

Directors' Report

Year ended December 31, 2005

We are pleased to submit this Annual Report to the members of the Company, together with the audited financial statements for the financial year ended December 31, 2005.

Directors

The directors in office at the date of this report are as follows:

Peter Seah Lim Huat

Tang Kin Fei (Appointed on May 1, 2005)

K Shanmugam

Goh Geok Ling

Richard Hale, OBE

Yong Ying-I

Dr Vichit Suraphongchai

Colin Au Fook Yew

Evert Henkes

Lee Suet Fern (Appointed on July 1, 2005)

Principal Activities

The principal activities of the Company are those of an investment holding company, as well as the corporate headquarters, which gives strategic direction and provides management services to its subsidiaries. The principal activities of key subsidiaries are as follows:

i. Utilities

Its principal activities are in power, gas, centralised utilities and specialised chemical feedstock industries. It is the provider of industrial site services to clusters of chemical multinational corporations on Jurong Island in Singapore and Wilton International in the United Kingdom. It also invests in, manages and operates cogeneration plants in Singapore and in the region. It is also involved in engineering, construction and fabrication of offshore platforms, modules and floating production systems for oil and gas companies worldwide.

ii. Marine Engineering

This business focuses principally on repair, building and conversion of ships, rig construction and offshore engineering.

iii. Logistics

Its principal activities are in supply chain management and offshore logistics. It provides one-stop integrated logistics management services including automated warehouse and inventory management. The business operates offshore supply bases in Singapore, China, Indonesia, Thailand, Iran and Azerbaijan.

iv. Environmental Engineering

The business provides integrated waste management services in the Asia Pacific region. Its activities include a complete and integrated suite of solutions for waste treatment and environmental project management, catering to the municipal, industrial, commercial and healthcare sectors.

v. Engineering and Construction

It is an engineering and construction service provider with principal activities ranging from turnkey construction, design consultancy, infrastructure development and project management. It is also involved in petrochemical, chemical and industrial process engineering and manufacturing of precast components.

There have been no significant changes in the principal activities of the Company and the Group during the financial year.

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Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

		Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest		
		Exercise period	At beginning of the year/date of appointment	At end of the year	At beginning of the year/date of appointment	At end of the year
Name of director and corporation in which interests held	Description of interests					
Peter Seah Lim Huat						
SembCorp Industries Ltd	Ordinary shares of \$0.25 each	-	-	140,000	-	-
	Options to subscribe for ordinary shares of \$0.25 each at					
	- \$1.94 per share	27/6/2001 to 26/6/2005	140,000	-	-	-
	- \$1.50 per share	20/4/2002 to 19/4/2006	140,000	140,000	-	-
	- \$1.54 per share	8/5/2003 to 7/5/2007	70,000	70,000	-	-
	- \$0.93 per share	18/10/2003 to 17/10/2007	70,000	70,000	-	-
	- \$1.09 per share	3/6/2004 to 2/6/2008	70,000	70,000	-	-
	- \$1.24 per share	19/11/2004 to 18/11/2008	70,000	70,000	-	-
	- \$1.30 per share	18/5/2005 to 17/5/2009	70,000	70,000	-	-
	- \$1.47 per share	23/11/2005 to 22/11/2009	70,000	70,000	-	-
	- \$2.68 per share	2/7/2006 to 1/7/2010	-	70,000	-	-
	- \$2.67 per share	22/11/2006 to 21/11/2010	-	70,000	-	-

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Directors' Interests (continued)

		Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year/date of appointment	At end of the year	At beginning of the year/date of appointment	At end of the year	
Name of director and corporation in which interests held	Description of interests	Exercise period				
Peter Seah Lim Huat (continued)						
Chartered Semiconductor Manufacturing Ltd	Options to subscribe for ordinary shares of \$0.26 each at - \$3.46 per share	22/2/2003 to 22/2/2007	23,443	23,443	-	-
	- \$1.86 per share	30/8/2003 to 30/8/2007	46,887	46,887	-	-
	- \$0.72 per share	28/2/2004 to 28/2/2008	40,000	40,000	-	-
	- \$1.10 per share	29/8/2004 to 29/8/2008	45,000	45,000	-	-
	- \$1.70 per share	27/2/2005 to 27/2/2009	85,000	85,000	-	-
	- \$1.16 per share	26/8/2006 to 26/8/2010	-	85,000	-	-
Global Crossing Limited	Restricted common stock units of US\$0.01 each	-	7,500	7,500	-	-
	Options to subscribe for common shares of US\$0.01 each at - US\$10.16 per share	12/1/2005 to 12/1/2014	40,000	40,000	-	-
PT Indosat	Options to subscribe for ordinary shares of Rp100 each at - Rp1567.44 per share	1/8/2004 to 31/7/2005	150,000	-	-	-
	- Rp3702.60 per share	1/8/2005 to 31/7/2006	150,000	150,000	-	-
Singapore Telecommunications Ltd	Ordinary shares of \$0.15 each	-	3,176	3,176	-	-

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Directors' Interests *(continued)*

		Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year/date of appointment	At end of the year	At beginning of the year/date of appointment	At end of the year	
Name of director and corporation in which interests held	Description of interests	Exercise period				
Peter Seah Lim Huat <i>(continued)</i>						
Singapore Technologies Engineering Ltd	Options to subscribe for ordinary shares of \$0.10 each at - \$1.92 per share	13/8/2003 to 12/8/2007	89,000	89,000	-	-
	- \$1.79 per share	7/2/2004 to 6/2/2008	44,500	44,500	-	-
	- \$1.86 per share	12/8/2004 to 11/8/2008	40,500	40,500	-	-
	- \$2.09 per share	10/2/2005 to 9/2/2009	44,500	44,500	-	-
	- \$2.12 per share	11/8/2005 to 10/8/2009	44,500	44,500	-	-
	- \$2.37 per share	8/2/2006 to 7/2/2010	-	44,500	-	-
	- \$2.57 per share	11/8/2006 to 10/8/2010	-	44,500	-	-
StarHub Ltd	Ordinary shares of \$0.40 each	-	60,000	60,000	-	-
	Options to subscribe for ordinary shares of \$0.40 each at - \$0.88 per share	30/11/2003 to 29/11/2007	37,500	37,500	-	-
	- \$0.88 per share	31/5/2004 to 30/5/2008	18,750	18,750	-	-
	- \$0.88 per share	29/11/2004 to 28/11/2008	18,750	18,750	-	-
	- \$0.96 per share	3/4/2005 to 2/4/2009	18,750	18,750	-	-

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Directors' Interests (continued)

		Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which the director is deemed to have an interest	
		Exercise	At beginning of the year/date of appointment	At end of the year	At beginning of the year/date of appointment	At end of the year
Name of director and corporation in which interests held	Description of interests	period				
Peter Seah Lim Huat (continued)						
StarHub Ltd	Options to subscribe for ordinary shares of \$0.40 each at - \$0.985 per share	27/11/2005 to 26/11/2009	18,750	18,750	-	-
	- \$1.52 per share	31/5/2006 to 30/5/2010	-	25,500	-	-
STT Communications Ltd	Options to subscribe for ordinary shares of \$0.50 each at - \$0.50 per share	29/6/2003 to 28/6/2012	8,000	2,000	-	-
	- \$0.57 per share	30/7/2004 to 29/7/2013	39,000	19,500	-	-
	- \$1.08 per share	29/7/2005 to 28/7/2014	130,000	130,000	-	-
Telechoice International Limited	Ordinary shares of \$0.02 each	-	50,000	50,000	-	-
Tang Kin Fei						
SembCorp Industries Ltd	Ordinary shares of \$0.25 each	-	732,293	688,355	-	-
	Options to subscribe for ordinary shares of \$0.25 each at - \$2.21 per share	20/5/2001 to 19/5/2009	150,000	150,000	-	-
	- \$1.94 per share	27/6/2001 to 26/6/2010	260,000	260,000	-	-
	- \$1.50 per share	20/4/2002 to 19/4/2011	300,000	75,000	-	-
	- \$1.54 per share	8/5/2003 to 7/5/2012	175,000	87,500	-	-
	- \$0.93 per share	18/10/2003 to 17/10/2012	87,500	87,500	-	-

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Directors' Interests (continued)

		Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest	
		At beginning of the year/date of appointment	At end of the year	At beginning of the year/date of appointment	At end of the year
Name of director and corporation in which interests held	Description of interests	Exercise period			
Tang Kin Fei (continued)					
SembCorp Industries Ltd	Options to subscribe for ordinary shares of \$0.25 each at				
	- \$1.09 per share	3/6/2004 to 2/6/2013	150,000	150,000	-
	- \$1.24 per share	19/11/2004 to 18/11/2013	200,000	150,000	-
	- \$1.30 per share	18/5/2005 to 17/5/2014	200,000	200,000	-
	- \$1.47 per share	23/11/2005 to 22/11/2014	200,000	200,000	-
	- \$2.68 per share	2/7/2006 to 1/7/2015	-	300,000	-
	- \$2.67 per share	22/11/2006 to 21/11/2015	-	300,000	-
	Conditional award of:				
	- 100,000 performance shares to be delivered after 2005 (Note 1a)	-	Up to 200,000	Up to 200,000	-
	- 200,000 performance shares to be delivered after 2006 (Note 1b)	-	Up to 400,000	Up to 400,000	-
	- 400,000 performance shares to be delivered after 2007 (Note 2)	-	-	Up to 600,000	-

Note 1: The actual number delivered will depend on the achievement of set targets over a 3-year period as indicated below. Achievement of targets below 80% level will mean no performance shares will be delivered, while achievement up to 200% will mean up to 2 times the number of conditional performance shares awarded could be delivered.

- a. Period from 2003 to 2005
- b. Period from 2004 to 2006

Note 2: The actual number delivered will depend on the achievement of set targets over a 3-year period from 2005 to 2007, threshold ranging from 0% to 150% of the original award.

