

In the four years since our inception, SembCorp Environmental Management (SembEnviro) has grown to be Southeast Asia's largest Asian environmental management services company. We offer a complete and integrated suite of solutions for waste treatment and environmental project management, catering to the municipal, industrial, commercial and healthcare sectors.

## Operations Review

Our Environmental Engineering business performed well in 2003. Turnover increased 41% to S\$192.2 million while our Profit After Tax and Minority Interests (PATMI) improved 36% to S\$12.5 million. This improvement was driven by the performance of our total integrated services contracts and by enhanced earnings from our acquisitions of Tay Paper Resources and Cleantech Services during the year.

In March 2003, we took a 60% stake in Tay Paper Resources, a local paper recycling company, with the aim of regionalising its paper recycling operations. SembEnviro Tay Paper (formerly Tay Paper) commands over 30% of the waste paper recycling market in Singapore and offers a complete range of recycling services from collection, sorting and baling to trading. To add a comprehensive cleansing business to our environmental services portfolio, we also acquired Cleantech Services, a wholly-owned subsidiary of the Housing Development Board, in April 2003 for S\$8.1 million. Successfully re-engineering the operations of SembWaste Cleantech, the company

secured new cleaning contracts valued at S\$60 million during the year. SembWaste Cleantech is a market leader in the provision of conservancy services in housing estates managed by town councils.

Throughout 2003, the Environmental Engineering business continued to achieve key milestones as it enhanced its capacity to offer a fully integrated range of environmental services.

In February 2003, SembEnviro entered into a 30/70 joint venture with Consolidated Plantations, a wholly-owned subsidiary of Sime Darby, to design, build, own and operate a biomass waste-to-energy plant in Tennamaram, Malaysia. The 500-tonnes per day plant, which will convert agricultural waste from palm fruits into energy for internal consumption, as well as for sale to the national grid, is expected to be completed in the third quarter of 2004.

We also acquired a 60% stake in the waste collection business of Shanghai Sincere Environmental Services Company, a leading waste management and environmental

services company in Shanghai, China. This acquisition makes us the first foreign waste collection company to enter Shanghai. The new joint venture – Shanghai SembEnviro Reliance Company – fast-tracks SembEnviro's entry into the Chinese economy and gives us an immediate foothold in the growing Shanghai waste management market.

In September 2003, we opened Southeast Asia's first integrated construction and demolition waste materials recovery facility in Sarimbun Recycling Park in Singapore. A 75/25 joint venture between SembEnviro and the Alex Fraser group of Australia, the SembEnviro Alex Fraser facility is Singapore's first trommel-based recovery facility. By recovering specific construction aggregates such as sand, the facility will play a pivotal role in reducing non-incinerable waste going to landfill, and in reducing Singapore's dependence on virgin materials.





During the year, we also continued to develop and introduce innovative technological systems to the market; for example through our strategic alliances with technology companies such as ShinMaywa (Asia) and Novozymes Biologicals (Novozymes). The partnership comprising wholly-owned subsidiary SembWaste and ShinMaywa (Asia) secured a S\$2.2 million contract to install its proprietary mobile pneumatic waste collection systems in three new property projects by City Developments. The mobile pneumatic waste conveyance system is marketed by the SembWaste-ShinMaywa partnership under

the trade name Singmatic System. In addition, we also embarked on a strategic alliance with Novozymes for joint research in biological treatment services. Employing alternative applications of microbial biotechnology for the treatment of waste and wastewater, SembEnviro and Novozymes will engage in extensive research and development to create unique solutions to treat waste by biological means such as using enzymes and micro-organisms.

## Key Facts

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- Market presence in Australia, China, Malaysia and Singapore
- Largest Asian environmental management services company in Southeast Asia
- First foreign waste collection company operating in Shanghai, China
- Serving 55% of Singapore's municipal waste market
- Commanding a 20% share of Singapore's industrial and commercial waste sectors
- Singapore's leading medical waste service provider
- Operates Asia's first automated materials recovery facility and Southeast Asia's first integrated construction and demolition waste materials recovery facility

## Competitive Edge

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- Our Asian market knowledge and solid track record
- Our reach – we have a presence in all significant market segments in Singapore
- Our comprehensive ability to offer integrated services in the municipal, industrial, commercial and healthcare sectors
- Our approach to innovation – we quickly adopt and adapt advanced technologies and breakthrough concepts such as pneumatic waste conveyancing and automated materials recovery for recycling in a continuous search for innovative solutions



In 2003, we continued to maintain our position as Singapore's top waste management solutions provider, retaining a 55% market share in the municipal sector, a 20% share in the industrial and commercial sector, and having a major share in the medical sector. Our Australian associate company, SITA Environmental Solutions, also remained the country's second largest environmental management company.

### Outlook

We expect our Environmental Engineering business to achieve double-digit PATMI growth in 2004. This growth will be underpinned by its healthy orderbook which stood at S\$348 million at the end of December 2003.

With the increasing opportunities provided by the privatisation of environmental state-owned enterprises and the robust growth of demand for environmental services in the region, we will continue to focus our efforts on providing total integrated environmental services in China and India.

In Singapore, the improved outlook of the economy augurs well for SembEnviro's business, especially in the industrial and commercial sector. We will also continue to leverage the government's drive towards zero landfill and increased recycling participation rates to build up our recycling business.

### The SembEnviro Brands

<b>SembWaste Municipal</b>	Municipal waste collection and post-collection
<b>SembWaste Industrial</b>	Industrial and commercial waste collection
<b>SembWaste Medical</b>	Medical waste collection
<b>SembWaste Cleantech</b>	Conservancy cleaning, commercial cleaning, horticultural maintenance and carpark operation and management
<b>SembWaste Consultancy &amp; Technology</b>	Provision of environmental engineering technology
<b>SembVISY Recycling</b>	Recycling collection for both municipal and industrial sectors
<b>SembVISY Recycling MRF</b>	Materials recovery from municipal and industrial sectors
<b>SembEnviro Conversion Technologies</b>	Recovery of energy from waste including biomass, incineration and industrial biologics
<b>SembEnviro Alex Fraser</b>	Construction and demolition waste materials recovery
<b>SembEnviro Tay Paper</b>	Paper recycling
<b>SembBiologics</b>	Biological treatment
<b>Shanghai SembEnviro Reliance</b>	Industrial and commercial waste collection. Provision of mobile toilet services



## Serving the Grand Hyatt

Dedication, professionalism and great service go a long way towards keeping valued customers. Our long time customer Grand Hyatt Singapore is such an example, with whom we have a mutually respected long-term relationship. Grand Hyatt Singapore has used SembWaste's waste disposal services since 2000, thanks to our competitive pricing and dedicated staff.

"SembWaste will always go the extra mile in ensuring that their clients get what they deserve and are fully satisfied with what has been delivered to them... They always strive to provide the best service and improve on and modernise their equipment. They also provide recycling programmes, which is exactly what we want from our service provider."

Rahmad Majaen, Manager, Stewarding Department, Grand Hyatt Singapore

(Above) At SembEnviro, our employees have created many satisfied clients at SembEnviro such as Grand Hyatt Singapore.

	2003	2002
	S\$m	S\$m
Revenue	192.2	136.5
PATMI	12.5	9.2

Note: Figures are taken at SembCorp Environmental Management's Group Level