) of financial instruments not recognised in the balance sheet as at December 31 are:

	2002 Notional amount \$'000	2002 Fair value \$'000	2001 Notional amount \$'000	2001 Fair value \$'000
<b>The Group</b>				
Interest rate swap agreements	501,273	(37,284)	581,244	(16,174)
Forward foreign exchange contracts				
– bought contracts	65,280	(592)	51,998	3,120
– sold contracts	1,387	–	75,046	127
Foreign exchange swap contracts	68,159	(476)	8,699	–
Fuel oil swaps	21,224	5,071	45,321	(2,330)
Commodity contract	5,763	871	–	–
	<b>663,086</b>	<b>(32,410)</b>	762,308	(15,257)

### 39. CONTINGENT LIABILITIES (UNSECURED)

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Guarantees given to banks to secure banking facilities provided to:				
– Subsidiaries	–	–	610,305	991,955
– Associates	80,369	85,841	–	–
– Joint ventures and their subsidiaries and associates	–	14,420	–	–

In addition, at December 31, 2002, the subsidiaries have the following significant contingent liabilities:

#### (a) Solitaire

The provision for net exposure arising from legal claims as disclosed in Note 18 includes \$150 million (2001: \$150 million) for the provision for Solitaire arbitration.

In November 1993, Sembawang Corporation Limited (“SCL”), a subsidiary of the Group, was awarded a \$230 million contract by Allseas, owners of the vessel Solitaire (“the Owners”) for the conversion of a bulk carrier into a dynamically positioned pipe lay vessel. The Owners terminated the contract on October 24, 1995 before works were fully completed.

# Notes to the Financial Statements

December 31, 2002

## 39. CONTINGENT LIABILITIES (UNSECURED) *(continued)*

### (a) Solitaire *(continued)*

Following the delivery of a reasoned award by the Tribunal on March 5, 2002, when the Tribunal held that the Owners were entitled to terminate the contract, the Tribunal has scheduled dates in the first quarter of 2004 for hearing of the quantum of the Owners' claims. The Yard's counterclaims have been scheduled for hearing in 2005.

- (b) On June 21, 1999, a subsidiary SMOE Pte Ltd ("SMOE") filed a suit in the Court of Senior Civil Judge in Rawalpindi (the "Civil Court"), Pakistan against Askari Power Limited, ("APL") for damages for breach and wrongful termination of a contract for the design and construction of a power plant in Pakistan and obtained an injunction to prevent APL from drawing on the performance bond amounting to \$6 million. On August 11, 2000, the suit was transferred to the Court of the Additional District Judge in Rawalpindi (the "District Court").

On February 22, 2001, the District Court heard arguments from both parties for the renewal of the interim injunction and ordered the lifting of the interim injunction with effect from March 1, 2001. SMOE's appeal to the Lahore High Court in Pakistan (the "Lahore High Court") was heard and the Lahore High Court accepted the guarantor bank's position that the performance bond had lapsed naturally on October 19, 1999 without a valid call having been made. The matter was referred back by the Lahore High Court to the District Court for final adjudication along with the suit.

In connection with the Lahore High Court's decision, APL has filed an appeal with the Supreme Court of Pakistan. To date, no hearing date has been scheduled for the appeal.

The trial of the suit was scheduled to commence in the District Court on May 20, 2002. However, as SMOE had on April 15, 2002 filed a Miscellaneous Application in the Lahore High Court for an amendment to the list of issues, SMOE's Pakistani lawyers on May 20, 2002, informed the District Court that the Lahore High Court had on May 20, 2002 stayed proceedings in the District Court pending hearing of the Miscellaneous Application. The proceedings before the District Court remain suspended by the stay order passed by the Lahore High Court. The Lahore High Court has not yet fixed a date for hearing further arguments on SMOE's Miscellaneous Application.

Separately, APL has on September 28, 2000, also filed a counter suit in the Civil Court against SMOE alleging breaches of certain contractual commitments including the failure of SMOE to obtain the necessary financing for the power plant. On June 1, 2002, SMOE's lawyers filed an application for rejection of the statement of claim filed by APL on grounds that the suit was not initiated under an authority of a duly passed board resolution. The trial judge allowed SMOE's application and APL subsequently filed their reply by June 11, 2002. The matter was heard on February 24, 2003 and SMOE's application for rejection of the statement of claims filed by APL was dismissed. SMOE is currently evaluating the next course of action with its lawyers.

As at year end, a provision of \$6 million (2001: \$6 million) has been made.

- (c) In 2000, a foreign subsidiary, Dilmun Navigation Company Limited ("DNCL"), received a revised statement from the Commissioner of the Foreign Revenue and Custom Authority of Fiji ("the Commissioner") setting out the reduced assessment amount of Fiji dollar 8 million (\$6.5 million) from the initial Fiji dollar 28 million (\$23 million) to cover the assessment period from 1994 to 2000. Of this, the portion relating to the period prior to DNCL being acquired by the Group was about Fiji dollar 2 million (\$1.7 million).

In 2001, the Commissioner has reached an agreement with DNCL on the following:

- (i) no retrospective taxes would be imposed on charterparty income earned by DNCL prior to a date to be determined by the Commissioner, such date (the "effective date") being either (a) August 4, 1999 or (b) the date of expiry of any relevant charterparties that DNCL had entered into before August 4, 1999;
- (ii) the Commissioner would, as soon as possible, re-assess whether or not charterparty income earned by DNCL from the effective date is taxable in the foreign country prospective (but without penalty); and
- (iii) if, as a result of the re-assessment, it is concluded by the Commissioner that charterparty income earned by DNCL from the effective date is taxable in the foreign country, the judicial review proceedings filed by DNCL in the High Court would be continued to determine the question of whether or not that is so.

## Notes to the Financial Statements

December 31, 2002

### 39. CONTINGENT LIABILITIES (UNSECURED) *(continued)*

Assuming that charterparty income of DNCL is taxable in the foreign country, the potential tax exposure under (i)(a) and (i)(b), after taking into consideration the indemnity to which DNCL is entitled from the charterparty customers, is \$1.5 million and \$0.3 million respectively.

A consent order confirming that no retrospective taxes would be payable was filed with the High Court in January 2002.

Based on advice from the legal and tax consultants, the directors are of the opinion that no material liability will arise. Hence, no provision has been made in the financial statements.

- (d) In 2001, Transnational Recycling Industries Pte Ltd ("TRI") filed a legal suit against a subsidiary, SembWaste Pte Ltd (formerly known as SEMAC Pte Ltd) for alleged breach of contract. At the date of this report, the matter is in recess in the High Court of Singapore and judgement has not been reached.

The directors, having sought legal advice, are of the view that the likelihood of TRI's claim of \$11,800,000 for damages being awarded against the subsidiary will be limited even if TRI succeeds in its claim. Consequently, the directors are of the view that no provision is necessary in the financial statements in respect of the suit.

### 40. COMMITMENTS

	The Group	
	2002	2001
	\$'000	\$'000
Commitments not provided for in the financial statements are as follows:		
Capital expenditure for:		
Commitments in respect of contracts placed	3,181	15,075
Amounts approved by directors but not contracted	27,077	29,016
Long-term loan to an associate	-	3,808
Investment in an associate	-	19,933
Investment in a joint venture	-	4,200
Uncalled capital and commitments to subscribe for additional shares in investments	53,700	27,230
Purchase of land	-	2,625
Development expenditure	-	32,767
	<b>83,958</b>	134,654

As at the balance sheet date, outstanding commitments in respect of the following financial derivatives which were entered into as part of the Group's treasury management activities, are as follows:

	The Group	
	2002	2001
	\$'000	\$'000
Interest rate swap agreements with notional amounts equivalent to	501,273	581,244
Forward foreign exchange contracts for hedging purposes	66,667	127,044
Foreign exchange swap contracts for hedging purposes	68,159	8,699
Fuel oil swap agreements for hedging purposes	21,224	45,321
Commodity contract	5,763	-
	<b>663,086</b>	762,308

At the balance sheet date, commitments in respect of payments for non-cancellable operating leases with a term of more than one year are as follows:

	The Group		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Lease payments due:				
Within 1 year	39,667	33,057	879	833
Between 1 and 5 years	131,484	114,294	1,904	267
After 5 years	166,375	197,482	-	-
	<b>337,526</b>	344,833	<b>2,783</b>	1,100

# Notes to the Financial Statements

December 31, 2002

## 41. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on mutually agreed terms.

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 assets and expenses, interest income, interest expenses and related assets and liabilities.

### (i) Business Segments

The Group comprises the following main business segments:

*Utilities* segment invests in utilities centres and provides utilities and terminal services on Jurong Island. It is also involved in engineering, construction and fabrication of offshore platforms, modules and floating production systems for oil and gas companies worldwide.

*Environmental Engineering* segment provides integrated waste management services in the Asia-Pacific region.

*Engineering & Construction* segment is engaged in turnkey construction, design consultancy, infrastructure development and project management.

*Logistics* segment provides one-stop logistics management services, parts and components management, automated warehouse operations, preservation and packaging technologies and hazardous goods management.

*Marine Engineering* segment focuses principally on ship repair, shipbuilding, specialised ship conversions and offshore structures.

*In Development* segment comprises businesses relating to internet services provider, food processing and distribution, minting, building materials, hotels, properties, resorts and industrial parks.