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Directors' Interests (continued)

		Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year/date of appointment	At end of the year	At beginning of the year/date of appointment	At end of the year	
Name of director and corporation in which interests held	Description of interests	Exercise period				
Tang Kin Fei (continued)						
SembCorp Logistics Ltd	Options to subscribe for ordinary shares of \$0.25 each at - \$1.71 per share	17/5/2006 to 16/5/2010	-	50,000	-	-
SembCorp Marine Ltd	Options to subscribe for ordinary shares of \$0.10 each at - \$2.96 per share	12/8/2006 to 11/8/2010	-	20,000	-	-
Singapore Food Industries Limited	Ordinary shares of \$0.05 each	-	18,000	18,000	-	-
Singapore Telecommunications Ltd	Ordinary shares of \$0.15 each	-	3,370	3,370	-	-
Lua Cheng Eng®						
SembCorp Industries Ltd	Ordinary shares of \$0.25 each	-	-	70,000	-	-
	Options to subscribe for ordinary shares of \$0.25 each - \$1.94 per share	27/6/2001 to 26/6/2005	70,000	-	-	-
	- \$1.50 per share	20/4/2002 to 19/4/2006	140,000	140,000	-	-
	- \$1.54 per share	8/5/2003 to 7/5/2007	70,000	70,000	-	-
	- \$0.93 per share	18/10/2003 to 17/10/2007	70,000	70,000	-	-
	- \$1.09 per share	3/6/2004 to 2/6/2008	70,000	70,000	-	-
	- \$1.24 per share	19/11/2004 to 18/11/2008	70,000	70,000	-	-
	- \$1.30 per share	18/5/2005 to 17/5/2009	70,000	70,000	-	-

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Directors' Interests (continued)

		Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest	
		At beginning of the year/date of appointment	At end of the year	At beginning of the year/date of appointment	At end of the year
Name of director and corporation in which interests held	Description of interests	Exercise period			
Lua Cheng Eng[®] (continued)					
SembCorp Industries Ltd	Options to subscribe for ordinary shares of \$0.25 each				
	- \$1.47 per share	23/11/2005 to 22/11/2009	70,000	70,000	-
	- \$2.68 per share	2/7/2006 to 1/7/2010	-	70,000	-
	- \$2.67 per share	22/11/2006 to 21/11/2010	-	70,000	-
SembCorp Marine Ltd	Options to subscribe for ordinary shares of \$0.10 each at				
	- \$0.66 per share	28/9/2002 to 27/9/2006	32,500	32,500	-
	- \$0.90 per share	8/11/2003 to 7/11/2007	130,000	65,000	-
	- \$0.99 per share	9/8/2004 to 8/8/2008	130,000	130,000	-
	- \$1.04 per share	11/8/2005 to 10/8/2009	130,000	130,000	-
	- \$2.96 per share	12/8/2006 to 11/8/2010	-	140,000	-
Neptune Orient Lines Limited	Ordinary shares of \$1.00 each	-	100,000	100,000	-

@ Mr Lua Cheng Eng has vacated his office of Director on the Company's Board with effect from February 14, 2006. The outstanding options became immediately vested and exercisable within 18 months from that date.

K Shanmugam

SembCorp Industries Ltd	Ordinary shares of \$0.25 each	-	-	70,000	-
	Options to subscribe for ordinary shares of \$0.25 each at				
	- \$1.94 per share	27/6/2001 to 26/6/2005	70,000	-	-

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Directors' Interests (continued)

		Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year/date of appointment	At end of the year	At beginning of the year/date of appointment	At end of the year	
Name of director and corporation in which interests held	Description of interests	Exercise period				
K Shanmugam (continued)						
SembCorp Industries Ltd	Options to subscribe for ordinary shares of \$0.25 each at - \$1.50 per share	20/4/2002 to 19/4/2006	70,000	70,000	-	-
	- \$1.54 per share	8/5/2003 to 7/5/2007	35,000	35,000	-	-
	- \$0.93 per share	18/10/2003 to 17/10/2007	35,000	35,000	-	-
	- \$1.09 per share	3/6/2004 to 2/6/2008	35,000	35,000	-	-
	- \$1.24 per share	19/11/2004 to 18/11/2008	35,000	35,000	-	-
	- \$1.30 per share	18/5/2005 to 17/5/2009	35,000	35,000	-	-
	- \$1.47 per share	23/11/2005 to 22/11/2009	35,000	35,000	-	-
	- \$2.68 per share	2/7/2006 to 1/7/2010	-	35,000	-	-
	- \$2.67 per share	22/11/2006 to 21/11/2010	-	35,000	-	-
Singapore Telecommunications Ltd	Ordinary shares of \$0.15 each	-	3,120	3,120	-	-
Vertex Technology Fund (II) Ltd	Ordinary shares of US\$1.00 each	-	10	10	-	-
	Redeemable preference shares of US\$0.01 each	-	10	10	-	-
Goh Geok Ling						
SembCorp Industries Ltd	Ordinary shares of \$0.25 each	-	215,000	232,100	-	47,000

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Directors' Interests (continued)

		Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which the director is deemed to have an interest	
		Exercise	At beginning of the year/date of appointment	At end of the year	At beginning of the year/date of appointment	At end of the year
Name of director and corporation in which interests held	Description of interests	period				
Goh Geok Ling (continued)						
SembCorp Industries Ltd	Options to subscribe for ordinary shares of \$0.25 each at - \$1.94 per share	27/6/2001 to 26/6/2005	30,000	-	-	-
	- \$1.50 per share	20/4/2002 to 19/4/2006	50,000	50,000	-	-
	- \$1.54 per share	8/5/2003 to 7/5/2007	25,000	25,000	-	-
	- \$0.93 per share	18/10/2003 to 17/10/2007	12,500	12,500	-	-
	- \$1.09 per share	3/6/2004 to 2/6/2008	18,750	18,750	-	-
	- \$1.24 per share	19/11/2004 to 18/11/2008	18,750	18,750	-	-
	- \$1.30 per share	18/5/2005 to 17/5/2009	25,000	25,000	-	-
	- \$1.47 per share	23/11/2005 to 22/11/2009	25,000	25,000	-	-
	- \$2.68 per share	2/7/2006 to 1/7/2010	-	35,000	-	-
	- \$2.67 per share	22/11/2006 to 21/11/2010	-	35,000	-	-
Chartered Semiconductor Manufacturing Ltd	American depository shares	-	2,500	2,500	-	-
Neptune Orient Lines Limited	Ordinary shares of \$1.00 each	-	83,494	83,494	-	-
PT Bank Danamon Indonesia	Ordinary shares of Rp500 each	-	40,000	40,000	-	-

