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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
(a) ACQUISITIONS OF INTERESTS IN SUBSIDIARIES:			
The Company			
SembCorp Marine Ltd	0.71	6,572	8,760
Utilities			
SembCorp Air Products (Hyco) Pte Ltd	15.0	4,114	6,342
Environmental Engineering			
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.			
Logistics			
BaroMedical Services (Asia) Pte Ltd	8.5	379	408
SembCorp Logistics (Malaysia) Sdn Bhd	30.2	186	186
Marine Engineering			
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
In Development			
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
		%
Logistics		
SembCorp Logistics (Taiwan) Limited	Republic of China	31.43

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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
Marine Engineering			
JPL Industries Pte Ltd	9.7	1,603	1,440
In Development			
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:

	The Group	The Company
	\$'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
Increase/(decrease) in reserves:		
Share Premium Account		
• Issue of shares under equity placement	285,203	285,203
• Issue of shares upon exercise of share options	627	627
Capital Reserves		
• 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)	–
Currency Translation Reserve		
• Exchange differences on consolidation	870	–
• Exchange differences on net investments in foreign entities	(727)	–
• Realisation upon disposal of a subsidiary and an associate	649	–
Revenue Reserve		
• 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
Peter Seah Lim Huat						
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
Peter Seah Lim Huat (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	–	–
Wong Kok Siew						
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

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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
Wong Kok Siew <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
Wong Kok Siew (continued)						
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

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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
Tay Siew Choon						
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

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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
Tay Siew Choon <i>(continued)</i>						
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

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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
Tay Siew Choon <i>(continued)</i>						
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
Tay Siew Choon (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	–	–
Lua Cheng Eng						
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
Lua Cheng Eng <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	–	–
K Shanmugam						
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
Lam Chuan Leong						
Singapore Telecommunications Ltd	Ordinary shares of \$0.15 each	–	3,640	3,760	–	–
Tetsuro Kawakami						
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	–	–
Chumpol NaLamlieng						
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
Goh Geok Ling						
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
Goh Geok Ling (continued)						
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	–	–
Richard Hale OBE						
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
Richard Hale OBE <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)
Directors of the Company					
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
Other Executives					
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
Former Directors of the Company					
	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)
SembCorp							
Logistics Ltd							
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
SembCorp Marine Ltd							
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)
Directors of the Company				
Wong Kok Siew	400,000	980,000	–	980,000
Key Executives of the Group	530,000	1,340,000	370,000	970,000
	930,000	2,320,000	370,000	1,950,000

(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.

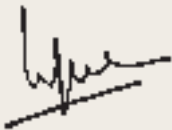
In addition, the Audit Committee has, in accordance with Chapter 9A of the Singapore Exchange Listing Manual, reviewed the requirements for approval and disclosure of interested person transactions, reviewed the internal procedures set up by the Company to identify and report and where necessary, seek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

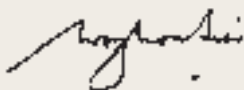
AUDITORS

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:

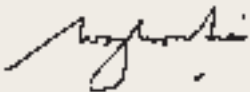
- (a) the financial statements are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2002, and of the results of the business and changes in equity of the Group and of the Company and the cash flows of the Group for the year ended on 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
Non-current assets					
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	-	-
		3,595,401	3,663,029	2,691,957	2,613,623
Current assets					
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
		2,442,177	2,504,146	374,218	654,490
Current liabilities					
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	-	-
		2,354,048	2,903,637	1,295,310	1,844,152
Net current assets/(liabilities)		88,129	(399,491)	(921,092)	(1,189,662)
Balance carried forward		3,683,530	3,263,538	1,770,865	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		3,683,530	3,263,538	1,770,865	1,423,961
Non-current liabilities					
Employee benefits	19	5,210	5,944	333	1,248
Interest-bearing borrowings	20	1,264,288	1,309,079	500,000	500,000
Obligations under hire purchase and finance leases	21	1,621	8,589	–	–
Loan stocks (unsecured)	22	–	4,800	–	–
Deposits from customers		1,165	1,311	–	–
Other long-term liabilities	23	169,066	146,396	–	–
Deferred tax liabilities	12	83,780	97,827	195	–
		1,525,130	1,573,946	500,528	501,248
		2,158,400	1,689,592	1,270,337	922,713
Share capital	24	455,215	401,586	455,215	401,586
Reserves:	25				
– Share premium		291,941	6,111	291,941	6,111
– Merger reserve		29,201	29,201	–	–
– Capital reserve		31,195	19,710	–	–
– Currency translation reserve		29,917	29,125	–	–
– Accumulated profits		677,953	539,978	523,181	515,016
		1,515,422	1,025,711	1,270,337	922,713
Minority interests		642,978	663,881	–	–
		2,158,400	1,689,592	1,270,337	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
Turnover	30	4,201,921	3,225,215	80,277	618,348
Cost of sales		(3,761,712)	(2,768,800)	-	-
Gross profit		440,209	456,415	80,277	618,348
General and administrative expenses		(374,810)	(333,082)	(5,456)	(12,787)
Profit from operations		65,399	123,333	74,821	605,561
Non-operating income (net)		266,552	213,728	7,326	16,234
Finance costs		(93,521)	(90,162)	(27,925)	(22,716)
		238,430	246,899	54,222	599,079
Share of results of:					
- associates		26,176	70,434	-	-
- joint ventures		37,274	22,944	-	-
Profit from ordinary activities before taxation	31	301,880	340,277	54,222	599,079
Taxation	32	(54,368)	(94,435)	(3,449)	(148,396)
Profit after taxation		247,512	245,842	50,773	450,683
Minority interests		(69,179)	(71,962)	-	-
Net profit attributable to shareholders		178,333	173,880	50,773	450,683
Earnings per share	33				
- Basic		9.89 cents	10.83 cents		
- Diluted		9.88 cents	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
Operating Activities		
Profit before taxation and minority interests	301,880	340,277
Adjustments for:		
Interest income	(23,584)	(45,661)
Dividend income	(310)	(492)
Interest expense	93,521	90,162
Depreciation of property, plant and equipment	170,932	145,484
Share of results of associates and joint ventures	(63,450)	(93,378)
Gain on disposal of property, plant and equipment	(1,518)	(9,740)
Gain on disposal of investments	(419)	(10,370)
(Gain)/Loss on disposal of associates and joint ventures	(44,870)	(31,144)
Gain on disposal/dilution of interests in subsidiaries and business	(167,951)	(85,200)
Allowance for doubtful receivables made (net)	12,948	25,427
Write-off and impairment loss (reversed)/made:		
– property, plant and equipment	48,623	(531)
– associates and joint ventures	819	3,076
– investment property	–	519
– investments and development properties	31,136	7,084
– goodwill	981	17,342
Allowance for impairment loss of development and software costs	11,797	–
Amortisation of:		
– intangible assets	5,169	1,567
– loan discount	98	100
Provisions made	3,602	36,117
Allowance for inventory obsolescence and foreseeable losses and inventories written off (net)	70,352	11,200
Provision for compensation costs of share-based incentives and retirements benefits and gratuities	565	4,151
Operating profit before working capital changes	450,321	405,990
Changes in working capital:		
Inventories and work-in-progress	(63,674)	(74,230)
Receivables	114,577	(313,764)
Development properties	8,222	(21,609)
Short-term investments	(250)	–
Payables	163,030	16,079
Balances with related parties	(71,092)	(54,615)
Benefits and gratuities paid	(466)	(676)
	600,668	(42,825)
Income tax paid	(70,829)	(66,267)
Cash flows from operating activities carried forward	529,839	(109,092)

