

 **SUSTAINABLE
GROWTH**



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Front and back cover, pages 4-5 and 20:
Fujairah water and power plant
in the United Arab Emirates

This report is printed on paper
containing up to 100% recycled pulp
from both pre- and post-consumer waste.

Growth is the aim of every organisation. For SembCorp, we want growth that is sustainable over time; only then can we continue delivering lasting value and attractive returns to our shareholders.

Putting plans into action, we have channelled our resources to businesses that are market leaders, capable of generating quality earnings and growth. That explains why SembCorp is now a focused utilities and marine & offshore engineering group with sound business fundamentals in place.

In addition, we also carefully identify, study and pursue expansion opportunities. We do this while adhering to rigorous investment guidelines and good corporate governance as well as maintaining financial discipline.

Such is SembCorp's approach to achieving sustainable growth.

MAJOR ACHIEVEMENTS IN 2006

- Divested SembCorp Logistics and SembCorp Engineering & Construction, sharpening our focus on the utilities and marine & offshore engineering businesses
- Acquired a 40% stake in a large water and power project in Fujairah, spearheading the expansion of our utilities business into the Middle East
- Sold SMOE and Sembawang Bethlehem to SembCorp Marine and Sembawang Shipyard, enabling the marine & offshore engineering business to better seize opportunities in rig building and offshore engineering



SembCorp Utilities
on Jurong Island, Singapore

GROUP FINANCIAL HIGHLIGHTS

- Record PATMI at S\$1.03 billion, up 240%
- Strong earnings growth from continuing operations with PATMI before exceptional items up 52% from S\$245.1 million to S\$371.9 million
- Higher returns with return on equity at 18%
- Healthy balance sheet with net gearing at 0.04 times
- Economic value added at S\$924.7 million

	2006	2005	Change (%)
FOR THE YEAR (S\$ million)			
Turnover	8,107	7,409	9
EBITDA	1,207	633	91
Profit before income tax expense	1,149	508	126
Profit attributable to shareholders of the Company			
– before exceptional items	380	278	36
– after exceptional items	1,030	303	240
Capital expenditure	590	351	68
AT YEAR END (S\$ million)			
Shareholders' funds	2,812	2,000	41
Total assets	7,586	7,261	4
Net (debt)/cash	(137)	125	NM
Operating cash flow	(86)	848	NM
Free cash flow	461	968	-52
PER SHARE			
Earnings (cents)			
– before exceptional items	21.57	15.74	37
– after exceptional items	58.51	17.14	241
Net assets (S\$)	1.59	1.14	39
Net tangible assets (S\$)	1.52	1.06	43
Gross dividends (cents)	28.90	6.50	345
Gross dividend yield (%)*	7.5	2.4	213
FINANCIAL RATIOS			
Return on equity (%)			
– before exceptional items	18.2	14.2	28
– after exceptional items	42.8	15.3	180
Return on total assets (%)			
– before exceptional items	7.8	5.7	37
– after exceptional items	16.4	6.1	169
Interest cover (times)			
– before exceptional items	13	11	18
– after exceptional items	22	12	83
Net gearing (times)	0.04	Net Cash	NM
PRODUCTIVITY DATA (S\$ million)			
Economic value added	925	251	269

Note: Exceptional items refer to material and unusual items as disclosed on page 42 of the Summary Financial Statements.

* Based on the closing price of S\$3.84 for 2006 and S\$2.74 for 2005 respectively.

UTILITIES:

FORGING NEW POWER BASES

Recurring income from long-term contracts gives us stable cash flows. With this stability and an eye on emerging markets, we aim to grow beachheads and extend our support to customers as they expand overseas.





MARINE & OFFSHORE ENGINEERING:

MEETING FUTURE NEEDS

By optimising capacity and harnessing advanced technology, we are raising the gears to meet the market's future needs.







