

We are the largest engineering and construction company in Southeast Asia, with core capabilities in process engineering and design, civil engineering and building construction. We are also a leading process contractor for the world's chemical, nuclear, plastic, fertiliser, food and pharmaceutical industries.

Operations Review

As we continued to focus on the profitable execution of our projects through good risk management and cost control, SembCorp Engineers and Constructors' (SembE&C) PATMI in 2003 improved over the previous year. SembE&C contributed a small net profit of S\$0.6 million to the Group compared to the S\$127.0 million loss incurred in 2002. Turnover reduced from S\$888.3 million in 2002 to S\$817.8 million in 2003 in line with our strategy to selectively target projects in particular sectors.

In 2003, our efforts were focused on turning the company around and laying the foundation for profitability and business improvement in 2004 and beyond. We restructured and downsized our operations and strengthened our risk management systems focusing on both project and business risk.

Capitalising on our front-end capabilities, we shifted our business focus from civil to process engineering and design. With an emphasis on emerging markets such as China and India as well as the Middle East, we target front-end process engineering, design, procurement and construction of process plants, design and build of high-end buildings as well as selected petrochemical polymers and gas sectors. Process engineering projects now comprise 60% of our orderbook compared to 55% the year before. In Singapore, we will continue to specialise in rail infrastructure and environmental projects.

In March 2003, SembE&C was awarded a S\$13.4 million contract by Carsem-Suzhou to build a world-class assembly and test facility in Suzhou, China. Completed in December 2003, SembE&C designed and built the assembly and test facility, which provides packaging and test services for Carsem's

semiconductor customers in China.

We also continued to enhance and build upon our existing client relationships. In May 2003, SembE&C was awarded a S\$125 million contract by Singapore's Public Utilities Board (PUB) to construct a solids building to house sludge processing equipment at the Changi Water Reclamation Plant. To date, PUB has awarded SembE&C a total of four contracts amounting to S\$627 million to develop various facilities for the Changi Water Reclamation Plant and to manage the engineering, procurement and construction aspects of process engineering works for the major sections of the water reclamation plant. These contracts exemplify the long-term relationships that have been built up between SembE&C and our repeat clients.





Outlook

Shrinking 30% in 2003, the construction industry in Singapore will continue to see competitive pressure in 2004. Despite continued weakness in the local construction sector, we believe that there are opportunities abroad in the selected sectors that we are focused on, and will continue to intensify our marketing efforts in these areas.

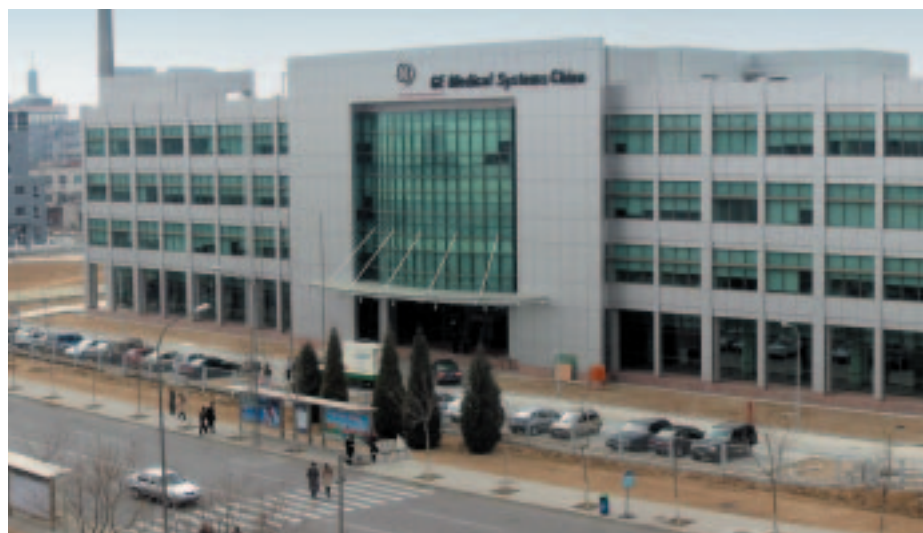
Through comprehensive risk management and cost control, we will also continue to ensure the profitable execution of existing projects in our S\$1.4 billion orderbook.