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Directors' Interests (continued)

		Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year/date of appointment	At end of the year	At beginning of the year/date of appointment	At end of the year	
Name of director and corporation in which interests held	Description of interests	Exercise period				
Goh Geok Ling (continued)						
Singapore Airport Terminal Services Ltd	Ordinary shares of \$0.10 each	-	10,000	10,000	-	-
Singapore Food Industries Limited	Ordinary shares of \$0.05 each	-	-	-	100,000	100,000
Singapore Technologies Engineering Ltd	Ordinary shares of \$0.10 each	-	55,000	55,000	-	-
Singapore Telecommunications Ltd	Ordinary shares of \$0.15 each	-	30,910	30,910	-	-
Richard Hale, OBE						
SembCorp Industries Ltd	Ordinary shares of \$0.25 each	-	-	58,750	-	-
	Options to subscribe for ordinary shares of \$0.25 each at					
	- \$1.50 per share	20/4/2002 to 19/4/2006	70,000	60,000	-	-
	- \$1.54 per share	8/5/2003 to 7/5/2007	35,000	17,500	-	-
	- \$0.93 per share	18/10/2003 to 17/10/2007	35,000	17,500	-	-
	- \$1.09 per share	3/6/2004 to 2/6/2008	35,000	26,250	-	-
	- \$1.24 per share	19/11/2004 to 18/11/2008	35,000	26,250	-	-
	- \$1.30 per share	18/5/2005 to 17/5/2009	35,000	35,000	-	-
	- \$1.47 per share	23/11/2005 to 22/11/2009	35,000	35,000	-	-
	- \$2.68 per share	2/7/2006 to 1/7/2010	-	35,000	-	-
	- \$2.67 per share	22/11/2006 to 21/11/2010	-	35,000	-	-

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Directors' Interests (continued)

		Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year/date of appointment	At end of the year	At beginning of the year/date of appointment	At end of the year	
Name of director and corporation in which interests held	Description of interests	Exercise period				
Richard Hale, OBE (continued)						
SembCorp Logistics Ltd	Options to subscribe for ordinary shares of \$0.25 each at - \$1.71 per share	17/5/2006 to 16/5/2010	-	80,000	-	-
Singapore Airlines Ltd	Ordinary shares of \$0.50 each	-	1,000	1,000	-	-
SNP Corporation Ltd	Ordinary shares of \$0.50 each	-	233,000	233,000	-	-
Yong Ying-I						
SembCorp Industries Ltd	Ordinary shares of \$0.25 each	-	-	100,000	-	-
Singapore Airlines Ltd	Ordinary shares of \$0.50 each	-	150,000	150,000	-	-
Singapore Telecommunications Ltd	Ordinary shares of \$0.15 each	-	600,000	600,000	-	-
Dr Vichit Suraphongchai						
SembCorp Industries Ltd	Options to subscribe for ordinary shares of \$0.25 each at - \$1.24 per share	19/11/2004 to 18/11/2008	17,500	17,500	-	-
	- \$1.30 per share	18/5/2005 to 17/5/2009	17,500	17,500	-	-
	- \$1.47 per share	23/11/2005 to 22/11/2009	17,500	17,500	-	-
	- \$2.68 per share	2/7/2006 to 1/7/2010	-	20,000	-	-
	- \$2.67 per share	22/11/2006 to 21/11/2010	-	20,000	-	-

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Directors' Interests (continued)

		Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year/date of appointment	At end of the year	At beginning of the year/date of appointment	At end of the year	
Name of director and corporation in which interests held	Description of interests	Exercise period				
Colin Au Fook Yew						
SembCorp Industries Ltd	Options to subscribe for ordinary shares of \$0.25 each at - \$1.30 per share	18/5/2005 to 17/5/2009	13,500	13,500	-	-
	- \$1.47 per share	23/11/2005 to 22/11/2009	13,500	13,500	-	-
	- \$2.68 per share	2/7/2006 to 1/7/2010	-	17,500	-	-
	- \$2.67 per share	22/11/2006 to 21/11/2010	-	17,500	-	-
Evert Henkes						
SembCorp Industries Ltd	Options to subscribe for ordinary shares of \$0.25 each at - \$1.30 per share	18/5/2005 to 17/5/2009	12,000	12,000	-	-
	- \$1.47 per share	23/11/2005 to 22/11/2009	12,000	12,000	-	-
	- \$2.68 per share	2/7/2006 to 1/7/2010	-	17,500	-	-
	- \$2.67 per share	22/11/2006 to 21/11/2010	-	17,500	-	-
Lee Suet Fern						
SembCorp Industries Ltd	Options to subscribe for ordinary shares of \$0.25 each at - \$2.67 per share	22/11/2006 to 21/11/2010	-	35,000	-	-
SembCorp Logistics Ltd	Ordinary shares of \$0.25 each	-	70,560	560	-	-

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Directors' Interests (continued)

		Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which the director is deemed to have an interest	
Name of director and corporation in which interests held		Exercise period	At beginning of the year/date of appointment	At end of the year	At beginning of the year/date of appointment	At end of the year
Lee Suet Fern (continued)						
SembCorp Logistics Ltd	Options to subscribe for ordinary shares of \$0.25 each at - \$1.02 per share	23/4/2005 to 22/7/2006	126,000	126,000	-	-
	- \$0.42 per share	23/4/2005 to 22/7/2006	126,000	126,000	-	-
	- \$0.98 per share	23/4/2005 to 22/7/2006	126,000	126,000	-	-
Singapore						
Telecommunications Ltd	Ordinary shares of \$0.15 each	-	700,280	4,051,430	-	-
	Options to subscribe for ordinary shares of \$0.15 each					
	- \$3.03 per share	10/11/2000 to 9/11/2009	500,000	500,000	-	-
	- \$2.26 per share	10/6/2001 to 9/6/2010	1,500,000	1,500,000	-	-
	- \$1.69 per share	30/5/2001 to 30/5/2011	1,900,000	-	-	-
	- \$1.36 per share	3/7/2002 to 3/7/2012	2,150,000	-	-	-
Executive Performance Share Plan:						
	- award of performance shares granted in 2003 (Note A, (1))	-	Up to 1,405,424	Up to 1,405,424	-	-
	- award of performance shares granted in 2004 (Note A, (2))	-	Up to 1,500,000	Up to 1,500,000	-	-

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Directors' Interests (continued)

		Shareholdings registered in the name of director, spouse or infant children		Other shareholdings in which the director is deemed to have an interest		
Name of director and corporation in which interests held		Exercise period	At beginning of the year/date of appointment	At end of the year	At beginning of the year/date of appointment	At end of the year
Lee Suet Fern (continued)						
Singapore						
Telecommunications Ltd	Executive Performance Share Plan:					
	- award of performance shares granted in 2005 (Note A, (3))	-	Up to 1,643,701	Up to 1,643,701	-	-
Dexia Trust Services Singapore Limited	Ordinary shares of \$0.15 each (Note B)	-	9,964,475	13,747,302	-	-

Note A:

The actual number delivered will depend on the achievement of set targets as determined by the Compensation Committee of Singapore Telecommunications Ltd at the end of the respective performance period from (1) April 1, 2003 to March 31, 2006, (2) April 1, 2004 to March 31, 2007 and (3) April 1, 2005 to March 31, 2008.

The vesting is conditional on performance targets set based on medium-term corporate objectives such as Return on Invested Capital and relative total shareholders' return vis-à-vis the MSCI Asia-Pacific Telecom Index. At the end of the performance period, the final number of Performance Shares Options awarded will depend on the level of achievement of those targets. If the minimum level of targets is not met, no Performance Shares Options will vest. If the targets are exceeded by more than 100%, the maximum of 100% of Performance Share Options will vest.

Note B:

Dexia is the trustee of a trust established to purchase shares for the benefit of eligible SingTel employees under the SingTel Executive Performance Share Plan and the SingTel Performance Share Plan. The SingTel shares purchased by Dexia pursuant to the trust are held for the benefit of all such eligible employees and vest in such employees subject to meeting performance hurdles detailed in the respective award letters.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment, if later, or at the end of the financial year.

There were no changes in the above-mentioned directors' interests in the Company between the end of the financial year and January 21, 2006.

Except as disclosed under the "Share-based Incentive Plans" section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except as disclosed in note 29 (b) and 35 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Directors' Report

Year ended December 31, 2005

Share-based Incentive Plans

The Company's Share Option Plan, Performance Share Plan and Restricted Stock Plan (collectively, the "Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on June 3, 2000.

The Executive Resource & Compensation Committee (the "Committee") of the Company has been designated as the Committee responsible for the administration of the Share Plans. The Committee comprises the following members, all of whom are directors:

Peter Seah Lim Huat (Chairman)
Goh Geok Ling
K Shanmugam

The Share Option Plan is the incentive scheme for directors and employees of the Company and its subsidiaries (the "Group") whereas the Performance Share Plan and Restricted Stock Plan are aimed primarily at key executives of the Group.

The Share Option Plan provides the Company with means whereby non-executive directors and employees of the Group, and certain categories of persons who can make significant contributions through their close working relationship with the Group, such as non-executive directors and employees of the Company's Parent Company and non-executive directors and employees of the Company's associated company, are given an opportunity to participate in the equity of the Company.

Under the rules of the Share Option Plan, participants who ceased to be employed by the Group, Parent Company or the associated company by reason of ill health, injury or disability, redundancy, retirement at or after the legal retirement age, retirement before the legal retirement age, death, etc, or any other event approved by the Committee, may be allowed by the Committee to retain their unexercised Options. The Committee may determine the number of Shares comprised in that Option which may be exercised and the period during which such Option shall be exercisable, being a period not later than the expiry of the Exercise Period in respect of that Option. Such Option may be exercised at any time notwithstanding that the date of exercise of such Option falls on a date prior to the first day of the Exercise Period in respect of such Option.

The Company designates Temasek Holdings (Private) Limited as the Parent Company.

The Performance Share Plan and Restricted Stock Plan award fully-paid shares to participants to achieve pre-determined targets that create and enhance economic values for shareholders of the Company, and/or to accomplish time-based service conditions. Awards will be released to participants as fully-paid shares, or their equivalent cash value or combinations thereof, free-of-charge provided that the conditions of the awards are achieved and subject to approval by the Committee.