Consolidated Statement of Cash Flows

Year ended December 31, 2002

	2002 \$'000	2001 \$'000
Cash flows from operating activities brought forward	529,839	(109,092)
Investing Activities		
Dividend received	35,594	27,861
Interest received	24,565	44,897
Payment for debt purchase	-	(2,570)
Proceeds from disposal of:		
– interest in subsidiaries and business	222,748	153,604
– interest in associates	91,124	62,147
– property, plant and equipment	27,163	31,931
– investments	37,209	50,370
Acquisitions of:		
– subsidiaries and business net of cash acquired	(88,912)	(24,040)
– associates and joint ventures	(32,327)	(94,410)
– property, plant and equipment	(182,118)	(267,688)
– long-term investments	(30,744)	(5,500)
– business undertaking	-	(3,234)
Development and software costs paid	(10,242)	(2,116)
Transferable license fees paid	-	(1,113)
Return of capital from associates and investments	5,921	3,714
Long-term balances with related parties	32,624	114,340
Long-term receivables	(62,123)	(101,812)
Cash flows from investing activities	70,482	(13,619)
Financing Activities		
Realisation of losses on interest rate swaps	-	(9,712)
Proceeds from issue of shares (net)	339,459	1,484
Proceeds from issue of shares to minority shareholders of subsidiaries	9,908	109,428
(Payment of)/Proceeds from term loans (net)	(299,683)	218,731
Other long-term liabilities	1,087	67
Dividends paid to shareholders of the Company	(42,608)	(30,315)
Dividends paid to minority shareholders of subsidiaries	(50,323)	(33,231)
Hire purchase and finance lease obligations	(8,038)	9,210
Redemption of loan stock	(12,750)	-
Short-term borrowings	(376,393)	(295,914)
Fixed deposit pledged with a bank for banking facilities	(53,831)	-
Interest paid	(93,060)	(95,715)
Redemption of redeemable cumulative preference shares	-	(7,500)
Cash flows from financing activities	(586,232)	(133,467)
Net Increase/(Decrease) in Cash and Cash Equivalents	14,089	(256,178)
Cash and Cash Equivalents at beginning of year	402,054	657,635
Effect of Exchange Rate Changes on Balances held in Foreign Currency	233	597
Cash and Cash Equivalents at end of year (Note 16)	416,376	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
Acquisition		
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
Disposal		
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
Cost/Valuation													
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
Translation differences on consolidation	-	-	-	-	(20,983)	182	-	(3,851)	750	(388)	(427)	(703)	(945)
Additions	-	-	-	-	19,366	3,175	-	74,449	-	2,070	16,840	6,026	60,192
Acquisition of subsidiaries	-	-	-	-	18,724	31,166	23,931	127,250	7,701	2,730	4,905	1,836	751
Reclassification	-	-	-	-	(11,157)	21	-	55,517	-	(2,744)	1,826	415	(43,878)
Transfer from development property and intangible assets	-	-	-	-	8,268	-	-	-	-	-	-	-	-
Change of use of development property	-	-	-	-	85,000	-	-	-	-	-	-	-	-
Disposals/write offs	-	-	-	-	(15,632)	(655)	(4)	(17,179)	(841)	(1,705)	(8,758)	(13,665)	(11,668)
Disposals/liquidation of subsidiaries	-	-	-	-	(206,888)	(5,400)	-	(114,931)	-	(17,909)	(13,932)	(10,586)	-
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
Accumulated Depreciation and Impairment Losses													
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
Translation differences on consolidation	-	-	-	-	(2,054)	100	-	(722)	452	(260)	(52)	(275)	-
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
Acquisition of subsidiaries	-	-	-	-	3,271	7,365	11,234	42,576	5,120	2,260	3,989	1,471	-
Reclassification	-	-	-	-	(4)	140	-	(192)	-	(849)	675	230	-
Transfer from development property and intangible assets	-	-	-	-	726	-	-	-	-	-	-	-	-
Disposals/write offs	-	-	-	-	(4,787)	(599)	-	(13,510)	(378)	(1,586)	(7,472)	(10,446)	(4,889)
Disposals/liquidation of subsidiaries	-	-	-	-	(40,480)	(3,091)	-	(58,581)	-	(15,952)	(10,518)	(7,771)	-
Allowance made/(written back) for impairment losses	-	-	-	-	(6,981)	130	-	1,129	-	-	-	-	-
- other expenses	-	-	-	-	13,988	-	-	33,167	-	-	56	51	6,286
- 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
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
Carrying Amount													
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
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

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	27,769	29,235
Dry docks	32,812	34,799
	60,581	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		173,729	147,127
Amount capitalised in work-in-progress		(2,797)	(1,643)
	31(b)	170,932	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	100,074	141,179
Plant and machinery	815,041	757,785
Marine vessels	-	453
Capital work-in-progress	1,233	7,713
Other assets	7,002	43,132
	923,350	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
2002				
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>
Depreciation and Impairment Losses				
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>
Carrying Amount				
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

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4. INVESTMENT PROPERTIES – THE GROUP

	2002 \$'000	2001 \$'000
Leasehold apartment units, at cost	1,066	1,066
Allowance for impairment losses	(519)	(519)
	547	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
	2,691,029	2,612,269
Market value of quoted equity shares	1,637,946	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
		1,138,262	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)
		(41,651)	(23,171)
Carrying value	(ii)	562,037	583,116
Market value of quoted equity shares		602,658	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		128,904	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	112,644	117,945	-	-
Bonds, loan stocks and negotiable certificate of deposits	-	1,068	-	-
Warrants	-	225	-	-
Unit trusts	4,567	4,533	-	-
	117,211	123,771	-	-

Unquoted investments at cost:

Equity shares	83,036	54,223	-	-
Other investments	67,859	106,995	-	-
	150,895	161,218	-	-
Investments in venture funds and limited partnerships	12,025	8,951	-	-
Corporate club memberships	1,490	2,345	90	90
	13,515	11,296	90	90
	281,621	296,285	90	90
Allowance for impairment losses	(135,025)	(133,680)	-	-
	146,596	162,605	90	90

Market value of:

- Quoted equity shares	34,006	33,840
- Quoted bonds, loan stocks and negotiable certificate of deposits	-	1,009
- Quoted warrants	-	13
- Quoted unit trusts	2,827	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		133,680	129,984
Translation		250	-
Disposal of a subsidiary		(256)	-
Allowance made/(written back) during the year, net:			
- other expenses	31(b)	(4,255)	-
- exceptional items	31(e)	12,593	7,023
Amount utilised		(6,987)	(3,327)
Balance at end of the year		135,025	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
2002						
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>
2001						
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

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11. INTANGIBLE ASSETS - THE GROUP

	Note	Goodwill \$'000	Development and software costs \$'000	Others \$'000	Total \$'000
Cost					
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>
Accumulated Amortisation and Impairment Losses					
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>
Carrying Amount					
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

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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
Group								
Deferred tax liabilities								
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	(83,780)	(97,827)	(195)	–
Deferred tax assets	5,326	5,100	–	–
	(78,454)	(92,727)	(195)	–

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	116,834	137,211	1,187	1,342
Tax losses	257,757	208,596	–	–
Capital allowances	56,116	30,176	–	–
	430,707	375,983	1,187	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	116,610	308,880
Development costs	78,525	124,816
	195,135	433,696
Progress payments received	–	(438)
	195,135	433,258
Allowance for foreseeable losses	(64,625)	(169,610)
	130,510	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		169,610	121,236
Translation adjustments		–	37
Allowance made/(written back) during the year, net – other expenses	31(b)	(4,829)	61
Disposal of subsidiary		(1,809)	–
Transfer due to change in group structure	28	(42,102)	48,276
Amount utilised		(56,245)	–
Balance at end of the year		64,625	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
		112,179	153,038
Allowance for inventory obsolescence	(a)	(8,191)	(8,034)
		103,988	145,004
Work-in-progress	(b)	386,430	282,547
		490,418	427,551
(a) Allowance for inventory obsolescence:			
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		8,191	8,034
(b) Work-in-progress:			
Costs		2,835,269	1,090,462
Attributable profits		93,047	40,039
Allowance for foreseeable losses	(c)	(70,890)	(13,658)
		2,857,426	1,116,843
Progress billings received and receivable		(2,566,524)	(849,202)
		290,902	267,641
Comprising:			
Work-in-progress		386,430	282,547
Excess of progress billings over work-in-progress		(95,528)	(14,906)
		290,902	267,641
(c) Allowance for foreseeable losses:			
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		70,890	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	757,349	852,755	-	-
Other receivables, deposits and prepayments	27	253,951	235,336	22,972	9,968
Advance to suppliers		9,294	9,875	-	-
Amount due from related parties	28	276,166	260,250	335,005	629,292
		1,296,760	1,358,216	357,977	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		482,059	408,636	16,241	15,230
Bank overdrafts					
- secured		(1,635)	(3,129)	-	-
- unsecured		(10,217)	(3,453)	-	-
		(11,852)	(6,582)	-	-
		470,207	402,054	16,241	15,230
Fixed deposits	(iii)	(53,831)	-	-	-
Amounts used in cash flow statements		416,376	402,054	16,241	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		633,286	609,854	-	-
Advance payments from customers		61,910	44,129	-	-
Amount due to related parties	28	78,022	110,438	1,279,527	1,824,423
Other payables and accrued charges	29	764,731	652,992	14,974	18,753
		1,537,949	1,417,413	1,294,501	1,843,176

Notes to the Financial Statements

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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	–	–
		6,019	6,920	1,142	2,224
Current		809	976	809	976
Non-current		5,210	5,944	333	1,248
		6,019	6,920	1,142	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)	–	–	–
		1,142	3,224	1,142	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	-	194,250	-	-	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	3,696	3,768	-	-
Disposal of subsidiaries	-	(323)	-	-
Provision made during the year, net of amount written back	31(a) 1,647	927	-	-
Provision utilised	(466)	(676)	-	-
Balance at end of the year	4,877	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	21,628	3,479	-	-
Present value of funded obligations	36,369	42,472	-	-
Fair value of plan assets	(36,369)	(42,472)	-	-
Present value of net obligations	21,628	3,479	-	-
Actuarial losses not recognised in accordance with SAS 17	(21,886)	(3,521)	-	-
Net asset	(258)	(42)	-	-

