

# 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 As a result, the previous financial statements of the Group were withdrawn and the financial statements were revised to take into account the above impairment loss.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

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### 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

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## 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

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### 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
<b>Cost/Valuation</b>													
Balance at January 1, 2002	120,866	100,900	667	-	995,079	67,260	1,372,110	73,136	50,451	138,882	90,496	42,098	3,259,120
Translation differences on consolidation	-	-	-	-	(20,983)	182	(3,851)	750	(388)	(427)	(703)	(945)	(26,365)
Additions	-	-	-	-	19,366	3,175	74,449	-	2,070	16,840	6,026	60,192	182,118
Acquisition of subsidiaries	-	-	-	-	18,724	31,166	127,250	7,701	2,730	4,905	1,836	751	218,994
Reclassification	-	-	-	-	(11,157)	21	55,517	-	(2,744)	1,826	415	(43,878)	-
Transfer from development property and intangible assets	-	-	-	-	8,268	-	-	-	-	-	-	-	-
Change of use of development property	-	-	-	-	85,000	-	(17,179)	-	-	(8,758)	(13,665)	(11,668)	85,000
Disposals/write offs	-	-	-	-	(15,632)	(655)	(114,931)	(841)	(1,705)	(13,932)	(10,588)	-	(70,107)
Disposals/liquidation of subsidiaries	-	-	-	-	(206,888)	(5,400)	-	-	(17,909)	-	-	-	(369,646)
Balance at December 31, 2002	120,866	100,900	667	-	871,777	95,749	1,493,365	80,746	32,505	139,336	73,819	46,550	3,287,382
<b>Accumulated Depreciation and Impairment Losses</b>													
Balance at January 1, 2002	14,145	6,014	-	-	298,311	46,946	339,351	14,944	37,915	99,549	60,718	4,982	1,002,058
Translation differences on consolidation	-	-	-	-	(2,054)	100	(722)	452	(260)	(52)	(275)	-	(2,811)
Depreciation for the year	2,411	1,465	-	-	29,198	4,722	92,875	4,641	4,238	17,958	10,002	1	173,729
Acquisition of subsidiaries	-	-	-	-	3,271	7,365	42,576	5,120	2,260	3,989	1,471	-	77,286
Reclassification	-	-	-	-	(4)	140	(192)	-	(849)	675	230	-	-
Transfer from development property and intangible assets	-	-	-	-	726	-	-	-	-	-	-	-	726
Disposals/write offs	-	-	-	-	(4,787)	(599)	(13,510)	(378)	(1,586)	(7,472)	(10,446)	(4,889)	(43,667)
Disposals/liquidation of subsidiaries	-	-	-	-	(40,480)	(3,091)	(58,581)	-	(15,952)	(10,518)	(7,771)	-	(136,393)
Allowance made/(written back) for impairment losses - other expenses - exceptional items	-	-	-	-	(6,981)	130	1,129	-	-	-	-	-	(5,722)
Balance at December 31, 2002	16,556	7,479	-	-	291,188	55,713	436,093	24,779	25,766	104,185	53,980	6,380	1,118,754
Depreciation charge for 2001	2,421	1,466	-	-	28,372	3,109	66,792	9,272	3,718	16,294	11,122	23	147,127
<b>Carrying Amount</b>													
At December 31, 2002	104,310	93,421	667	-	580,589	40,036	1,057,272	55,967	6,739	35,151	19,839	40,170	2,168,628
At December 31, 2001	106,721	94,886	667	-	696,768	20,314	1,032,759	58,192	12,536	39,333	29,778	37,116	2,257,062

## Notes to the Financial Statements

December 31, 2002

### 3. PROPERTY, PLANT AND EQUIPMENT *(continued)*

- (i) If the following revalued property, plant and equipment had been included in the financial statements at cost less accumulated depreciation, the net book value would have been:

	2002 \$'000	2001 \$'000
Leasehold land and buildings and wet berthage	27,769	29,235
Dry docks	32,812	34,799
	<b>60,581</b>	<b>64,034</b>

- (ii) The depreciation charge of the Group in the profit and loss account for the year is arrived at as follows:

	Note	2002 \$'000	2001 \$'000
Charge for the year		173,729	147,127
Amount capitalised in work-in-progress		(2,797)	(1,643)
	31(b)	<b>170,932</b>	<b>145,484</b>

- (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 \$'000	2001 \$'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
	<b>923,350</b>	<b>950,262</b>

- (iv) Assets with net book value of \$1,526,000 (2001: \$5,796,000) were acquired under hire purchase and lease agreements.
- (v) An independent professional valuation of a subsidiary's leasehold land, buildings and improvements, stated at valuation of \$64,847,000 (2001: \$64,847,000) was carried out by a firm of professional valuers on an open market existing use basis as at June 5, 1999.

The valuation of a subsidiary's shipyard complex comprising leasehold land of 360,383 square metres, wet berthage, buildings and dry docks, valued at \$49,862,000 (2001: \$49,862,000) was performed by a firm of professional valuers at December 31, 1972.

A subsidiary's buildings and dry docks stated at valuation of \$24,405,000 (2001: \$24,405,000) and \$83,900,000 (2001: \$83,900,000) respectively are based on a valuation performed by a firm of professional valuers on an open market existing use basis at July 8, 1994.

- (vi) During the year, interest, operating lease expenses and direct staff costs capitalised amounting to \$1,434,000 (2001: \$19,256,000), \$1,212,000 (2001: \$727,000) and \$984,000 (2001: \$5,921,000), respectively, during the construction period of the power plant.

# Notes to the Financial Statements

December 31, 2002

## 3. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(vii) General and administrative expense for the year include the following significant impairment losses which are described as exceptional items:

	Note	The Group \$'000
Freehold property	(a)	7,460
Land reclamation project	(b)	34,892
Overseas tile factory	(c)	7,196
Marine engineering assets	(d)	4,000
Impairment loss	31(e)	<u>53,548</u>

(a) The continued decline in property prices in 2002 caused the directors of a subsidiary to perform an assessment of the recoverable amount of the freehold property. Based on the assessment as at December 31, 2002, the carrying amount of the freehold property was written down by \$7,460,000.

The recoverable amount of the freehold property was determined based on its value in use, calculated based on projections of future market related rents and using the average annual yield for rental of freehold properties of 4%.

(b) In 2001, a subsidiary secured a land reclamation project in conjunction with a development of a prototype land reclamation system. During 2002, the stoppage of sand supply caused the subsidiary to assess the recoverable amount of the plant, and equipment and other assets acquired under the project. The recoverable amounts of the related plant and equipment were assessed to be nominal as these are specialised assets, acquired for the patented technology used and have low resale values. As a result, the Group recognised impairment losses of \$34,892,000.

(c) The continued losses of an overseas tile factory subsidiary that has ceased production in 2001 caused the Group to reassess the recoverable amount of the property, plant and equipment of this tile factory in 2002. No value was attributed to the property, plant and equipment due to past experience of production problems, deterioration from non-usage for almost 2 years and difficulty in finding a buyer. Accordingly, the Group recognised additional impairment loss of \$7,196,000 on the property, plant and equipment.

(d) Due to the continued difficult operating environment in Karimun, the impairment loss for property, plant and equipment of the marine engineering business of \$4,000,000 presents the write-down of net book value to recoverable amount. This recoverable amount was determined based on the value-in-use at the cash generating unit level. In determining the value-in-use at the cash generating unit level, the cashflows were discounted at a rate of 6% per annum on a pre-tax basis.

### The Company

	Leasehold improvements \$'000	Motor vehicles \$'000	Furniture, fitting and equipment \$'000	Total \$'000
<b>2002</b>				
Balance at beginning of the year	515	399	1,976	2,890
Additions	–	–	350	350
Disposals/write off	(515)	–	(4)	(519)
Balance at end of the year	<u>–</u>	<u>399</u>	<u>2,322</u>	<u>2,721</u>

### 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

December 31, 2002

### 4. INVESTMENT PROPERTIES – THE GROUP

	2002	2001
	\$'000	\$'000
Leasehold apartment units, at cost	<b>1,066</b>	1,066
Allowance for impairment losses	<b>(519)</b>	(519)
	<b>547</b>	547

The leasehold apartment unit of a subsidiary is situated in Shanghai, People's Republic of China.

### 5. INVESTMENTS IN SUBSIDIARIES – THE COMPANY

	2002	2001
	\$'000	\$'000
Quoted equity shares, at cost	<b>1,693,165</b>	1,684,405
Unquoted equity shares, at cost	<b>807,864</b>	807,864
Preference shares, at cost	<b>190,000</b>	120,000
	<b>2,691,029</b>	2,612,269
Market value of quoted equity shares	<b>1,637,946</b>	1,678,567

### 6. INTERESTS IN ASSOCIATES – THE GROUP

	Note	2002	2001
		\$'000	\$'000
Quoted equity shares, at cost		<b>674,738</b>	719,633
Unquoted equity shares, at cost		<b>463,524</b>	436,907
		<b>1,138,262</b>	1,156,540
Goodwill written off		<b>(574,179)</b>	(580,552)
Currency translation adjustment		<b>39,605</b>	30,299
Share of post-acquisition reserves			
– Capital reserves		<b>(19,526)</b>	(17,038)
– Revenue reserves		<b>106,779</b>	123,475
– Allowance for impairment losses	(i)	<b>(128,904)</b>	(129,608)
		<b>(41,651)</b>	(23,171)
Carrying value	(ii)	<b>562,037</b>	583,116
Market value of quoted equity shares		<b>602,658</b>	672,138

(i) The movements in allowance for impairment losses during the financial year are as follows:

	Note	2002	2001
		\$'000	\$'000
Balance at beginning of the year		<b>129,608</b>	145,579
Allowance made/(written back) during the year:			
– other expenses	31(b)	<b>(490)</b>	(3,324)
– exceptional item	31(e)	<b>1,309</b>	6,400
Amount utilised		<b>(1,416)</b>	(19,047)
Translation differences		<b>(107)</b>	–
Balance at end of the year		<b>128,904</b>	129,608

# Notes to the Financial Statements

December 31, 2002

## 6. INTERESTS IN ASSOCIATES – THE GROUP *(continued)*

(ii) Carrying value as at year end include goodwill on acquisition as follows:

	2002	2001
	\$'000	\$'000
Balance at beginning of the year	28,440	–
Acquisition of associate	–	30,126
Amortisation charge for the year	(5,800)	(1,686)
Disposal of subsidiary	(13,318)	–
Balance at end of the year	<u>9,322</u>	<u>28,440</u>

The amortisation charge for the year is included as share of associates' results during the year.

Details of the associates are set out in note 44 to the financial statements.

## 7. INTERESTS IN JOINT VENTURES – THE GROUP

	Note	2002	2001
		\$'000	\$'000
Unquoted shares, at costs		204,119	203,588
Goodwill written off		(544)	(544)
		<u>203,575</u>	<u>203,044</u>
Currency translation adjustment		10,873	11,454
Share of post-acquisition reserves			
– Revenue reserves		85,616	56,630
– Capital reserves		–	(8)
– Allowance for impairment losses	(i)	(28,290)	(28,290)
		<u>57,326</u>	<u>28,332</u>
Carrying value	(ii)	<u>271,774</u>	<u>242,830</u>

(i) The movements in allowance for impairment losses during the financial year are as follows:

	2002	2001
	\$'000	\$'000
Balance at beginning of the year	28,290	104,111
Transfer to impairment loss of property, plant and equipment	–	(73,929)
Amount utilised	–	(1,892)
Balance at end of the year	<u>28,290</u>	<u>28,290</u>

(ii) Carrying value as at year end include goodwill on acquisition as follows:

	2002	2001
	\$'000	\$'000
Balance at beginning of the year	2,052	–
Acquisition during the year	(30,639)	2,052
Amortisation during the year	961	–
Balance at end of the year	<u>(27,626)</u>	<u>2,052</u>

The amortisation charge for the year is included as share of joint ventures' results during the year.

Details of the joint ventures are set out in note 45 to the financial statements.

## Notes to the Financial Statements

December 31, 2002

### 8. OTHER FINANCIAL ASSETS

#### (a) Non-Current Financial Assets

##### Quoted investments at cost:

Equity shares	<b>112,644</b>	117,945	-	-
Bonds, loan stocks and negotiable certificate of deposits	-	1,068	-	-
Warrants	-	225	-	-
Unit trusts	<b>4,567</b>	4,533	-	-
	<b>117,211</b>	123,771	-	-

##### Unquoted investments at cost:

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

##### Market value of:

- Quoted equity shares	<b>34,006</b>	33,840
- Quoted bonds, loan stocks and negotiable certificate of deposits	-	1,009
- Quoted warrants	-	13
- Quoted unit trusts	<b>2,827</b>	3,676

The movements in allowance for impairment losses during the financial year are as follows:

	Note	2002 \$'000	2001 \$'000
Balance at beginning of the year		<b>133,680</b>	129,984
Translation		<b>250</b>	-
Disposal of a subsidiary		<b>(256)</b>	-
Allowance made/(written back) during the year, net:			
- other expenses	31(b)	<b>(4,255)</b>	-
- exceptional items	31(e)	<b>12,593</b>	7,023
Amount utilised		<b>(6,987)</b>	(3,327)
Balance at end of the year		<b>135,025</b>	133,680



# Notes to the Financial Statements

December 31, 2002

## 8. OTHER FINANCIAL ASSETS *(continued)*

### (b) Current Financial Assets

	The Group	
	2002 \$'000	2001 \$'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 \$'000	2001 \$'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 \$'000	2001 \$'000
Hire purchase and lease receivables due after 12 months	10	63,867	84,701
Trade receivables	26	156,626	111,738
Loan receivables (unsecured)		33,012	48,136
Staff loans		11	–
Amount due from related parties	28	57,425	75,350
Prepayments	(a)	66,757	44,159
Recoverables		58,274	48,890
		435,972	412,974
Less: allowance for doubtful receivables	(b)	(29,137)	(33,958)
		406,835	379,016
Amount due within one year		(18,681)	(20,928)
		388,154	358,088

### (a) Prepayments

Prepayments are charged on a straight-line basis over the period of prepayments and relate primarily to:

- (i) capacity charges prepaid under the End User Agreement for gas delivery;
- (ii) connection fees prepaid under the Generation Connection and Use of System Agreement for the use of the transmission lines;
- (iii) service fees prepaid under the Gasoil Supply and Storage Agreement for the usage of the tanks; and
- (iv) prepaid Singapore Electricity Pool membership fees.

## Notes to the Financial Statements

December 31, 2002

### 9. LONG-TERM RECEIVABLES AND PREPAYMENTS – THE GROUP (continued)

#### (b) Allowance for doubtful receivables

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

	Note	2002 \$'000	2001 \$'000
Balance at beginning of the year		33,958	49,324
Translation adjustments		–	(26)
Allowance made/(written back) during the year			
– trade	31(b)	(2,697)	(5,274)
– loans	31(e)	–	(10,066)
Amount utilised		(2,124)	–
Balance at end of the year		<u>29,137</u>	<u>33,958</u>

### 10. HIRE PURCHASE AND LEASE RECEIVABLES – THE GROUP

	Minimum lease payment \$'000	Estimated residual value \$'000	Total gross investment in lease \$'000	Unearned interest income \$'000	Allowance for doubtful receivables \$'000	Present value of minimum lease payment net of allowances \$'000
<b>2002</b>						
Within 1 year	25,223	8,943	34,166	(4,092)	(8,123)	21,951
After 1 year but within 5 years	32,801	3,000	35,801	(8,887)	–	26,914
After 5 years	37,970	4,500	42,470	(5,517)	–	36,953
	<u>95,994</u>	<u>16,443</u>	<u>112,437</u>	<u>(18,496)</u>	<u>(8,123)</u>	<u>85,818</u>
Less:						
Amount due within 1 year	(25,223)	(8,943)	(34,166)	4,092	8,123	(21,951)
	<u>70,771</u>	<u>7,500</u>	<u>78,271</u>	<u>(14,404)</u>	<u>–</u>	<u>63,867</u>
<b>2001</b>						
Within 1 year	35,321	364	35,685	(5,025)	(6,668)	23,992
After 1 year but within 5 years	39,652	9,961	49,613	(10,727)	–	38,886
After 5 years	45,657	7,500	53,157	(7,342)	–	45,815
	<u>120,630</u>	<u>17,825</u>	<u>138,455</u>	<u>(23,094)</u>	<u>(6,668)</u>	<u>108,693</u>
Less:						
Amount due within 1 year	(35,321)	(364)	(35,685)	5,025	6,668	(23,992)
	<u>85,309</u>	<u>17,461</u>	<u>102,770</u>	<u>(18,069)</u>	<u>–</u>	<u>84,701</u>

Under the terms of the lease agreements, no contingent rents are recognised.