### (ii) Geographical Segments

The Group operates in two principal geographical areas, Singapore and Rest of Asia. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

## Notes to the Financial Statements

December 31, 2002

### 41. SEGMENT REPORTING (continued)

#### (a) Business Segments

	Utilities	Engineering & Environmental Construction	Engineering	Logistics	Marine Engineering	In Development	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue and expenses</b>								
<b>2002</b>								
Total revenue from								
external customers	1,071,933	857,623	134,962	446,254	1,006,897	684,252	–	4,201,921
Inter-segment revenue	16,693	30,698	1,498	1,646	4,615	119,892	(175,042)	–
Total revenue	1,088,626	888,321	136,460	447,900	1,011,512	804,144	(175,042)	4,201,921
Segment results	77,913	(130,869)	1,578	63,304	94,835	201,606	–	308,367
Interest income	4,678	712	71	923	14,483	5,074	(2,357)	23,584
Financing costs	(38,910)	(1,060)	(166)	(4,721)	(663)	(50,358)	2,357	(93,521)
	43,681	(131,217)	1,483	59,506	108,655	156,322	–	238,430
Share of results of associates	7,014	317	9,838	8,906	5,819	(5,718)	–	26,176
Share of results of joint ventures	19,304	–	–	828	243	16,899	–	37,274
	69,999	(130,900)	11,321	69,240	114,717	167,503	–	301,880
Taxation								(54,368)
Minority interests								(69,179)
Net profit for the year								178,333
<b>Assets and Liabilities</b>								
<b>2002</b>								
Segment assets	1,356,214	639,490	96,914	339,157	1,046,098	1,359,413	(407,987)	4,429,299
Investment in associates	30,009	1,291	57,683	313,897	61,407	97,750	–	562,037
Investment in joint ventures	72,115	–	–	3,904	29,605	166,150	–	271,774
Interest bearing assets	162,435	15,530	5,359	31,932	385,985	116,462	(18,818)	698,885
Unallocated assets								75,583
Total assets								6,037,578
Segment liabilities	413,625	594,727	18,024	231,056	433,615	616,870	(407,987)	1,899,930
Interest bearing liabilities	848,385	19,113	3,393	27,958	145,704	772,579	(18,818)	1,798,314
Unallocated liabilities								180,934
Total liabilities								3,879,178
<b>Capital expenditure</b>	<b>52,370</b>	<b>34,780</b>	<b>8,907</b>	<b>17,496</b>	<b>14,435</b>	<b>54,130</b>	<b>–</b>	<b>182,118</b>
<b>Significant non-cash items</b>								
Depreciation and amortisation	46,983	21,724	10,804	14,298	35,015	47,376	–	176,200
Other non-cash items (including provisions, loss on disposals and exchange differences)	11,455	86,501	314	8,372	27,503	38,032	–	172,177

# Notes to the Financial Statements

December 31, 2002

## 41. SEGMENT REPORTING *(continued)*

### (a) Business Segments *(continued)*

	Utilities	Engineering & Environmental Construction	Engineering	Logistics	Marine Engineering	In Development	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue and expenses</b>								
2001								
Total revenue from								
external customers	548,319	618,505	139,700	469,161	850,064	599,466	–	3,225,215
Inter-segment revenue	1,220	27,611	901	3,889	4,397	24,513	(62,531)	–
Total revenue	549,539	646,116	140,601	473,050	854,461	623,979	(62,531)	3,225,215
Segment results	60,340	6,419	500	92,492	83,213	48,436	–	291,400
Interest income	4,427	7,110	496	1,655	19,627	19,080	(6,734)	45,661
Financing costs	(23,562)	(7,446)	(328)	(10,976)	(292)	(54,292)	6,734	(90,162)
	41,205	6,083	668	83,171	102,548	13,224	–	246,899
Share of results of associates	7,712	965	8,622	53,426	(1,707)	1,416	–	70,434
Share of results of joint ventures	6,537	–	–	(859)	(30)	17,296	–	22,944
	55,454	7,048	9,290	135,738	100,811	31,936	–	340,277
Taxation								(94,435)
Minority interests								(71,962)
Net profit for the year								173,880
<b>Assets and Liabilities</b>								
2001								
Segment assets	1,275,201	565,500	96,209	319,870	1,172,775	1,534,843	(164,143)	4,800,255
Investment in associates	29,633	747	52,412	317,597	60,172	122,555	–	583,116
Investment in joint ventures	66,518	–	–	2,100	30,079	144,133	–	242,830
Interest-bearing assets	131,766	13,067	10,590	35,633	205,980	124,272	(29,595)	491,713
Unallocated assets								49,261
Total assets								6,167,175
Segment liabilities	281,187	404,170	19,792	146,198	396,361	621,514	(164,143)	1,705,079
Interest-bearing liabilities	925,807	68,897	4,878	172,937	26,585	1,388,665	(29,595)	2,558,174
Unallocated liabilities								214,330
Total liabilities								4,477,583
<b>Capital expenditure</b>	113,684	42,515	9,898	23,728	49,146	28,717	–	267,688
<b>Significant non-cash items</b>								
Depreciation								
and amortisation	26,886	11,519	11,344	21,287	30,644	45,471	–	147,151
Other non-cash items (including provisions, loss on disposals and exchange differences)								
	11,831	11,986	30	8,976	9,530	102,257	–	144,610



## Notes to the Financial Statements

December 31, 2002

### 41. SEGMENT REPORTING *(continued)*

#### (b) Geographical Segments

	Singapore \$'000	Rest of Asia \$'000	Others \$'000	Eliminations \$'000	Consolidated \$'000
<b>2002</b>					
Total revenue from external customers	<b>2,290,163</b>	<b>665,662</b>	<b>1,246,096</b>	–	<b>4,201,921</b>
Capital expenditure	<b>120,649</b>	<b>41,522</b>	<b>19,947</b>	–	<b>182,118</b>
<b>2001</b>					
Total revenue from external customers	1,915,227	571,583	738,405	–	3,225,215
Capital expenditure	226,858	34,133	6,697	–	267,688

The Group's assets are located mainly in Singapore.

### 42. COMPARATIVE INFORMATION

Comparatives in the financial statements have been changed from the previous year due to the adoption of the requirements of the new and revised accounting standards as stated in note 35.

# Notes to the Financial Statements

December 31, 2002

## 43. SUBSIDIARIES

Name	Country of incorporation and place of business	Percentage of equity held		Principal activities	Cost of investment	
		2002 %	2001 %		2002 \$'000	2001 \$'000
<b>Held by the Company:</b>						
ChemXlog Pte Ltd	Singapore	<b>60</b>	60	Provision of e-commerce integrated logistics systems of the chemical industry	<b>1,500</b>	1,500
Sembawang Corporation Limited	Singapore	<b>100</b>	100	Intermediate holding company and provision of management services	<b>142,057</b>	142,057
SembCorp Engineers and Constructors Pte Ltd	Singapore	<b>100</b>	100	Engineering and building contractors	<b>162,080</b>	92,080
SembCorp Environmental Management Pte. Ltd. (formerly known as SembCorp WasteManagement Pte Ltd)	Singapore	<b>100</b>	100	Provision of turnkey waste management services	<b>220,132</b>	220,132
SembCorp Logistics Ltd	Singapore	<b>61.62</b>	61.70	Investment holding and provision of integrated logistics and supply chain management services	<b>989,116</b>	989,116
<sup>^</sup> SembCorp Marine Ltd	Singapore	<b>63.55</b>	63.21	Ship repair	<b>704,049</b>	695,289
<sup>^^</sup> SembCorp Parks Holdings Ltd	Singapore	<b>100+</b>	100+	Investment holding	<b>6,091</b>	6,091
SembCorp Parks Management Pte Ltd	Singapore	<b>51</b>	51	Provision of technical and marketing services to industrial parks	<b>4,080</b>	4,080
SembCorp Utilities Pte Ltd	Singapore	<b>100</b>	100	Engineering, construction, production of polymer grade propylene and investment holding	<b>209,481</b>	209,481
Singapore Technologies Industrial Corporation Ltd	Singapore	<b>100</b>	100	Intermediate holding company and provision of management services	<b>252,443</b>	252,443
					<b>2,691,029</b>	<b>2,612,269</b>

+ Effective interest held by the Group and the Company is 100% (2001: 100%) and 37.3% (2001: 37.3%) respectively.

<sup>^</sup> The consolidated financial statements of SembCorp Marine Ltd, a company listed on Singapore Exchange, are audited by Ernst & Young, Singapore.

<sup>^^</sup> The consolidated financial statements of SembCorp Parks Holdings Ltd are audited by Ernst & Young, Singapore.

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Air Tech Products Pte Ltd	Singapore	–	100	Liquidated
^^ Apogee Properties Pte Ltd	Singapore	<b>100</b>	100	Property development and rental of development property
Asia Pacific Air Cargo Pte Ltd	Singapore	<b>49.91</b>	49.98	Dormant
Asia Pacific Logistic Services Pte Ltd	Singapore	<b>61.62</b>	61.70	Investment holding
Asia-Pacific Retail Concepts Pte Ltd	Singapore	<b>100</b>	100	Provision of procurement consultancy services and sales of electrical products
Auto Batam Ferries & Tours Pte Ltd	Singapore	<b>61.62</b>	61.70	Dormant
BaroMedical Services (Asia) Pte Ltd	Singapore	<b>36.66</b>	31.47	Promoting, marketing and supplying hyperbaric and other medical services
Bintan Carrier Services Pte Ltd	Singapore	<b>51</b>	51	Ship and boat chartering services
Bintan Shipping Services Pte Ltd	Singapore	<b>51</b>	51	Shipping agent and freight forwarder
^^ Bonafide Development (S) Pte Ltd	Singapore	<b>100</b>	100	Property development
@ Brooktree Resources Limited	British Virgin Islands	<b>100</b>	100	Under de-registration
^^ BuildNow Pte Ltd	Singapore	<b>100</b>	100	Building contractor and franchisor
^ Bulk Trade Pte Ltd	Singapore	<b>63.55</b>	63.21	Bulk trading of marine products
@ Cathech Investments Ltd	British Virgin Islands	<b>75</b>	75	Investment holding

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
@ Chartered Electronics, Inc.	United States of America	100	100	Dormant
** Chongqing Zhong Xin Garden City Hotel Co Ltd	People's Republic of China	65	65	Hotel development and related activities
* Concode Sdn Bhd	Malaysia	100	100	Dormant
^^ Concrete OEM Pte Ltd	Singapore	60.20	60.80	Production, delivery and sale of ready-made concrete
^^ Concrete Technology Pte Ltd	Singapore	67	67	Investment holding
* Construction Technology (B) Sdn Bhd	Brunei	100	100	Building construction and sub-contracting
Construction Technology Pte Ltd	Singapore	100	100	Building construction, project management and manufacture and sale of fibrecon and precast structures
@ Contech-Meyer Development Pte Ltd	Singapore	100	100	Under members' voluntary liquidation
Contech Realty Pte Ltd	Singapore	100	100	Investment holding
@ Contech Remedial Engineering Pte Ltd	Singapore	100	100	Under members' voluntary liquidation
Contech Trading Pte Ltd	Singapore	100	100	Trading of building materials
Dangerous Goods Management (Singapore) Pte Ltd	Singapore	43.13	43.19	Freight forwarding, transportation and packing services for hazardous goods
** Dilmun Navigation Company Limited	United Kingdom	61.62	61.70	Owning and operating of vessels