Awards granted under the Performance Share Plan are released at the end of the performance period only when the pre-determined targets have been achieved. Awards granted under the Restricted Stock Plan vest only after the satisfactory completion of time-based service conditions, or where the award is performance related, after a further period of service beyond the performance target completion date. No minimum vesting period is prescribed under the Restricted Stock Plan and the length of the vesting period in respect of each award will be determined on a case-by-case basis. Performance-based restricted awards differ from awards granted under the Performance Share Plan in that an extended vesting period is imposed beyond the performance target completion date.

The Share Plans are intended to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of the Group.

Other information regarding the Share Option Plan are as follows:

- 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. Further vesting period for the exercise of the options may be set. The Group imposed a further vesting over 4 years for managers and above for retention purposes.
- iii. The options granted expire after 5 years for non-executive directors, associated company's employees and 10 years for the employees of Group and Parent Company.

Directors' Report

Year ended December 31, 2005

Share Options

a. SembCorp Industries Share Option Plan

At the end of the financial year, details of the options granted under the Share Option Plan on unissued shares of \$0.25 each of the Company are as follows:

SembCorp Industries Ltd

Ordinary shares of \$0.25 each

Date of grant of options	Exercise price per share*	Options outstanding at 1/1/2005	Options granted	Options exercised	Options		Options outstanding at 31/12/2005	Number of options holders/ (including directors) at 31/12/2005	Exercise period
					cancelled/ lapsed/not accepted	Options			
26/06/00	\$1.94	726,000	-	(406,000)	(320,000)	-	-/(1)	27/06/01 to 26/06/05	
26/06/00	\$1.94	9,091,600	-	(5,238,035)	(761,600)	3,091,965	251/(1)	27/06/01 to 26/06/10	
24/07/00	\$2.21	5,566,771	-	(2,022,818)	(297,455)	3,246,498	163/(1)	20/05/01 to 19/05/09	
24/07/00	\$2.07	169,477	-	(43,459)	(19,730)	106,288	7/(-)	16/09/01 to 15/09/09	
19/04/01	\$1.50	777,000	-	(174,000)	(35,000)	568,000	8/(5)	20/04/02 to 19/04/06	
19/04/01	\$1.50	10,813,300	-	(8,305,475)	(492,475)	2,015,350	233/(1)	20/04/02 to 19/04/11	
07/05/02	\$1.54	405,000	-	(93,750)	(17,500)	293,750	12/(5)	08/05/03 to 07/05/07	
07/05/02	\$1.54	6,718,000	-	(3,716,875)	(365,825)	2,635,300	588/(1)	08/05/03 to 07/05/12	
17/10/02	\$0.93	298,000	-	(58,000)	-	240,000	12/(5)	18/10/03 to 17/10/07	
17/10/02	\$0.93	4,051,425	-	(1,774,200)	(291,375)	1,985,850	448/(1)	18/10/03 to 17/10/12	
02/06/03	\$1.09	335,750	-	(69,500)	-	266,250	15/(5)	03/06/04 to 02/06/08	
02/06/03	\$1.09	5,874,551	-	(2,347,521)	(352,875)	3,174,155	550/(1)	03/06/04 to 02/06/13	
18/11/03	\$1.24	353,250	-	(62,750)	-	290,500	16/(6)	19/11/04 to 18/11/08	
18/11/03	\$1.24	6,266,578	-	(2,214,333)	(435,000)	3,617,245	600/(1)	19/11/04 to 18/11/13	
17/05/04	\$1.30	363,500	-	(53,000)	-	310,500	17/(8)	18/05/05 to 17/05/09	
17/05/04	\$1.30	7,969,000	-	(2,412,555)	(588,775)	4,967,670	743/(1)	18/05/05 to 17/05/14	
22/11/04	\$1.47	313,500	-	(1,000)	-	312,500	17/(8)	23/11/05 to 22/11/09	
22/11/04	\$1.47	7,772,500	-	(1,069,674)	(655,875)	6,046,951	1,134/(1)	23/11/05 to 22/11/14	
01/07/05	\$2.68	-	335,000	-	(35,000)	300,000	8/(8)	02/07/06 to 01/07/10	
01/07/05	\$2.68	-	8,762,500	(12,000) [@]	(967,500)	7,783,000	1,932/(1)	02/07/06 to 01/07/15	
21/11/05	\$2.67	-	370,000	-	(35,000)	335,000	9/(9)	22/11/06 to 21/11/10	
21/11/05	\$2.67	-	8,454,000	-	(294,000)	8,160,000	2,164/(1)	22/11/06 to 21/11/15	
		67,865,202	17,921,500	(30,074,945)	(5,964,985)	49,746,772			

* During the year, the exercise price for outstanding share options granted prior to January 1, 2005 were adjusted for the capital reduction in 2005.

@ The share options have been retained and thus immediately exercisable.