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

	Note	2002 \$'000	2001 \$'000
Balance at beginning of the year		6,668	6,900
Allowance made during the year, net of amount written back	31(b)	2,537	775
Amount utilised		(1,082)	(1,007)
Balance at end of the year		<u>8,123</u>	<u>6,668</u>

# Notes to the Financial Statements

December 31, 2002

## 11. INTANGIBLE ASSETS - THE GROUP

	Note	Goodwill \$'000	Development and software costs \$'000	Others \$'000	Total \$'000
<b>Cost</b>					
Balance at beginning of the year		48,345	5,511	5,739	59,595
Translation adjustment		–	(56)	–	(56)
Acquisition of subsidiary		15,405	–	–	15,405
Additions during the year		33,406	10,242	260	43,908
Disposal of subsidiary		(39,185)	–	(4,194)	(43,379)
Balance at end of the year		<u>57,971</u>	<u>15,697</u>	<u>1,805</u>	<u>75,473</u>
<b>Accumulated Amortisation and Impairment Losses</b>					
Balance at beginning of the year		5,907	–	7	5,914
Translation adjustments		–	(1)	–	(1)
Amortisation charge for the year	31(b)	3,648	1,245	276	5,169
Impairment loss					
– other expenses	31(b)	981	–	–	981
– exceptional items	31(e)	–	11,797	–	11,797
Disposal of subsidiary		(530)	–	(196)	(726)
Balance at end of the year		<u>10,006</u>	<u>13,041</u>	<u>87</u>	<u>23,134</u>
<b>Carrying Amount</b>					
At December 31, 2002		<u>47,965</u>	<u>2,656</u>	<u>1,718</u>	<u>52,339</u>
At December 31, 2001		<u>42,438</u>	<u>5,511</u>	<u>5,732</u>	<u>53,681</u>

In 2002, the stoppage of sand supply for the land reclamation project of a subsidiary as explained in note 3(vii) (b) caused the subsidiary to assess the recoverable amount of its capitalised expenditure relating to development of the prototype.

Based on this assessment, the carrying amount of the development expenditure was fully written down by \$11,797,000 and included in the profit and loss account of the Group under "General and Administrative Expenses". The directors of the Group do not expect such expenditure to be recoverable given the uncertainty over the continuation of land reclamation projects in the future.

## Notes to the Financial Statements

December 31, 2002

### 12. DEFERRED TAX

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

	At Jan 1, 2002	Effect of adopting SAS 12 (2001)	Charged/ (credited) to profit and loss account (note 32)	Acquisition of subsidiary	Disposal of subsidiary	Reclassi- fication	Exchange differences	At Dec 31, 2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>								
<b>Deferred tax liabilities</b>								
Property, plant and equipment	93,790	8,209	(16,885)	1,131	(2,976)	–	415	83,684
Interest in associates	642	10,248	1,248	–	–	–	–	12,138
Related parties	2,080	–	(2,066)	–	–	–	–	14
Inventories	2,326	–	(225)	–	–	–	–	2,101
Other items	209	6	(2,111)	–	–	2,507	88	699
Total	99,047	18,463	(20,039)	1,131	(2,976)	2,507	503	98,636

#### Deferred tax assets

Property, plant and equipment	(387)	(3,142)	(1,282)	–	–	–	–	(4,811)
Inventories	(2,744)	(274)	1,638	–	246	–	–	(1,134)
Trade receivables	(2,437)	(846)	(1,655)	–	691	–	(47)	(4,294)
Trade and other payables	(1,939)	(283)	(1,773)	–	291	–	(58)	(3,762)
Tax losses	(9,586)	–	7,778	–	–	–	13	(1,795)
Provisions	(2,025)	(291)	(62)	–	361	–	–	(2,017)
Capital and investment allowance	–	–	(1,305)	–	–	–	–	(1,305)
Other items	(565)	(264)	(213)	–	5	–	(27)	(1,064)
Total	(19,683)	(5,100)	3,126	–	1,594	–	(119)	(20,182)

#### Company

##### Deferred tax liabilities

	At Jan 1, 2002	Effect of adopting SAS 12 (2001)	Charged/ (credited) to profit and loss account (note 32)	At Dec 31, 2002
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	–	–	195	195
Investment property	–	–	–	–
Inventories	–	–	–	–
Other items	–	–	–	–
Total	–	–	195	195

##### Deferred tax assets

Provisions	–	–	–	–
Other items	–	–	–	–
Total	–	–	–	–

# Notes to the Financial Statements

December 31, 2002

## 12. DEFERRED TAX *(continued)*

Deferred tax liabilities and assets are set off when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The following amounts, determined after appropriate offsetting are as follows:

	The Group		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities	<b>(83,780)</b>	(97,827)	<b>(195)</b>	–
Deferred tax assets	<b>5,326</b>	5,100	–	–
	<b>(78,454)</b>	(92,727)	<b>(195)</b>	–

The following items have not been included in the computation of deferred tax assets.

	The Group		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Deductible temporary differences	<b>116,834</b>	137,211	<b>1,187</b>	1,342
Tax losses	<b>257,757</b>	208,596	–	–
Capital allowances	<b>56,116</b>	30,176	–	–
	<b>430,707</b>	375,983	<b>1,187</b>	1,342

The tax losses of the Group amounting to \$65,933,000 (2001: \$85,215,000) expire between 2003 and 2007 (2001: 2002 and 2010). The deductible temporary differences do not expire under current tax legislation.

Deferred tax assets have not been recognised under the following circumstances:

- where they are qualified for offset against the tax liabilities of member companies within the Group under the Loss Transfer System of Group Relief but the terms of the transfer have not been ascertained as at year end; and
- where it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

## 13. DEVELOPMENT PROPERTIES – THE GROUP

	2002	2001
	\$'000	\$'000
Cost of land	<b>116,610</b>	308,880
Development costs	<b>78,525</b>	124,816
	<b>195,135</b>	433,696
Progress payments received	–	(438)
	<b>195,135</b>	433,258
Allowance for foreseeable losses	<b>(64,625)</b>	(169,610)
	<b>130,510</b>	263,648

## Notes to the Financial Statements

December 31, 2002

### 13. DEVELOPMENT PROPERTIES – THE GROUP *(continued)*

During the financial year, development property with a net carrying value of \$85 million was transferred to property, plant and equipment as a result of change of use.

The movements in allowance for foreseeable losses during the financial year are as follows:

	Note	2002 \$'000	2001 \$'000
Balance at beginning of the year		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		<u>64,625</u>	<u>169,610</u>

Interest expenses capitalised as development costs, representing actual borrowing costs incurred in financing the purchases of land and development, amounted to \$1,561,000 (2001: \$6,030,000) during the financial year.

During the financial year, interest capitalised amounting to \$1,869,235 (2001: \$76,813) has been recognised as cost of sales.

Development properties for the Group relate mainly to the following development projects:

#### **The Edge On Cairnhill Road**

A proposed 20-storey residential development at 130 Cairnhill Road, on a freehold land area of 4,304 sqm and with gross floor area of 12,051 sqm. The property has been pledged as security for a loan granted to a subsidiary (Note 20).

#### **Yan Kit Road**

A proposed 10-storey residential development at 27 – 35 Yan Kit Road, on a freehold land area of 2,283 sqm and with gross floor area of 6,360 sqm.

The Group has 100% effective interests in the above two properties as at December 31, 2002 and December 31, 2001.

# Notes to the Financial Statements

December 31, 2002

## 14. INVENTORIES AND WORK-IN-PROGRESS – THE GROUP

	Note	2002 \$'000	2001 \$'000
Raw materials		78,426	84,094
Finished goods, purchased products and components		33,753	68,944
		<b>112,179</b>	153,038
Allowance for inventory obsolescence	(a)	<b>(8,191)</b>	(8,034)
		<b>103,988</b>	145,004
Work-in-progress	(b)	<b>386,430</b>	282,547
		<b>490,418</b>	427,551
<b>(a) Allowance for inventory obsolescence:</b>			
Balance at beginning of the year		8,034	6,296
Translation adjustments		(48)	41
Disposals of subsidiaries		(1,924)	–
Acquisitions of subsidiaries		341	–
Allowance made during the year, net of amount written back	31(b)	2,351	2,055
Amount utilised		(563)	(358)
Balance at end of the year		<b>8,191</b>	8,034
<b>(b) Work-in-progress:</b>			
Costs		2,835,269	1,090,462
Attributable profits		93,047	40,039
Allowance for foreseeable losses	(c)	<b>(70,890)</b>	(13,658)
		<b>2,857,426</b>	1,116,843
Progress billings received and receivable		<b>(2,566,524)</b>	(849,202)
		<b>290,902</b>	267,641
Comprising:			
Work-in-progress		386,430	282,547
Excess of progress billings over work-in-progress		<b>(95,528)</b>	(14,906)
		<b>290,902</b>	267,641
<b>(c) Allowance for foreseeable losses:</b>			
Balance at beginning of the year		13,658	4,868
Allowance made/(written back) during the year			
– profits from operations	31(b)	3,554	9,140
– exceptional items	31(e)	64,447	–
Amount utilised		(10,769)	(350)
Balance at end of the year		<b>70,890</b>	13,658

Inventory includes finished goods stated at net realisable value of \$26,216,000 (2001: \$39,909,000).

## Notes to the Financial Statements

December 31, 2002

### 15. TRADE AND OTHER RECEIVABLES

	Note	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Trade receivables	26	<b>757,349</b>	852,755	–	–
Other receivables, deposits and prepayments	27	<b>253,951</b>	235,336	<b>22,972</b>	9,968
Advance to suppliers		<b>9,294</b>	9,875	–	–
Amount due from related parties	28	<b>276,166</b>	260,250	<b>335,005</b>	629,292
		<b>1,296,760</b>	1,358,216	<b>357,977</b>	639,260

### 16. CASH AND CASH EQUIVALENTS

	Note	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Bank balances, fixed deposits and cash		<b>482,059</b>	408,636	<b>16,241</b>	15,230
Bank overdrafts					
– secured		<b>(1,635)</b>	(3,129)	–	–
– unsecured		<b>(10,217)</b>	(3,453)	–	–
		<b>(11,852)</b>	(6,582)	–	–
		<b>470,207</b>	402,054	<b>16,241</b>	15,230
Fixed deposits	(iii)	<b>(53,831)</b>	–	–	–
Amounts used in cash flow statements		<b>416,376</b>	402,054	<b>16,241</b>	15,230

Included in the bank balances, deposits and cash of the Group are the following:

- Cash at bank amounting to \$76,856 (2001: \$89,669) represents bank account in a foreign bank whose operation has been frozen and the amount is not immediately available for use.
- Cash at bank amounting to \$12,045,629 (2001: \$1,986,859) held under The Project Account Rules under the Housing Developers, withdrawals of which is restricted to payments for development expenditure incurred for property developed for sales.
- Fixed deposits amounting to \$53,831,000 (2001: \$Nil) pledged as security for bank facilities granted to certain subsidiaries.
- The use of a subsidiary's cash and cash equivalents of \$95,896,115 (2001: \$139,200,990) is restricted to working capital purpose, and repayments of loan in accordance with the terms stipulated in the loan agreement entered by the subsidiary with its bankers.

Included in bank overdrafts of the Group are the following:

- Bank overdraft of \$Nil (2001: \$613,000) is secured by a floating charge over all the assets of a subsidiary.
- Bank overdraft of \$1,635,000 (2001: \$1,654,000) is secured by certain assets of a subsidiary with net book value of \$46,154,000 (2001: \$3,524,686).

### 17. TRADE AND OTHER PAYABLES

	Note	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Trade payables		<b>633,286</b>	609,854	–	–
Advance payments from customers		<b>61,910</b>	44,129	–	–
Amount due to related parties	28	<b>78,022</b>	110,438	<b>1,279,527</b>	1,824,423
Other payables and accrued charges	29	<b>764,731</b>	652,992	<b>14,974</b>	18,753
		<b>1,537,949</b>	1,417,413	<b>1,294,501</b>	1,843,176



# Notes to the Financial Statements

December 31, 2002

## 18. PROVISIONS – THE GROUP

	Note	Loan undertakings \$'000	Obligations relating to disposal of business \$'000	Net exposure arising from legal claims \$'000	Legal, professional, and other related expenses \$'000	Others \$'000	Total \$'000
Balance at							
January 1, 2002		32,831	11,356	156,000	50,000	4,858	255,045
Provision made/ (written back) during the year	31(b)	(426)	–	–	–	3,602	3,176
Provisions utilised during the year		–	(3,302)	–	–	(498)	(3,800)
Balance at December 31, 2002		32,405	8,054	156,000	50,000	7,962	254,421

### Loan Undertakings

This relates to the Group's share of loan undertakings of joint venture, associates and other investee companies.

### Obligations Relating to Disposal of Business

This relates to the disposal of marine services business in which a subsidiary retains certain obligations in respect of outstanding receivables, salvage and insurance claims, and vessels condition pursuant to the Sales and Purchase Agreement.

### Net Exposure Arising from Legal Claims

The provision represents the Group's exposure to the ongoing litigations, as detailed in note 39.

### Others

This relates mainly to provision for losses and other claims in respect of customers' inventories managed by a subsidiary.

## 19. EMPLOYEE BENEFITS

	Note	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Compensation cost for share-based incentives	(a)	1,142	3,224	1,142	2,224
Provision for retirement benefit and gratuities	(b)	4,877	3,696	–	–
		<b>6,019</b>	6,920	<b>1,142</b>	2,224
Current		809	976	809	976
Non-current		5,210	5,944	333	1,248
		<b>6,019</b>	6,920	<b>1,142</b>	2,224

### (a) Compensation Costs for Share-based Incentives

Movements in compensation cost for share-based incentives are as follows:

	Note	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Balance at beginning of the year		3,224	–	2,224	–
Provision made (written back)/ made during the year	31(a)	(1,082)	3,224	(1,082)	2,224
Disposal of subsidiary		(1,000)	–	–	–
		<b>1,142</b>	3,224	<b>1,142</b>	2,224

## Notes to the Financial Statements

December 31, 2002

### 19. EMPLOYEE BENEFITS *(continued)*

#### (a) Compensation Costs for Share-based Incentives *(continued)*

##### Share Option Plan

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

Peter Seah Lim Huat  
Goh Geok Ling  
K Shanmugam

Other information regarding the Option Plan is set out below:

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

##### Performance Share Plan

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

Other information regarding the Performance Plan is set out below:

- (i) The awards of performance shares are given conditional on performance targets set based on medium-term corporate objectives.
- (ii) The final number of shares given will depend on the level of achievement of the targets over a rolling three-year performance period and will only be released at the end of the performance period.