ENVIRONMENTAL MANAGEMENT:

TRANSFORMING WASTE TO RESOURCE

Moving beyond waste collection to waste-to-resource and pre-disposal treatment, we are positioned to meet environmental demands for recovering resources from waste.



Recycled lead at Chongqing
SembCorp Chunxing Alloy in China

LETTER TO SHAREHOLDERS



PETER SEAH LIM HUAT (Left)
Chairman

TANG KIN FEI (Right)
Group President & CEO

SembCorp is now a focused utilities and marine group, poised for growth, with strong business fundamentals in each of our businesses.

Dear Shareholders,

2006 has been an exceptional year of performance and transformation for SembCorp Industries.

PERFORMANCE

We achieved record financial results. Our profit after tax and minority interest (PATMI) grew 240% over the previous year to S\$1.03 billion, while turnover for the Group increased to S\$8.1 billion. PATMI before exceptional items from the Group's continuing operations grew 52% to S\$371.9 million driven by the robust growth of our Utilities and Marine & Offshore Engineering businesses.

Excluding exceptional items, our return on equity was 18% compared to 14% in 2005 and our return on total assets was 8% compared to 6% in the previous year. Our economic value added was a healthy S\$924.7 million.

Beyond the delivery of a solid financial performance, significant milestones were further achieved in the past year to better position ourselves for the future. Our aim is to deliver lasting value and attractive returns to our shareholders. To this end, bold steps were taken to focus SembCorp on businesses that are market leaders and capable of delivering quality earnings and sustainable growth.

In 2006, both our Logistics and Engineering & Construction businesses

were divested. SembCorp Logistics was sold to Australia's Toll Holdings for S\$793 million, and SembCorp Engineers & Constructors was divested to Punj Lloyd of India for S\$38 million. Progress was also made towards streamlining our operations, with the rationalisation of our industrial park and leisure investments on the Indonesian Riau Islands of Batam and Bintan. These investments were consolidated under Gallant Venture, which was subsequently listed on the Singapore Exchange in June 2006.

Since our formation in 1998 from the merger of Singapore Technologies Industrial Corporation and Sembawang Corporation, our divestment programme has generated more than S\$4.3 billion of proceeds. Now substantially completed, it has undoubtedly unlocked significant value for our shareholders. More importantly, we believe that our management expertise and capital can now be focused on businesses that will enable SembCorp to continue delivering value and growth for many years to come.

In 2006, we reached a full and final settlement of the dispute between Sembawang Corporation and Allseas, relating to the conversion of the pipe-laying vessel *Solitaire*. Full payment was made in April 2006.

We believe that our businesses can deliver returns that are secure and growth that is sustainable in the long term.

STRATEGY

SembCorp is now a focused utilities and marine group, poised for growth, with strong business fundamentals in each of our businesses. Coupled with the reliability associated with the SembCorp brand and a disciplined approach towards investment and growth, we believe that our businesses can deliver returns that are secure and growth that is sustainable in the long term.

In our **Utilities** business, we have established a niche as a global leader for the provision of centralised utilities and services to multiple customers in energy intensive industry clusters, such as chemical and petrochemical hubs. We aim to replicate this model in key markets across the globe through strategic partnerships with our international customer base. In addition, we participate in projects that provide secure offtake and that give us potential to grow. Our strategy of establishing and growing beachheads in target markets is bearing fruit. The exceptional strength and growth of our facilities in Singapore and the UK reflect what we believe can be achieved in each of our new profit centres.

Backed by a solid 43-year track record and a global network of strategically located yards, our **Marine & Offshore Engineering** business is a global leader with a portfolio that encompasses various segments of the value chain in the global marine and offshore industry. From ship repair, shipbuilding, ship conversion, rig repair and rig building to topsides fabrication and offshore engineering,

we have a comprehensive portfolio that can support growth and healthy margins. For example, even as we enhance our capabilities in delivering offshore production facilities, we continue to grow and enlarge our baseload earnings from ship repair by serving and satisfying the needs of our customers. As we continuously improve and develop proprietary technologies, optimise production processes and enhance capacity, the strategies we adopt and the investments we make are all designed to achieve one aim – sustained growth and the maximisation of returns over the long term.