Movements in the net assets are as follows:

At beginning of the year	-	-	-	-
Contributions to pension fund	(2,797)	(2,553)	-	-
Expenses recognised during the year	2,591	2,553	-	-
Translation difference	(52)	-	-	-
	(258)	-	-	-

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
Current service costs	2,760	2,511	-	-
Interest on obligation	2,843	-	-	-
Expected return on plan assets	(3,251)	-	-	-
Actuarial losses	239	-	-	-
Net assets not recognised	-	42	-	-
31 (a)	2,591	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	-	-
	2,591	2,553	-	-
Actual (return)/decline in value of plan assets	11,859	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	-	-
	753,302	778,271	-	-
Unsecured				
- short-term loans	214,279	658,632	-	-
- long-term loans	647,274	946,810	500,000	500,000
	861,553	1,605,442	500,000	500,000
	1,614,855	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
	1,614,855	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
2002				
The Group				
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
	1,614,855	350,567	758,389	505,899
The Company				
Medium term notes (unsecured):				
Weighted average fixed rate of 4.10% p.a.	500,000	–	350,000	150,000
2001				
The Group				
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
	2,383,713	1,074,634	727,765	581,314
The Company				
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
	500,000	

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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	100,074	135,241
– plant and machinery	815,041	749,751
– others	7,002	69,219
Development properties	–	103,654
Capital work-in-progress	1,233	7,713
Net assets of certain subsidiaries	6,476	6,510
Other current assets	22,017	19,970
	951,843	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	1,354	295	1,059	5,272	1,192	4,080
After 1 year but within 5 years	1,825	447	1,378	10,122	1,543	8,579
After 5 years	257	14	243	13	3	10
	2,082	461	1,621	10,135	1,546	8,589
	3,436	756	2,680	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	4,709	12,750
Repayable within 2 to 5 years	–	4,800
	4,709	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
		169,066	146,396

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	500,000	500,000
Issued and fully paid:-		
1,820,861,507 (2001: 1,606,342,899) ordinary shares of \$0.25 each	455,215	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)
	677,953	539,978

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)
		913,975	964,493
Amount due after one year	9	(156,626)	(111,738)
		757,349	852,755

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		48,656	55,530

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27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Deposits	12,906	11,787	237	44
Prepayments	35,754	36,131	793	879
Tax recoverable	70,257	44,161	19,896	5,489
Sundry receivables	136,281	133,661	2,091	3,601
Recoverables	16,252	28,665	-	-
Interest receivable	446	1,877	-	-
	271,896	256,282	23,017	10,013
Allowance for doubtful sundry receivables	(17,945)	(20,946)	(45)	(45)
	253,951	235,336	22,972	9,968

The movements in allowance for doubtful receivables during the financial year are as follows:

	Note	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Balance at beginning of the year		20,946	17,521	45	45
Disposals of subsidiaries		(2,411)	-	-	-
Acquisition of receivables		-	2,198	-	-
Translation adjustments		(180)	58	-	-
Allowance made during the year, net of amount written back	31(b)	159	1,501	-	-
Amount utilised		(569)	(332)	-	-
Balance at end of the year		17,945	20,946	45	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.

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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.

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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)

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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
	764,731	652,992	14,974	18,753

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
	4,201,921	3,225,215

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
(a) Staff costs					
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
		15,135	16,614	103	103
Number of employees as at December 31					

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31. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION *(continued)*

	Note	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
(b) Other expenses					
Allowance made/(written back) for					
– long term trade receivables	9	(2,697)	(5,274)	–	–
– hire purchase and lease receivables	10	2,537	775	–	–
– foreseeable losses on development properties	13	(4,829)	61	–	–
– inventory obsolescence	14	2,351	2,055	–	–
– foreseeable losses on work-in-progress	14	3,554	9,140	–	–
– trade receivables	26	5,206	14,117	–	–
– other receivables	27	159	1,501	–	–
– related parties receivables	28	5,158	11,655	–	–
Allowance made/(written back) for impairment losses					
– property, plant and equipment	3	(5,722)	4,498	–	–
– investment properties	4	–	519	–	–
– interests in associates	6	(490)	(3,324)	–	–
– investments held for short term	8	132	–	–	–
– long-term investments	8	(4,255)	–	–	–
– intangible assets	11	981	–	–	–
Amortisation					
– intangible assets	11	5,169	1,567	–	–
– loan stock discount	22	98	100	–	–
Auditors' remuneration					
– auditors of the Company					
– current year		1,390	1,355	200	200
– (over)/under provision in prior year		(26)	(12)	(38)	82
– other auditors					
– current year		1,318	1,147	–	–
– under provision in prior year		5	14	–	–
– fees for other professional services paid/payable to					
– auditors of the Company		1,059	892	181	762
– other auditors		649	288	–	–
Bad debts written off/(recovered)					
– Trade		5,742	–	–	–
– Other		–	820	–	–
Deferred expenditure and preliminary expenses written off		31	194	–	–
Depreciation of property, plant and equipment	3	170,932	145,484	775	644
Dividend income from subsidiaries		–	–	80,277	618,348
Professional fee paid to a firm in which a director is a member		860	1,845	234	221
Interest expense paid to banks		765	2,887	–	–
Inventories written off		–	5	–	–
Operating lease expenses		23,643	18,004	897	896
Property, plant and equipment written off		796	817	1	1
Provisions made/(written back) during the year	18	3,176	(13,883)	–	–
Research and development expenditure		758	638	–	–

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31. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION *(continued)*

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
(c) Non-operating income				
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	–	–
(d) Finance costs				
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
	93,521	90,162	27,925	22,716

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31. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION *(continued)*

	Note	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
(e) Exceptional items included in:					
Cost of goods sold					
Allowance made for foreseeable losses on work-in-progress	14	(64,447)	–	–	–
Write-down of development property arising from change of use		(27,495)	–	–	–
General and administrative expenses					
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)	–	–
Non-operating income					
Gain on disposals/dilution of					
– associates		40,919	26,509	–	–
– subsidiaries		167,951	60,985	–	–
– business		–	24,215	–	–
– long-term investment		557	–	–	–
		35,070	42,773	–	–
Share of results of associates					
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
Current tax expense				
Current year	53,737	75,875	3,254	148,407
Over provided in prior years	(586)	(2,341)	–	(11)
	53,151	73,534	3,254	148,396
Deferred tax expense				
Movements in temporary differences	(6,597)	(2,654)	195	–
Reduction in tax rate	(6,357)	(3,225)	–	–
Over provided in prior years	(3,959)	(398)	–	–
	(16,913)	(6,277)	195	–
	36,238	67,257	3,449	148,396
Share of taxation:				
– associates	9,842	23,768	–	–
– jointly-controlled entities	8,288	3,410	–	–
Income tax expense	54,368	94,435	3,449	148,396

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32. INCOME TAXES (continued)

Reconciliation of effective tax rate

	2002	2002	2001	2001
	%	\$'000	%	\$'000
Group				
Profit before share of results of associates and joint ventures, and tax		238,430		246,899
Income tax using Singapore tax rates	22.0	52,454	24.5	60,490
Effect of reduction in tax rates	(2.7)	(6,357)	(1.3)	(3,225)
Effect of different tax rates in other countries	2.1	5,099	2.4	5,953
Tax incentives and income not subject to tax	(30.6)	(72,927)	(22.2)	(54,849)
Expenses not deductible for tax purposes	11.2	26,723	19.9	49,281
Utilisation of tax losses	(1.0)	(2,375)	(0.8)	(2,119)
Under/(over) provided in prior years	(1.9)	(4,545)	(1.1)	(2,739)
Deferred tax benefit not recognised	15.3	36,354	4.4	10,932
Others	0.8	1,812	1.4	3,533
Income tax expense	15.2	36,238	27.2	67,257
Company				
Profit before tax		54,222		599,079
Income tax using Singapore tax rate	22	11,929	24.5	146,774
Expenses not deductible for tax purposes	0.5	264	0.2	1,060
Over provided in prior years	-	-	-	(11)
Deferred tax benefits not recognised	-	-	0.1	504
Group tax relief	(16.1)	(8,739)	-	-
Others	-	(5)	-	69
Income tax expense	6.4	3,449	24.8	148,396