##### Restricted Stock Plan

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

Other information regarding the Restricted Plan are set out below:

- (i) Restricted awards vest upon the satisfactory completion of time-based service conditions.
- (ii) Restricted awards vest upon the satisfactory completion of the period of service beyond a performance-target completion date.

# Notes to the Financial Statements

December 31, 2002

## 19. Employee Benefits (continued)

### (a) Compensation Costs for Share-based Incentives (continued)

As at the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of \$0.25 each of the Company were as follows:

Movements of share options outstanding:

Date of grant of options	Exercise price	Number of options outstanding at Jan 1, 2002	Options granted	Options exercised	Options cancelled/lapsed/not accepted	Number of options outstanding at Dec 31, 2002	Number of options exercisable at Jan 1, 2002	Number of options exercisable at Dec 31, 2002	Proceeds on options exercised during the year Credited to share capital \$'000	Proceeds on options Credited to share premium \$'000	Exercise period
10/04/1997	2.535	4,051,725	-	-	(4,051,725)	-	4,051,725	-	-	-	11/04/1999 - 10/04/2002
21/04/1998	1.294	2,722,516	-	(455,960)	(110,450)	2,156,106	2,722,516	114	476	-	22/04/2000 - 20/04/2003
08/05/1997	2.623	2,339,667	-	-	(2,339,667)	-	2,339,667	-	-	-	09/05/1999 - 07/05/2002
12/05/1998	1.172	948,169	-	(160,648)	(45,776)	741,745	948,169	40	148	-	13/05/2000 - 11/05/2003
19/05/1999	2.260	597,527	-	-	(99,559)	497,968	597,527	-	-	-	20/05/2001 - 19/05/2004
15/09/1999	2.12	14,000	-	-	-	14,000	14,000	-	-	-	16/09/2001 - 15/09/2004
26/06/2000	1.99	740,000	-	-	(6,000)	734,000	185,000	-	-	-	27/06/2001 - 26/06/2005
26/06/2000	1.99	12,020,900	-	-	(721,300)	11,299,600	5,116,575	7,002,650	-	-	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	-	85,500	-	-	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	(618,608)	(11,613,456)	52,966,794	23,585,733	23,590,519	154	627	

\* less than \$1,000

## Notes to the Financial Statements

December 31, 2002

### 19. Employee Benefits *(continued)*

#### (b) Provision for retirement benefits and gratuities

	Note	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Balance at beginning of the year		<b>3,696</b>	3,768	-	-
Disposal of subsidiaries		-	(323)	-	-
Provision made during the year, net of amount written back	31(a)	<b>1,647</b>	927	-	-
Provision utilised		<b>(466)</b>	(676)	-	-
Balance at end of the year		<b>4,877</b>	3,696	-	-

#### (c) Defined Benefit Obligations

The employees of a wholly-owned subsidiary, SembCorp Simon-Carves Limited ["SembCorp Simon-Carves"] which was acquired by the Group on May 25, 2001, continued to participate in the pension scheme of its former parent company, Simon Group Plc ("SG Plc Pension"), until November 24, 2001. During this period, SembCorp Simon-Carves continued to contribute to the SG Plc Pension and related contributions has been charged to the profit and loss account of the subsidiary.

Since November 25, 2001, SembCorp Simon-Carves has operated its own defined benefit pension scheme ("Simon-Carves Pension") in the United Kingdom. A bulk transfer of the pension assets and liabilities was made by SG Plc Pension to Simon-Carves Pension on May 24, 2002 based on the value of the pension assets and liabilities on May 25, 2001.

The Simon-Carves Pension is available to all the employees of SembCorp Simon-Carves upon their joining the company. The assets of the pension are held separately from SembCorp Simon-Carves under a trust fund and are invested in equity funds and bonds.

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Present value of unfunded obligations	<b>21,628</b>	3,479	-	-
Present value of funded obligations	<b>36,369</b>	42,472	-	-
Fair value of plan assets	<b>(36,369)</b>	(42,472)	-	-
Present value of net obligations	<b>21,628</b>	3,479	-	-
Actuarial losses not recognised in accordance with SAS 17	<b>(21,886)</b>	(3,521)	-	-
Net asset	<b>(258)</b>	(42)	-	-

Movements in the net assets are as follows:

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

# Notes to the Financial Statements

December 31, 2002

## 19. EMPLOYEE BENEFITS (continued)

### (c) Defined Benefit Obligations (continued)

Expense recognised in the profit and loss account

Note	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
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)	<b>2,591</b>	2,553	-	-

The expense is recognised in the following line items in the profit and loss account

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Cost of sales	2,244	2,076	-	-
Administrative expenses	347	477	-	-
	<b>2,591</b>	2,553	-	-
Actual (return)/decline in value of plan assets	<b>11,859</b>	2,168	-	-

### Principal actuarial assumptions

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2002 %	2001 %
Discount rate at December 31	5.5	5.9
Expected return on plan assets at December 31	6.9	7.3
Future annual salary increases	3.3	3.5
Future pension increases	3.6	3.6

Past service cost and net actuarial results are amortised over the estimated service life of the employees under plan benefits. The estimated service life for pension plans is between 14 and 17 years.

## 20. INTEREST-BEARING BORROWINGS

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Secured				
- short-term loans	9,142	10,909	-	-
- long-term loans	744,160	767,362	-	-
	<b>753,302</b>	778,271	-	-
Unsecured				
- short-term loans	214,279	658,632	-	-
- long-term loans	647,274	946,810	500,000	500,000
	<b>861,553</b>	1,605,442	500,000	500,000
	<b>1,614,855</b>	2,383,713	500,000	500,000
The term loans are repayable:				
- within 12 months	350,567	1,074,634	-	-
- after 12 months	1,264,288	1,309,079	500,000	500,000
	<b>1,614,855</b>	2,383,713	500,000	500,000

## Notes to the Financial Statements

December 31, 2002

### 20. INTEREST-BEARING BORROWINGS (continued)

#### Terms and debt repayment schedule

	Total	Within 1 year	After 1 year but within 5 years	After 5 years
	\$'000	\$'000	\$'000	\$'000
<b>2002</b>				
<b>The Group</b>				
Secured term loans:				
Weighted average variable rate of 2.72% p.a.	740,738	85,730	307,492	347,516
Weighted average fixed rate of 9.13% p.a.	12,564	4,924	7,640	–
Unsecured term loans:				
Weighted variable rate of 2.63% p.a.	253,565	224,264	26,418	2,883
Weighted fixed rate of 4.03% p.a.	607,988	35,649	416,839	155,500
	<b>1,614,855</b>	<b>350,567</b>	<b>758,389</b>	<b>505,899</b>
<b>The Company</b>				
Medium term notes (unsecured):				
Weighted average fixed rate of 4.10% p.a.	500,000	–	350,000	150,000
<b>2001</b>				
<b>The Group</b>				
Secured term loans:				
Weighted average variable rate of 3.15% p.a.	757,601	138,512	230,222	388,867
Weighted average fixed rate of 11.01% p.a.	18,106	10,446	7,660	–
Unsecured term loans:				
Weighted variable rate of 2.80% p.a.	823,606	674,284	119,467	29,855
Weighted fixed rate of 4.11% p.a.	784,400	251,392	370,416	162,592
	<b>2,383,713</b>	<b>1,074,634</b>	<b>727,765</b>	<b>581,314</b>
<b>The Company</b>				
Medium term notes (unsecured):				
Weighted average fixed rate of 4.10% p.a.	500,000	–	350,000	150,000

The above includes foreign currency loans denominated mainly in United States dollar ("US\$"), of US\$101 million equivalent to S\$176 million. (2001: US\$167 million equivalent to S\$306 million)

The terms of medium term notes issued by the Company are as follows:

	Amount \$'000	Redeemable at par on:
Tranche 1	250,000	Oct 31, 2005
Tranche 2	150,000	June 6, 2008
Tranche 3	100,000	June 7, 2004
	<b>500,000</b>	

# Notes to the Financial Statements

December 31, 2002

## 20. INTEREST-BEARING BORROWINGS (continued)

The secured loans are collateralised by the following assets:

	Net Book Value	
	2002	2001
	\$'000	\$'000
Property, plant and equipment		
– leasehold and freehold land	<b>100,074</b>	135,241
– plant and machinery	<b>815,041</b>	749,751
– others	<b>7,002</b>	69,219
Development properties	–	103,654
Capital work-in-progress	<b>1,233</b>	7,713
Net assets of certain subsidiaries	<b>6,476</b>	6,510
Other current assets	<b>22,017</b>	19,970
	<b>951,843</b>	1,092,058

## 21. OBLIGATION UNDER HIRE PURCHASE AND FINANCE LEASES – THE GROUP

	2002			2001		
	Payments	Interest	Principal	Payments	Interest	Principal
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Within 1 year	<b>1,354</b>	<b>295</b>	<b>1,059</b>	5,272	1,192	4,080
After 1 year but within 5 years	<b>1,825</b>	<b>447</b>	<b>1,378</b>	10,122	1,543	8,579
After 5 years	<b>257</b>	<b>14</b>	<b>243</b>	13	3	10
	<b>2,082</b>	<b>461</b>	<b>1,621</b>	10,135	1,546	8,589
	<b>3,436</b>	<b>756</b>	<b>2,680</b>	15,407	2,738	12,669

Under the terms of the lease agreements, no contingent rents are payable. The interest rates range from 3.0% to 15.08% (2001: 3.5% to 16.2%) per annum.

## 22. LOAN STOCKS (UNSECURED) – THE GROUP

	2002	2001
	\$'000	\$'000
Repayable within 1 year	<b>4,709</b>	12,750
Repayable within 2 to 5 years	–	4,800
	<b>4,709</b>	17,550

Loan stocks consist of the following:

- (i) A balance of \$5,000,000 convertible loan stock which bears interest at 6% per annum and is redeemable or convertible on the earlier of October 31, 2003 and the date the subsidiary achieves initial public offering (“IPO”). Interest payment will be waived if the subsidiary obtains IPO before October 31, 2003.

The value of the conversion option of \$300,000, being the difference between the principal amount of the loan stock of \$5 million and its present value of \$4.7 million had been taken to capital reserve. The value of the conversion option representing the discount on the loan stock is amortised to the profit and loss account over the remaining life of the loan. During the year, discount of \$98,000 (2001: \$100,000) was amortised to the profit and loss account.

- (ii) \$12,750,000 unredeemed amount of 3.75% unsecured bonds of another subsidiary issued in December 1997 were redeemed at par in December 2002.

## Notes to the Financial Statements

December 31, 2002

### 23. OTHER LONG-TERM LIABILITIES – THE GROUP

	Note	2002 \$'000	2001 \$'000
Deferred income		–	42
Deferred grants		6	13
Amount due to related parties	28	164,971	142,341
Other long term loan		4,089	4,000
		<b>169,066</b>	<b>146,396</b>

The other long-term loan includes an amount of \$2,500,000 (2001: \$2,500,000) granted by a shareholder of an investee company. The loan is unsecured, interest free and is repayable after 12 months. The subsidiary has granted an option to this shareholder to purchase all of the subsidiary's interest in the investee company for \$2,500,000 (2001: \$2,500,000).

### 24. SHARE CAPITAL – THE GROUP AND THE COMPANY

	2002 \$'000	2001 \$'000
Authorised:		
2,000,000,000 ordinary shares of \$0.25 each	<b>500,000</b>	500,000
Issued and fully paid:-		
1,820,861,507 (2001: 1,606,342,899) ordinary shares of \$0.25 each	<b>455,215</b>	401,586

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

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

As at December 31, 2002, the Company's issued and paid up capital comprised 1,820,861,507 (December 31, 2001: 1,606,342,899) ordinary shares of \$0.25 each. In addition, there were:

- 52,966,794 (December 31, 2001: 45,939,358) unissued ordinary shares of \$0.25 each under options granted to eligible employees and directors under the Company's Executives' Share Option Scheme, and
- 106,950,000 (December 31, 2001: nil) warrants carrying the right to subscribe for 106,950,000 ordinary shares of \$0.25 each at an exercise price of \$1.7334.

### 25. RESERVES – THE GROUP AND THE COMPANY

#### Share Premium

The application of the share premium account is governed by Section 69 – 69F of the Companies Act, Chapter 50.

#### Merger Reserve

Merger reserve represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares acquired in respect of the acquisition of subsidiaries accounted for under the pooling of interest method.



# Notes to the Financial Statements

December 31, 2002

## 25. RESERVES – THE GROUP AND THE COMPANY *(continued)*

### Capital Reserve

The capital reserve includes the Group's share of capital reserves of associates and joint ventures, capitalisation of accumulated profits for issue of bonus shares by subsidiaries, and capital reserve (net of goodwill) on consolidation of subsidiaries, capital redemption reserve and convertible loan stock reserve.

### Currency Translation Reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Group, as well as from the translation of liabilities that hedge the Group's net investment in foreign entities.

### Accumulated profits

	2002	2001
	\$'000	\$'000
Accumulated profits/(losses) are retained in:		
The Company	<b>523,181</b>	515,016
Subsidiaries	<b>214,667</b>	92,682
Associates	<b>(22,125)</b>	(6,133)
Joint ventures companies	<b>57,326</b>	28,340
Less: Consolidation adjustments	<b>(95,096)</b>	(89,927)
	<b>677,953</b>	539,978

## 26. TRADE RECEIVABLES – THE GROUP

	Note	2002	2001
		\$'000	\$'000
Trade receivables including work completed but unbilled		<b>962,631</b>	1,020,023
Allowance for doubtful receivables		<b>(48,656)</b>	(55,530)
		<b>913,975</b>	964,493
Amount due after one year	9	<b>(156,626)</b>	(111,738)
		<b>757,349</b>	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		<b>55,530</b>	47,486
Translation adjustments		<b>2</b>	656
Disposals of subsidiaries		<b>(9,332)</b>	(1,172)
Acquisitions of subsidiaries		<b>5,570</b>	804
Allowance made during the year, net of amount written back	31(b)	<b>5,206</b>	14,117
Amount utilised		<b>(8,320)</b>	(6,361)
Balance at end of the year		<b>48,656</b>	55,530

## Notes to the Financial Statements

December 31, 2002

### 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	-	-
	<b>271,896</b>	256,282	<b>23,017</b>	10,013
Allowance for doubtful sundry receivables	<b>(17,945)</b>	(20,946)	<b>(45)</b>	(45)
	<b>253,951</b>	235,336	<b>22,972</b>	9,968

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

	Note	The Group		The Company	
		2002 \$'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		<b>17,945</b>	20,946	<b>45</b>	45

Sundry receivables include an amount of \$451,340 (2001: \$192,836) in respect of loans to directors of the subsidiaries and associates which were granted in accordance with employee loan schemes approved by the members of the subsidiaries and associates.

# Notes to the Financial Statements

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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.