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
** Dilmun Navigation Company Pty Limited	Australia	<b>61.62</b>	61.70	Agency services
** Dilmun Navigation (Fiji) Limited	Fiji	<b>61.62</b>	61.70	Agency services
** Dilmun Navigation (PNG) Limited	Papua New Guinea	<b>61.62</b>	61.70	Charter of vessels
@ Dilmun Navigation (Singapore) Pte Ltd	Singapore	<b>61.62</b>	61.70	Under voluntary liquidation
^ Dolphin Shipping Company Private Limited	Singapore	<b>63.55</b>	63.21	Ship owning and charter
Enviro Consult Singapore Pte Ltd	Singapore	–	60	Liquidated
Farmers Abattoir Pte Ltd	Singapore	–	58.88	Abattoir related activities
** Fracht Forwarding & Travels (Private) Limited	India	<b>61.62</b>	61.70	Freight forwarding
Hog Auction Market Pte Ltd	Singapore	–	58.88	Auctioneers of pigs
^^ Industrial Imex Pte Ltd	Singapore	<b>100</b>	100	Quarry operations, exploiting, developing and trading of granite resources
Information Frontiers Pte Ltd	Singapore	<b>85.20</b>	85.20	Provision of financial information via internet
Impact Enterprise Pte Ltd	Singapore	–	100	Liquidated
* International Cuisine Limited	United Kingdom	–	75	Production and marketing of chilled ready-cooked food
^ JPL Corporation Pte Ltd	Singapore	<b>44.49</b>	44.25	Investment holding
^ JPL Industries Pte Ltd	Singapore	<b>34.19</b>	40.14	Collection and treatment of used copper slag, processing and distribution of copper slag

# Notes to the Financial Statements

December 31, 2002

## 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
^ JPL Services Pte Ltd	Singapore	<b>44.49</b>	44.25	Equipment rental services and trading in copper slag
^ Jurong-Brazil Singapore Pte Ltd	Singapore	<b>63.55</b>	63.21	Investment holding
^ Jurong Integrated Services Pte Ltd	Singapore	<b>63.55</b>	63.21	Steel fabrication work
^ Jurong Machinery and Automation Pte Ltd	Singapore	<b>63.55</b>	63.21	Marine and general electronic and electrical works
^ Jurong Marine Contractors Pte Ltd	Singapore	<b>63.55</b>	63.21	Provision of contract services
** Jurong Marine Services Pte Ltd	Singapore	<b>62.59</b>	62.46	Provision of tugging services
^ Jurong Shipbuilders Private Limited	Singapore	<b>63.55</b>	63.21	Investment holding
^ Jurong Shipping Company Beta Pte Ltd	Singapore	<b>63.55</b>	63.21	Dormant
^ Jurong Shipping Company Gamma Pte Ltd	Singapore	<b>63.55</b>	63.21	Dormant
^ Jurong Shipping Company Private Limited	Singapore	<b>63.55</b>	63.21	Dormant
^ Jurong Shipyard Pte Ltd	Singapore	<b>63.55</b>	63.21	Ship repairing and related services
^ Jurong SML Pte Ltd (formerly known as Atlantis Shipyard Pte Ltd)	Singapore	<b>63.55</b>	See note 44	Ship building, ship repairing and civil engineering
** Jurubina Sembawang (M) Sdn Bhd	Malaysia	<b>100</b>	100	Dormant
^^ Karimun Investments Holdings Pte Ltd	Singapore	<b>75</b>	75	Investment holding
^ Karimun Shiprepair and Engineering Pte Ltd	Singapore	<b>63.55</b>	63.21	Investment holding
@ Keleste (Singapore) Pte Ltd	Singapore	<b>61.62</b>	61.70	Under members' voluntary liquidation

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
@ Lam Guan Development Pte Ltd	Singapore	<b>100</b>	100	Under members' voluntary liquidation
LM Food Industries Pte Ltd	Singapore	–	75	Contract manufacturing of food products
@ Mandino Pte Ltd	Singapore	<b>100</b>	100	Under de-registration
@ Megastone (Vietnam) Company Limited	Vietnam	<b>100</b>	100	Under members' voluntary liquidation
@ MSI (BVI) Limited	British Virgin Islands	<b>100</b>	100	Investment holding
** Myanmar ST Food Industries Ltd	Myanmar	–	75	Dormant
^^ Norfolk Development Group (Norfolk Hotel) Limited	British Virgin Islands	<b>81.67</b>	82	Investment holding
^^ Norfolk Hotel Joint Venture Co., Ltd	Vietnam	<b>49</b>	49	Hotel operations and management
Offshore Joint Services (Bases) Company of Singapore Pte Ltd	Singapore	<b>43.81</b>	43.87	Investment holding
Offshore Joint Services Company of Singapore Pte Ltd	Singapore	<b>50.84</b>	50.90	Investment holding
** Oil-Tex (Thailand) Company Limited	Thailand	<b>36.97</b>	37.02	Supply of logistic services to the offshore oil and gas industry
Pace Airconditioning & Engineering Pte Ltd	Singapore	<b>100</b>	100	Design, installation and servicing of air-conditioning systems
Paterson Land Pte Ltd	Singapore	<b>100</b>	100	Dormant
@ Piesin Sdn Bhd	Malaysia	–	75	Under voluntary liquidation



## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Pivot Development Pte Ltd	Singapore	–	100	Under de-registration
** Plexis Services, Inc.	United States of America	<b>61.62</b>	61.70	Freight forwarding
** Primary Industries Pte Ltd	Singapore	–	58.88	Provision of abattoir services
Primary Industries (Qld) Pty Ltd	Australia	–	75	Provision of land logistics support
^^ PT Alam Indah Bintan	Indonesia	<b>35</b>	35	Resort development
** PT Contech Bulan	Indonesia	<b>60</b>	60	Dormant
** PT Gema SembCorp Engineering	Indonesia	<b>90</b>	90	Engineering, construction and fabrication
** PT Indo-Precast Utama	Indonesia	<b>100</b>	100	Manufacturing of pre-cast slabs and other construction related activities
** PT Indo Unggul Wasturaya	Indonesia	<b>67</b>	67	Provision of civil construction, mechanical and electrical services
^ PT Karimun Sembawang Shipyard	Indonesia	<b>41.31</b>	41.09	Ship repairing and related services
** PT Pace Dharmala Airtech	Indonesia	<b>60</b>	60	Supply, installation and maintenance of air conditioning systems
^^ PT Sembawang Kimtrans Indonesia	Indonesia	<b>100</b>	100	Dormant
** PT Semblog Citranusa	Indonesia	<b>43.13</b>	43.19	Provision of offshore logistics services
PT Sempec Indonesia	Indonesia	<b>100</b>	100	Engineering, procurement and construction

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
** PT ST Logistik Nusantara	Indonesia	<b>43.13</b>	43.19	Warehousing, logistics and freight services
** PT Synergy Technology Construction	Indonesia	<b>80</b>	80	Dormant
** PTA Industries Sdn Bhd	Malaysia	<b>61.62</b>	61.70	Under voluntary liquidation
^^ Pulau Holdings Pte Ltd	Singapore	<b>53.85</b>	54	Investment holding
^^ Pyramid Hill Properties Pte Ltd	Singapore	<b>100</b>	100	Property development
** Qianan SembCorp Cogeneration Company Limited	People's Republic of China	<b>65</b>	65	Owning and operating a cogeneration plant in Qianan, China
^^ RDC Cement Pte Ltd	Singapore	<b>100</b>	100	Dormant
^^ RDC Concrete Pte Ltd	Singapore	<b>100</b>	100	Trading of granite and manufacturing of ready-mixed concrete
RDC Development Pte Ltd	Singapore	–	100	Liquidated
^^ RDC Holdings Pte Ltd	Singapore	<b>100</b>	100	Investment holding
^^ RDC International Pte Ltd	Singapore	<b>100</b>	100	Investment holding
^^ RDC Properties Pte Ltd	Singapore	<b>100</b>	100	Property development
@ RDC Realty Pte Ltd	Singapore	<b>100</b>	100	Under voluntary liquidation
^^ RDC Pte Ltd	Singapore	<b>100</b>	100	Provision of waste disposal services
^^ RDC Simei Development Pte Ltd	Singapore	<b>100</b>	100	Property development
^^ RDC (Vietnam) Pte Ltd	Singapore	<b>100</b>	100	Investment holding and provision of management services

## Notes to the Financial Statements

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### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
^^ RDC Woodlands Development Pte Ltd	Singapore	<b>100</b>	100	Property development
Regional Infrastructure Management Pte Ltd	Singapore	<b>51</b>	51	Provision of project management and consultancy services
^^ Resort Asia Consultancy Services Pte Ltd	Singapore	<b>100</b>	100	Provision of project management services
Riau Infrastructure Management Services Pte Ltd	Singapore	<b>51</b>	51	Provision of technical and management services to industrial parks
^^ RSC Joint Venture Company Limited	Vietnam	<b>57</b>	57	Property development and investment holding
^^ RSC (Vietnam) Investments Pte Ltd	Singapore	<b>95</b>	95	Investment holding
SAFE Enterprises Pte Ltd	Singapore	<b>75</b>	75	Investment holding
SAFE & Mansfield Travel Group Pte Ltd	Singapore	<b>75</b>	75	Dormant
^^ Saigon-RDC Co. Ltd	Vietnam	<b>40.20</b>	40	Manufacture of ready-mixed concrete and bored piling work
** Schulz Fisheries Pty Ltd	Australia	–	37.50	Commercial fishing
^^ SCP Power Pte Ltd	Singapore	<b>100</b>	100	Investment holding
Seletaris Investments Limited	British Virgin Islands	–	100	De-registered
SembWaste Pte Ltd (formerly known as SEMAC Pte Ltd)	Singapore	<b>100</b>	100	Provision of environment management and related services and investment holding
* Sembawang Alsuwaiket Arabia Ltd	Saudi Arabia	<b>60</b>	60	Dormant
Sembawang Asia Pte Ltd	Singapore	<b>100</b>	100	Investment holding