33. EARNINGS PER SHARE – THE GROUP

	2002	2001
	\$'000	\$'000
(a) Basic earnings per share		
Basic earnings per share is based on:		
(i) Net profit for the year	178,333	173,880
(ii) Weighted average number of ordinary shares:		
Issued ordinary shares at beginning of the year	1,606,343	1,605,143
Weighted average number of shares issued under		
– Share placement	196,146	-
– Executives' Share Option Scheme	455	931
	1,802,944	1,606,074
(b) Diluted earnings per share		

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	1,802,944	1,606,074
Weighted average number of unissued ordinary shares under share options	10,852	18,915
Number of shares that would have been issued at fair value	(8,653)	(17,456)
Weighted average number of ordinary shares (diluted)	1,805,143	1,607,533

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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
2002				
Balance Sheet				
Total assets	158,207	18,886	324,394	501,487
Total liabilities	(292,280)	(17,979)	(309,912)	(620,171)
Profit and Loss account				
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)
Cash Flows				
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
2001				
Balance Sheet				
Total assets	258,107	66,106	347,816	672,029
Total liabilities	(370,451)	(65,009)	(329,389)	(764,849)
Profit and Loss account				
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)
Cash Flows				
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

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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)	-	-
	178,333	173,880	50,773	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	539,978	387,703	515,016	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
Related Companies		
Sales	33,190	19,799
Purchases including rental	241	419
Management fees paid/payable	800	1,500
Associates and Joint Ventures		
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
The Group						
2002						
Financial assets						
Debts securities – long-term		6.80	63,711	3,711	–	60,000
Loan receivables		6.94	26,739	25,626	1,113	–
Hire purchase and lease receivables		5.57	93,941	30,074	63,867	–
Balances with related parties	28	0.90	70,000	70,000	–	–
		4.65	155,978	141,396	–	14,582
			225,978	211,396	–	14,582
Trade receivables		4.07	150,742	19,478	131,264	–
Other receivables		3.49	11,399	6,827	4,572	–
Cash and cash equivalents		1.07	320,603	320,085	518	–
			893,113	617,197	201,334	74,582
Financial liabilities						
Secured term loans:						
– Floating rate loans		2.90	(309,465)	(309,465)	–	–
		2.11	(431,273)	(431,273)	–	–
– Effect of interest rate swaps		2.87	–	381,927	(246,480)	(135,447)
		4.98	(431,273)	(49,346)	(246,480)	(135,447)
	20		(740,738)	(358,811)	(246,480)	(135,447)
– Fixed rate loans	20	9.13	(12,564)	(4,924)	(7,640)	–
Unsecured term loans:						
– Floating rate loans		2.73	(193,565)	(193,565)	–	–
		1.55	(60,000)	(60,000)	–	–
– Effect of interest rate swaps		5.63	–	–	–	–
		7.18	(60,000)	(60,000)	–	–
	20		(253,565)	(253,565)	–	–
– Fixed rate loans		3.70	(107,988)	(35,649)	(66,839)	(5,500)
Medium term notes	20	4.10	(500,000)	–	(350,000)	(150,000)
Loan stocks	22	6.00	(4,709)	(4,709)	–	–
Hire purchase and finance lease liabilities	21	9.97	(2,680)	(1,059)	(1,378)	(243)
Balances with related parties		5.15	(162,999)	(77,875)	(873)	(84,251)
Bank overdraft	16	8.52	(11,852)	(11,852)	–	–
			(1,797,095)	(748,444)	(673,210)	(375,441)
Total			(903,982)	(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
The Group						
2001						
Financial assets						
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
Financial liabilities						
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
The Company						
2002						
Financial assets						
Balances with related parties		0.44	298,606	298,606	–	–
Financial liabilities						
Balances with related parties		0.10	(1,272,783)	(1,272,783)	–	–
		4.17	(52)	(52)	–	–
			(1,272,835)	(1,272,835)	–	–
Medium term notes	20	4.10	(500,000)	–	(350,000)	(150,000)
			(1,772,835)	(1,272,835)	(350,000)	(150,000)
Total			(1,474,229)	(974,229)	(350,000)	(150,000)
2001						
Financial assets						
Balances with related parties		3.64	221,971	221,971	–	–
Cash and cash equivalents		1.09	15,196	15,196	–	–
			237,167	237,167	–	–
Financial liabilities						
Balances with related parties		1.00	(1,435,807)	(1,435,807)	–	–
		3.75	(48)	(48)	–	–
			(1,435,855)	(1,435,855)	–	–
Medium term notes	20	4.10	(500,000)	–	(350,000)	(150,000)
			(1,935,855)	(1,435,855)	(350,000)	(150,000)
Total			(1,698,688)	(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
The Group					
Financial assets					
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
		281,987	269,806	352,333	337,041
Financial liabilities					
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)
		(1,617,535)	(1,648,481)	(2,396,382)	(2,413,289)
Total		(1,335,548)	(1,378,675)	(2,044,049)	(2,076,248)
Unrecognised losses			(43,127)		(32,199)
The Company					
Financial liabilities					
Medium term notes	20	(500,000)	(532,067)	(500,000)	(518,567)
Unrecognised loss			(32,067)		(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
The Group				
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	–	–
	663,086	(32,410)	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
	83,958	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	-
	663,086	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	-	-
	337,526	344,833	2,783	1,100

Notes to the Financial Statements

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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
Revenue and expenses								
2002								
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
Assets and Liabilities								
2002								
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
Capital expenditure	52,370	34,780	8,907	17,496	14,435	54,130	–	182,118
Significant non-cash items								
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

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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
Revenue and expenses								
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
Assets and Liabilities								
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
Capital expenditure	113,684	42,515	9,898	23,728	49,146	28,717	–	267,688
Significant non-cash items								
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

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December 31, 2002

41. SEGMENT REPORTING *(continued)*

(b) Geographical Segments

	Singapore \$'000	Rest of Asia \$'000	Others \$'000	Eliminations \$'000	Consolidated \$'000
2002					
Total revenue from external customers	2,290,163	665,662	1,246,096	-	4,201,921
Capital expenditure	120,649	41,522	19,947	-	182,118
2001					
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

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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
Held by the Company:						
ChemXlog Pte Ltd	Singapore	60	60	Provision of e-commerce integrated logistics systems of the chemical industry	1,500	1,500
Sembawang Corporation Limited	Singapore	100	100	Intermediate holding company and provision of management services	142,057	142,057
SembCorp Engineers and Constructors Pte Ltd	Singapore	100	100	Engineering and building contractors	162,080	92,080
SembCorp Environmental Management Pte. Ltd. (formerly known as SembCorp WasteManagement Pte Ltd)	Singapore	100	100	Provision of turnkey waste management services	220,132	220,132
SembCorp Logistics Ltd	Singapore	61.62	61.70	Investment holding and provision of integrated logistics and supply chain management services	989,116	989,116
[^] SembCorp Marine Ltd	Singapore	63.55	63.21	Ship repair	704,049	695,289
^{^^} SembCorp Parks Holdings Ltd	Singapore	100+	100+	Investment holding	6,091	6,091
SembCorp Parks Management Pte Ltd	Singapore	51	51	Provision of technical and marketing services to industrial parks	4,080	4,080
SembCorp Utilities Pte Ltd	Singapore	100	100	Engineering, construction, production of polymer grade propylene and investment holding	209,481	209,481
Singapore Technologies Industrial Corporation Ltd	Singapore	100	100	Intermediate holding company and provision of management services	252,443	252,443
					2,691,029	2,612,269

+ Effective interest held by the Group and the Company is 100% (2001: 100%) and 37.3% (2001: 37.3%) respectively.

[^] The consolidated financial statements of SembCorp Marine Ltd, a company listed on Singapore Exchange, are audited by Ernst & Young, Singapore.

^{^^} The consolidated financial statements of SembCorp Parks Holdings Ltd are audited by Ernst & Young, Singapore.