# Notes to the Financial Statements

December 31, 2002

## 28. AMOUNTS DUE FROM/(TO) RELATED PARTIES (continued)

The Group	Note	Ultimate holding company		Associates		Joint ventures		Related companies		Minority shareholders of subsidiaries		Total
		2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Amounts due to:												
Trade		-	-	(8,463)	-	(4,112)	-	(3,000)	-	-	-	(15,575)
Non-trade		-	-	(30,901)	(50,445)	(10,653)	(6,832)	(5,809)	(7,705)	(8,911)	(13,209)	(56,274)
Loans		-	-	(16,154)	(21,290)	(506)	(4,409)	(44,084)	(44,910)	(110,400)	(103,979)	(171,144)
		-	-	(55,518)	(71,735)	(15,271)	(11,241)	(52,893)	(52,615)	(119,311)	(117,188)	(242,993)
Amounts due to:												
- within 1 year	17	-	-	(35,651)	(71,735)	(11,689)	(7,270)	(9,036)	(8,249)	(21,646)	(23,184)	(78,022)
- after 1 year	23	-	-	(19,867)	-	(3,582)	(3,971)	(43,857)	(44,366)	(97,665)	(94,004)	(164,971)
		-	-	(55,518)	(71,735)	(15,271)	(11,241)	(52,893)	(52,615)	(119,311)	(117,188)	(242,993)
The Company												
	Note	2002	2001	Subsidiaries		Associates		Joint ventures		Related companies		Total
		\$'000	\$'000	2002	2001	2002	2001	2002	2001	2002	2001	2002
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Amounts due from:												
Non-trade		28,145	386,945	2,706	3,267	799	1,640	280	128	31,930	391,980	
Loans		303,075	237,312	-	-	-	-	-	-	303,075	237,312	
	15	331,220	624,257	2,706	3,267	799	1,640	280	128	335,005	629,292	
Amounts due to:												
Non-trade		(1,278,418)	(1,711,150)	(5)	(217)	-	-	(1,052)	(1,099)	(1,279,475)	(1,712,466)	
Loans		(52)	(111,957)	-	-	-	-	-	-	(52)	(111,957)	
	17	(1,278,470)	(1,823,107)	(5)	(217)	-	-	(1,052)	(1,099)	(1,279,527)	(1,824,423)	

## Notes to the Financial Statements

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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
	<b>764,731</b>	<b>652,992</b>	<b>14,974</b>	<b>18,753</b>

### 30. TURNOVER

Turnover of the Company represents dividend income recognised.

Turnover of the Group comprises the following:

	2002	2001
	\$'000	\$'000
Utilities services	196,242	154,564
Construction and engineering related activities	1,209,294	824,283
Environmental management and related services	133,770	139,700
Integrated logistics and related services	379,493	407,202
Ship repair, building, conversion and related services	992,588	836,132
Abattoir, auction and related services	141,031	149,370
Food supplies	251,258	224,625
Rental income and property management service fees	15,674	12,964
Sales of goods	722,501	359,959
Miscellaneous services rendered (net)	100,939	97,352
Property sales	49,739	–
Others	9,392	19,064
	<b>4,201,921</b>	<b>3,225,215</b>

### 31. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation include the following:

	Note	The Group		The Company	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
<b>(a) Staff costs</b>					
Staff costs		594,927	553,729	12,599	17,872
Included in staff costs are:					
Directors' remuneration paid/payable to directors of					
– Company		2,935	2,704	2,935	2,704
– Subsidiaries		12,856	9,460	–	–
Provision made/(written back) for:					
– share-based incentives	19(a)	(1,082)	3,224	(1,082)	2,224
– retirement benefits and gratuities	19(b)	1,647	927	–	–
Contributions to:					
– defined benefit plan	19(c)	2,591	2,553	–	–
– defined contribution plan		36,865	37,663	1,070	1,071
		<b>15,135</b>	<b>16,614</b>	<b>103</b>	<b>103</b>

# Notes to the Financial Statements

December 31, 2002

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

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

## Notes to the Financial Statements

December 31, 2002

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

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>(c) Non-operating income</b>				
Bad debts recovered				
– trade	424	1,898	–	–
– non-trade	4,214	289	–	–
Exchange (loss)/gain	(2,520)	5,447	–	–
Grants received				
– assets related	272	167	–	–
– income related	246	78	–	–
Gross dividend income				
– quoted equity investments	218	208	–	–
– unquoted equity investments	92	284	–	–
Interest income				
– subsidiaries	–	–	5,993	13,940
– related companies	3,854	4,155	–	–
– associates and joint ventures	4,415	14,083	–	–
– banks and others	15,315	27,423	–	18
Gain/(Loss) from disposal of				
– property, plant and equipment (net)	1,518	9,740	–	–
– associate	3,951	4,635	–	–
– investments				
– quoted	–	11,592	–	–
– unquoted	(138)	(1,222)	–	–
Rental income				
– related companies	373	329	92	–
– associates and joint ventures	154	195	–	–
<b>(d) Finance costs</b>				
Interest paid and payable to				
– subsidiaries	–	–	7,418	6,310
– related companies	1,872	2,096	–	–
– associates and joint ventures	263	692	–	–
– unsecured loan stocks	92	478	–	–
– bank loans and others	91,294	86,896	20,507	16,406
	<b>93,521</b>	<b>90,162</b>	<b>27,925</b>	<b>22,716</b>



# Notes to the Financial Statements

December 31, 2002

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

	Note	The Group		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>(e) Exceptional items included in:</b>					
<b>Cost of goods sold</b>					
Allowance made for foreseeable losses on work-in-progress	14	(64,447)	–	–	–
Write-down of development property arising from change of use		(27,495)	–	–	–
<b>General and administrative expenses</b>					
Allowances (made)/written back for impairments in					
– property, plant and equipment	3	(53,548)	5,846	–	–
– interests in associates	6	(1,309)	(6,400)	–	–
– long-term investment	8	(12,593)	(7,023)	–	–
Allowance (made)/written back for amounts due from					
– loan receivables	9	–	10,066	–	–
– related parties	28	(2,585)	(2,653)	–	–
Impairment loss on goodwill and intangible assets	11	(11,797)	(17,342)	–	–
Provision for legal, professional and other related expenses		–	(50,000)	–	–
Others		(583)	(1,430)	–	–
<b>Non-operating income</b>					
Gain on disposals/dilution of					
– associates		40,919	26,509	–	–
– subsidiaries		167,951	60,985	–	–
– business		–	24,215	–	–
– long-term investment		557	–	–	–
		35,070	42,773	–	–
<b>Share of results of associates</b>					
Impairment loss on goodwill arising from the acquisition of a subsidiary		(48,406)	–	–	–

## 32. INCOME TAXES

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Current tax expense</b>				
Current year	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
<b>Deferred tax expense</b>				
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

## Notes to the Financial Statements

December 31, 2002

### 32. INCOME TAXES (continued)

#### Reconciliation of effective tax rate

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

### 33. EARNINGS PER SHARE – THE GROUP

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

The average fair value of one ordinary share during 2002 was \$1.3238 (2001: \$1.6192) per share.

In calculating diluted earnings per share, the weighted average number of ordinary shares is adjusted for the effects of all dilutive potential ordinary shares. The calculation has not included the effects arising from the exercising of the warrants which are anti-dilutive.

The weighted average number of ordinary shares adjusted for the unissued ordinary shares under the Share Option Scheme can be specified as follows:

	2002	2001
	'000	'000
Weighted average number of shares issued used in the calculation of basic earnings per share	<b>1,802,944</b>	1,606,074
Weighted average number of unissued ordinary shares under share options	<b>10,852</b>	18,915
Number of shares that would have been issued at fair value	<b>(8,653)</b>	(17,456)
Weighted average number of ordinary shares (diluted)	<b>1,805,143</b>	1,607,533

# Notes to the Financial Statements

December 31, 2002

## 34. DISCONTINUING OPERATIONS

In 1998, pursuant to the merger between Singapore Technologies Industrial Corporation Ltd and Sembawang Corporation Limited, the Board of Directors approved the Group's plan to exit from its non-core businesses, namely property development, financial services and hotels and resorts so as to focus on its core businesses.

During the financial year, certain subsidiaries in the In-Development segment were sold or placed under voluntary liquidation. The Group continues to actively seek buyers for its non-core businesses.

The total assets and liabilities results and cash flows of the discontinuing operations are as follows:

	Property development	Financial services	Hotels and resorts	Total
	\$'000	\$'000	\$'000	\$'000
<b>2002</b>				
<b>Balance Sheet</b>				
Total assets	158,207	18,886	324,394	501,487
Total liabilities	(292,280)	(17,979)	(309,912)	(620,171)
<b>Profit and Loss account</b>				
Turnover	139,066	1,777	46,707	187,550
Total expenses	(158,629)	(2,197)	(65,460)	(226,286)
Profit/(Loss) before taxation	(19,563)	(420)	(18,753)	(38,736)
Taxation	(151)	(66)	(490)	(707)
Loss after taxation	(19,714)	(486)	(19,243)	(39,443)
Minority interests	-	-	3,017	3,017
Net profit/(loss) attributable to shareholders	(19,714)	(486)	(16,226)	(36,426)
<b>Cash Flows</b>				
Cash inflow/(outflow) from operating activities	180,812	13,378	9,096	203,286
Cash inflow/(outflow) from investing activities	-	29,768	(6,561)	23,207
Cash inflow/(outflow) from financing activities	(170,627)	(43,810)	(2,879)	(217,316)
Net cash inflow/(outflow)	10,185	(664)	(344)	9,177
<b>2001</b>				
<b>Balance Sheet</b>				
Total assets	258,107	66,106	347,816	672,029
Total liabilities	(370,451)	(65,009)	(329,389)	(764,849)
<b>Profit and Loss account</b>				
Turnover	7,983	6,074	41,281	55,338
Total expenses	(10,265)	(4,120)	(59,901)	(74,286)
Profit/(Loss) before taxation	(2,282)	1,954	(18,620)	(18,948)
Taxation	(72)	(4,589)	(11)	(4,672)
Loss after taxation	(2,354)	(2,635)	(18,631)	(23,620)
Minority interests	-	131	9,204	9,335
Net loss attributable to shareholders	(2,354)	(2,504)	(9,427)	(14,285)
<b>Cash Flows</b>				
Cash inflow/(outflow) from operating activities	(11,693)	(29,931)	331	(41,293)
Cash inflow/(outflow) from investing activities	(6)	32,522	(2,483)	30,033
Cash inflow/(outflow) from financing activities	14,401	(4,465)	2,223	12,159
Net cash inflow/(outflow)	2,702	(1,874)	71	899

## Notes to the Financial Statements

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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)	-	-
	<b>178,333</b>	173,880	<b>50,773</b>	450,683
Opening accumulated profits as previously reported	545,772	391,287	515,016	94,648
Effect of adopting SAS 12 (income taxes)	(5,794)	(3,584)	-	-
Opening accumulated profits as restated	<b>539,978</b>	387,703	<b>515,016</b>	94,648

The adoption of SAS 30 – Interim Financial Reporting, SAS 38 – *Financial Reporting in Hyperinflationary Economies*, SAS 39 – *Agriculture* and the limited revisions to SAS 17 (2001) – *Employee Benefits* did not give rise to any adjustments to the opening balances of accumulated profits of the prior and current periods or to changes in comparatives.

### 36. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

In December 2002, the Group disposed of its entire shareholding in the food processing and distribution business. The business contributed \$22,424,000 and \$20,376,000 to the consolidated net profits for the year ended 2002 and 2001 respectively.

During the year, the Group disposed of and acquired other subsidiaries, as shown in "Acquisitions and Disposals of Interests in Subsidiaries" in Directors' Report. The financial impact to the net profit of the Group arising from these disposals and acquisitions is not material.

The effect of acquisitions and disposals of subsidiaries' net assets is set out in the consolidated statement of cash flows on page 103.

### 37. RELATED PARTY TRANSACTIONS – THE GROUP

#### Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the related party information disclosed elsewhere in the financial statements, the Group had the following significant transactions with related parties during the year on terms agreed between the parties as follows:

	2002 \$'000	2001 \$'000
<b>Related Companies</b>		
Sales	33,190	19,799
Purchases including rental	241	419
Management fees paid/payable	800	1,500
<b>Associates and Joint Ventures</b>		
Sales	12,763	54,594
Purchases including rental	10,496	3,184
Purchase of vessel	-	23,048

# Notes to the Financial Statements

December 31, 2002

## 38. FINANCIAL INSTRUMENTS

### (a) Financial risk management objectives and policies

The Group is subject to market risks including changes in interest rate, foreign currency, and commodity prices as well as credit risk. The Group has written risk management policies which set out the Group's expectations and objectives in the management of risks. Processes are put in place to monitor its risk management activities on a regular and timely basis.

The Group monitors and hedges, where appropriate, its exposure to fluctuations in interest rates, foreign currency and commodity prices. Exposures to foreign currency risks are also hedged naturally where possible.

### (b) Working Capital Management

The Group and the Company manage their working capital requirements with the view to minimise cost. The net current liabilities as shown in the financial statements reflect management's intention to continue to utilise short-term bank loans and overdraft facilities to meet the working capital requirements having regard to the operating environment and expected cash flow of the Group and the Company. Such working capital requirements are within the credit facilities established and which are adequate and available to the Group and the Company to meet their obligations.

### (c) Credit Risks

The Group monitors its exposure to credit risks arising from sales to trade customers on an on-going basis where credit evaluations are done on customers that require credit.

The Group only deals with pre-approved non-trade customers and financial institutions with good credit rating and imposes a cap on the amount to be transacted with any of these counterparties so as to reduce its concentration risks.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheets.

### (d) Commodity Risks

The Group hedges by the use of derivatives against fluctuations in price which affects revenue and purchases of fuel. Contracts for differences are entered into with its counterparty at a strike price, with or without fixing the quantity upfront to hedge against adverse price movements on the sale of electricity. Exposure to price fluctuations arising on the purchase of fuel is managed via fuel oil swaps where the price of fuel is indexed to a benchmark fuel price index, for example 180 CST fuel oil.

For precious metal commodities, like gold, hedges against fluctuations in metal price are by the use of forward contracts or options to purchase at an agreed price. The quantum of commitment is based on actual or forecasted requirements.

### (e) Interest Rate Risks

The Group's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts where to the extent that is possible and cost effective working capital is financed by variable rate loans while long term investments are financed by fixed rate loans. The Group enters into interest rate swaps to convert variable rate loans undertaken to fund long term investments to fixed rate loans. Under the interest rate swaps, the Group agrees to exchange at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed notional principal amounts. It is the Group's policy that the duration of the interest rate swap should not exceed the tenor of the underlying debt.

## Notes to the Financial Statements

December 31, 2002

### 38. FINANCIAL INSTRUMENTS *(continued)*

#### (f) Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at balance sheet date and the periods in which they are repriced.