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Sembawang Aviation Pte Ltd	Singapore	<b>61.62</b>	61.70	Dormant
Sembawang Bethlehem Pte Ltd	Singapore	<b>100</b>	100	Building of rigs, vessels and specialised marine equipment
** Sembawang Capital (Hong Kong) Limited	Hong Kong	<b>88.49</b>	88.51	Leasing business
Sembawang Capital Pte Ltd	Singapore	<b>88.49</b>	88.51	Leasing services
Sembawang Chemicals Pte Ltd	Singapore	–	100	De-registered
Sembawang Construction Pte Ltd	Singapore	<b>100</b>	100	Civic engineering and construction work
Sembawang Corporation Holdings Pte Ltd	Singapore	–	100	De-registered
Sembawang Corporation Investments (S) Pte Ltd	Singapore	<b>100</b>	100	Investment holding
^^ Sembawang Development and Management Pte Ltd	Singapore	<b>100</b>	100	Under members' voluntary liquidation
Sembawang Engineering (China) Pte Ltd	Singapore	<b>100</b>	100	Engineering, construction and fabrication
Sembawang Engineering Investments Pte Ltd	Singapore	<b>100</b>	100	Dormant
* Sembawang Express (HK) Ltd	Hong Kong	<b>61.62</b>	61.70	Provision of logistics management services
Sembawang Food Investment Pte Ltd	Singapore	–	100	Liquidated
Sembawang Holdings (Pte) Ltd	Singapore	<b>100</b>	100	Investment holding
** Sembawang Huanqiu Engineering Co., Ltd	People's Republic of China	<b>51</b>	51	Petrochemical engineering
Sembawang Indonesia Pte Ltd	Singapore	<b>100</b>	100	Investment holding

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Sembawang Industrial Manufacturing Pte Ltd	Singapore	–	100	Liquidated
Sembawang Industrial Pte Ltd	Singapore	<b>100</b>	100	Investment holding and provision of management services
Sembawang Investments Pte Ltd	Singapore	<b>100</b>	100	Investment holding
Sembawang-JTCI (China) Pte Ltd	Singapore	<b>51</b>	51	Engineering, construction and project management
^^ Sembawang Land Pte Ltd	Singapore	<b>100</b>	100	Property development
^^ Sembawang Leisure Investments Pte Ltd	Singapore	<b>100</b>	100	Investment holding
^^ Sembawang Leisure Private Limited	Singapore	<b>100</b>	100	Investment holding, provision of management, financial and administration services
Sembawang Mulpha Pte Ltd	Singapore	<b>35.74</b>	35.79	Dormant
Sembawang Nominees Pte Ltd	Singapore	<b>100</b>	100	Dormant
Sembawang Pacmann Pte Ltd	Singapore	<b>50.10</b>	50.10	Investment holding and provision of management services
^^ Sembawang Properties Pte Ltd	Singapore	<b>100</b>	100	Property investment
Sembawang Reefer Lines (Bahamas) Ltd	Bahamas	–	100	Liquidated
Sembawang Reefer Lines (Jambu) Pte Ltd	Singapore	–	100	Liquidated
Sembawang Reefer Lines (Manggis) Pte Ltd	Singapore	<b>100</b>	100	Dormant
Sembawang Repromac Pte Ltd	Singapore	–	85.02	De-registered
Sembawang Services Pte Ltd	Singapore	–	100	Liquidated

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### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Sembawang Shipmanagement Pte Ltd	Singapore	<b>61.62</b>	61.70	Dormant
Sembawang Shipyard (India) Pte Ltd	Singapore	–	100	Liquidated
^ Sembawang Shipyard Pte Ltd	Singapore	<b>63.55</b>	63.21	Ship repairing and related services
^ Sembawang Shipyard (S) Pte Ltd	Singapore	<b>63.55</b>	63.21	Investment holding
^ Sembawang Shipyard Services (Pte) Ltd	Singapore	<b>63.57</b>	63.21	Marine services
Sembawang SMI Asia Pte Ltd	Singapore	–	70	Liquidated
** Sembawang Thailand Co. Ltd.	Thailand	<b>49</b>	49 @@@	Engineering, construction and fabrication
Sembawang (UK) Ltd	United Kingdom	–	100	De-registered
Sembcon Indo Pte Ltd	Singapore	<b>100</b>	100	Builders and contractors
SembCorp Air Products Pte Ltd	Singapore	<b>60</b>	See note 45	Manufacture, purchase, storage, process and sale of industrial chemical and speciality gases
SembCorp Cogen Pte Ltd	Singapore	<b>70</b>	70	Building, owning and operating a cogeneration plant on Jurong Island to produce electricity and process steam
SembCorp Construction (Japan) Pte Ltd	Singapore	<b>100</b>	100	Construction and project management
SembCorp Daewood Joint Venture	Singapore	<b>60</b>	–	Design and construction of Kallang and Paya Lebar Express way (contract 422)
SembCorp Development Pte Ltd	Singapore	<b>100</b>	100	Dormant

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
SembCorp Energy Pte Ltd	Singapore	100	100	Investment, development and operations of power plant
SembCorp Energy (Kwinana) Pte Ltd	Singapore	100	100	Manufacturing, supplying and trading of electricity and other form of energy and power and their related products and developing power supply resources
SembCorp Energy (Qianan) Pte Ltd	Singapore	100	100	Dormant
SembCorp Energy (Tuas) Pte Ltd	Singapore	100	100	Dormant
SembCorp Express Pte Ltd	Singapore	61.62	61.70	Investment holding
* SembCorp (Hebei) Building Materials Co., Ltd	People's Republic of China	75	75	Manufacture and sales of tiles
@ SembCorp Industries K. K.	Japan	100	100	Marketing of products and services provided by related companies
* SembCorp Infrastructure (India) Pvt Ltd	India	80	80	Building construction
** SembCorp Infrastructure (Mauritius) Ltd	Mauritius	100	100	Investment holding
** SembCorp International Pte Ltd	Singapore	100	100	Business management and consultancy services
SembCorp Investment Pte Ltd (formerly known as STIC Garden City Hotels Pte Ltd)	Singapore	100	100	Dormant
** SembCorp Logistics (Australia) Pte Ltd	Australia	46.83	46.89	Provision of supply chain management services
** SembCorp Logistics (India) Private Limited	India	61.62	61.70	Provision of logistics services
* SembCorp Logistics (Malaysia) Sdn Bhd	Malaysia	61.62	31.47	Provision of supply chain management services



## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
* SembCorp Logistics (Taiwan) Limited	Republic of China	<b>31.43</b>	–	Provision of supply chain management services
** SembCorp Logistics (USA) Inc. (formerly known as Leo Services, Inc.)	United States of America	<b>61.62</b>	61.70	Export trading
** SembCorp (Malaysia) Sdn Bhd	Malaysia	<b>100</b>	100	Marketing of engineering services
SembCorp Power Pte Ltd	Singapore	<b>100</b>	100	Sale, marketing and distribution of electricity
** SembCorp Properties Pte Ltd	Singapore	<b>100</b>	100	Project management for property development in Singapore and overseas
* SembCorp Simon-Carves Limited (formerly known as Simon-Carves Limited)	United Kingdom	<b>100</b>	100	Design, procurement and project management for process plants
SembCorp SITA Pte Ltd	Singapore	<b>60</b>	60	Provision of a complete range of waste management and environment services and investment holding
SembCorp Systems Pte Ltd	Singapore	<b>100</b>	100	Provision of integration, repairs and construction of electrical, instrumental and control services
* SembCorp (Tianjin) Construction Engineering Co., Ltd	People's Republic of China	<b>70</b>	70	Project management and construction related design consultancy services
SembCorp Ventures Pte Ltd	Singapore	<b>100</b>	100	Investment holding, provision of management services to related corporations
SembCorp Water Pte Ltd	Singapore	<b>100</b>	100	Building, owning and operating terminals and utilities centres to service the water plants and industries

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
SembCorp Zenecon Pte Ltd	Singapore	<b>31.43</b>	31.47	Marketing and providing bonded warehousing and total logistics services
SembFood Pte Ltd	Singapore	<b>100</b>	100	Dormant
@ SembLog Orient Caspian Private Limited	Bermuda	<b>40.05</b>	40.11	Provision of offshore logistics services
^^ SembOCL Pte Ltd	Singapore	<b>70</b>	70	Quarrying business and building material trading
^^ SembPark Facilities Management Pte Ltd	Singapore	<b>100</b>	100	Management and maintenance of property, buildings, estates and facilities
# SembPark Midland Management Pte Ltd	Singapore	<b>19</b>	100	Management and maintenance of properties buildings, estates and buildings
SembSITA Pte Ltd	Singapore	<b>100</b>	100	Provision of waste disposal services
SembVISY Recycling Pte Ltd	Singapore	<b>100</b>	100	Provision of services of collecting, removing, disposing and trading of recycled materials
SembVISY Recycling MRF Pte Ltd	Singapore	<b>60</b>	–	Provision of services of collecting, removing, disposing and trading of recycled wastes
Sembwin Pte Ltd	Singapore	<b>36.97</b>	77.02	Under members' voluntary liquidation
Semcon Indo Pte Ltd	Singapore	<b>100</b>	100	Builders and contractors
SemHotel Management Pte Ltd	Singapore	<b>100</b>	100	Investment holding and provision of management and consultancy services to hotels

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Semjom Agencies Pte Ltd	Singapore	<b>61.62</b>	61.70	Under voluntary liquidation
** Sem-PC Maritime Co. Ltd	Thailand	<b>52.38</b>	52.45	Operation of container depot
* SEMPEC Pakistan (Private) Ltd	Pakistan	<b>75</b>	75	Engineering design, plant construction
* Sempec Philippines, Inc.	Philippines	<b>40</b> @@@	40 @@@	Engineering, procurement construction and management for turnkey projects
* Semrental (B) Sdn Bhd	Brunei	<b>70</b>	88.51	Rental of goods and equipment
Semseas Agencies Pte Ltd	Singapore	<b>61.62</b>	61.70	Dormant
^ SES Engineering (M) Sdn Bhd	Malaysia	<b>63.55</b>	63.21	Fabrication of metal structures
^ SES Marine Services (Pte) Ltd	Singapore	<b>63.55</b>	63.21	Marine services
** SFI Industries Pty Ltd	Australia	–	75	Provision of management services
** Shanghai ST Food Industries Co., Ltd.	People's Republic of China	–	72	Manufacture and sales of frozen foodstuff
** Shenzhen ST-Anda Logistics Co., Ltd.	People's Republic of China	<b>31.43</b>	31.47	Warehousing, cargo handling and transportation services
** Sichuan Huayang Garden City Hotel Co Ltd	People's Republic of China	<b>47.91</b>	47.91	Hotel owner
Singa Infrastructure (West Bay) Pte Ltd	Singapore	<b>100</b>	100	Dormant
Singajaya Investment Pte Ltd	Singapore	<b>100</b>	100	Investment holding
Singapore Environmental Management Engineering Services Pte Ltd	Singapore	<b>100</b>	60	Provision of consultancy services in environment engineering