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 %	
Air Tech Products Pte Ltd	Singapore	–	100	Liquidated
^^ Apogee Properties Pte Ltd	Singapore	100	100	Property development and rental of development property
Asia Pacific Air Cargo Pte Ltd	Singapore	49.91	49.98	Dormant
Asia Pacific Logistic Services Pte Ltd	Singapore	61.62	61.70	Investment holding
Asia-Pacific Retail Concepts Pte Ltd	Singapore	100	100	Provision of procurement consultancy services and sales of electrical products
Auto Batam Ferries & Tours Pte Ltd	Singapore	61.62	61.70	Dormant
BaroMedical Services (Asia) Pte Ltd	Singapore	36.66	31.47	Promoting, marketing and supplying hyperbaric and other medical services
Bintan Carrier Services Pte Ltd	Singapore	51	51	Ship and boat chartering services
Bintan Shipping Services Pte Ltd	Singapore	51	51	Shipping agent and freight forwarder
^^ Bonafide Development (S) Pte Ltd	Singapore	100	100	Property development
@ Brooktree Resources Limited	British Virgin Islands	100	100	Under de-registration
^^ BuildNow Pte Ltd	Singapore	100	100	Building contractor and franchisor
^ Bulk Trade Pte Ltd	Singapore	63.55	63.21	Bulk trading of marine products
@ Cathech Investments Ltd	British Virgin Islands	75	75	Investment holding

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 %	
@ 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

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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 %	
** Dilmun Navigation Company Pty Limited	Australia	61.62	61.70	Agency services
** Dilmun Navigation (Fiji) Limited	Fiji	61.62	61.70	Agency services
** Dilmun Navigation (PNG) Limited	Papua New Guinea	61.62	61.70	Charter of vessels
@ Dilmun Navigation (Singapore) Pte Ltd	Singapore	61.62	61.70	Under voluntary liquidation
^ Dolphin Shipping Company Private Limited	Singapore	63.55	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	61.62	61.70	Freight forwarding
Hog Auction Market Pte Ltd	Singapore	–	58.88	Auctioneers of pigs
^^ Industrial Imex Pte Ltd	Singapore	100	100	Quarry operations, exploiting, developing and trading of granite resources
Information Frontiers Pte Ltd	Singapore	85.20	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	44.49	44.25	Investment holding
^ JPL Industries Pte Ltd	Singapore	34.19	40.14	Collection and treatment of used copper slag, processing and distribution of copper slag

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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 %	
^ JPL Services Pte Ltd	Singapore	44.49	44.25	Equipment rental services and trading in copper slag
^ Jurong-Brazil Singapore Pte Ltd	Singapore	63.55	63.21	Investment holding
^ Jurong Integrated Services Pte Ltd	Singapore	63.55	63.21	Steel fabrication work
^ Jurong Machinery and Automation Pte Ltd	Singapore	63.55	63.21	Marine and general electronic and electrical works
^ Jurong Marine Contractors Pte Ltd	Singapore	63.55	63.21	Provision of contract services
** Jurong Marine Services Pte Ltd	Singapore	62.59	62.46	Provision of tugging services
^ Jurong Shipbuilders Private Limited	Singapore	63.55	63.21	Investment holding
^ Jurong Shipping Company Beta Pte Ltd	Singapore	63.55	63.21	Dormant
^ Jurong Shipping Company Gamma Pte Ltd	Singapore	63.55	63.21	Dormant
^ Jurong Shipping Company Private Limited	Singapore	63.55	63.21	Dormant
^ Jurong Shipyard Pte Ltd	Singapore	63.55	63.21	Ship repairing and related services
^ Jurong SML Pte Ltd (formerly known as Atlantis Shipyard Pte Ltd)	Singapore	63.55	See note 44	Ship building, ship repairing and civil engineering
** Jurubina Sembawang (M) Sdn Bhd	Malaysia	100	100	Dormant
^^ Karimun Investments Holdings Pte Ltd	Singapore	75	75	Investment holding
^ Karimun Shiprepair and Engineering Pte Ltd	Singapore	63.55	63.21	Investment holding
@ Keleste (Singapore) Pte Ltd	Singapore	61.62	61.70	Under members' voluntary liquidation

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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 %	
@ Lam Guan Development Pte Ltd	Singapore	100	100	Under members' voluntary liquidation
LM Food Industries Pte Ltd	Singapore	–	75	Contract manufacturing of food products
@ Mandino Pte Ltd	Singapore	100	100	Under de-registration
@ Megastone (Vietnam) Company Limited	Vietnam	100	100	Under members' voluntary liquidation
@ MSI (BVI) Limited	British Virgin Islands	100	100	Investment holding
** Myanmar ST Food Industries Ltd	Myanmar	–	75	Dormant
^^ Norfolk Development Group (Norfolk Hotel) Limited	British Virgin Islands	81.67	82	Investment holding
^^ Norfolk Hotel Joint Venture Co., Ltd	Vietnam	49	49	Hotel operations and management
Offshore Joint Services (Bases) Company of Singapore Pte Ltd	Singapore	43.81	43.87	Investment holding
Offshore Joint Services Company of Singapore Pte Ltd	Singapore	50.84	50.90	Investment holding
** Oil-Tex (Thailand) Company Limited	Thailand	36.97	37.02	Supply of logistic services to the offshore oil and gas industry
Pace Airconditioning & Engineering Pte Ltd	Singapore	100	100	Design, installation and servicing of air-conditioning systems
Paterson Land Pte Ltd	Singapore	100	100	Dormant
@ Piesin Sdn Bhd	Malaysia	–	75	Under voluntary liquidation

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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 %	
Pivot Development Pte Ltd	Singapore	–	100	Under de-registration
** Plexis Services, Inc.	United States of America	61.62	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	35	35	Resort development
** PT Contech Bulan	Indonesia	60	60	Dormant
** PT Gema SembCorp Engineering	Indonesia	90	90	Engineering, construction and fabrication
** PT Indo-Precast Utama	Indonesia	100	100	Manufacturing of pre-cast slabs and other construction related activities
** PT Indo Unggul Wasturaya	Indonesia	67	67	Provision of civil construction, mechanical and electrical services
^ PT Karimun Sembawang Shipyard	Indonesia	41.31	41.09	Ship repairing and related services
** PT Pace Dharmala Airtech	Indonesia	60	60	Supply, installation and maintenance of air conditioning systems
^^ PT Sembawang Kimtrans Indonesia	Indonesia	100	100	Dormant
** PT Semblog Citranusa	Indonesia	43.13	43.19	Provision of offshore logistics services
PT Sempec Indonesia	Indonesia	100	100	Engineering, procurement and construction

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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 %	
** PT ST Logistik Nusantara	Indonesia	43.13	43.19	Warehousing, logistics and freight services
** PT Synergy Technology Construction	Indonesia	80	80	Dormant
** PTA Industries Sdn Bhd	Malaysia	61.62	61.70	Under voluntary liquidation
^^ Pulau Holdings Pte Ltd	Singapore	53.85	54	Investment holding
^^ Pyramid Hill Properties Pte Ltd	Singapore	100	100	Property development
** Qianan SembCorp Cogeneration Company Limited	People's Republic of China	65	65	Owning and operating a cogeneration plant in Qianan, China
^^ RDC Cement Pte Ltd	Singapore	100	100	Dormant
^^ RDC Concrete Pte Ltd	Singapore	100	100	Trading of granite and manufacturing of ready-mixed concrete
RDC Development Pte Ltd	Singapore	–	100	Liquidated
^^ RDC Holdings Pte Ltd	Singapore	100	100	Investment holding
^^ RDC International Pte Ltd	Singapore	100	100	Investment holding
^^ RDC Properties Pte Ltd	Singapore	100	100	Property development
@ RDC Realty Pte Ltd	Singapore	100	100	Under voluntary liquidation
^^ RDC Pte Ltd	Singapore	100	100	Provision of waste disposal services
^^ RDC Simei Development Pte Ltd	Singapore	100	100	Property development
^^ RDC (Vietnam) Pte Ltd	Singapore	100	100	Investment holding and provision of management services

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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	100	100	Property development
Regional Infrastructure Management Pte Ltd	Singapore	51	51	Provision of project management and consultancy services
^^ Resort Asia Consultancy Services Pte Ltd	Singapore	100	100	Provision of project management services
Riau Infrastructure Management Services Pte Ltd	Singapore	51	51	Provision of technical and management services to industrial parks
^^ RSC Joint Venture Company Limited	Vietnam	57	57	Property development and investment holding
^^ RSC (Vietnam) Investments Pte Ltd	Singapore	95	95	Investment holding
SAFE Enterprises Pte Ltd	Singapore	75	75	Investment holding
SAFE & Mansfield Travel Group Pte Ltd	Singapore	75	75	Dormant
^^ Saigon-RDC Co. Ltd	Vietnam	40.20	40	Manufacture of ready-mixed concrete and bored piling work
** Schulz Fisheries Pty Ltd	Australia	–	37.50	Commercial fishing
^^ SCP Power Pte Ltd	Singapore	100	100	Investment holding
Seletaris Investments Limited	British Virgin Islands	–	100	De-registered
SembWaste Pte Ltd (formerly known as SEMAC Pte Ltd)	Singapore	100	100	Provision of environment management and related services and investment holding
* Sembawang Alsuwaiket Arabia Ltd	Saudi Arabia	60	60	Dormant
Sembawang Asia Pte Ltd	Singapore	100	100	Investment holding