	Note	Effective interest rate %	Total \$'000	Within 1 year \$'000	1 to 5 years \$'000	After 5 years \$'000
<b>The Group</b>						
<b>2002</b>						
<b>Financial assets</b>						
Debts securities – long-term		6.80	<b>63,711</b>	3,711	–	60,000
Loan receivables		6.94	<b>26,739</b>	25,626	1,113	–
Hire purchase and lease receivables		5.57	<b>93,941</b>	30,074	63,867	–
Balances with related parties	28	0.90	<b>70,000</b>	70,000	–	–
		4.65	<b>155,978</b>	141,396	–	14,582
			<b>225,978</b>	211,396	–	14,582
Trade receivables		4.07	<b>150,742</b>	19,478	131,264	–
Other receivables		3.49	<b>11,399</b>	6,827	4,572	–
Cash and cash equivalents		1.07	<b>320,603</b>	320,085	518	–
			<b>893,113</b>	617,197	201,334	74,582
<b>Financial liabilities</b>						
Secured term loans:						
– Floating rate loans		2.90	<b>(309,465)</b>	(309,465)	–	–
		2.11	<b>(431,273)</b>	(431,273)	–	–
– Effect of interest rate swaps		2.87	<b>–</b>	381,927	(246,480)	(135,447)
		4.98	<b>(431,273)</b>	(49,346)	(246,480)	(135,447)
	20		<b>(740,738)</b>	(358,811)	(246,480)	(135,447)
– Fixed rate loans	20	9.13	<b>(12,564)</b>	(4,924)	(7,640)	–
Unsecured term loans:						
– Floating rate loans		2.73	<b>(193,565)</b>	(193,565)	–	–
		1.55	<b>(60,000)</b>	(60,000)	–	–
– Effect of interest rate swaps		5.63	<b>–</b>	–	–	–
		7.18	<b>(60,000)</b>	(60,000)	–	–
	20		<b>(253,565)</b>	(253,565)	–	–
– Fixed rate loans		3.70	<b>(107,988)</b>	(35,649)	(66,839)	(5,500)
Medium term notes	20	4.10	<b>(500,000)</b>	–	(350,000)	(150,000)
Loan stocks	22	6.00	<b>(4,709)</b>	(4,709)	–	–
Hire purchase and finance lease liabilities	21	9.97	<b>(2,680)</b>	(1,059)	(1,378)	(243)
Balances with related parties		5.15	<b>(162,999)</b>	(77,875)	(873)	(84,251)
Bank overdraft	16	8.52	<b>(11,852)</b>	(11,852)	–	–
			<b>(1,797,095)</b>	(748,444)	(673,210)	(375,441)
Total			<b>(903,982)</b>	(131,247)	(471,876)	(300,859)

# Notes to the Financial Statements

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## 38. FINANCIAL INSTRUMENTS (continued)

### (f) Effective interest rates and repricing analysis (continued)

	Note	Effective interest rate %	Total \$'000	Within 1 year \$'000	1 to 5 years \$'000	After 5 years \$'000
<b>The Group</b>						
<b>2001</b>						
<b>Financial assets</b>						
Debts securities – long-term		5.72	97,365	10,494	26,871	60,000
Loan receivables		7.92	38,199	31,873	6,326	–
– Effect of interest rate swaps		(1.12)	–	(2,519)	2,519	–
			38,199	29,354	8,845	–
Hire purchase and lease receivables		14.76	115,361	30,660	38,886	45,815
– Effect of interest rate swaps		(1.12)	–	(14,246)	14,246	–
			115,361	16,414	53,132	45,815
Balances with related parties	28	1.20	70,000	70,000	–	–
		4.85	113,418	113,418	–	–
			183,418	183,418	–	–
Trade receivables		4.05	97,604	8,581	29,866	59,157
Other receivables		3.00	9,528	9,528	–	–
Cash and cash equivalents		1.30	276,314	276,314	–	–
			817,789	534,103	118,714	164,972
<b>Financial liabilities</b>						
Secured term loans:						
– Floating rate loans		4.02	(292,539)	(292,539)	–	–
– Effect of interest rate swaps		4.03	–	50,000	(50,000)	–
– Floating rate loans		2.74	(465,062)	(465,062)	–	–
– Effect of interest rate swaps		2.26	–	425,453	(288,143)	(137,310)
			(757,601)	(282,148)	(388,143)	(137,310)
– Fixed rate loans		11.01	(18,106)	(10,446)	(7,660)	–
Unsecured term loans:						
– Floating rate loans		2.68	(823,606)	(823,606)	–	–
– Effect of interest rate swaps		5.62	–	40,000	(40,000)	–
			(823,606)	(783,606)	(40,000)	–
– Fixed rate loans		4.12	(284,400)	(251,392)	(20,416)	(12,592)
Medium term notes	20	4.10	(500,000)	–	(350,000)	(150,000)
Loan stocks	22	4.37	(17,550)	(12,750)	(4,800)	–
Hire purchase and finance lease liabilities	21	12.23	(12,669)	(4,080)	(8,579)	(10)
Balances with related parties		3.69	(174,256)	(105,065)	(18,107)	(51,084)
Bank overdraft	16	9.70	(6,582)	(6,582)	–	–
			(2,594,770)	(1,456,069)	(787,705)	(350,996)
Total			(1,776,981)	(921,966)	(668,991)	(186,024)

## Notes to the Financial Statements

December 31, 2002

### 38. FINANCIAL INSTRUMENTS *(continued)*

#### (f) Effective interest rates and repricing analysis *(continued)*

	Note	Effective interest rate %	Total \$'000	Within 1 year \$'000	1 to 5 years \$'000	After 5 years \$'000
<b>The Company</b>						
<b>2002</b>						
<b>Financial assets</b>						
Balances with related parties		0.44	<b>298,606</b>	298,606	–	–
<b>Financial liabilities</b>						
Balances with related parties		0.10	<b>(1,272,783)</b>	(1,272,783)	–	–
		4.17	<b>(52)</b>	(52)	–	–
			<b>(1,272,835)</b>	(1,272,835)	–	–
Medium term notes	20	4.10	<b>(500,000)</b>	–	(350,000)	(150,000)
			<b>(1,772,835)</b>	(1,272,835)	(350,000)	(150,000)
Total			<b>(1,474,229)</b>	(974,229)	(350,000)	(150,000)
<b>2001</b>						
<b>Financial assets</b>						
Balances with related parties		3.64	221,971	221,971	–	–
Cash and cash equivalents		1.09	15,196	15,196	–	–
			<b>237,167</b>	<b>237,167</b>	–	–
<b>Financial liabilities</b>						
Balances with related parties		1.00	(1,435,807)	(1,435,807)	–	–
		3.75	(48)	(48)	–	–
			<b>(1,435,855)</b>	<b>(1,435,855)</b>	–	–
Medium term notes	20	4.10	(500,000)	–	(350,000)	(150,000)
			<b>(1,935,855)</b>	<b>(1,435,855)</b>	<b>(350,000)</b>	<b>(150,000)</b>
Total			<b>(1,698,688)</b>	<b>(1,198,688)</b>	<b>(350,000)</b>	<b>(150,000)</b>

#### (g) Foreign Currency Risks

The Group operates globally and is exposed to foreign currency exchange rate movement primarily in US Dollar on sales and purchases, assets and liabilities which arise from daily operations. Such risks are hedged either by forward foreign exchange contracts in respect of actual or forecasted currency exposures or hedged naturally by a matching sale, purchase or a matching asset, liability of the same currency and amount. Companies within the Group are allowed to decide on the tenor of the forward foreign currency contracts that is applicable to the industry that the companies are in.

#### (h) Sensitivity analysis

In managing its interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, any prolonged adverse changes in foreign exchange and interest rates would have an impact on consolidated earnings.

At December 31, 2002, it is estimated that a one percentage point increase/decrease in interest rates would decrease/increase the Group's profit before tax by approximately \$3,348,000 (2001: \$9,934,000). The effect of interest rate swaps has been considered in computing the effect of changes in interest rates.



# Notes to the Financial Statements

December 31, 2002

## 38. FINANCIAL INSTRUMENTS *(continued)*

### (i) Fair values

#### (i) *Recognised financial instruments*

The aggregate net fair values of financial assets and liabilities which are not carried at fair value in the balance sheet as at December 31 are represented in the following table:

	Note	2002 Carrying amount \$'000	2002 Fair value \$'000	2001 Carrying amount \$'000	2001 Fair value \$'000
<b>The Group</b>					
<b>Financial assets</b>					
Quoted equity shares		41,026	34,006	54,839	33,840
Debt securities					
– Quoted		1,537	1,573	2,243	2,418
– Unquoted		58,636	58,328	81,131	95,268
Quoted warrants		–	–	225	13
Investment in venture funds and limited partnership		10,991	10,338	8,349	8,597
Quoted unit trusts		4,567	2,827	4,533	3,676
Unquoted other investments		8,299	6,566	8,142	6,678
Unquoted floating rate notes issued by a related company	28	70,000	70,081	70,000	70,219
Loan receivables		1,113	1,008	14,178	11,828
Hire purchase and lease receivables		85,818	85,079	108,693	104,504
		<b>281,987</b>	<b>269,806</b>	352,333	337,041
<b>Financial liabilities</b>					
Secured term loans:					
– fixed rate loans		(12,564)	(11,587)	(18,106)	(16,865)
– floating rate loan	20	(740,738)	(738,876)	(757,601)	(755,871)
Unsecured term loans:					
– fixed rate loans		(107,988)	(110,139)	(284,400)	(287,397)
– floating rate loan		(253,565)	(253,501)	(823,606)	(823,179)
Medium term notes	20	(500,000)	(532,067)	(500,000)	(518,567)
Hire purchase and finance lease liabilities	21	(2,680)	(2,311)	(12,669)	(11,410)
		<b>(1,617,535)</b>	<b>(1,648,481)</b>	(2,396,382)	(2,413,289)
Total		<b>(1,335,548)</b>	<b>(1,378,675)</b>	(2,044,049)	(2,076,248)
Unrecognised losses			<b>(43,127)</b>		(32,199)
<b>The Company</b>					
<b>Financial liabilities</b>					
Medium term notes	20	(500,000)	(532,067)	(500,000)	(518,567)
Unrecognised loss			<b>(32,067)</b>		(18,567)

## Notes to the Financial Statements

December 31, 2002

### (i) Fair values *(continued)*

#### (i) **Recognised financial instruments** *(continued)*

The fair value of long-term quoted securities is their quoted bid price at the balance sheet date. For other financial instruments, fair value has been determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

It is not practicable to determine the fair values of the following financial assets and liabilities of the Group:

- long-term unquoted equity investments because of lack of quoted market prices; and
- balances with related parties and long-term trade receivables where information on financial instruments having similar terms and characteristics are not available.

However, the Group does not anticipate that the carrying amounts of the above financial assets and liabilities recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

#### (ii) **Financial assets carried in excess of fair value**

The above financial assets have not been written down to their fair values because they are held for long-term and the directors believe the carrying amounts will ultimately be recoverable.

#### (iii) **Unrecognised financial instruments**

The valuation of financial instruments not recognised in the balance sheet reflects amounts which the Group expects to pay or receive to terminate the contracts or replace the contracts at their current market rates at the balance sheet date.

The notional amount and net fair value receivable/(payable) of financial instruments not recognised in the balance sheet as at December 31 are:

	2002 Notional amount \$'000	2002 Fair value \$'000	2001 Notional amount \$'000	2001 Fair value \$'000
<b>The Group</b>				
Interest rate swap agreements	501,273	(37,284)	581,244	(16,174)
Forward foreign exchange contracts				
– bought contracts	65,280	(592)	51,998	3,120
– sold contracts	1,387	–	75,046	127
Foreign exchange swap contracts	68,159	(476)	8,699	–
Fuel oil swaps	21,224	5,071	45,321	(2,330)
Commodity contract	5,763	871	–	–
	<b>663,086</b>	<b>(32,410)</b>	762,308	(15,257)

### 39. CONTINGENT LIABILITIES (UNSECURED)

Guarantees given to banks to secure banking facilities provided to:

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
– 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

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### 39. CONTINGENT LIABILITIES (UNSECURED) (continued)

Assuming that charterparty income of DNCL is taxable in the foreign country, the potential tax exposure under (i)(a) and (i)(b), after taking into consideration the indemnity to which DNCL is entitled from the charterparty customers, is \$1.5 million and \$0.3 million respectively.

A consent order confirming that no retrospective taxes would be payable was filed with the High Court in January 2002.

Based on advice from the legal and tax consultants, the directors are of the opinion that no material liability will arise. Hence, no provision has been made in the financial statements.

- (d) In 2001, Transnational Recycling Industries Pte Ltd ("TRI") filed a legal suit against a subsidiary, SembWaste Pte Ltd (formerly known as SEMAC Pte Ltd) for alleged breach of contract. At the date of this report, the matter is in recess in the High Court of Singapore and judgement has not been reached.

The directors, having sought legal advice, are of the view that the likelihood of TRI's claim of \$11,800,000 for damages being awarded against the subsidiary will be limited even if TRI succeeds in its claim. Consequently, the directors are of the view that no provision is necessary in the financial statements in respect of the suit.

### 40. COMMITMENTS

	The Group	
	2002	2001
	\$'000	\$'000
Commitments not provided for in the financial statements are as follows:		
Capital expenditure for:		
Commitments in respect of contracts placed	3,181	15,075
Amounts approved by directors but not contracted	27,077	29,016
Long-term loan to an associate	-	3,808
Investment in an associate	-	19,933
Investment in a joint venture	-	4,200
Uncalled capital and commitments to subscribe for additional shares in investments	53,700	27,230
Purchase of land	-	2,625
Development expenditure	-	32,767
	<b>83,958</b>	134,654

As at the balance sheet date, outstanding commitments in respect of the following financial derivatives which were entered into as part of the Group's treasury management activities, are as follows:

	The Group	
	2002	2001
	\$'000	\$'000
Interest rate swap agreements with notional amounts equivalent to	501,273	581,244
Forward foreign exchange contracts for hedging purposes	66,667	127,044
Foreign exchange swap contracts for hedging purposes	68,159	8,699
Fuel oil swap agreements for hedging purposes	21,224	45,321
Commodity contract	5,763	-
	<b>663,086</b>	762,308

At the balance sheet date, commitments in respect of payments for non-cancellable operating leases with a term of more than one year are as follows:

	The Group		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Lease payments due:				
Within 1 year	39,667	33,057	879	833
Between 1 and 5 years	131,484	114,294	1,904	267
After 5 years	166,375	197,482	-	-
	<b>337,526</b>	344,833	<b>2,783</b>	1,100

# Notes to the Financial Statements

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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
<b>Revenue and expenses</b>								
<b>2002</b>								
Total revenue from								
external customers	1,071,933	857,623	134,962	446,254	1,006,897	684,252	–	4,201,921
Inter-segment revenue	16,693	30,698	1,498	1,646	4,615	119,892	(175,042)	–
Total revenue	1,088,626	888,321	136,460	447,900	1,011,512	804,144	(175,042)	4,201,921
Segment results	77,913	(130,869)	1,578	63,304	94,835	201,606	–	308,367
Interest income	4,678	712	71	923	14,483	5,074	(2,357)	23,584
Financing costs	(38,910)	(1,060)	(166)	(4,721)	(663)	(50,358)	2,357	(93,521)
	43,681	(131,217)	1,483	59,506	108,655	156,322	–	238,430
Share of results of associates	7,014	317	9,838	8,906	5,819	(5,718)	–	26,176
Share of results of joint ventures	19,304	–	–	828	243	16,899	–	37,274
	69,999	(130,900)	11,321	69,240	114,717	167,503	–	301,880
Taxation								(54,368)
Minority interests								(69,179)
Net profit for the year								178,333
<b>Assets and Liabilities</b>								
<b>2002</b>								
Segment assets	1,356,214	639,490	96,914	339,157	1,046,098	1,359,413	(407,987)	4,429,299
Investment in associates	30,009	1,291	57,683	313,897	61,407	97,750	–	562,037
Investment in joint ventures	72,115	–	–	3,904	29,605	166,150	–	271,774
Interest bearing assets	162,435	15,530	5,359	31,932	385,985	116,462	(18,818)	698,885
Unallocated assets								75,583
Total assets								6,037,578
Segment liabilities	413,625	594,727	18,024	231,056	433,615	616,870	(407,987)	1,899,930
Interest bearing liabilities	848,385	19,113	3,393	27,958	145,704	772,579	(18,818)	1,798,314
Unallocated liabilities								180,934
Total liabilities								3,879,178
<b>Capital expenditure</b>	<b>52,370</b>	<b>34,780</b>	<b>8,907</b>	<b>17,496</b>	<b>14,435</b>	<b>54,130</b>	<b>–</b>	<b>182,118</b>
<b>Significant non-cash items</b>								
Depreciation and amortisation	46,983	21,724	10,804	14,298	35,015	47,376	–	176,200
Other non-cash items (including provisions, loss on disposals and exchange differences)	11,455	86,501	314	8,372	27,503	38,032	–	172,177