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## 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Singapore Food Development Pte Ltd	Singapore	–	75	Investment holding
Singapore Food Industries Limited	Singapore	–	75	Food distribution, food preparation, manufacturing and food processing
Singapore Mint Private Limited	Singapore	<b>100</b>	100	Minting of coins, ingots, medallions and the sale of numismatic items
Singapore Offshore Petroleum Services Pte. Ltd.	Singapore	<b>61.62</b>	61.70	Supply of logistics services to the offshore oil and gas industry
Singapore Precision Industries Pte Ltd	Singapore	<b>100</b>	100	Manufacturing, assembling, fabricating, exporting tools, equipment, robots and hardware, minting of coins, ingots, medallions and the sale of numismatic items
@ Singapore Technologies Industrial B.V.	Netherlands	<b>100</b>	100	Under members' voluntary liquidation
@ Singapore Technologies Industrial Corporation (USA)	United States of America	<b>100</b>	100	Investment holding
Singapore Technologies Logistics Pte Ltd	Singapore	<b>61.62</b>	61.70	Provision of freight forwarding, warehousing, stores management and general insurance services
@@Singapore-Wuxi Investment Holdings Pte Ltd	Singapore	<b>78.40</b>	78.40	Investment holding of a subsidiary carrying on the business of development, construction and operation of Wuxi Industrial Park
^ Sinna Services Pte Ltd	Singapore	<b>41.31</b>	41.09	Ship repairing and related services

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
^^ SLRC Investments Pte Ltd	Singapore	<b>100</b>	100	Investment holding
SML Investments Pte Ltd	Singapore	<b>61.62</b>	61.70	Investment holding and operating of passenger ferries
SML Ocean Shipping (I) Pte Ltd	Singapore	<b>61.62</b>	61.70	Under members' voluntary liquidation
^ SML Shipyard Pte Ltd	Singapore	<b>63.55</b>	63.21	Shiprepairing and related services
SMOE International Pte Ltd	Singapore	<b>100</b>	100	Engineering, procurement and construction
SMOE Pte Ltd	Singapore	<b>100</b>	100	Engineering, construction and fabrication
** SOPS (Bangladesh) Private Limited	Bangladesh	<b>61.62</b>	61.70	Dormant
SOPS Inter-Trans Services Pte Ltd	Singapore	<b>61.62</b>	61.70	Dormant
SOPS Investments Pte Ltd	Singapore	<b>61.62</b>	61.70	Dormant
South East Pacific Shipping Pte Ltd	Singapore	<b>61.62</b>	61.70	Dormant
Specon Builders Pte Ltd	Singapore	<b>100</b>	100	Under members' voluntary liquidation
@ Spire Properties Pte Ltd	Singapore	–	100	De-registered
ST Agritech International Pte Ltd	Singapore	–	75	Provision of technical and management services for agri-food business
ST-Airport Services Pte Ltd	Singapore	<b>31.43</b>	31.47	Supply of jet fuel, aviation gasoline and related services
Steri-Care Pte Ltd	Singapore	<b>61.62</b>	61.70	Dormant

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## 43. SUBSIDIARIES *(continued)*

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
ST Construction (Int'l) Pte Ltd	Singapore	<b>100</b>	100	Dormant
ST-KWE Logistics Pte Ltd	Singapore	<b>31.43</b>	31.47	Under members' voluntary liquidation
** ST Logistics (UK) Ltd	United Kingdom	<b>61.62</b>	61.70	Freight handling and procurement of materials and equipment
** ST Logistics (USA) Inc.	United States of America	<b>61.62</b>	61.70	Investment holding
ST Medical Services Pte Ltd	Singapore	<b>61.62</b>	61.70	Provision of specialised aeromedical, general health care and occupational medical services
STIC Chengdu Hotel Investment Pte Ltd	Singapore	<b>82</b>	82	Investment holding
STIC Investments Pte Ltd	Singapore	<b>100</b>	100	Investment holding and dealing, and management of treasury activities
SUT Sakra Pte Ltd	Singapore	<b>80</b>	80	Supply of utilities and storage for petroleum products and chemicals
SUT Seraya Pte Ltd	Singapore	<b>100</b>	100	Building, owning and operating a utility centre on Jurong Island to supply central utility services to chemical/petrochemical companies
^^ Tembeling Development Pte Ltd	Singapore	<b>100</b>	100	Under members' voluntary liquidation
Thomas Walk Properties Pte Ltd	Singapore	–	100	Liquidated
@ Tridex Investment Inc	British Virgin Islands	<b>63.55</b>	63.21	Investment holding

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Unipacific Investments Corporation	British Virgin Islands	–	100	De-registered
* Unitech Prefab Limited	India	<b>79.70</b>	See note 44	Manufacture and sale of ready-mixed concrete and concrete blocks
** Urangan Fisheries Pty Ltd	Australia	–	38.25	Processing of seafood
Ventura Development (DST) Pte Ltd	Singapore	–	100	De-registered
^^ Vietnam Singapore Industrial Parks Pte Ltd	Singapore	<b>61.98</b>	62	Investment holding
^^ Vietnam Singapore Industrial Park JV Co Ltd	Vietnam	<b>31.61</b>	32	Development of industrial park
^^ Vietnam Singapore International Marketing Pte Ltd	Singapore	<b>100</b>	100	Under members' voluntary liquidation
^^ VSIP Power Private Limited	Vietnam	<b>100</b>	100	Build, own and operate an electricity generation plant in Vietnam
@ WaterJet Netherland Antilles N.V.	Netherland Antilles	<b>34.51</b>	34.55	Under voluntary liquidation
@ Water Jet Shipping Corporation	Philippines	<b>34.51</b>	34.55	Under voluntary liquidation
Wong Heng Engineering Pte Ltd	Singapore	<b>70</b>	70	Under members' voluntary liquidation
@@Wuxi Garden City Mall Hotel Co., Ltd	People's Republic of China	<b>74.48</b>	54.88	Operation of a hotel cum shopping centre
Wuxi International Management Services Pte Ltd	Singapore	<b>52.56</b>	52.56	Dormant
@@Wuxi Singapore Industrial Park Development Co., Ltd	People's Republic of China	<b>See note 44</b>	54.88	Development and operation of Wuxi Industrial Park



# Notes to the Financial Statements

December 31, 2002

## 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002	2001	
		%	%	
** Wuxi Sinlian Precast Manufacturing Co., Ltd	People's Republic of China	<b>85</b>	85	Manufacturing of pre-cast slabs and other construction related activities
Zippy Properties Pte Ltd	Singapore	–	100	De-registered

All subsidiaries are audited by KPMG Singapore except for those indicated as follows:

\* Audited by member firms of KPMG International

\*\* Audited by other firms

@ Audit is not required by the laws of the country of incorporation

@@ Subsidiaries with significant foreign operations audited by Arthur Andersen, Singapore or its associated firms

@@@ Deemed to be a subsidiary as the Group has effective control over the board of directors pursuant to Section 5 of the Companies Act.

^ Subsidiaries of SembCorp Marine Ltd, a company listed on Singapore Exchange

^^ Subsidiaries of SembCorp Parks Holdings Ltd, a subsidiary in Singapore

# During the year, the Group's effective interests have been reduced to 19% as a result of disposals. Accordingly, it has been reclassified to long-term equity investment.

## 44. ASSOCIATES

The details of associates held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002	2001	
		%	%	
Agrogen Pte Ltd	Singapore	<b>25</b>	25	Investment in biotechnology related investments
Aik Hua F & B Group Pte Ltd	Singapore	–	22.50	Coffee shop, food court and restaurant operator
Arian Engineering Corporation Pte Ltd	Singapore	<b>20</b>	17.70	Sale, distribution and leasing of specialist engineering products
Jurong SML Pte Ltd (formerly known as Atlantis Shipyards Pte Ltd)	Singapore	<b>see note 43</b>	22.12	Ship building, ship repairing and civil engineering works
Bangkok Business Holding Co. Ltd	Thailand	<b>14.21</b>	14.21	Engineering, construction and fabrication
Bintan Resort Ferries Private Limited	Singapore	<b>30</b>	30	Provision of ferry services

## Notes to the Financial Statements

December 31, 2002

### 44. ASSOCIATES (continued)

The details of associates held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Biomedical Engineering Services & Technology Private Limited	Singapore	<b>21.57</b>	21.60	Provision of biomedical equipment and technical services for general and specialised medical equipment
Cathay International Water Limited	Bermuda	<b>18</b>	18	Infrastructure development, investment and management, mainly in power plants, water treatment plants, toll roads, toll bridges and tunnel, as well as hotel operations and property investment
Camerlin (BVI) Pte Ltd	British Virgin Islands	<b>20</b>	20	Investment holding
Camerlin Pte Ltd	Singapore	<b>20</b>	20	Investment holding
Ceylinco SembCorp Integrated Logistics (Pvt) Ltd	Sri Lanka	<b>30.81</b>	30.85	Provision of logistics services
Changi International Logistics Centre Ltd	Singapore	<b>13.56</b>	13.57	Warehousing, distribution and related services
CIECC Sembawang Engineering Consulting Co., Ltd	People's Republic of China	<b>50</b>	50	Engineering services
Cosco Container Depot Pte Ltd	Singapore	<b>24.65</b>	24.68	Operation of a container depot
Cosem Pte Ltd	Singapore	<b>30.81</b>	30.85	Investment holding
CWT-SML Logistics LLC	United Arab Emirates	<b>18.49</b>	18.51	Warehouse distribution
Dalian Cosco Marine Engineering Ltd	People's Republic of China	<b>12.71</b>	12.64	Ship repairing and related services
DGM Support (Asia) Pte Ltd	Singapore	<b>21.57</b>	21.60	Provision of logistics services

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### 44. ASSOCIATES (continued)

The details of associates held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Delham Investments Pte Ltd	Singapore	<b>27</b>	27	Investment holding
Fenton Assets Limited	British Virgin Islands	<b>27</b>	27	Investment holding
Funpolis Asia Pte Ltd	Singapore	<b>37.50</b>	37.50	Under liquidation
Granite Resources Pte Ltd	Singapore	<b>30</b>	30	Importing, distribution and sale of construction materials
HydraMac Pte Ltd	Singapore	–	40	Procurement, supply and installation of parts and maintenance of land reclamation system
Infotainment Development & Management Pte Ltd	Singapore	<b>30</b>	30	Management and consultancy services to entertainment parks and resorts in China
Irano Singapore Shipyard Company (Sadra Jurong)	Bandar Abbas, Iran	–	16.43	Under members' voluntary liquidation
Joint Shipyard Investment Pte Ltd	Singapore	<b>31.78</b>	31.61	Investment holding
Joint Shipyard Management Services Pte Ltd	Singapore	<b>15.89</b>	15.80	Proprietors of dormitories, manage and let
Joint Shipyard Technologies Pte Ltd	Singapore	<b>18.18</b>	17.70	Research and development of new technologies
JPL Concrete Products Pte Ltd	Singapore	<b>34.19</b>	23.65	Production of concrete products
JTIC (USA) Corporation	United States of America	<b>16.56</b>	16.56	Investment holding
Jurong Clavon Pte Ltd	Singapore	<b>31.78</b>	31.61	Engineering works
Jurong Hitech Industries (M) Sdn Bhd	Malaysia	–	16.43	Electronic assembly
Jurong Hi-Tech (USA) Inc.	United States of America	–	13.25	Assembly of printed circuit boards