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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 Aviation Pte Ltd	Singapore	61.62	61.70	Dormant
Sembawang Bethlehem Pte Ltd	Singapore	100	100	Building of rigs, vessels and specialised marine equipment
** Sembawang Capital (Hong Kong) Limited	Hong Kong	88.49	88.51	Leasing business
Sembawang Capital Pte Ltd	Singapore	88.49	88.51	Leasing services
Sembawang Chemicals Pte Ltd	Singapore	–	100	De-registered
Sembawang Construction Pte Ltd	Singapore	100	100	Civic engineering and construction work
Sembawang Corporation Holdings Pte Ltd	Singapore	–	100	De-registered
Sembawang Corporation Investments (S) Pte Ltd	Singapore	100	100	Investment holding
^^ Sembawang Development and Management Pte Ltd	Singapore	100	100	Under members' voluntary liquidation
Sembawang Engineering (China) Pte Ltd	Singapore	100	100	Engineering, construction and fabrication
Sembawang Engineering Investments Pte Ltd	Singapore	100	100	Dormant
* Sembawang Express (HK) Ltd	Hong Kong	61.62	61.70	Provision of logistics management services
Sembawang Food Investment Pte Ltd	Singapore	–	100	Liquidated
Sembawang Holdings (Pte) Ltd	Singapore	100	100	Investment holding
** Sembawang Huanqiu Engineering Co., Ltd	People's Republic of China	51	51	Petrochemical engineering
Sembawang Indonesia Pte Ltd	Singapore	100	100	Investment holding

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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 Industrial Manufacturing Pte Ltd	Singapore	–	100	Liquidated
Sembawang Industrial Pte Ltd	Singapore	100	100	Investment holding and provision of management services
Sembawang Investments Pte Ltd	Singapore	100	100	Investment holding
Sembawang-JTCI (China) Pte Ltd	Singapore	51	51	Engineering, construction and project management
^^ Sembawang Land Pte Ltd	Singapore	100	100	Property development
^^ Sembawang Leisure Investments Pte Ltd	Singapore	100	100	Investment holding
^^ Sembawang Leisure Private Limited	Singapore	100	100	Investment holding, provision of management, financial and administration services
Sembawang Mulpha Pte Ltd	Singapore	35.74	35.79	Dormant
Sembawang Nominees Pte Ltd	Singapore	100	100	Dormant
Sembawang Pacmann Pte Ltd	Singapore	50.10	50.10	Investment holding and provision of management services
^^ Sembawang Properties Pte Ltd	Singapore	100	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	100	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	61.62	61.70	Dormant
Sembawang Shipyard (India) Pte Ltd	Singapore	–	100	Liquidated
^ Sembawang Shipyard Pte Ltd	Singapore	63.55	63.21	Ship repairing and related services
^ Sembawang Shipyard (S) Pte Ltd	Singapore	63.55	63.21	Investment holding
^ Sembawang Shipyard Services (Pte) Ltd	Singapore	63.57	63.21	Marine services
Sembawang SMI Asia Pte Ltd	Singapore	–	70	Liquidated
** Sembawang Thailand Co. Ltd.	Thailand	49	49 @@@	Engineering, construction and fabrication
Sembawang (UK) Ltd	United Kingdom	–	100	De-registered
Sembcon Indo Pte Ltd	Singapore	100	100	Builders and contractors
SembCorp Air Products Pte Ltd	Singapore	60	See note 45	Manufacture, purchase, storage, process and sale of industrial chemical and speciality gases
SembCorp Cogen Pte Ltd	Singapore	70	70	Building, owning and operating a cogeneration plant on Jurong Island to produce electricity and process steam
SembCorp Construction (Japan) Pte Ltd	Singapore	100	100	Construction and project management
SembCorp Daewood Joint Venture	Singapore	60	–	Design and construction of Kallang and Paya Lebar Express way (contract 422)
SembCorp Development Pte Ltd	Singapore	100	100	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 %	
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

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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 %	
* SembCorp Logistics (Taiwan) Limited	Republic of China	31.43	–	Provision of supply chain management services
** SembCorp Logistics (USA) Inc. (formerly known as Leo Services, Inc.)	United States of America	61.62	61.70	Export trading
** SembCorp (Malaysia) Sdn Bhd	Malaysia	100	100	Marketing of engineering services
SembCorp Power Pte Ltd	Singapore	100	100	Sale, marketing and distribution of electricity
** SembCorp Properties Pte Ltd	Singapore	100	100	Project management for property development in Singapore and overseas
* SembCorp Simon-Carves Limited (formerly known as Simon-Carves Limited)	United Kingdom	100	100	Design, procurement and project management for process plants
SembCorp SITA Pte Ltd	Singapore	60	60	Provision of a complete range of waste management and environment services and investment holding
SembCorp Systems Pte Ltd	Singapore	100	100	Provision of integration, repairs and construction of electrical, instrumental and control services
* SembCorp (Tianjin) Construction Engineering Co., Ltd	People's Republic of China	70	70	Project management and construction related design consultancy services
SembCorp Ventures Pte Ltd	Singapore	100	100	Investment holding, provision of management services to related corporations
SembCorp Water Pte Ltd	Singapore	100	100	Building, owning and operating terminals and utilities centres to service the water plants and industries

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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 %	
SembCorp Zenecon Pte Ltd	Singapore	31.43	31.47	Marketing and providing bonded warehousing and total logistics services
SembFood Pte Ltd	Singapore	100	100	Dormant
@ SembLog Orient Caspian Private Limited	Bermuda	40.05	40.11	Provision of offshore logistics services
^^ SembOCL Pte Ltd	Singapore	70	70	Quarrying business and building material trading
^^ SembPark Facilities Management Pte Ltd	Singapore	100	100	Management and maintenance of property, buildings, estates and facilities
# SembPark Midland Management Pte Ltd	Singapore	19	100	Management and maintenance of properties buildings, estates and buildings
SembSITA Pte Ltd	Singapore	100	100	Provision of waste disposal services
SembVISY Recycling Pte Ltd	Singapore	100	100	Provision of services of collecting, removing, disposing and trading of recycled materials
SembVISY Recycling MRF Pte Ltd	Singapore	60	–	Provision of services of collecting, removing, disposing and trading of recycled wastes
Sembwin Pte Ltd	Singapore	36.97	77.02	Under members' voluntary liquidation
Semcon Indo Pte Ltd	Singapore	100	100	Builders and contractors
SemHotel Management Pte Ltd	Singapore	100	100	Investment holding and provision of management and consultancy services to hotels