# Notes to the Financial Statements

December 31, 2002

## 41. SEGMENT REPORTING *(continued)*

### (a) Business Segments *(continued)*

	Utilities	Engineering & Environmental Construction	Engineering	Logistics	Marine Engineering	In Development	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue and expenses</b>								
2001								
Total revenue from								
external customers	548,319	618,505	139,700	469,161	850,064	599,466	–	3,225,215
Inter-segment revenue	1,220	27,611	901	3,889	4,397	24,513	(62,531)	–
Total revenue	<u>549,539</u>	<u>646,116</u>	<u>140,601</u>	<u>473,050</u>	<u>854,461</u>	<u>623,979</u>	<u>(62,531)</u>	<u>3,225,215</u>
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)
	<u>41,205</u>	<u>6,083</u>	<u>668</u>	<u>83,171</u>	<u>102,548</u>	<u>13,224</u>	<u>–</u>	<u>246,899</u>
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
	<u>55,454</u>	<u>7,048</u>	<u>9,290</u>	<u>135,738</u>	<u>100,811</u>	<u>31,936</u>	<u>–</u>	<u>340,277</u>
Taxation								(94,435)
Minority interests								(71,962)
Net profit for the year								<u>173,880</u>
<b>Assets and Liabilities</b>								
2001								
Segment assets	1,275,201	565,500	96,209	319,870	1,172,775	1,534,843	(164,143)	4,800,255
Investment in associates	29,633	747	52,412	317,597	60,172	122,555	–	583,116
Investment in joint ventures	66,518	–	–	2,100	30,079	144,133	–	242,830
Interest-bearing assets	131,766	13,067	10,590	35,633	205,980	124,272	(29,595)	491,713
Unallocated assets								49,261
Total assets								<u>6,167,175</u>
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								<u>4,477,583</u>
<b>Capital expenditure</b>	<u>113,684</u>	<u>42,515</u>	<u>9,898</u>	<u>23,728</u>	<u>49,146</u>	<u>28,717</u>	<u>–</u>	<u>267,688</u>
<b>Significant non-cash items</b>								
Depreciation and amortisation								
	26,886	11,519	11,344	21,287	30,644	45,471	–	147,151
Other non-cash items (including provisions, loss on disposals and exchange differences)								
	11,831	11,986	30	8,976	9,530	102,257	–	144,610

## Notes to the Financial Statements

December 31, 2002

### 41. SEGMENT REPORTING *(continued)*

#### (b) Geographical Segments

	Singapore	Rest of Asia	Others	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2002</b>					
Total revenue from external customers	<b>2,290,163</b>	<b>665,662</b>	<b>1,246,096</b>	–	<b>4,201,921</b>
Capital expenditure	<b>120,649</b>	<b>41,522</b>	<b>19,947</b>	–	<b>182,118</b>
<b>2001</b>					
Total revenue from external customers	1,915,227	571,583	738,405	–	3,225,215
Capital expenditure	226,858	34,133	6,697	–	267,688

The Group's assets are located mainly in Singapore.

### 42. COMPARATIVE INFORMATION

Comparatives in the financial statements have been changed from the previous year due to the adoption of the requirements of the new and revised accounting standards as stated in note 35.



# Notes to the Financial Statements

December 31, 2002

## 43. SUBSIDIARIES

Name	Country of incorporation and place of business	Percentage of equity held		Principal activities	Cost of investment	
		2002	2001		2002	2001
		%	%		\$'000	\$'000
<b>Held by the Company:</b>						
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
<sup>^</sup> SembCorp Marine Ltd	Singapore	63.55	63.21	Ship repair	704,049	695,289
<sup>^^</sup> 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
					<b>2,691,029</b>	<b>2,612,269</b>

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

<sup>^</sup> The consolidated financial statements of SembCorp Marine Ltd, a company listed on Singapore Exchange, are audited by Ernst & Young, Singapore.

<sup>^^</sup> The consolidated financial statements of SembCorp Parks Holdings Ltd are audited by Ernst & Young, Singapore.

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Air Tech Products Pte Ltd	Singapore	–	100	Liquidated
^^ Apogee Properties Pte Ltd	Singapore	<b>100</b>	100	Property development and rental of development property
Asia Pacific Air Cargo Pte Ltd	Singapore	<b>49.91</b>	49.98	Dormant
Asia Pacific Logistic Services Pte Ltd	Singapore	<b>61.62</b>	61.70	Investment holding
Asia-Pacific Retail Concepts Pte Ltd	Singapore	<b>100</b>	100	Provision of procurement consultancy services and sales of electrical products
Auto Batam Ferries & Tours Pte Ltd	Singapore	<b>61.62</b>	61.70	Dormant
BaroMedical Services (Asia) Pte Ltd	Singapore	<b>36.66</b>	31.47	Promoting, marketing and supplying hyperbaric and other medical services
Bintan Carrier Services Pte Ltd	Singapore	<b>51</b>	51	Ship and boat chartering services
Bintan Shipping Services Pte Ltd	Singapore	<b>51</b>	51	Shipping agent and freight forwarder
^^ Bonafide Development (S) Pte Ltd	Singapore	<b>100</b>	100	Property development
@ Brooktree Resources Limited	British Virgin Islands	<b>100</b>	100	Under de-registration
^^ BuildNow Pte Ltd	Singapore	<b>100</b>	100	Building contractor and franchisor
^ Bulk Trade Pte Ltd	Singapore	<b>63.55</b>	63.21	Bulk trading of marine products
@ Cathech Investments Ltd	British Virgin Islands	<b>75</b>	75	Investment holding

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES *(continued)*

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
@ Chartered Electronics, Inc.	United States of America	<b>100</b>	100	Dormant
** Chongqing Zhong Xin Garden City Hotel Co Ltd	People's Republic of China	<b>65</b>	65	Hotel development and related activities
* Concode Sdn Bhd	Malaysia	<b>100</b>	100	Dormant
^^ Concrete OEM Pte Ltd	Singapore	<b>60.20</b>	60.80	Production, delivery and sale of ready-made concrete
^^ Concrete Technology Pte Ltd	Singapore	<b>67</b>	67	Investment holding
* Construction Technology (B) Sdn Bhd	Brunei	<b>100</b>	100	Building construction and sub-contracting
Construction Technology Pte Ltd	Singapore	<b>100</b>	100	Building construction, project management and manufacture and sale of fibrecon and precast structures
@ Contech-Meyer Development Pte Ltd	Singapore	<b>100</b>	100	Under members' voluntary liquidation
Contech Realty Pte Ltd	Singapore	<b>100</b>	100	Investment holding
@ Contech Remedial Engineering Pte Ltd	Singapore	<b>100</b>	100	Under members' voluntary liquidation
Contech Trading Pte Ltd	Singapore	<b>100</b>	100	Trading of building materials
Dangerous Goods Management (Singapore) Pte Ltd	Singapore	<b>43.13</b>	43.19	Freight forwarding, transportation and packing services for hazardous goods
** Dilmun Navigation Company Limited	United Kingdom	<b>61.62</b>	61.70	Owning and operating of vessels

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
** Dilmun Navigation Company Pty Limited	Australia	<b>61.62</b>	61.70	Agency services
** Dilmun Navigation (Fiji) Limited	Fiji	<b>61.62</b>	61.70	Agency services
** Dilmun Navigation (PNG) Limited	Papua New Guinea	<b>61.62</b>	61.70	Charter of vessels
@ Dilmun Navigation (Singapore) Pte Ltd	Singapore	<b>61.62</b>	61.70	Under voluntary liquidation
^ Dolphin Shipping Company Private Limited	Singapore	<b>63.55</b>	63.21	Ship owning and charter
Enviro Consult Singapore Pte Ltd	Singapore	–	60	Liquidated
Farmers Abattoir Pte Ltd	Singapore	–	58.88	Abattoir related activities
** Fracht Forwarding & Travels (Private) Limited	India	<b>61.62</b>	61.70	Freight forwarding
Hog Auction Market Pte Ltd	Singapore	–	58.88	Auctioneers of pigs
^^ Industrial Imex Pte Ltd	Singapore	<b>100</b>	100	Quarry operations, exploiting, developing and trading of granite resources
Information Frontiers Pte Ltd	Singapore	<b>85.20</b>	85.20	Provision of financial information via internet
Inpact Enterprise Pte Ltd	Singapore	–	100	Liquidated
* International Cuisine Limited	United Kingdom	–	75	Production and marketing of chilled ready-cooked food
^ JPL Corporation Pte Ltd	Singapore	<b>44.49</b>	44.25	Investment holding
^ JPL Industries Pte Ltd	Singapore	<b>34.19</b>	40.14	Collection and treatment of used copper slag, processing and distribution of copper slag

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
^ JPL Services Pte Ltd	Singapore	<b>44.49</b>	44.25	Equipment rental services and trading in copper slag
^ Jurong-Brazil Singapore Pte Ltd	Singapore	<b>63.55</b>	63.21	Investment holding
^ Jurong Integrated Services Pte Ltd	Singapore	<b>63.55</b>	63.21	Steel fabrication work
^ Jurong Machinery and Automation Pte Ltd	Singapore	<b>63.55</b>	63.21	Marine and general electronic and electrical works
^ Jurong Marine Contractors Pte Ltd	Singapore	<b>63.55</b>	63.21	Provision of contract services
** Jurong Marine Services Pte Ltd	Singapore	<b>62.59</b>	62.46	Provision of tugging services
^ Jurong Shipbuilders Private Limited	Singapore	<b>63.55</b>	63.21	Investment holding
^ Jurong Shipping Company Beta Pte Ltd	Singapore	<b>63.55</b>	63.21	Dormant
^ Jurong Shipping Company Gamma Pte Ltd	Singapore	<b>63.55</b>	63.21	Dormant
^ Jurong Shipping Company Private Limited	Singapore	<b>63.55</b>	63.21	Dormant
^ Jurong Shipyard Pte Ltd	Singapore	<b>63.55</b>	63.21	Ship repairing and related services
^ Jurong SML Pte Ltd (formerly known as Atlantis Shipyard Pte Ltd)	Singapore	<b>63.55</b>	See note 44	Ship building, ship repairing and civil engineering
** Jurubina Sembawang (M) Sdn Bhd	Malaysia	<b>100</b>	100	Dormant
^^ Karimun Investments Holdings Pte Ltd	Singapore	<b>75</b>	75	Investment holding
^ Karimun Shiprepair and Engineering Pte Ltd	Singapore	<b>63.55</b>	63.21	Investment holding
@ Keleste (Singapore) Pte Ltd	Singapore	<b>61.62</b>	61.70	Under members' voluntary liquidation

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
@ Lam Guan Development Pte Ltd	Singapore	<b>100</b>	100	Under members' voluntary liquidation
LM Food Industries Pte Ltd	Singapore	–	75	Contract manufacturing of food products
@ Mandino Pte Ltd	Singapore	<b>100</b>	100	Under de-registration
@ Megastone (Vietnam) Company Limited	Vietnam	<b>100</b>	100	Under members' voluntary liquidation
@ MSI (BVI) Limited	British Virgin Islands	<b>100</b>	100	Investment holding
** Myanmar ST Food Industries Ltd	Myanmar	–	75	Dormant
^^ Norfolk Development Group (Norfolk Hotel) Limited	British Virgin Islands	<b>81.67</b>	82	Investment holding
^^ Norfolk Hotel Joint Venture Co., Ltd	Vietnam	<b>49</b>	49	Hotel operations and management
Offshore Joint Services (Bases) Company of Singapore Pte Ltd	Singapore	<b>43.81</b>	43.87	Investment holding
Offshore Joint Services Company of Singapore Pte Ltd	Singapore	<b>50.84</b>	50.90	Investment holding
** Oil-Tex (Thailand) Company Limited	Thailand	<b>36.97</b>	37.02	Supply of logistic services to the offshore oil and gas industry
Pace Airconditioning & Engineering Pte Ltd	Singapore	<b>100</b>	100	Design, installation and servicing of air-conditioning systems
Paterson Land Pte Ltd	Singapore	<b>100</b>	100	Dormant
@ Piesin Sdn Bhd	Malaysia	–	75	Under voluntary liquidation

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES *(continued)*

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Pivot Development Pte Ltd	Singapore	–	100	Under de-registration
** Plexis Services, Inc.	United States of America	<b>61.62</b>	61.70	Freight forwarding
** Primary Industries Pte Ltd	Singapore	–	58.88	Provision of abattoir services
Primary Industries (Qld) Pty Ltd	Australia	–	75	Provision of land logistics support
^^ PT Alam Indah Bintan	Indonesia	<b>35</b>	35	Resort development
** PT Contech Bulan	Indonesia	<b>60</b>	60	Dormant
** PT Gema SembCorp Engineering	Indonesia	<b>90</b>	90	Engineering, construction and fabrication
** PT Indo-Precast Utama	Indonesia	<b>100</b>	100	Manufacturing of pre-cast slabs and other construction related activities
** PT Indo Unggul Wasturaya	Indonesia	<b>67</b>	67	Provision of civil construction, mechanical and electrical services
^ PT Karimun Sembawang Shipyard	Indonesia	<b>41.31</b>	41.09	Ship repairing and related services
** PT Pace Dharmala Airtech	Indonesia	<b>60</b>	60	Supply, installation and maintenance of air conditioning systems
^^ PT Sembawang Kimtrans Indonesia	Indonesia	<b>100</b>	100	Dormant
** PT Semblog Citranusa	Indonesia	<b>43.13</b>	43.19	Provision of offshore logistics services
PT Sempec Indonesia	Indonesia	<b>100</b>	100	Engineering, procurement and construction

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December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
** PT ST Logistik Nusantara	Indonesia	<b>43.13</b>	43.19	Warehousing, logistics and freight services
** PT Synergy Technology Construction	Indonesia	<b>80</b>	80	Dormant
** PTA Industries Sdn Bhd	Malaysia	<b>61.62</b>	61.70	Under voluntary liquidation
^^ Pulau Holdings Pte Ltd	Singapore	<b>53.85</b>	54	Investment holding
^^ Pyramid Hill Properties Pte Ltd	Singapore	<b>100</b>	100	Property development
** Qianan SembCorp Cogeneration Company Limited	People's Republic of China	<b>65</b>	65	Owning and operating a cogeneration plant in Qianan, China
^^ RDC Cement Pte Ltd	Singapore	<b>100</b>	100	Dormant
^^ RDC Concrete Pte Ltd	Singapore	<b>100</b>	100	Trading of granite and manufacturing of ready-mixed concrete
RDC Development Pte Ltd	Singapore	–	100	Liquidated
^^ RDC Holdings Pte Ltd	Singapore	<b>100</b>	100	Investment holding
^^ RDC International Pte Ltd	Singapore	<b>100</b>	100	Investment holding
^^ RDC Properties Pte Ltd	Singapore	<b>100</b>	100	Property development
@ RDC Realty Pte Ltd	Singapore	<b>100</b>	100	Under voluntary liquidation
^^ RDC Pte Ltd	Singapore	<b>100</b>	100	Provision of waste disposal services
^^ RDC Simei Development Pte Ltd	Singapore	<b>100</b>	100	Property development
^^ RDC (Vietnam) Pte Ltd	Singapore	<b>100</b>	100	Investment holding and provision of management services



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

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Sembawang Aviation Pte Ltd	Singapore	<b>61.62</b>	61.70	Dormant
Sembawang Bethlehem Pte Ltd	Singapore	<b>100</b>	100	Building of rigs, vessels and specialised marine equipment
** Sembawang Capital (Hong Kong) Limited	Hong Kong	<b>88.49</b>	88.51	Leasing business
Sembawang Capital Pte Ltd	Singapore	<b>88.49</b>	88.51	Leasing services
Sembawang Chemicals Pte Ltd	Singapore	–	100	De-registered
Sembawang Construction Pte Ltd	Singapore	<b>100</b>	100	Civic engineering and construction work
Sembawang Corporation Holdings Pte Ltd	Singapore	–	100	De-registered
Sembawang Corporation Investments (S) Pte Ltd	Singapore	<b>100</b>	100	Investment holding
^^ Sembawang Development and Management Pte Ltd	Singapore	<b>100</b>	100	Under members' voluntary liquidation
Sembawang Engineering (China) Pte Ltd	Singapore	<b>100</b>	100	Engineering, construction and fabrication
Sembawang Engineering Investments Pte Ltd	Singapore	<b>100</b>	100	Dormant
* Sembawang Express (HK) Ltd	Hong Kong	<b>61.62</b>	61.70	Provision of logistics management services
Sembawang Food Investment Pte Ltd	Singapore	–	100	Liquidated
Sembawang Holdings (Pte) Ltd	Singapore	<b>100</b>	100	Investment holding
** Sembawang Huanqiu Engineering Co., Ltd	People's Republic of China	<b>51</b>	51	Petrochemical engineering
Sembawang Indonesia Pte Ltd	Singapore	<b>100</b>	100	Investment holding