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### 44. ASSOCIATES (continued)

The details of associates held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Jurong Shipyard Inc	Bahamas	<b>22.24</b>	22.12	Investment holding
Jurong Technologies Industrial Corpn. Limited	Singapore	–	16.43	Marine and general electronic and electrical works
Karimun Industrial Management Pte Ltd	Singapore	<b>40</b>	40	Dormant
Kinburgh Holdings Pte Ltd	Singapore	<b>27</b>	27	Investment holding
KPN-ST Logistics Co., Ltd.	Thailand	<b>28.35</b>	28.38	Warehousing, inventory management transport and distribution, and freight forwarding
Kuehne & Nagel International AG	Switzerland	<b>12.32</b>	12.34	International forwarding, contract logistics, supply chain management and special products in niche sectors
LC Ventura (Tampines) Pte Ltd	Singapore	<b>40</b>	40	Property development
Logistics Training and Consultancy Services Pte Ltd	Singapore	<b>24.65</b>	24.68	Logistics training and consultancy services
Macondray Corporation Pte Ltd	Singapore	–	24.47	Investment holding
Mansfield Travel Sdn Bhd	Malaysia	<b>18.38</b>	18.38	Provision of services relating to travel and tours
Mauá Jurong S.A.	Brazil	<b>22.24</b>	22.12	Ship building and ship repairing
Marketing & Consultancy Services International Pte Ltd	Singapore	<b>40</b>	40	Dormant
Medechain Pte Ltd	Singapore	<b>30.81</b>	30.85	Provision of online healthcare services
MR Tech (M) Sdn Bhd	Malaysia	–	18.96	Fabrication of metal structures

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### 44. ASSOCIATES (continued)

The details of associates held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Neptune Associated Lines Private Limited	Singapore	–	31.61	Ship owners
Omix Asia.com Pte Ltd	Singapore	<b>19.07</b>	18.96	E-commerce and bulk procurement
Oslo Gas I LP	Republic of Liberia	<b>21.18</b>	21.07	Ship owning and charter
Oslo Gas II LP	Republic of Liberia	<b>21.18</b>	21.07	Ship owning and charter
Pacific Internet Corporation Pte Ltd	Singapore	<b>41.80</b>	41.80	Investment holding
Pacific Internet Limited	Singapore	<b>41.80</b>	41.80	Provision of public internet access services
Perth Power Partnership	Australia	<b>30</b>	30	Generation and sales of electricity and steam
PPL Shipyard Pte Ltd	Singapore	<b>31.78</b>	31.61	Ship repairing and related services
PT Karimun Indojoya Cakrawala	Indonesia	<b>30</b>	30	Construction and development of an industrial estate at Karimun Island, Indonesia
PT Multi Granitindo Utama	Indonesia	<b>30</b>	30	Granite quarrying
PT Pakuwon Funpolis Indonesia	Indonesia	<b>22.88</b>	22.88	Operation of entertainment centre
Quarry Management Services Pte Ltd.	Singapore	<b>30</b>	39	Quarry management services
Realand Pte Ltd	Singapore	<b>20</b>	20	Investment holding
Reco Sin Han Pte Ltd	Singapore	<b>20</b>	20	Investment holding
Reliance Contractors Private Limited	Singapore	<b>49.99</b>	49.99	Building and civil engineering contractor
S Daniels Plc	United Kingdom	–	22.43	Investment holding
Searching Logistics Pte Ltd	Singapore	<b>20.54</b>	20.56	Dormant
Searching Maritime Pte Ltd	Singapore	<b>20.54</b>	20.56	Charter of vessels , OPL services

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### 44. ASSOCIATES (continued)

The details of associates held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Searching Offshore Pte Ltd	Singapore	<b>20.54</b>	20.56	OPL services
Searching Pte Ltd	Singapore	<b>20.54</b>	20.56	OPL Services
Sembawang Kimtrans Ltd	Singapore	<b>17.03</b>	20.45	Project logistics, project freight management, procurement services, road transport and warehousing
Sembawang KMP Corporation Pte Ltd	Singapore	<b>50</b>	50	Investment holding
Sembrown Equipment Pte Ltd	Singapore	<b>27.50</b>	27.50	Under members' voluntary liquidation
SembCorp-Translink Parami Logistics Ltd	Myanmar	<b>18.49</b>	18.51	Freight forwarding
SembSITA Pacific Pte Ltd	Singapore/ Australia	<b>40</b>	40	Provision of waste removal and disposal, environmental consultation and other related environmental services
Shanghai Ocean Aquarium Co., Ltd	People's Republic of China	<b>20</b>	20	Aquarium and related operations
Shenyang SML Distripark Ltd	People's Republic of China	<b>30.19</b>	30.23	Operation of a distripark
Shenzhen Chiwan Petroleum Supply Base Company Limited	People's Republic of China	<b>10.28</b>	10.29	Operation of an offshore supply base
Shenzhen Gangchuang Building Material Co. Ltd	People's Republic of China	<b>28</b>	28	Manufacture of ready-mixed concrete, cement and other concrete related products
Shenzhen Sembawang Huanqiu Engineering Corporation Ltd	People's Republic of China	<b>26</b>	26	Engineering design for chemical, petrochemical and civil building works (in the process of de-registration)
Shenzhen Sullair Asia Industrial Company Ltd	People's Republic of China	<b>-</b>	26	Manufacture of rotary screw air compressors
Sime SembCorp Engineering Sdn Bhd	Malaysia	<b>30</b>	30	Engineering, construction and fabrication

## Notes to the Financial Statements

December 31, 2002

### 44. ASSOCIATES (continued)

The details of associates held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Singapore Computer Systems Limited	Singapore	–	20	Supply and maintenance, systems development and integration, project implementation, facilities management, system support, servicing and sale of computer equipment and provision of consultancy and software development services
ST Architects & Engineers Pte Ltd	Singapore	<b>48.65</b>	34.80	Provision of design, consultancy and advisory services relating to any professional engineering work
ST-KN Pte Ltd	Singapore	<b>30.19</b>	30.23	Freight forwarding
ST Logitrack Pte Ltd	Singapore	<b>30.81</b>	30.85	Development and marketing of Radio Frequency Identification application in the logistics and related market
Suzhou Logistics Pte Ltd	Singapore	–	12.34	Liquidated
System-Bilt (Myanmar) Limited	Myanmar	<b>23.35</b>	22.77	Hotel owner and management
Transport Groupage International (HK) Limited	Hong Kong	<b>30.81</b>	30.85	Transportation and freight forwarding
Trans-Link Express Pte Ltd	Singapore	<b>15.84</b>	15.86	Freight forwarding
TSD Leasing Co., Ltd	Thailand	<b>30</b>	30	Leasing, hire purchase and factoring
UCM Oil-Tex Threading Ltd	Thailand	<b>18.12</b>	18.14	Oil field equipment machining and repair
Unitech Prefab Limited	India	<b>see note 43</b>	40	Manufacture and sale of ready-mixed concrete and concrete blocks
Ventura Development (Myanmar) Pte Ltd	Singapore	<b>35</b>	35	Development, construction and management of property
Ventura Development (Surabaya) Pte Ltd	Singapore	<b>50</b>	50	Investment holding

## Notes to the Financial Statements

December 31, 2002

### 44. ASSOCIATES (continued)

The details of associates held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Winners Path Pte Ltd	Singapore	<b>36.67</b>	36.67	Dormant
Wuxi High Speed Ferry Co. Ltd	People's Republic of China	<b>12.32</b>	12.34	Operating of passenger ferries
Wuxi Singapore Industrial Park Development Co., Ltd	People's Republic of China	<b>38.42</b>	see note 43	Development and operation of Wuxi Industrial Park
Wuxi-Singapore Industrial Park Logistics Co Ltd	People's Republic of China	<b>22.18</b>	35.12	Warehousing, freight forwarding, transportation and related services
Xi'an Lintong Zhongxin Tourism Development Co., Ltd	People's Republic of China	<b>20</b>	20	Theme park and related operations
Zerust Singapore Pte. Ltd. (formerly known as ST-Zerust (SEA) Pte Ltd)	Singapore	<b>18.49</b>	18.51	Preservation and packaging operations
Zhengzhou Yellow River Tourism Development Co., Ltd	People's Republic of China	<b>20</b>	20	Theme park and related operations
Zuellig Insurance Brokers Pte Ltd	Singapore	<b>30.19</b>	30.23	General and life insurance broking

Kuehne & Nagel International AG, a significant foreign associate, is audited by KPMG Fides Peat, Switzerland.