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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 %	
Semjom Agencies Pte Ltd	Singapore	61.62	61.70	Under voluntary liquidation
** Sem-PC Maritime Co. Ltd	Thailand	52.38	52.45	Operation of container depot
* SEMPEC Pakistan (Private) Ltd	Pakistan	75	75	Engineering design, plant construction
* Sempec Philippines, Inc.	Philippines	40 @@@	40 @@@	Engineering, procurement construction and management for turnkey projects
* Semrental (B) Sdn Bhd	Brunei	70	88.51	Rental of goods and equipment
Semseas Agencies Pte Ltd	Singapore	61.62	61.70	Dormant
^ SES Engineering (M) Sdn Bhd	Malaysia	63.55	63.21	Fabrication of metal structures
^ SES Marine Services (Pte) Ltd	Singapore	63.55	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	31.43	31.47	Warehousing, cargo handling and transportation services
** Sichuan Huayang Garden City Hotel Co Ltd	People's Republic of China	47.91	47.91	Hotel owner
Singa Infrastructure (West Bay) Pte Ltd	Singapore	100	100	Dormant
Singajaya Investment Pte Ltd	Singapore	100	100	Investment holding
Singapore Environmental Management Engineering Services Pte Ltd	Singapore	100	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	100	100	Minting of coins, ingots, medallions and the sale of numismatic items
Singapore Offshore Petroleum Services Pte. Ltd.	Singapore	61.62	61.70	Supply of logistics services to the offshore oil and gas industry
Singapore Precision Industries Pte Ltd	Singapore	100	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	100	100	Under members' voluntary liquidation
@ Singapore Technologies Industrial Corporation (USA)	United States of America	100	100	Investment holding
Singapore Technologies Logistics Pte Ltd	Singapore	61.62	61.70	Provision of freight forwarding, warehousing, stores management and general insurance services
@@Singapore-Wuxi Investment Holdings Pte Ltd	Singapore	78.40	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	41.31	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	100	100	Investment holding
SML Investments Pte Ltd	Singapore	61.62	61.70	Investment holding and operating of passenger ferries
SML Ocean Shipping (I) Pte Ltd	Singapore	61.62	61.70	Under members' voluntary liquidation
^ SML Shipyard Pte Ltd	Singapore	63.55	63.21	Shiprepairing and related services
SMOE International Pte Ltd	Singapore	100	100	Engineering, procurement and construction
SMOE Pte Ltd	Singapore	100	100	Engineering, construction and fabrication
** SOPS (Bangladesh) Private Limited	Bangladesh	61.62	61.70	Dormant
SOPS Inter-Trans Services Pte Ltd	Singapore	61.62	61.70	Dormant
SOPS Investments Pte Ltd	Singapore	61.62	61.70	Dormant
South East Pacific Shipping Pte Ltd	Singapore	61.62	61.70	Dormant
Specon Builders Pte Ltd	Singapore	100	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	31.43	31.47	Supply of jet fuel, aviation gasoline and related services
Steri-Care Pte Ltd	Singapore	61.62	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	100	100	Dormant
ST-KWE Logistics Pte Ltd	Singapore	31.43	31.47	Under members' voluntary liquidation
** ST Logistics (UK) Ltd	United Kingdom	61.62	61.70	Freight handling and procurement of materials and equipment
** ST Logistics (USA) Inc.	United States of America	61.62	61.70	Investment holding
ST Medical Services Pte Ltd	Singapore	61.62	61.70	Provision of specialised aeromedical, general health care and occupational medical services
STIC Chengdu Hotel Investment Pte Ltd	Singapore	82	82	Investment holding
STIC Investments Pte Ltd	Singapore	100	100	Investment holding and dealing, and management of treasury activities
SUT Sakra Pte Ltd	Singapore	80	80	Supply of utilities and storage for petroleum products and chemicals
SUT Seraya Pte Ltd	Singapore	100	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	100	100	Under members' voluntary liquidation
Thomas Walk Properties Pte Ltd	Singapore	–	100	Liquidated
@ Tridex Investment Inc	British Virgin Islands	63.55	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	79.70	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	61.98	62	Investment holding
^^ Vietnam Singapore Industrial Park JV Co Ltd	Vietnam	31.61	32	Development of industrial park
^^ Vietnam Singapore International Marketing Pte Ltd	Singapore	100	100	Under members' voluntary liquidation
^^ VSIP Power Private Limited	Vietnam	100	100	Build, own and operate an electricity generation plant in Vietnam
@ WaterJet Netherland Antilles N.V.	Netherland Antilles	34.51	34.55	Under voluntary liquidation
@ Water Jet Shipping Corporation	Philippines	34.51	34.55	Under voluntary liquidation
Wong Heng Engineering Pte Ltd	Singapore	70	70	Under members' voluntary liquidation
@@Wuxi Garden City Mall Hotel Co., Ltd	People's Republic of China	74.48	54.88	Operation of a hotel cum shopping centre
Wuxi International Management Services Pte Ltd	Singapore	52.56	52.56	Dormant
@@Wuxi Singapore Industrial Park Development Co., Ltd	People's Republic of China	See note 44	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	85	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	25	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	20	17.70	Sale, distribution and leasing of specialist engineering products
Jurong SML Pte Ltd (formerly known as Atlantis Shipyards Pte Ltd)	Singapore	see note 43	22.12	Ship building, ship repairing and civil engineering works
Bangkok Business Holding Co. Ltd	Thailand	14.21	14.21	Engineering, construction and fabrication
Bintan Resort Ferries Private Limited	Singapore	30	30	Provision of ferry services

Notes to the Financial Statements

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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 %	
Biomedical Engineering Services & Technology Private Limited	Singapore	21.57	21.60	Provision of biomedical equipment and technical services for general and specialised medical equipment
Cathay International Water Limited	Bermuda	18	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	20	20	Investment holding
Camerlin Pte Ltd	Singapore	20	20	Investment holding
Ceylinco SembCorp Integrated Logistics (Pvt) Ltd	Sri Lanka	30.81	30.85	Provision of logistics services
Changi International Logistics Centre Ltd	Singapore	13.56	13.57	Warehousing, distribution and related services
CIECC Sembawang Engineering Consulting Co., Ltd	People's Republic of China	50	50	Engineering services
Cosco Container Depot Pte Ltd	Singapore	24.65	24.68	Operation of a container depot
Cosem Pte Ltd	Singapore	30.81	30.85	Investment holding
CWT-SML Logistics LLC	United Arab Emirates	18.49	18.51	Warehouse distribution
Dalian Cosco Marine Engineering Ltd	People's Republic of China	12.71	12.64	Ship repairing and related services
DGM Support (Asia) Pte Ltd	Singapore	21.57	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	27	27	Investment holding
Fenton Assets Limited	British Virgin Islands	27	27	Investment holding
Funpolis Asia Pte Ltd	Singapore	37.50	37.50	Under liquidation
Granite Resources Pte Ltd	Singapore	30	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	30	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	31.78	31.61	Investment holding
Joint Shipyard Management Services Pte Ltd	Singapore	15.89	15.80	Proprietors of dormitories, manage and let
Joint Shipyard Technologies Pte Ltd	Singapore	18.18	17.70	Research and development of new technologies
JPL Concrete Products Pte Ltd	Singapore	34.19	23.65	Production of concrete products
JTIC (USA) Corporation	United States of America	16.56	16.56	Investment holding
Jurong Clavon Pte Ltd	Singapore	31.78	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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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 %	
Jurong Shipyard Inc	Bahamas	22.24	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	40	40	Dormant
Kinburgh Holdings Pte Ltd	Singapore	27	27	Investment holding
KPN-ST Logistics Co., Ltd.	Thailand	28.35	28.38	Warehousing, inventory management transport and distribution, and freight forwarding
Kuehne & Nagel International AG	Switzerland	12.32	12.34	International forwarding, contract logistics, supply chain management and special products in niche sectors
LC Ventura (Tampines) Pte Ltd	Singapore	40	40	Property development
Logistics Training and Consultancy Services Pte Ltd	Singapore	24.65	24.68	Logistics training and consultancy services
Macondray Corporation Pte Ltd	Singapore	–	24.47	Investment holding
Mansfield Travel Sdn Bhd	Malaysia	18.38	18.38	Provision of services relating to travel and tours
Mauá Jurong S.A.	Brazil	22.24	22.12	Ship building and ship repairing
Marketing & Consultancy Services International Pte Ltd	Singapore	40	40	Dormant
Medechain Pte Ltd	Singapore	30.81	30.85	Provision of online healthcare services
MR Tech (M) Sdn Bhd	Malaysia	–	18.96	Fabrication of metal structures

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 %	
Neptune Associated Lines Private Limited	Singapore	–	31.61	Ship owners
Omix Asia.com Pte Ltd	Singapore	19.07	18.96	E-commerce and bulk procurement
Oslo Gas I LP	Republic of Liberia	21.18	21.07	Ship owning and charter
Oslo Gas II LP	Republic of Liberia	21.18	21.07	Ship owning and charter
Pacific Internet Corporation Pte Ltd	Singapore	41.80	41.80	Investment holding
Pacific Internet Limited	Singapore	41.80	41.80	Provision of public internet access services
Perth Power Partnership	Australia	30	30	Generation and sales of electricity and steam
PPL Shipyard Pte Ltd	Singapore	31.78	31.61	Ship repairing and related services
PT Karimun Indojoya Cakrawala	Indonesia	30	30	Construction and development of an industrial estate at Karimun Island, Indonesia
PT Multi Granitindo Utama	Indonesia	30	30	Granite quarrying
PT Pakuwon Funpolis Indonesia	Indonesia	22.88	22.88	Operation of entertainment centre
Quarry Management Services Pte Ltd.	Singapore	30	39	Quarry management services
Realand Pte Ltd	Singapore	20	20	Investment holding
Reco Sin Han Pte Ltd	Singapore	20	20	Investment holding
Reliance Contractors Private Limited	Singapore	49.99	49.99	Building and civil engineering contractor
S Daniels Plc	United Kingdom	–	22.43	Investment holding
Searching Logistics Pte Ltd	Singapore	20.54	20.56	Dormant
Searching Maritime Pte Ltd	Singapore	20.54	20.56	Charter of vessels , OPL services

