

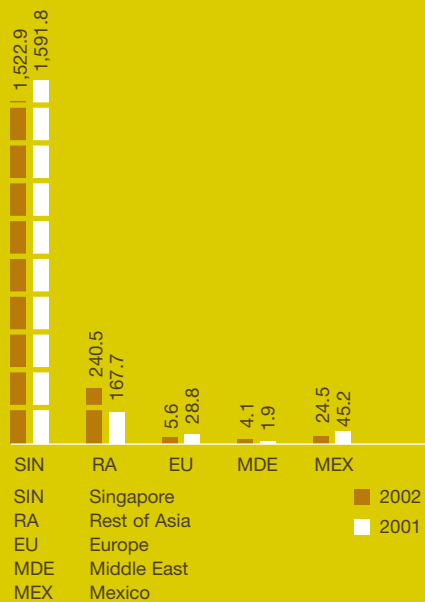
Logistics

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

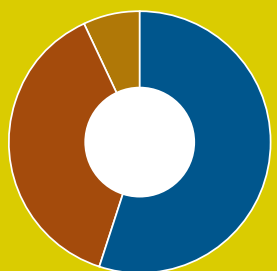
COMPETITIVE EDGE

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

TURNOVER BY TERRITORY (\$m)



ORDERBOOK BY BUSINESS (%) (2002)



Process & Plant Engineering	55
Civil Engineering	38
Building Projects	7



Koh Soo Keong
President & CEO
SembCorp Logistics

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

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

KEY FACTS

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

Logistics

STRATEGY

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

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

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

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

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

Leverage strengths and partnerships to develop specialised industry knowledge

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

Harness technology to create innovative supply chain management solutions

Investing in advanced technology remains

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

OPERATIONS REVIEW

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

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

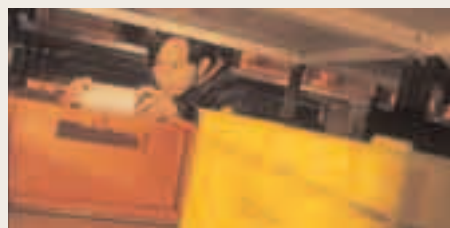
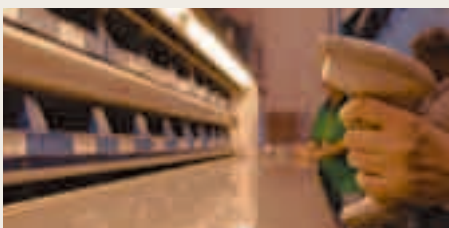
At the operating level, however, SembLog turned in strong growth in supply chain management in all our three key markets where EBIT earnings growth of 16 per cent for Singapore and 63 per cent each from China and India were recorded.

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

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

In keeping with our plans to expand our Asian network, we entered the Taiwanese market in June 2002, forming a 51/49 joint venture SembCorp Logistics (Taiwan) with Pacific Resources Technology Corporation (PRTC). The joint venture operates four distribution centres in Taipei, Kaohsiung and Taichung. With strong operations already in China, we are now ideally placed to leverage the huge volume of China-Taiwan trade (estimated at more than US\$26 billion¹).

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



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

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

OUTLOOK

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

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

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

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

¹ Source: *The Republic of China Yearbook – Taiwan 2001*

Glossary

RFID

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

TAV

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

Freight Forwarder

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