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Sembawang Industrial Manufacturing Pte Ltd	Singapore	–	100	Liquidated
Sembawang Industrial Pte Ltd	Singapore	<b>100</b>	100	Investment holding and provision of management services
Sembawang Investments Pte Ltd	Singapore	<b>100</b>	100	Investment holding
Sembawang-JTCI (China) Pte Ltd	Singapore	<b>51</b>	51	Engineering, construction and project management
^^ Sembawang Land Pte Ltd	Singapore	<b>100</b>	100	Property development
^^ Sembawang Leisure Investments Pte Ltd	Singapore	<b>100</b>	100	Investment holding
^^ Sembawang Leisure Private Limited	Singapore	<b>100</b>	100	Investment holding, provision of management, financial and administration services
Sembawang Mulpha Pte Ltd	Singapore	<b>35.74</b>	35.79	Dormant
Sembawang Nominees Pte Ltd	Singapore	<b>100</b>	100	Dormant
Sembawang Pacmann Pte Ltd	Singapore	<b>50.10</b>	50.10	Investment holding and provision of management services
^^ Sembawang Properties Pte Ltd	Singapore	<b>100</b>	100	Property investment
Sembawang Reefer Lines (Bahamas) Ltd	Bahamas	–	100	Liquidated
Sembawang Reefer Lines (Jambu) Pte Ltd	Singapore	–	100	Liquidated
Sembawang Reefer Lines (Manggis) Pte Ltd	Singapore	<b>100</b>	100	Dormant
Sembawang Repromac Pte Ltd	Singapore	–	85.02	De-registered
Sembawang Services Pte Ltd	Singapore	–	100	Liquidated

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Sembawang Shipmanagement Pte Ltd	Singapore	<b>61.62</b>	61.70	Dormant
Sembawang Shipyard (India) Pte Ltd	Singapore	–	100	Liquidated
^ Sembawang Shipyard Pte Ltd	Singapore	<b>63.55</b>	63.21	Ship repairing and related services
^ Sembawang Shipyard (S) Pte Ltd	Singapore	<b>63.55</b>	63.21	Investment holding
^ Sembawang Shipyard Services (Pte) Ltd	Singapore	<b>63.57</b>	63.21	Marine services
Sembawang SMI Asia Pte Ltd	Singapore	–	70	Liquidated
** Sembawang Thailand Co. Ltd.	Thailand	<b>49</b>	49 @@@	Engineering, construction and fabrication
Sembawang (UK) Ltd	United Kingdom	–	100	De-registered
Sembcon Indo Pte Ltd	Singapore	<b>100</b>	100	Builders and contractors
SembCorp Air Products Pte Ltd	Singapore	<b>60</b>	See note 45	Manufacture, purchase, storage, process and sale of industrial chemical and speciality gases
SembCorp Cogen Pte Ltd	Singapore	<b>70</b>	70	Building, owning and operating a cogeneration plant on Jurong Island to produce electricity and process steam
SembCorp Construction (Japan) Pte Ltd	Singapore	<b>100</b>	100	Construction and project management
SembCorp Daewood Joint Venture	Singapore	<b>60</b>	–	Design and construction of Kallang and Paya Lebar Express way (contract 422)
SembCorp Development Pte Ltd	Singapore	<b>100</b>	100	Dormant

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
SembCorp Energy Pte Ltd	Singapore	100	100	Investment, development and operations of power plant
SembCorp Energy (Kwinana) Pte Ltd	Singapore	100	100	Manufacturing, supplying and trading of electricity and other form of energy and power and their related products and developing power supply resources
SembCorp Energy (Qianan) Pte Ltd	Singapore	100	100	Dormant
SembCorp Energy (Tuas) Pte Ltd	Singapore	100	100	Dormant
SembCorp Express Pte Ltd	Singapore	61.62	61.70	Investment holding
* SembCorp (Hebei) Building Materials Co., Ltd	People's Republic of China	75	75	Manufacture and sales of tiles
@ SembCorp Industries K. K.	Japan	100	100	Marketing of products and services provided by related companies
* SembCorp Infrastructure (India) Pvt Ltd	India	80	80	Building construction
** SembCorp Infrastructure (Mauritius) Ltd	Mauritius	100	100	Investment holding
** SembCorp International Pte Ltd	Singapore	100	100	Business management and consultancy services
SembCorp Investment Pte Ltd (formerly known as STIC Garden City Hotels Pte Ltd)	Singapore	100	100	Dormant
** SembCorp Logistics (Australia) Pte Ltd	Australia	46.83	46.89	Provision of supply chain management services
** SembCorp Logistics (India) Private Limited	India	61.62	61.70	Provision of logistics services
* SembCorp Logistics (Malaysia) Sdn Bhd	Malaysia	61.62	31.47	Provision of supply chain management services

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
* SembCorp Logistics (Taiwan) Limited	Republic of China	<b>31.43</b>	–	Provision of supply chain management services
** SembCorp Logistics (USA) Inc. (formerly known as Leo Services, Inc.)	United States of America	<b>61.62</b>	61.70	Export trading
** SembCorp (Malaysia) Sdn Bhd	Malaysia	<b>100</b>	100	Marketing of engineering services
SembCorp Power Pte Ltd	Singapore	<b>100</b>	100	Sale, marketing and distribution of electricity
** SembCorp Properties Pte Ltd	Singapore	<b>100</b>	100	Project management for property development in Singapore and overseas
* SembCorp Simon-Carves Limited (formerly known as Simon-Carves Limited)	United Kingdom	<b>100</b>	100	Design, procurement and project management for process plants
SembCorp SITA Pte Ltd	Singapore	<b>60</b>	60	Provision of a complete range of waste management and environment services and investment holding
SembCorp Systems Pte Ltd	Singapore	<b>100</b>	100	Provision of integration, repairs and construction of electrical, instrumental and control services
* SembCorp (Tianjin) Construction Engineering Co., Ltd	People's Republic of China	<b>70</b>	70	Project management and construction related design consultancy services
SembCorp Ventures Pte Ltd	Singapore	<b>100</b>	100	Investment holding, provision of management services to related corporations
SembCorp Water Pte Ltd	Singapore	<b>100</b>	100	Building, owning and operating terminals and utilities centres to service the water plants and industries

## Notes to the Financial Statements

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

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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	<b>61.62</b>	61.70	Under voluntary liquidation
** Sem-PC Maritime Co. Ltd	Thailand	<b>52.38</b>	52.45	Operation of container depot
* SEMPEC Pakistan (Private) Ltd	Pakistan	<b>75</b>	75	Engineering design, plant construction
* Sempec Philippines, Inc.	Philippines	<b>40</b> @@@	40 @@@	Engineering, procurement construction and management for turnkey projects
* Semrental (B) Sdn Bhd	Brunei	<b>70</b>	88.51	Rental of goods and equipment
Semseas Agencies Pte Ltd	Singapore	<b>61.62</b>	61.70	Dormant
^ SES Engineering (M) Sdn Bhd	Malaysia	<b>63.55</b>	63.21	Fabrication of metal structures
^ SES Marine Services (Pte) Ltd	Singapore	<b>63.55</b>	63.21	Marine services
** SFI Industries Pty Ltd	Australia	–	75	Provision of management services
** Shanghai ST Food Industries Co., Ltd.	People's Republic of China	–	72	Manufacture and sales of frozen foodstuff
** Shenzhen ST-Anda Logistics Co., Ltd.	People's Republic of China	<b>31.43</b>	31.47	Warehousing, cargo handling and transportation services
** Sichuan Huayang Garden City Hotel Co Ltd	People's Republic of China	<b>47.91</b>	47.91	Hotel owner
Singa Infrastructure (West Bay) Pte Ltd	Singapore	<b>100</b>	100	Dormant
Singajaya Investment Pte Ltd	Singapore	<b>100</b>	100	Investment holding
Singapore Environmental Management Engineering Services Pte Ltd	Singapore	<b>100</b>	60	Provision of consultancy services in environment engineering



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## 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Singapore Food Development Pte Ltd	Singapore	–	75	Investment holding
Singapore Food Industries Limited	Singapore	–	75	Food distribution, food preparation, manufacturing and food processing
Singapore Mint Private Limited	Singapore	<b>100</b>	100	Minting of coins, ingots, medallions and the sale of numismatic items
Singapore Offshore Petroleum Services Pte. Ltd.	Singapore	<b>61.62</b>	61.70	Supply of logistics services to the offshore oil and gas industry
Singapore Precision Industries Pte Ltd	Singapore	<b>100</b>	100	Manufacturing, assembling, fabricating, exporting tools, equipment, robots and hardware, minting of coins, ingots, medallions and the sale of numismatic items
@ Singapore Technologies Industrial B.V.	Netherlands	<b>100</b>	100	Under members' voluntary liquidation
@ Singapore Technologies Industrial Corporation (USA)	United States of America	<b>100</b>	100	Investment holding
Singapore Technologies Logistics Pte Ltd	Singapore	<b>61.62</b>	61.70	Provision of freight forwarding, warehousing, stores management and general insurance services
@@Singapore-Wuxi Investment Holdings Pte Ltd	Singapore	<b>78.40</b>	78.40	Investment holding of a subsidiary carrying on the business of development, construction and operation of Wuxi Industrial Park
^ Sinna Services Pte Ltd	Singapore	<b>41.31</b>	41.09	Ship repairing and related services

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
^^ SLRC Investments Pte Ltd	Singapore	<b>100</b>	100	Investment holding
SML Investments Pte Ltd	Singapore	<b>61.62</b>	61.70	Investment holding and operating of passenger ferries
SML Ocean Shipping (I) Pte Ltd	Singapore	<b>61.62</b>	61.70	Under members' voluntary liquidation
^ SML Shipyard Pte Ltd	Singapore	<b>63.55</b>	63.21	Shiprepairing and related services
SMOE International Pte Ltd	Singapore	<b>100</b>	100	Engineering, procurement and construction
SMOE Pte Ltd	Singapore	<b>100</b>	100	Engineering, construction and fabrication
** SOPS (Bangladesh) Private Limited	Bangladesh	<b>61.62</b>	61.70	Dormant
SOPS Inter-Trans Services Pte Ltd	Singapore	<b>61.62</b>	61.70	Dormant
SOPS Investments Pte Ltd	Singapore	<b>61.62</b>	61.70	Dormant
South East Pacific Shipping Pte Ltd	Singapore	<b>61.62</b>	61.70	Dormant
Specon Builders Pte Ltd	Singapore	<b>100</b>	100	Under members' voluntary liquidation
@ Spire Properties Pte Ltd	Singapore	–	100	De-registered
ST Agritech International Pte Ltd	Singapore	–	75	Provision of technical and management services for agri-food business
ST-Airport Services Pte Ltd	Singapore	<b>31.43</b>	31.47	Supply of jet fuel, aviation gasoline and related services
Steri-Care Pte Ltd	Singapore	<b>61.62</b>	61.70	Dormant

## 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 %	
ST Construction (Int'l) Pte Ltd	Singapore	<b>100</b>	100	Dormant
ST-KWE Logistics Pte Ltd	Singapore	<b>31.43</b>	31.47	Under members' voluntary liquidation
** ST Logistics (UK) Ltd	United Kingdom	<b>61.62</b>	61.70	Freight handling and procurement of materials and equipment
** ST Logistics (USA) Inc.	United States of America	<b>61.62</b>	61.70	Investment holding
ST Medical Services Pte Ltd	Singapore	<b>61.62</b>	61.70	Provision of specialised aeromedical, general health care and occupational medical services
STIC Chengdu Hotel Investment Pte Ltd	Singapore	<b>82</b>	82	Investment holding
STIC Investments Pte Ltd	Singapore	<b>100</b>	100	Investment holding and dealing, and management of treasury activities
SUT Sakra Pte Ltd	Singapore	<b>80</b>	80	Supply of utilities and storage for petroleum products and chemicals
SUT Seraya Pte Ltd	Singapore	<b>100</b>	100	Building, owning and operating a utility centre on Jurong Island to supply central utility services to chemical/petrochemical companies
^^ Tembeling Development Pte Ltd	Singapore	<b>100</b>	100	Under members' voluntary liquidation
Thomas Walk Properties Pte Ltd	Singapore	–	100	Liquidated
@ Tridex Investment Inc	British Virgin Islands	<b>63.55</b>	63.21	Investment holding

## Notes to the Financial Statements

December 31, 2002

### 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Unipacific Investments Corporation	British Virgin Islands	–	100	De-registered
* Unitech Prefab Limited	India	<b>79.70</b>	See note 44	Manufacture and sale of ready-mixed concrete and concrete blocks
** Urangan Fisheries Pty Ltd	Australia	–	38.25	Processing of seafood
Ventura Development (DST) Pte Ltd	Singapore	–	100	De-registered
^^ Vietnam Singapore Industrial Parks Pte Ltd	Singapore	<b>61.98</b>	62	Investment holding
^^ Vietnam Singapore Industrial Park JV Co Ltd	Vietnam	<b>31.61</b>	32	Development of industrial park
^^ Vietnam Singapore International Marketing Pte Ltd	Singapore	<b>100</b>	100	Under members' voluntary liquidation
^^ VSIP Power Private Limited	Vietnam	<b>100</b>	100	Build, own and operate an electricity generation plant in Vietnam
@ WaterJet Netherland Antilles N.V.	Netherland Antilles	<b>34.51</b>	34.55	Under voluntary liquidation
@ Water Jet Shipping Corporation	Philippines	<b>34.51</b>	34.55	Under voluntary liquidation
Wong Heng Engineering Pte Ltd	Singapore	<b>70</b>	70	Under members' voluntary liquidation
@@Wuxi Garden City Mall Hotel Co., Ltd	People's Republic of China	<b>74.48</b>	54.88	Operation of a hotel cum shopping centre
Wuxi International Management Services Pte Ltd	Singapore	<b>52.56</b>	52.56	Dormant
@@Wuxi Singapore Industrial Park Development Co., Ltd	People's Republic of China	<b>See note 44</b>	54.88	Development and operation of Wuxi Industrial Park

# Notes to the Financial Statements

December 31, 2002

## 43. SUBSIDIARIES (continued)

The details of subsidiaries held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
** Wuxi Sinlian Precast Manufacturing Co., Ltd	People's Republic of China	<b>85</b>	85	Manufacturing of pre-cast slabs and other construction related activities
Zippy Properties Pte Ltd	Singapore	–	100	De-registered

All subsidiaries are audited by KPMG Singapore except for those indicated as follows:

\* Audited by member firms of KPMG International

\*\* Audited by other firms

@ Audit is not required by the laws of the country of incorporation

@@ Subsidiaries with significant foreign operations audited by Arthur Andersen, Singapore or its associated firms

@@@ Deemed to be a subsidiary as the Group has effective control over the board of directors pursuant to Section 5 of the Companies Act.