### 45. JOINT VENTURES

The details of joint ventures held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Batamindo Industrial Management Pte Ltd	Singapore	<b>30</b>	30	Dormant
Batamindo Shipping & Warehousing Pte Ltd	Singapore	<b>34.74</b>	34.76	Provision of shipping, freight forwarding, storage and warehousing services
Bintan Industrial Estate Management Pte Ltd	Singapore	<b>47.5</b>	40	Dormant



## Notes to the Financial Statements

December 31, 2002

### 45. JOINT VENTURES *(continued)*

The details of joint ventures held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Bintan Lagoon Resort Limited	Singapore	<b>33</b>	33	Developer, owner and marketing agent of immovable property, club membership, and real estate and investment holding
Bintan Resort Management Pte Ltd	Singapore	<b>28</b>	28	Manager and operator of hotel, leisure, recreational resort and facility
Bohai Sembawang Shipyard (Tianjin) Co. Ltd	People's Republic of China	<b>20.20</b>	31.61	Repair and conversion of all types of marine vessels, production of quayside and container cranes and installation and repair of mechanical and electronic equipment
Golden-STIC Investment Holdings Pte Ltd	Singapore	<b>50</b>	50	Lifestyle business
InterIsland Marketing Services Pte Ltd	Singapore	<b>40</b>	40	Dormant
Jiangyin Huaixin Corrosion Control Co Ltd	People's Republic of China	<b>15.89</b>	31.61	Tank coating and corrosion resistance work for marine vessels
Katoen Natie SembCorp Pte Ltd	Singapore	<b>30.19</b>	30.23	Provision of specialised logistics services
Katoen Natie SembCorp Chemical Pte Ltd	Singapore	<b>30.19</b>	30.23	Provision of warehousing and logistics services
Katoen Natie SembCorp Jurong Pte Ltd	Singapore	<b>30.19</b>	30.23	Provision of warehousing and logistics services
Katoen Natie SembCorp (Thailand) Ltd	Thailand	<b>30.19</b>	30.23	Provision of warehousing and logistics services
* Kumagai-Sembawang Mitsui Joint Venture	Singapore	<b>45</b>	45	Design and construction of the Potong Pasir and Boon Keng MRT Stations including tunnels

## Notes to the Financial Statements

December 31, 2002

### 45. JOINT VENTURES *(continued)*

The details of joint ventures held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
* Kumagai-SembCorp Joint Venture	Singapore	<b>50</b>	50	Design and construction of the Changi MRT Station including tunnels
* Kumagai-SembCorp Joint Venture (DTSS)	Singapore	<b>50</b>	50	Design and construction of Paya Lebar Deep Tunnel Sewerage System
* Philip Holzmann-SembCorp Joint Venture	Singapore	<b>50</b>	50	Design and construction of Kranji Deep Tunnel Sewerage System
Phu My 3 BOT Power Company Ltd	Vietnam	<b>33.30</b>	33.33	Generation and sale of electricity
P.T. Batamindo Investment Corporation	Indonesia	<b>37.50</b>	30	Development, construction and operation of Batamindo Industrial Park
P.T. Bintan Inti Industrial Estate	Indonesia	<b>47.50</b>	47.50	Development, construction and operation of Bintan Industrial Estate
Sakra Island Carbon Dioxide Pte Ltd	Singapore	<b>30</b>	22.50	Manufacture, extraction, processing and purification of carbon dioxide and natural gas
SembCorp Air Products (HYCO) Pte Ltd	Singapore	<b>See note 43</b>	45	Manufacture, purchase, storage, process and sale of industrial chemical and specialty gases
SembCorp Gas Pte Ltd	Singapore	<b>50</b>	50	Importation and retailing of natural gas and related products
SembCorp Network Pte Ltd	Singapore	<b>30.81</b>	37.50	Provision of logistics support and services
Shenzhen Chiwan Offshore Petroleum Equipment Repair & Manufacture Company Limited	People's Republic of China	<b>35</b>	35	Engineering services
Shenzhen Chiwan Sembawang Engineering Co. Ltd	People's Republic of China	<b>32</b>	32	Engineering, construction and fabrication

# Notes to the Financial Statements

December 31, 2002

## 45. JOINT VENTURES *(continued)*

The details of joint ventures held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Singapore-Bintan Resort Holdings Pte Ltd	Singapore	<b>26.25</b>	26.25	Investment holding
* Total-CDC-DNC Joint Operation	Indonesia	<b>40</b>	40	Construction of a hotel, golf course and recreation centres
* Unincorporated jointly-controlled entities.				

The Group's share of the results and balance sheets of the joint ventures are as follows:

	Group's Share	
	2002 \$'000	2001 \$'000
<b>Results of the Joint Ventures</b>		
Turnover	<b>459,084</b>	227,009
Expenses	<b>(421,634)</b>	(204,065)
Profit before taxation	<b>37,450</b>	22,944
Taxation	<b>(8,650)</b>	(3,410)
Profit after taxation	<b>28,800</b>	19,534
<b>Balance sheets of the Joint Ventures</b>		
Non-current assets	<b>400,389</b>	315,879
Current assets	<b>215,219</b>	155,424
Current liabilities	<b>(192,084)</b>	(138,338)
Non-current liabilities	<b>(106,914)</b>	(93,788)
Minority interests	<b>(15,037)</b>	(4,370)
Net assets	<b>301,573</b>	234,807

The Group's share of the capital commitments of the joint ventures is \$7.3 million (2001: \$16.1 million).

## Supplementary Information

December 31, 2002

### (UNDER SGX-ST LISTING MANUAL REQUIREMENTS)

#### (A) Directors' Remuneration

The remuneration of directors of the Company falls within the following ranges:

	2002
\$500,000 and above	1
\$250,000 to \$499,999	–
Below \$250,000	10
	<u>11</u>

#### Summary compensation table for the year ended December 31, 2002 (Group)

Name of Director	*Salary	#Bonus	Directors' fees	Total
	\$	\$	\$	\$
Peter Seah Lim Huat	–	–	171,333	171,333
Wong Kok Siew	902,720	1,409,300	–	2,312,020
Ho Ching (resigned on June 1, 2002)	–	–	20,417	20,417
Tay Siew Choon	–	–	41,000	41,000
Lua Cheng Eng	–	–	92,000	92,000
K Shanmugam	–	–	65,167	65,167
Lam Chuan Leong	–	–	10,000	10,000
Tetsuro Kawakami	–	–	29,000	29,000
Chumpol NaLamlieng	–	–	43,000	43,000
Goh Geok Ling	–	–	82,500	82,500
Richard Hale OBE	–	–	69,000	69,000
	<u>902,720</u>	<u>1,409,300</u>	<u>623,417</u>	<u>2,935,437</u>

Details on the share options granted to the directors are set out in the Share Options section of the Directors' Report.

In addition, a director, Wong Kok Siew, was conditionally granted the following:

- an aggregate of 980,000 performance shares. The actual number awarded will depend on the achievement of set targets over a 3-year period from 2000 to 2002, 2001 to 2003 and 2002 to 2004. Achievement of targets below 80% level will mean no performance shares will be delivered, while achievement up to 200% will mean up to twice the number of conditional performance shares awarded could be delivered.
- 1,000,000 restricted stocks in 2002, of which 200,000 was awarded in the same year. The value of the 200,000 restricted stocks awarded of \$212,000 was included in the bonus for Wong Kok Siew.

\* The salary amount shown is inclusive of allowances, CPF, all fees other than directors' fee, and other emoluments.

# The bonus amount shown is inclusive of CPF and the value of the 200,000 restricted stock awarded during the year.

# Supplementary Information

December 31, 2002

## (UNDER SGX-ST LISTING MANUAL REQUIREMENTS) (continued)

### (B) Interested Person Transactions

	Aggregate value of all interested person transactions conducted during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual) 2002 \$'000	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000) 2002 \$'000
<b>Sale of Goods and Services</b>		
Temasek Holdings (Private) Limited and its associates		
– Tuas Power/Power Seraya	–	269,000
– Temasek Capital (Private) Limited and its associates	–	3,594
– Media Corporation of Singapore Pte Ltd	929	376
– PSA Corporation Limited and its associates	683	343
– Power Supply	1,508	1,348
	<b>3,120</b>	<b>274,661</b>
ST Engineering Ltd and its associates	7,041	1,424
ST Assembly Test Services Ltd and its associates	3,460	1,722
International Factors (S) Ltd and its associates	3,478	–
	<b>17,099</b>	<b>277,807</b>
<b>Purchase of Goods and Services</b>		
Temasek Holdings (Private) Limited and its associates		
– Temasek Capital (Private) Limited and its associates	–	170,109
– Singapore Technologies Pte Ltd and its associates	–	800
	–	170,909
Singapore Petroleum Company Limited	11,954	6,306
	<b>11,954</b>	<b>177,215</b>
<b>Treasury (Balances as at December 31)</b>		
<b>(a) Placement of Funds</b>		
Temasek Capital (Private) Limited and its associates	–	14,582
<b>(b) Subscription of Debt Securities</b>		
Singapore Technologies Pte Ltd and its associates	–	59,580
<b>(c) Borrowing</b>		
Keppel Land Limited and its associates	–	16,068
Temasek Capital (Private) Limited and its associates	–	4,375
	–	94,605
Total interested person transactions	<b>29,053</b>	<b>549,627</b>

#### Note:

1. This relates to the sale of gas by SembCorp Gas Pte Ltd to Tuas Power and Power Seraya for the generation of electricity.
2. This relates mainly to the purchase of gas from SembCorp Gas Pte Ltd by SembCorp Cogen Pte Ltd for the generation of electricity.
3. SembCorp Gas Pte Ltd is a Joint Venture of the Group.

## EVA Statements

Year ended December 31, 2002

	Note	2002 \$'000	Restated (Note 5) 2001 \$'000
<b>Net Operating Profit Before Taxation</b>		<b>238,430</b>	246,899
Adjust for			
Share of associates and joint ventures profits		<b>63,450</b>	93,378
Interest expense		<b>125,324</b>	125,852
Others		<b>17,637</b>	(2,277)
<b>Adjusted Profit before Interest and Tax</b>		<b>444,841</b>	463,852
Cash Operating Taxes	1	<b>(100,946)</b>	(133,433)
<b>Net Operating Profit after Tax (NOPAT)</b>		<b>343,895</b>	330,419
Average Capital Employed	2	<b>3,190,264</b>	4,595,829
Weighted – Average Cost of Capital	3	<b>8.2%</b>	8.4%
<b>Capital Charge</b>		<b>424,403</b>	386,603
<b>Economic Value Added (EVA)</b>		<b>(80,508)</b>	(56,184)
Less:			
Minority share of EVA		<b>(41,454)</b>	(43,258)
<b>EVA attributable to shareholders</b>		<b>(39,054)</b>	(12,926)
Less:			
Unusual items (UI) Gains	4	<b>202,070</b>	27,832
<b>EVA attributable to shareholders (exclude UI)</b>		<b>(241,124)</b>	(40,758)

### Note:

- The reported current tax is adjusted for the statutory tax impact of interest expense.
- Monthly average total assets less non interest-bearing liabilities plus timing provision, goodwill amortised and present value of operating leases.

