

**Tell us more about where you are taking SembCorp Industries. What is the company's strategy?**

Our Group's focus and attention will be on three areas of business – Infrastructure, Supply Chain Logistics and Marine Engineering.

The first, Infrastructure, is made up of our Utilities operations, Environmental Engineering and Engineering & Construction (E&C) businesses. They are actually facets of one business.

Along with Supply Chain Logistics and Marine Engineering, I see strong demand for our service solutions in Asia – especially in China.

These are businesses where we have developed competitive solutions and have built strong customer bases over the years. Of course, we'll have to keep moving up the value chain by developing innovative service solutions for our customers all the time.

In this way, we can make SembCorp Industries even stronger and beat our competitors. We also need to make decisions in allocating resources, our people and our money, to get the best results. And that's the role the SembCorp Corporate Centre should play as an Operating HQ.

**Can you elaborate on what being an Operating HQ entails?**

There are four roles that we have as the Operating HQ or Corporate Centre:

- First, we determine the strategic directions for all our subsidiaries. We take on a hands-on role with their management in strategic planning - mapping out the long-term issues like where the SBU is going, the sort of business mix they should have, the countries they should target and the planning processes they should have to keep their strategies and business tactics fresh and current.
- Second, we take the lead in Human Resource management across our Group. Good people are always in short supply and the Corporate Centre is involved in recruiting, motivating and retaining of the right people at senior levels across the Group. This involves succession planning, career development and resource allocation.
- Third, there is Corporate Governance which covers a lot of important things but primarily legal and financial discipline and enterprise risk management across our Group.

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– Fourth, our role is one of renewing the overall business mix of SembCorp Industries. We have selected our businesses. We also look at optimisation - how we can get the highest returns out of that particular mix. Then we look at structural issues as businesses go through their maturity cycle and we also think ahead of what new businesses we could move into in the future to capture the most value as a Group. I see an organisation chart in dynamic terms. As opportunities surface and challenges present themselves, the shape of an organisation must change.

What we are not here to do is try to run our SBUs. We have good CEOs running these companies and they must have the freedom to creatively manage their companies and it is counter-productive for us to get in the way.

**What is your strategy for Utilities? Isn't it a low return and asset heavy business?**

Utilities closed 2003 with an ROE of 24.3% and a positive EVA of S\$71 million.

This would be an impossible performance had we been a conventional utilities player like many big power or water companies.

We have a unique business model in that we are a niche player providing industrial site services to process industry clusters. This means we provide bundled services like steam, power, purified water, wastewater treatment as well as O&M services to operators in a particular location like a chemical industrial park.

Our primary focus is therefore on providing industrial site services and not on building or investing in pure power generation assets.

Our business model has been successful on Singapore's Jurong Island and at Teesside in the United Kingdom. Among our customers are multinational downstream chemical manufacturers and our goal is to be their partner in the new markets they enter into such as China which is developing some nine major chemical industrial parks. Our chief priority now is to strengthen our presence in China and be ready to offer our services to the MNCs there. I also think there will be opportunities for us in India and the Middle East as our customers start operations there.

As for the perception that this sort of business involves large capital expenditure and bulging balance sheets, we are looking at ways we can manage our asset base by

rotating out the mature assets by asset monetisation and redeploying the funds into fresh assets. In this way, we keep staying on the highest parts of an asset's yield curve and our capex outlay is reduced.

**Are you still planning to move SMOE from Utilities to SembCorp Marine?**

We've called the whole thing off. Late last year, both we and SembCorp Marine engaged independent valuers to put a price on SMOE. We did this to determine the fair value on the business unit in order to protect the respective shareholders' interests in the transaction. There was, in the end, a gap between the valuation numbers that just could not be surmounted. Therefore, we decided not to proceed.

However, we at the Corporate HQ have been helping Marine and SMOE work together even more closely on new jobs. As an Operating HQ, we are in a position to drive this and it will benefit everyone. You know that SMOE is working out of Sembawang Shipyard's yard and as part of the SembCorp family, I think we can realise a closer collaboration between the two companies and get better earnings from them.

**Let's look ahead a bit – what proportion of SembCorp Industries' PATMI do you see coming from overseas markets in five years' time?**

We aim to have all our Key Businesses in well-entrenched positions, even leading positions in China and India. The route we will take is mainly through joint ventures and M&As. Our target is to have 50% of our PATMI excluding exceptional items coming from outside Singapore. For 2003, 33% of our PATMI excluding exceptional items was from overseas.

**What about divestments? You have already unlocked nearly S\$2 billion in divestments, should the market expect more?**

Most of our major divestments are done. In fact our Key Businesses now account for 96% of total turnover.

As such, we are not a divestment play. We are a growing engineering services Group that has three strong earnings drivers and a bright future ahead in Asia.

**What do you think the regional business environment will be like in 2004? What sort of performance can shareholders look forward to from SembCorp Industries in 2004?**

I think there are many factors that we have to watch in 2004. There are elections in many countries in Asia so the political dimension needs to be watched. We should never assume that SARS will not come back or that the bird flu doesn't get out of hand. Then, there is terrorism where militants could strike anywhere.

On the other hand, I do feel optimistic about 2004 and I think we are looking at a healthy global and Asian economic environment for this year at least. Our business operations should do well with Utilities and Logistics leading the growth.

There are two things our shareholders can look forward to: first, as we grow in profitability we want to share our earnings with them in terms of dividend payouts. Second, we are building a Group with strong business fundamentals that will give them superior returns over the long haul.

**Finally, what is your management philosophy and how do you characterise your task as CEO?**

My management philosophy is to select the right people and empower them to do their jobs. I believe that what holds a team together is a common goal and team spirit. I make it a point that all members of our team know exactly what is expected of them and I set goals consultatively. Targets must be fairly stretched but must not be so lofty that people give up before even trying.

I like the idea of operational autonomy. This is what I want to give our managers at SembCorp Industries. This will enable our SBUs to be nimbler organisations bound together by the values, objectives, best practices and systems of SembCorp Industries.

As CEO, I am driven by a vision that SembCorp Industries can make its mark in Asia, especially China and India. There is so much that needs to be done. We need to learn the art of global management, we need to optimise our business units' structures and service offerings in order to earn a right to be in the driver's seat in these countries.

If I were to distill my task in one phrase, this is how I'll put it: my job is to gather a team that is passionate about what SembCorp Industries stands for and what we, together, can do to create wealth for our shareholders.