Directors' Report

Year ended December 31, 2005

Share Options *(continued)*

a. SembCorp Industries Share Option Plan *(continued)*

The details of options of the Company granted during the year and awarded/exercised since commencement of the Scheme (aggregate) to December 31, 2005 were as follows:

Option Participants	Aggregate options				
	Options granted during the year	Aggregate options granted	cancelled/lapsed/not accepted	Aggregate options exercised	Aggregate options outstanding
Directors					
Peter Seah Lim Huat	140,000	840,000	–	(140,000)	700,000
Tang Kin Fei ¹	600,000	3,144,052	(607,759) ²	(576,293)	1,960,000
Lua Cheng Eng ³	140,000	770,000	–	(70,000)	700,000
K Shanmugam	70,000	420,000	–	(70,000)	350,000
Goh Geok Ling	70,000	300,000	–	(55,000)	245,000
Richard Hale, OBE	70,000	350,000	–	(62,500)	287,500
Yong Ying-I	70,000	165,000	(165,000) ⁴	–	–
Dr Vichit Suraphongchai	40,000	92,500	–	–	92,500
Colin Au Fook Yew	35,000	62,000	–	–	62,000
Evert Henkes	35,000	59,000	–	–	59,000
Lee Suet Fern	35,000	35,000	–	–	35,000
Other Executives					
Group	16,616,500	141,990,242	(61,843,411)	(39,729,559)	40,417,272
Associated company	–	748,600	(193,600)	(492,000)	63,000
Parent Group ⁵	–	378,500	(56,500)	(194,000)	128,000
Former Directors of the Company					
	–	7,347,078	(1,977,078)	(722,500)	4,647,500
Total	17,921,500	156,701,972	(64,843,348)	(42,111,852)	49,746,772

Notes:

¹ Mr Tang Kin Fei was granted 600,000 share options since his appointment as director of the Company on May 1, 2005.

² Options lapsed due to replacement of 1999 options and expiry of earlier options.

³ Mr Lua Cheng Eng has vacated his office of Director on the Company's Board with effect from February 14, 2006. The outstanding options became immediately vested and exercisable within 18 months from that date.

⁴ Options not accepted due to civil service regulation.

⁵ Parent Group refers to former employees of Singapore Technologies Pte Ltd.

Since the commencement of the Share Option Plan, no options have been granted to the controlling shareholders of the Company or their associates. No participant under the Share Option Plan has been granted 5% or more of the total options available. No options have been offered at a discount.

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any company.

Directors' Report

Year ended December 31, 2005

Share Options (continued)

b. Share Options of the Subsidiaries

At the end of the financial year, details of the options granted under the Share Option Plan of the subsidiaries are as follows:

SembCorp Logistics Ltd

Ordinary shares of \$0.25 each

Date of grant of options	Exercise price per share*	Options outstanding at 1/1/2005*	Options granted	Options exercised	Options		Number of options holders/ (including SCI directors) number of	Exercise period
					cancelled/ lapsed/not accepted	Options outstanding at 31/12/2005		
06/03/00	\$1.32	1,013,400	-	(528,080)	(162,140)	323,180	18/(-)	07/03/01 to 06/03/10
28/06/00	\$1.61	4,091,560	-	(631,260)	(779,300)	2,681,000	682/(-)	29/06/01 to 28/06/10
15/05/01	\$0.82	1,144,020	-	(496,080)	(226,470)	421,470	75/(-)	16/05/02 to 15/05/11
18/10/01	\$0.41	127,500	-	(45,300)	(19,200)	63,000	10/(-)	18/10/02 to 17/10/11
27/02/02	\$1.02	2,898,230	-	(801,242)	(495,590)	1,601,398	185/(1)	28/02/03 to 27/02/12
27/09/02	\$0.54	403,250	-	(60,270)	(70,820)	272,160	41/(-)	27/09/03 to 26/09/12
06/02/03	\$0.42	3,456,250	-	(576,660)	(612,940)	2,266,650	143/(1)	06/02/04 to 05/02/13
21/04/03	\$0.81	300,000	-	-	(48,000)	252,000	1/(-)	22/04/04 to 21/04/13
19/08/03	\$0.66	737,000	-	(69,720)	(143,540)	523,740	51/(-)	19/08/04 to 18/08/13
11/02/04	\$0.98	7,193,850	-	(1,712,040)	(1,389,200)	4,092,610	275/(1)	11/02/05 to 10/02/14
19/08/04	\$1.11	1,481,000	-	(112,560)	(281,480)	1,086,960	60/(-)	19/08/05 to 18/08/14
16/05/05	\$1.71	-	9,823,400	-	(363,300)	9,460,100	1,049/(2)	16/05/06 to 15/05/15
24/08/05	\$1.69	-	1,258,000	-	(42,000)	1,216,000	96/(-)	24/08/06 to 23/08/15
		22,846,060	11,081,400	(5,033,212)	(4,633,980)	24,260,268		

* During the year, the exercise price and the number of outstanding options granted prior to January 1, 2005 were adjusted for the capital reduction and special dividend paid in 2005.

SembCorp Marine Ltd

Ordinary shares of \$0.10 each

08/09/00	\$0.70	5,431,000	-	(4,839,000)	(50,000)	542,000	68/(-)	08/09/01 to 07/09/10
27/09/01	\$0.66	7,552,000	-	(5,242,000)	(58,000)	2,252,000	453/(1)	28/09/02 to 27/09/11
07/11/02	\$0.90	13,185,000	-	(5,577,000)	(178,000)	7,430,000	939/(1)	08/11/03 to 07/11/12
08/08/03	\$0.99	14,601,000	-	(4,761,000)	(261,000)	9,579,000	959/(1)	09/08/04 to 08/08/13
10/08/04	\$1.04	15,984,000	-	(2,331,000)	(425,000)	13,228,000	1,091/(1)	11/08/05 to 10/08/14
11/08/05	\$2.96	-	15,557,000	-	(176,000)	15,381,000	1,177/(2)	12/08/06 to 11/08/15
		56,753,000	15,557,000	(22,750,000)	(1,148,000)	48,412,000		

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Directors' Report

Year ended December 31, 2005

Performance Share Plan

Under the Performance Share Plan, the awards granted conditional on performance targets are set based on medium-term corporate objectives at the start of each rolling three-year performance qualifying period. A specific number of performance shares shall be awarded at the end of the three-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset.