Notes to the Financial Statements

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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	20.54	20.56	OPL services
Searching Pte Ltd	Singapore	20.54	20.56	OPL Services
Sembawang Kimtrans Ltd	Singapore	17.03	20.45	Project logistics, project freight management, procurement services, road transport and warehousing
Sembawang KMP Corporation Pte Ltd	Singapore	50	50	Investment holding
Sembrown Equipment Pte Ltd	Singapore	27.50	27.50	Under members' voluntary liquidation
SembCorp-Translink Parami Logistics Ltd	Myanmar	18.49	18.51	Freight forwarding
SembSITA Pacific Pte Ltd	Singapore/ Australia	40	40	Provision of waste removal and disposal, environmental consultation and other related environmental services
Shanghai Ocean Aquarium Co., Ltd	People's Republic of China	20	20	Aquarium and related operations
Shenyang SML Distripark Ltd	People's Republic of China	30.19	30.23	Operation of a distripark
Shenzhen Chiwan Petroleum Supply Base Company Limited	People's Republic of China	10.28	10.29	Operation of an offshore supply base
Shenzhen Gangchuang Building Material Co. Ltd	People's Republic of China	28	28	Manufacture of ready-mixed concrete, cement and other concrete related products
Shenzhen Sembawang Huanqiu Engineering Corporation Ltd	People's Republic of China	26	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	–	26	Manufacture of rotary screw air compressors
Sime SembCorp Engineering Sdn Bhd	Malaysia	30	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	48.65	34.80	Provision of design, consultancy and advisory services relating to any professional engineering work
ST-KN Pte Ltd	Singapore	30.19	30.23	Freight forwarding
ST Logitrack Pte Ltd	Singapore	30.81	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	23.35	22.77	Hotel owner and management
Transport Groupage International (HK) Limited	Hong Kong	30.81	30.85	Transportation and freight forwarding
Trans-Link Express Pte Ltd	Singapore	15.84	15.86	Freight forwarding
TSD Leasing Co., Ltd	Thailand	30	30	Leasing, hire purchase and factoring
UCM Oil-Tex Threading Ltd	Thailand	18.12	18.14	Oil field equipment machining and repair
Unitech Prefab Limited	India	see note 43	40	Manufacture and sale of ready-mixed concrete and concrete blocks
Ventura Development (Myanmar) Pte Ltd	Singapore	35	35	Development, construction and management of property
Ventura Development (Surabaya) Pte Ltd	Singapore	50	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	36.67	36.67	Dormant
Wuxi High Speed Ferry Co. Ltd	People's Republic of China	12.32	12.34	Operating of passenger ferries
Wuxi Singapore Industrial Park Development Co., Ltd	People's Republic of China	38.42	see note 43	Development and operation of Wuxi Industrial Park
Wuxi-Singapore Industrial Park Logistics Co Ltd	People's Republic of China	22.18	35.12	Warehousing, freight forwarding, transportation and related services
Xi'an Lintong Zhongxin Tourism Development Co., Ltd	People's Republic of China	20	20	Theme park and related operations
Zerust Singapore Pte. Ltd. (formerly known as ST-Zerust (SEA) Pte Ltd)	Singapore	18.49	18.51	Preservation and packaging operations
Zhengzhou Yellow River Tourism Development Co., Ltd	People's Republic of China	20	20	Theme park and related operations
Zuellig Insurance Brokers Pte Ltd	Singapore	30.19	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	30	30	Dormant
Batamindo Shipping & Warehousing Pte Ltd	Singapore	34.74	34.76	Provision of shipping, freight forwarding, storage and warehousing services
Bintan Industrial Estate Management Pte Ltd	Singapore	47.5	40	Dormant

Notes to the Financial Statements

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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	33	33	Developer, owner and marketing agent of immovable property, club membership, and real estate and investment holding
Bintan Resort Management Pte Ltd	Singapore	28	28	Manager and operator of hotel, leisure, recreational resort and facility
Bohai Sembawang Shipyard (Tianjin) Co. Ltd	People's Republic of China	20.20	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	50	50	Lifestyle business
InterIsland Marketing Services Pte Ltd	Singapore	40	40	Dormant
Jiangyin Huaixin Corrosion Control Co Ltd	People's Republic of China	15.89	31.61	Tank coating and corrosion resistance work for marine vessels
Katoen Natie SembCorp Pte Ltd	Singapore	30.19	30.23	Provision of specialised logistics services
Katoen Natie SembCorp Chemical Pte Ltd	Singapore	30.19	30.23	Provision of warehousing and logistics services
Katoen Natie SembCorp Jurong Pte Ltd	Singapore	30.19	30.23	Provision of warehousing and logistics services
Katoen Natie SembCorp (Thailand) Ltd	Thailand	30.19	30.23	Provision of warehousing and logistics services
* Kumagai-Sembawang Mitsui Joint Venture	Singapore	45	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	50	50	Design and construction of the Changi MRT Station including tunnels
* Kumagai-SembCorp Joint Venture (DTSS)	Singapore	50	50	Design and construction of Paya Lebar Deep Tunnel Sewerage System
* Philip Holzmann-SembCorp Joint Venture	Singapore	50	50	Design and construction of Kranji Deep Tunnel Sewerage System
Phu My 3 BOT Power Company Ltd	Vietnam	33.30	33.33	Generation and sale of electricity
P.T. Batamindo Investment Corporation	Indonesia	37.50	30	Development, construction and operation of Batamindo Industrial Park
P.T. Bintan Inti Industrial Estate	Indonesia	47.50	47.50	Development, construction and operation of Bintan Industrial Estate
Sakra Island Carbon Dioxide Pte Ltd	Singapore	30	22.50	Manufacture, extraction, processing and purification of carbon dioxide and natural gas
SembCorp Air Products (HYCO) Pte Ltd	Singapore	See note 43	45	Manufacture, purchase, storage, process and sale of industrial chemical and specialty gases
SembCorp Gas Pte Ltd	Singapore	50	50	Importation and retailing of natural gas and related products
SembCorp Network Pte Ltd	Singapore	30.81	37.50	Provision of logistics support and services
Shenzhen Chiwan Offshore Petroleum Equipment Repair & Manufacture Company Limited	People's Republic of China	35	35	Engineering services
Shenzhen Chiwan Sembawang Engineering Co. Ltd	People's Republic of China	32	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	26.25	26.25	Investment holding
* Total-CDC-DNC Joint Operation	Indonesia	40	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
Results of the Joint Ventures		
Turnover	459,084	227,009
Expenses	(421,634)	(204,065)
Profit before taxation	37,450	22,944
Taxation	(8,650)	(3,410)
Profit after taxation	28,800	19,534
Balance sheets of the Joint Ventures		
Non-current assets	400,389	315,879
Current assets	215,219	155,424
Current liabilities	(192,084)	(138,338)
Non-current liabilities	(106,914)	(93,788)
Minority interests	(15,037)	(4,370)
Net assets	301,573	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
Sale of Goods and Services		
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
	3,120	274,661
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	–
	17,099	277,807
Purchase of Goods and Services		
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
	11,954	177,215
Treasury (Balances as at December 31)		
(a) Placement of Funds		
Temasek Capital (Private) Limited and its associates	–	14,582
(b) Subscription of Debt Securities		
Singapore Technologies Pte Ltd and its associates	–	59,580
(c) Borrowing		
Keppel Land Limited and its associates	–	16,068
Temasek Capital (Private) Limited and its associates	–	4,375
	–	94,605
Total interested person transactions	29,053	549,627

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
Net Operating Profit Before Taxation		238,430	246,899
Adjust for			
Share of associates and joint ventures profits		63,450	93,378
Interest expense		125,324	125,852
Others		17,637	(2,277)
Adjusted Profit before Interest and Tax		444,841	463,852
Cash Operating Taxes	1	(100,946)	(133,433)
Net Operating Profit after Tax (NOPAT)		343,895	330,419
Average Capital Employed	2	3,190,264	4,595,829
Weighted – Average Cost of Capital	3	8.2%	8.4%
Capital Charge		424,403	386,603
Economic Value Added (EVA)		(80,508)	(56,184)
Less:			
Minority share of EVA		(41,454)	(43,258)
EVA attributable to shareholders		(39,054)	(12,926)
Less:			
Unusual items (UI) Gains	4	202,070	27,832
EVA attributable to shareholders (exclude UI)		(241,124)	(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	2,602,175	2,031,102
Investments	1,864,803	1,773,591
Other long term assets	371,584	414,562
Net working capital and long term liabilities	351,702	376,574
Average Capital Employed	5,190,264	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	2001
	\$'000	\$'000
Value Added from		
Turnover	4,014,372	3,169,877
Less bought in materials and services	(3,113,195)	(2,244,849)
Gross Value Added	901,177	925,028
Investment, interest and other income	310,665	187,726
Share of associated companies' profit	26,319	72,219
Share of joint ventures' profit	37,274	22,944
Other non-operating income/(expenses)	(59,045)	(18,625)
	1,216,390	1,189,292
Distribution		
To employees in wages, salaries and benefits	579,359	537,722
To government in income and other taxes	66,099	100,008
To providers of capital on:		
Interest paid on borrowings	75,724	73,847
Dividends to shareholders	42,608	30,315
	763,790	741,892
Retained in Business		
Depreciation and amortisation	167,965	134,623
Retained profits	163,840	218,964
Minority interests	88,330	83,576
	420,135	437,163
Other non-operating expenses		
	32,465	10,247
	452,600	447,410
Total Distribution		
	1,216,390	1,189,302
Productivity Analysis		
Value added per employee per annum (\$'000)	68	62
Value added per employment cost (\$)	1.56	1.72
Value added per dollar sales (\$)	0.22	0.29
Value added per dollar investment in fixed assets	0.32	0.32

The figures above reflect core businesses only