Key Facts

- Southeast Asia's largest engineering and construction company
- Experience across 35 countries with operations in China, India, Mexico, Middle East, Southeast Asia and United Kingdom
- More than 1,300 employees worldwide
- Track record in process engineering

Competitive Edge

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



Orderbook

As at end December 2003, SembE&C's orderbook stood at S\$1.4 billion. Our major projects are:

Project	Original Contract Value (S\$m)	Client	Scope of Work	Date of Completion
Kallang/Paya Lebar Expressway (C421)	235	Land Transport Authority	Construction of a 1.5 km tunnel connecting to one flyover expressway and ancillary works	November 2005
Kallang/Paya Lebar Expressway (C422)	257	Land Transport Authority	Construction of a 1.6 km tunnel connecting to two flyover expressways and ancillary works	November 2005
Changi Water Reclamation Plant Contract C4C	160	Public Utilities Board	Construction of a sludge digester facility for the Changi Water Reclamation Plant	September 2007
Changi Water Reclamation Plant Contract C4B	125	Public Utilities Board	Solids building, civil and mechanical and engineering works	December 2007
Changi Water Reclamation Plant Contract EP3	141	Public Utilities Board	Construction of a sludge drying system for the Changi Water Reclamation Plant	January 2008

Overseas

Project	Original Contract Value (S\$m)	Client	Scope of Work	Date of Completion
Nanjing-LDPE-E&P	175	C.T.C.I	Construction of a low density polyethylene plant in Nanjing, China	February 2005
Betara Complex Development in Sumatra, Indonesia	187	PetroChina Jabung International	Engineering, procurement and construction of the Betara Complex Development	April 2005



SembCorp Engineers and Constructors Delivers World-Class Semiconductor Facility

SembE&C was awarded the S\$13.4 million Carsem design and build contract for the construction of a 16,000 square metres world-class semi-conductor assembly and test facility in March 2003. Completed in December 2003, the facility, which is located on some 40,000 square metres of land in Suzhou Industrial Park, will offer a variety of turnkey packaging and test services focused on the China market.

There were many obstacles to overcome in this particular project. The outbreak of the severe acute respiratory syndrome (SARS) led the authorities in Suzhou to impose strict restrictions on the movement of construction workers. To ensure that the project could proceed smoothly, we introduced measures including the setting up of a control and monitoring station, issued identification passes and took body temperatures twice a day for all personnel entering and leaving the site. In addition, staff and workers transferred from other provinces had to be quarantined for two weeks in a medical centre before starting work at the project site. The exceptionally hot summer in Suzhou also affected the productivity of the workforce. To prevent heat stroke, drinking water and Chinese herbal medicine were provided on site.

“The SembCorp team has demonstrated commendable professionalism and commitment in their job... Through their pro-active approach to planning and positive issue resolution, SembCorp Engineers and Constructors has been able to overcome many difficulties and challenging issues...The results are simply over and above expectations.”

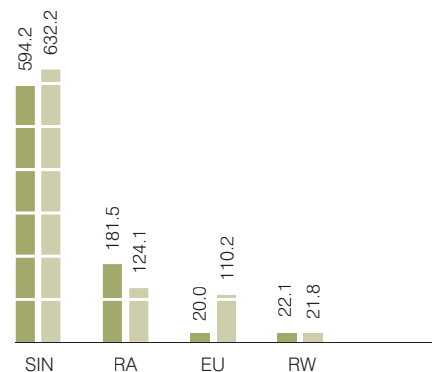
Ian Ee, General Manager, Carsem Semiconductor (Suzhou) Company

(Above) Carsem semiconductor assembly and test facility in Suzhou Industrial Park.

	2003	2002
	S\$m	S\$m
Revenue	817.8	888.3
PATMI	0.6	(127.0)

Note: Figures are taken at SembCorp Engineers & Constructors' Group Level

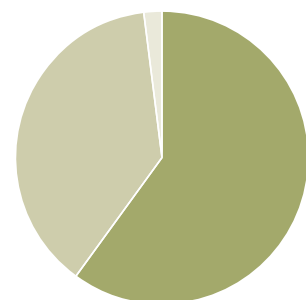
Turnover by Territory (S\$m)



SIN Singapore
 RA Rest of Asia
 EU Europe
 RW Rest of the World

Note: Figures are taken at SembCorp Engineers and Constructors' Group Level

Orderbook by Business



Process & Plant Engineering 60%
 Civil Engineering 38%
 Building Projects 2%

Note: Figures are taken at SembCorp Engineers and Constructors' Group Level