In 2005, the Committee, with advice and assistance from an independent compensation consultant, redesigned its approach to the share-based incentive awards, with particular focus on establishing new standards for share-based incentive grants. The redesigned share-based incentive grants took into account evolving practices at other major public-listed companies, as well as the Company's objective of further enhancing linkages between employee performance and long-term shareholder value creation objectives. The redesign was completed and implemented in 2005.

For awards granted before 2005, recipients who do not achieve at least 80% of the targets set at the end of the performance period will not be granted the performance shares. If the achievement of the targets exceeds 100%, more performance shares than the original award could be delivered up to a maximum of 200% of the original award.

In the 2005 performance share award, the performance criteria was changed and performance levels re-calibrated based on the new measures, namely Wealth Added and Total Shareholders' Return. For each performance measure, three distinct performance levels are set. A minimum of threshold performance must be achieved to trigger an Achievement Factor, which in turn determines the number of shares to be finally awarded. Based on the new criteria, performance shares to be delivered for awards granted in 2005 will range between 0% to 150% of the original award.

Participants are also required to hold a minimum percentage of the shares released to them under the Performance Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's Annual Base Salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

During the year, a total of 157,500 performance shares were released by the Committee to the participants for the performance period 2002 to 2004. Of the 157,500 performance shares released, 84,000 were released to the estate of Mr Wong Kok Siew (deceased on February 16, 2005), a former key executive and executive director of the Board, via the release of cash in-lieu of share awards at \$2.00 per share on April 12, 2005, as approved by the Committee.

During the year, the Committee also approved the release of 113,400 performance shares for the performance period 2003 to 2005 and 39,200 performance shares for the performance period 2004 to 2006 to the estate of Mr Wong Kok Siew via the release of cash in-lieu of share awards at \$2.00 per share on April 12, 2005. The number of performance shares released to the estate of Mr Wong Kok Siew was pro-rated for the completed performance period.

Directors' Report

Year ended December 31, 2005

Performance Share Plan *(continued)*

The details of performance shares of the Company awarded during the year since commencement of the Performance Share Plan (aggregate) were as follows:

	Conditional shares awarded during the year	Aggregate conditional shares awarded	Aggregate conditional shares released	Aggregate conditional shares lapsed	Aggregate conditional shares outstanding
Performance Shares Participants					
Director of the Company					
Tang Kin Fei (appointed on May 1, 2005)	400,000	1,040,000	(56,000) [@]	(284,000)	700,000
Former Directors of the Company	–	1,780,000	(341,600)	(1,438,400)	–
Key Executives of the Group	470,000	2,230,000	(133,000)	(1,097,000)	1,000,000
	870,000	5,050,000	(530,600)	(2,819,400)	1,700,000

[@] For performance period prior to Mr Tang Kin Fei's appointment as Group President & CEO of the Group.

The total number of performance shares in awards granted conditionally and representing 100% of targets achieved, but not released as at end 2005, was 1,700,000. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 2,965,000 performance shares.

During the current financial year, the Group has charged \$1,271,000 (2004: \$1,772,000) to the profit and loss account in respect of performance shares awarded prior to January 1, 2005 based on the market values of the shares at reporting date. For performance shares awarded from January 1, 2005 the Group has charged \$776,000 to the profit and loss account based on fair value of performance shares at grant date.

Restricted Stock Plan

During the year, an award of 400,000 restricted stocks was vested to Mr Wong Kok Siew (deceased on February 16, 2005), a former key executive and executive director of the Board. This was issued to his estate during the year via the release of cash in-lieu of share awards at \$1.90 per share as approved by the Committee. A total 1,000,000 restricted stocks was vested and issued to him since 2002.

In 2005, no restricted stock has been awarded under the Restricted Stock Plan.

Maximum Number Of Shares Issuable

The maximum number of performance shares and restricted stocks which could be delivered, when aggregated with the number of new shares issued and issuable in respect of all options granted, is within the 15% limit of the share capital of the Company on the day preceding the relevant date of the grant.

Directors' Report

Year ended December 31, 2005

Audit Committee

The members of the Audit Committee during the year and at the date of this report are:

Richard Hale, OBE (Chairman, appointed on February 14, 2006)
Lua Cheng Eng (Chairman, vacated office on February 14, 2006)
K Shanmugam
Lee Suet Fern (Appointed on July 1, 2005)

The Audit Committee has held 5 meetings during the financial year. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee performed the functions specified in Section 201B of the Companies Act, the Listing Manual of the Singapore Exchange, and the Code of Corporate Governance.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the external and internal auditors;
- financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

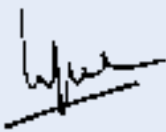
The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Auditors

The auditors, KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



Peter Seah Lim Huat
Chairman



Tang Kin Fei
Director

Singapore
February 28, 2006