### Major Capital Components:

	2002 \$'000	2001 \$'000
Fixed assets	<b>2,602,175</b>	2,031,102
Investments	<b>1,864,803</b>	1,773,591
Other long term assets	<b>371,584</b>	414,562
Net working capital and long term liabilities	<b>351,702</b>	376,574
Average Capital Employed	<b>5,190,264</b>	4,595,829

- The Weighted Average Cost of Capital is calculated in accordance with SembCorp Industries Ltd Group EVA Policy as follows:
  - Cost of Equity using Capital Asset Pricing Model with market risk premium at 7.0%. (2001: 7.0%);
  - Risk-free rate of 3.94% (2001: 4.12%) based on yield-to-maturity of Singapore Government 10 years Bonds;
  - Ungeared beta ranging from 0.7 to 1.0 (2001: 0.7 to 1.0) based on SembCorp Industries risk categorisation; and
  - Cost of Debt rate at 4.30% (2001: 4.58%) using 5-year Singapore Dollar Swap Offered Rate plus 75 basis point (2001: 5-year Singapore Dollar Swap Offer Rate plus 75 basis point)
- Unusual items (UI) refer to divestment of subsidiaries and associates, long-term investments and disposal of major fixed assets.
- In 2001, the reported EVA of negative \$17,193,000 was based on EVA of the Group excluding UI but before MI. The capital employed was adjusted for the capital gains/losses from UI.

With effect from 2002, the EVA statement is refined to reflect the EVA attributable to shareholders (after minority share of EVA). All capital gains/losses from UI also formed part of the capital employed. The restated 2001 EVA attributable to shareholders (exclude UI) of negative \$40,758,000 reflects the above changes.

# Value Added Statements

Year ended December 31, 2002

	2002 \$'000	2001 \$'000
<b>Value Added from</b>		
Turnover	<b>4,014,372</b>	3,169,877
Less bought in materials and services	<b>(3,113,195)</b>	(2,244,849)
Gross Value Added	<b>901,177</b>	925,028
Investment, interest and other income	<b>310,665</b>	187,726
Share of associated companies' profit	<b>26,319</b>	72,219
Share of joint ventures' profit	<b>37,274</b>	22,944
Other non-operating income/(expenses)	<b>(59,045)</b>	(18,625)
	<b>1,216,390</b>	1,189,292
<b>Distribution</b>		
To employees in wages, salaries and benefits	<b>579,359</b>	537,722
To government in income and other taxes	<b>66,099</b>	100,008
To providers of capital on:		
Interest paid on borrowings	<b>75,724</b>	73,847
Dividends to shareholders	<b>42,608</b>	30,315
	<b>763,790</b>	741,892
<b>Retained in Business</b>		
Depreciation and amortisation	<b>167,965</b>	134,623
Retained profits	<b>163,840</b>	218,964
Minority interests	<b>88,330</b>	83,576
	<b>420,135</b>	437,163
<b>Other non-operating expenses</b>		
	<b>32,465</b>	10,247
	<b>452,600</b>	447,410
<b>Total Distribution</b>		
	<b>1,216,390</b>	1,189,302
<b>Productivity Analysis</b>		
Value added per employee per annum (\$'000)	<b>68</b>	62
Value added per employment cost (\$)	<b>1.56</b>	1.72
Value added per dollar sales (\$)	<b>0.22</b>	0.29
Value added per dollar investment in fixed assets	<b>0.32</b>	0.32

*The figures above reflect core businesses only*

# Our Global Presence



## NORTH AMERICA

Through USCO Logistics (a wholly-owned subsidiary of SembCorp Logistics' strategic partner Kuehne & Nagel), **SembCorp Logistics'** global supply chain management network is extended to North America. Its presence spans across more than 70 locations throughout Canada, Mexico and the United States.

## LATIN AMERICA

**SembCorp Marine** operates the Mauá Jurong Shipyard, which is strategically located in Rio de Janeiro's Guanabara Bay, Brazil.

## EUROPE

Through its strategic acquisition of United Kingdom-based engineering consulting firm Simon-Carves in 2001, **SembCorp Engineers and Constructors** extended its presence to the United Kingdom. The acquisition has enhanced its capability mix to provide services in the process and plant engineering industry worldwide.

In 2000, **SembCorp Logistics** entered into a global partnership with Switzerland-based Kuehne & Nagel. Today, the joint partnership

has a global supply chain management network of 390 locations with a total logistics space of 40 million square feet and about 10,000 employees.

## ASIA-PACIFIC

In addition to our Singapore-based operations, our presence is also extended to other countries in the Asia-Pacific:

**SembCorp Utilities** operates cogeneration plants in Australia and China, and is developing a combined-cycle power plant in Vietnam. Its offshore engineering division, SMOE, has joint-venture companies operating in China, Indonesia and Malaysia.

**SembCorp Engineers and Constructors** began operating in China as early as 1998 and has offices throughout the country.

**SembCorp Environmental Management's** Australian associate company, SITA Environmental Solutions (formerly Pacific Waste Management) is the second largest environmental management company in Australia.

**SembCorp Logistics** is Asia's largest integrated logistics service provider and covers 11 countries – Australia, Azerbaijan, China, Hong Kong, India, Indonesia, Malaysia, Myanmar, Singapore, Sri Lanka, Taiwan, Thailand, and the United Arab Emirates. Through its joint-venture company, Shenzhen ST-Anda Logistics, SembCorp Logistics is one of the largest transportation companies in Southern China. Its wholly-owned subsidiary, SembCorp Logistics India, has a Pan-India presence spanning 60 locations.

**SembCorp Marine** has three shipyards in the Asia-Pacific which include Karimun Sembawang Shipyard in Indonesia, as well as Bohai Sembawang Shipyard and Dalian COSCO Marine Engineering, which are located in Tianjin and Dalian respectively in China.



# Businesses at a Glance

## Business

### Utilities



#### *Integrated Utilities*

- Centralised utilities supply and support services such as steam, cooling water, chemical waste incineration and terminalling
- Water and wastewater management, including water recycling and wastewater treatment
- Chemical feedstock manufacturing
- Operation and maintenance services

#### *Energy*

- Natural gas import, supply, retail and specialty applications
- Electricity generation (including cogeneration of process steam)
- Electricity retail and related services

#### *Offshore Engineering*

- Offshore oil and gas turnkey contracting for the development of upstream fixed and floating production facilities

### Environmental Engineering



- Municipal waste collection and post-collection
- Industrial and commercial waste collection and disposal
- Medical waste management involving the treatment of biohazardous, cytotoxic, radioactive and pharmaceutical waste

- Materials recovery and recycling
- Construction waste disposal
- Street cleansing
- Consultancy and engineering services including planning, permitting, design, construction and operation of waste management projects

### Engineering & Construction



- Process and plant engineering in the fields of oil and gas, petrochemicals, pharmaceuticals, agrochemicals and nuclear engineering
- Heavy civil and industrial engineering and infrastructure works
- Multi-disciplinary consultancy in architecture, civil and structural engineering, mechanical engineering, electrical engineering and quantity surveying

- Full spectrum design and construction services which include feasibility studies, master planning and front-end engineering and design, procurement and project and construction management

### Logistics



- Full spectrum, end-to-end supply chain management via information technology network and physical logistics networks
- Specialists in handling fast moving consumer goods, electronic goods, parts and components, hazardous goods, chemicals, medical supplies and pharmaceuticals

- Materials planning, procurement, freight and inventory management, warehousing services, preservation and packing, transportation, distribution, and risk management
- Express logistics support for temperature-sensitive and high-value items

### Marine Engineering



#### *Ship repair services*

- Repair tankers of varying sizes ranging from mid-sized tankers to VLCCs and ULCCs
- Specialist in the niche markets of passenger ship refurbishment, repairs of chemical tankers, container vessels, liquefied gas carriers, dredgers, bulk carriers and navy vessels

carriers of 1078 TEU to 2500 TEU

- Building of ocean-going tugs, multi-purpose cargo vessels, bulk carriers, cable laying and offshore support vessels
- Design and construction of jack-ups, and construction of semi-submersibles

#### *Newbuilding*

- Design and construction of 11,500 dwt product/chemical tankers and container

#### *Ship conversion and offshore engineering*

- Conversion of tankers to FPSO/FSO units
- Conversion of semi-submersible rigs to FPU's
- Specialised conversions

## Strategy

- Create synergies between the various elements of our utilities business
- Develop on our unique business model as an integrated multi-utility service provider
- Build our businesses in water and wastewater treatment
- Leverage our first-mover advantage in Singapore's natural gas market
- Strengthen our power generation capabilities as a niche player
- Exploit opportunities for oil and gas works

- Expand our business base in Singapore even further
- Continue to explore opportunities in Asia to enhance our regional presence
- Utilise advanced technology to provide innovative solutions

- Turnaround towards profitability in 2003
- Shift our business focus from civil engineering to process engineering and design by capitalising on SembCorp Simon-Carves' front-end capabilities
- Continue to target opportunities in Singapore and Asia
- Build and deepen client relationships

- Strengthen our existing Asia-Pacific network and accelerate growth in key overseas markets
- Harvest the synergies of our joint partnership with Kuehne & Nagel
- Leverage strengths and partnerships to develop specialised industry knowledge
- Harness technology to create innovative supply chain management solutions

- Build a strong international network of shipyards through our Global Hub Strategy
- Leverage the brands and reputation of our shipyards
- Focus on higher value and niche markets
- Enhance long-term partnerships and alliances

## Key Facts

- A pioneer in the concept of integrated multi-utility centres
- First commercial importer, supplier and retailer of natural gas in Singapore
- Singapore's first independent power producer and cogeneration plant

- Market presence in Australia, China, Malaysia and Singapore
- Largest environmental management services company in Singapore and 2<sup>nd</sup> largest in Australia
- More than 1600 employees in Australia and Singapore
- Serving 55% of Singapore's municipal waste market

- 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

- Asia's largest integrated logistics provider serving 11 countries globally
- In global partnership with the world's leading logistics group – Kuehne & Nagel – to provide worldwide logistics services
- One of China's top supply chain management providers with operations in more than 700 cities

- A global leader in marine engineering
- Global network of eight shipyards in key international locations
- The largest ship repair and marine-related facilities east of the Suez, with a combined docking capacity of 2.2 million dwt

- Over 1600 MW of gross power generation capacity installed and in development
- Over 100 offshore oil and gas projects delivered worldwide

- Commanding 20% market share of Singapore's industrial & commercial sectors
- Singapore's leading medical waste service provider
- Operating Asia's first automated materials recovery facility together with Australia's VISY Recycling

- More than 1600 employees worldwide, including 650 design professionals
- Acquired Simon-Carves, a United Kingdom-based engineering consultancy firm in 2001

- India's leading third-party logistics service provider serving 500 cities
- Global warehousing space in excess of 10 million square feet
- Operating regional offshore supply bases in Azerbaijan, Indonesia, Singapore and Thailand

- A world leader in the repair of VLCCs, the conversion of FPSO/FSO units, and the repair, upgrading and building of jack-ups and semi-submersibles
- A key niche player in the newbuilding of product tankers, feeder container vessels and offshore supply vessels



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