^ Subsidiaries of SembCorp Marine Ltd, a company listed on Singapore Exchange

^^ Subsidiaries of SembCorp Parks Holdings Ltd, a subsidiary in Singapore

# During the year, the Group's effective interests have been reduced to 19% as a result of disposals. Accordingly, it has been reclassified to long-term equity investment.

## 44. ASSOCIATES

The details of associates held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Agrogen Pte Ltd	Singapore	<b>25</b>	25	Investment in biotechnology related investments
Aik Hua F & B Group Pte Ltd	Singapore	–	22.50	Coffee shop, food court and restaurant operator
Arian Engineering Corporation Pte Ltd	Singapore	<b>20</b>	17.70	Sale, distribution and leasing of specialist engineering products
Jurong SML Pte Ltd (formerly known as Atlantis Shipyard Pte Ltd)	Singapore	<b>see note 43</b>	22.12	Ship building, ship repairing and civil engineering works
Bangkok Business Holding Co. Ltd	Thailand	<b>14.21</b>	14.21	Engineering, construction and fabrication
Bintan Resort Ferries Private Limited	Singapore	<b>30</b>	30	Provision of ferry services

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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 %	
Biomedical Engineering Services & Technology Private Limited	Singapore	<b>21.57</b>	21.60	Provision of biomedical equipment and technical services for general and specialised medical equipment
Cathay International Water Limited	Bermuda	<b>18</b>	18	Infrastructure development, investment and management, mainly in power plants, water treatment plants, toll roads, toll bridges and tunnel, as well as hotel operations and property investment
Camerlin (BVI) Pte Ltd	British Virgin Islands	<b>20</b>	20	Investment holding
Camerlin Pte Ltd	Singapore	<b>20</b>	20	Investment holding
Ceylinco SembCorp Integrated Logistics (Pvt) Ltd	Sri Lanka	<b>30.81</b>	30.85	Provision of logistics services
Changi International Logistics Centre Ltd	Singapore	<b>13.56</b>	13.57	Warehousing, distribution and related services
CIECC Sembawang Engineering Consulting Co., Ltd	People's Republic of China	<b>50</b>	50	Engineering services
Cosco Container Depot Pte Ltd	Singapore	<b>24.65</b>	24.68	Operation of a container depot
Cosem Pte Ltd	Singapore	<b>30.81</b>	30.85	Investment holding
CWT-SML Logistics LLC	United Arab Emirates	<b>18.49</b>	18.51	Warehouse distribution
Dalian Cosco Marine Engineering Ltd	People's Republic of China	<b>12.71</b>	12.64	Ship repairing and related services
DGM Support (Asia) Pte Ltd	Singapore	<b>21.57</b>	21.60	Provision of logistics services

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### 44. ASSOCIATES (continued)

The details of associates held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Delham Investments Pte Ltd	Singapore	<b>27</b>	27	Investment holding
Fenton Assets Limited	British Virgin Islands	<b>27</b>	27	Investment holding
Funpolis Asia Pte Ltd	Singapore	<b>37.50</b>	37.50	Under liquidation
Granite Resources Pte Ltd	Singapore	<b>30</b>	30	Importing, distribution and sale of construction materials
HydraMac Pte Ltd	Singapore	–	40	Procurement, supply and installation of parts and maintenance of land reclamation system
Infotainment Development & Management Pte Ltd	Singapore	<b>30</b>	30	Management and consultancy services to entertainment parks and resorts in China
Irano Singapore Shipyard Company (Sadra Jurong)	Bandar Abbas, Iran	–	16.43	Under members' voluntary liquidation
Joint Shipyard Investment Pte Ltd	Singapore	<b>31.78</b>	31.61	Investment holding
Joint Shipyard Management Services Pte Ltd	Singapore	<b>15.89</b>	15.80	Proprietors of dormitories, manage and let
Joint Shipyard Technologies Pte Ltd	Singapore	<b>18.18</b>	17.70	Research and development of new technologies
JPL Concrete Products Pte Ltd	Singapore	<b>34.19</b>	23.65	Production of concrete products
JTIC (USA) Corporation	United States of America	<b>16.56</b>	16.56	Investment holding
Jurong Clavon Pte Ltd	Singapore	<b>31.78</b>	31.61	Engineering works
Jurong Hitech Industries (M) Sdn Bhd	Malaysia	–	16.43	Electronic assembly
Jurong Hi-Tech (USA) Inc.	United States of America	–	13.25	Assembly of printed circuit boards

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### 44. ASSOCIATES (continued)

The details of associates held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Jurong Shipyard Inc	Bahamas	<b>22.24</b>	22.12	Investment holding
Jurong Technologies Industrial Corpn. Limited	Singapore	–	16.43	Marine and general electronic and electrical works
Karimun Industrial Management Pte Ltd	Singapore	<b>40</b>	40	Dormant
Kinburgh Holdings Pte Ltd	Singapore	<b>27</b>	27	Investment holding
KPN-ST Logistics Co., Ltd.	Thailand	<b>28.35</b>	28.38	Warehousing, inventory management transport and distribution, and freight forwarding
Kuehne & Nagel International AG	Switzerland	<b>12.32</b>	12.34	International forwarding, contract logistics, supply chain management and special products in niche sectors
LC Ventura (Tampines) Pte Ltd	Singapore	<b>40</b>	40	Property development
Logistics Training and Consultancy Services Pte Ltd	Singapore	<b>24.65</b>	24.68	Logistics training and consultancy services
Macondray Corporation Pte Ltd	Singapore	–	24.47	Investment holding
Mansfield Travel Sdn Bhd	Malaysia	<b>18.38</b>	18.38	Provision of services relating to travel and tours
Mauá Jurong S.A.	Brazil	<b>22.24</b>	22.12	Ship building and ship repairing
Marketing & Consultancy Services International Pte Ltd	Singapore	<b>40</b>	40	Dormant
Medechain Pte Ltd	Singapore	<b>30.81</b>	30.85	Provision of online healthcare services
MR Tech (M) Sdn Bhd	Malaysia	–	18.96	Fabrication of metal structures



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

## 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 %	
Searching Offshore Pte Ltd	Singapore	<b>20.54</b>	20.56	OPL services
Searching Pte Ltd	Singapore	<b>20.54</b>	20.56	OPL Services
Sembawang Kimtrans Ltd	Singapore	<b>17.03</b>	20.45	Project logistics, project freight management, procurement services, road transport and warehousing
Sembawang KMP Corporation Pte Ltd	Singapore	<b>50</b>	50	Investment holding
Sembrown Equipment Pte Ltd	Singapore	<b>27.50</b>	27.50	Under members' voluntary liquidation
SembCorp-Translink Parami Logistics Ltd	Myanmar	<b>18.49</b>	18.51	Freight forwarding
SembSITA Pacific Pte Ltd	Singapore/ Australia	<b>40</b>	40	Provision of waste removal and disposal, environmental consultation and other related environmental services
Shanghai Ocean Aquarium Co., Ltd	People's Republic of China	<b>20</b>	20	Aquarium and related operations
Shenyang SML Distripark Ltd	People's Republic of China	<b>30.19</b>	30.23	Operation of a distripark
Shenzhen Chiwan Petroleum Supply Base Company Limited	People's Republic of China	<b>10.28</b>	10.29	Operation of an offshore supply base
Shenzhen Gangchuang Building Material Co. Ltd	People's Republic of China	<b>28</b>	28	Manufacture of ready-mixed concrete, cement and other concrete related products
Shenzhen Sembawang Huanqiu Engineering Corporation Ltd	People's Republic of China	<b>26</b>	26	Engineering design for chemical, petrochemical and civil building works (in the process of de-registration)
Shenzhen Sullair Asia Industrial Company Ltd	People's Republic of China	–	26	Manufacture of rotary screw air compressors
Sime SembCorp Engineering Sdn Bhd	Malaysia	<b>30</b>	30	Engineering, construction and fabrication

## Notes to the Financial Statements

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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 %	
Singapore Computer Systems Limited	Singapore	–	20	Supply and maintenance, systems development and integration, project implementation, facilities management, system support, servicing and sale of computer equipment and provision of consultancy and software development services
ST Architects & Engineers Pte Ltd	Singapore	<b>48.65</b>	34.80	Provision of design, consultancy and advisory services relating to any professional engineering work
ST-KN Pte Ltd	Singapore	<b>30.19</b>	30.23	Freight forwarding
ST Logitrack Pte Ltd	Singapore	<b>30.81</b>	30.85	Development and marketing of Radio Frequency Identification application in the logistics and related market
Suzhou Logistics Pte Ltd	Singapore	–	12.34	Liquidated
System-Bilt (Myanmar) Limited	Myanmar	<b>23.35</b>	22.77	Hotel owner and management
Transport Groupage International (HK) Limited	Hong Kong	<b>30.81</b>	30.85	Transportation and freight forwarding
Trans-Link Express Pte Ltd	Singapore	<b>15.84</b>	15.86	Freight forwarding
TSD Leasing Co., Ltd	Thailand	<b>30</b>	30	Leasing, hire purchase and factoring
UCM Oil-Tex Threading Ltd	Thailand	<b>18.12</b>	18.14	Oil field equipment machining and repair
Unitech Prefab Limited	India	<b>see note 43</b>	40	Manufacture and sale of ready-mixed concrete and concrete blocks
Ventura Development (Myanmar) Pte Ltd	Singapore	<b>35</b>	35	Development, construction and management of property
Ventura Development (Surabaya) Pte Ltd	Singapore	<b>50</b>	50	Investment holding

## Notes to the Financial Statements

December 31, 2002

### 44. ASSOCIATES (continued)

The details of associates held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Winners Path Pte Ltd	Singapore	<b>36.67</b>	36.67	Dormant
Wuxi High Speed Ferry Co. Ltd	People's Republic of China	<b>12.32</b>	12.34	Operating of passenger ferries
Wuxi Singapore Industrial Park Development Co., Ltd	People's Republic of China	<b>38.42</b>	see note 43	Development and operation of Wuxi Industrial Park
Wuxi-Singapore Industrial Park Logistics Co Ltd	People's Republic of China	<b>22.18</b>	35.12	Warehousing, freight forwarding, transportation and related services
Xi'an Lintong Zhongxin Tourism Development Co., Ltd	People's Republic of China	<b>20</b>	20	Theme park and related operations
Zerust Singapore Pte. Ltd. (formerly known as ST-Zerust (SEA) Pte Ltd)	Singapore	<b>18.49</b>	18.51	Preservation and packaging operations
Zhengzhou Yellow River Tourism Development Co., Ltd	People's Republic of China	<b>20</b>	20	Theme park and related operations
Zuellig Insurance Brokers Pte Ltd	Singapore	<b>30.19</b>	30.23	General and life insurance broking

Kuehne & Nagel International AG, a significant foreign associate, is audited by KPMG Fides Peat, Switzerland.

### 45. JOINT VENTURES

The details of joint ventures held by the Group are as follows:

Name	Country of incorporation and place of business	Effective percentage equity held		Principal activities
		2002 %	2001 %	
Batamindo Industrial Management Pte Ltd	Singapore	<b>30</b>	30	Dormant
Batamindo Shipping & Warehousing Pte Ltd	Singapore	<b>34.74</b>	34.76	Provision of shipping, freight forwarding, storage and warehousing services
Bintan Industrial Estate Management Pte Ltd	Singapore	<b>47.5</b>	40	Dormant

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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	<b>33</b>	33	Developer, owner and marketing agent of immovable property, club membership, and real estate and investment holding
Bintan Resort Management Pte Ltd	Singapore	<b>28</b>	28	Manager and operator of hotel, leisure, recreational resort and facility
Bohai Sembawang Shipyard (Tianjin) Co. Ltd	People's Republic of China	<b>20.20</b>	31.61	Repair and conversion of all types of marine vessels, production of quayside and container cranes and installation and repair of mechanical and electronic equipment
Golden-STIC Investment Holdings Pte Ltd	Singapore	<b>50</b>	50	Lifestyle business
InterIsland Marketing Services Pte Ltd	Singapore	<b>40</b>	40	Dormant
Jiangyin Huaixin Corrosion Control Co Ltd	People's Republic of China	<b>15.89</b>	31.61	Tank coating and corrosion resistance work for marine vessels
Katoen Natie SembCorp Pte Ltd	Singapore	<b>30.19</b>	30.23	Provision of specialised logistics services
Katoen Natie SembCorp Chemical Pte Ltd	Singapore	<b>30.19</b>	30.23	Provision of warehousing and logistics services
Katoen Natie SembCorp Jurong Pte Ltd	Singapore	<b>30.19</b>	30.23	Provision of warehousing and logistics services
Katoen Natie SembCorp (Thailand) Ltd	Thailand	<b>30.19</b>	30.23	Provision of warehousing and logistics services
* Kumagai-Sembawang Mitsui Joint Venture	Singapore	<b>45</b>	45	Design and construction of the Potong Pasir and Boon Keng MRT Stations including tunnels

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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 %	
* Kumagai-SembCorp Joint Venture	Singapore	<b>50</b>	50	Design and construction of the Changi MRT Station including tunnels
* Kumagai-SembCorp Joint Venture (DTSS)	Singapore	<b>50</b>	50	Design and construction of Paya Lebar Deep Tunnel Sewerage System
* Philip Holzmann-SembCorp Joint Venture	Singapore	<b>50</b>	50	Design and construction of Kranji Deep Tunnel Sewerage System
Phu My 3 BOT Power Company Ltd	Vietnam	<b>33.30</b>	33.33	Generation and sale of electricity
P.T. Batamindo Investment Corporation	Indonesia	<b>37.50</b>	30	Development, construction and operation of Batamindo Industrial Park
P.T. Bintan Inti Industrial Estate	Indonesia	<b>47.50</b>	47.50	Development, construction and operation of Bintan Industrial Estate
Sakra Island Carbon Dioxide Pte Ltd	Singapore	<b>30</b>	22.50	Manufacture, extraction, processing and purification of carbon dioxide and natural gas
SembCorp Air Products (HYCO) Pte Ltd	Singapore	<b>See note 43</b>	45	Manufacture, purchase, storage, process and sale of industrial chemical and specialty gases
SembCorp Gas Pte Ltd	Singapore	<b>50</b>	50	Importation and retailing of natural gas and related products
SembCorp Network Pte Ltd	Singapore	<b>30.81</b>	37.50	Provision of logistics support and services
Shenzhen Chiwan Offshore Petroleum Equipment Repair & Manufacture Company Limited	People's Republic of China	<b>35</b>	35	Engineering services
Shenzhen Chiwan Sembawang Engineering Co. Ltd	People's Republic of China	<b>32</b>	32	Engineering, construction and fabrication

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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 %	
Singapore-Bintan Resort Holdings Pte Ltd	Singapore	<b>26.25</b>	26.25	Investment holding
* Total-CDC-DNC Joint Operation	Indonesia	<b>40</b>	40	Construction of a hotel, golf course and recreation centres
* Unincorporated jointly-controlled entities.				

The Group's share of the results and balance sheets of the joint ventures are as follows:

	Group's Share	
	2002 \$'000	2001 \$'000
<b>Results of the Joint Ventures</b>		
Turnover	<b>459,084</b>	227,009
Expenses	<b>(421,634)</b>	(204,065)
Profit before taxation	<b>37,450</b>	22,944
Taxation	<b>(8,650)</b>	(3,410)
Profit after taxation	<b>28,800</b>	19,534
<b>Balance sheets of the Joint Ventures</b>		
Non-current assets	<b>400,389</b>	315,879
Current assets	<b>215,219</b>	155,424
Current liabilities	<b>(192,084)</b>	(138,338)
Non-current liabilities	<b>(106,914)</b>	(93,788)
Minority interests	<b>(15,037)</b>	(4,370)
Net assets	<b>301,573</b>	234,807

The Group's share of the capital commitments of the joint ventures is \$7.3 million (2001: \$16.1 million).