Our **Industrial Parks** business performed well. Over the years, SembCorp Parks Management has established its brand name in developing, marketing and operating industrial parks in China, Indonesia and Vietnam. Leveraging on our industrial park management and investment promotion expertise, more than 370 multi-national investors have been attracted to our parks to-date. We see growing potential for industrial park development in Asia, and we believe we can leverage on this business opportunity to grow.

The performance of our **Environmental Management** unit in 2006 was disappointing due to competitive pressures in its municipal waste collection business in Singapore. Nevertheless, we continue to nurture this fledgling business. We have intensified our focus on the development of pre-disposal treatment methods and waste-to-resource businesses. Appropriate

steps have also been taken to streamline the unit's operations.

We believe that we have opportunities for growth in our businesses. Backed by a strong balance sheet and favourable industry prospects, our company is in a better position than it has ever been to seize opportunities and grow.

STATUS AND OUTLOOK

In 2006, we continued to make progress in building a foundation for long-term growth.

In November, we completed the acquisition of 40% of an independent water and power plant in Fujairah (Fujairah I) in the UAE. Our first power and water investment in the Middle East, the project comprises the acquisition, ownership, operation and maintenance of an existing 535 megawatt power and 100 million imperial gallons per day seawater desalination plant as well as the expansion of a further 225 megawatts of power generation capacity. Fujairah I not only affords us a base from which to grow our utilities business in the booming Gulf region, but the success of our bid following a highly competitive bidding process testifies to our strong operating track record and competitive position in the global utilities arena. Together with our existing operations in China, Singapore, the UK and Vietnam, this strategic beachhead in the Middle East will provide the momentum for future growth and expansion of our utilities business.

During the year, good progress was also made in achieving organic growth of our Utilities' operations in Singapore and the UK. In Singapore, new contracts worth a total of S\$68 million per year were clinched. We also expanded our demineralised water, high-grade industrial water and wastewater

treatment capacities in tandem with customer demand. In terms of industrial wastewater treatment, our facilities worldwide now have a combined capacity of around 40,500 cubic metres per day, with a further 30,000 cubic metres per day in development. In the UK, new utilities and services contracts amounting to S\$136 million were secured, while Wilton 10, our 30 megawatt biomass power plant, is on schedule to start operation in the second half of 2007.

In August, we also undertook significant restructuring within the Group through the sale of SMOE and Sembawang Bethlehem to SembCorp Marine and its subsidiary Sembawang Shipyard. In enabling SembCorp Marine to optimise the use of the land at Admiralty in Singapore and on Batam Island in Indonesia, as well as the resources of SMOE, we are now able to operate more efficiently and seize more opportunities in rig building and semi-submersible projects as well as offshore engineering. With a credible track record in the conversion of Floating Production Storage and Offloading (FPSO)/Floating Storage Offloading/Floating Production Units, mega FPSO solutions, topsides and fixed platforms, we are well positioned to participate in the expected growth of the offshore production market. In addition, ship repair demand is expected to be strong especially in the specialised market of liquefied natural gas/liquefied petroleum gas tankers, very large crude carrier tankers and container vessels.

In September 2006, our Industrial Parks business celebrated the tenth anniversary of Vietnam Singapore Industrial Park (VSIP). Leveraging on its success, we embarked on the development of VSIP II, our second industrial park in Vietnam. During the year, our Environmental Management unit also

Backed by a strong balance sheet and favourable industry prospects, our company is in a better position than it has ever been to seize opportunities and grow.

invested in the waste-to-resource business when we partnered China's largest lead recycler, Jiangsu Chunxing Alloy in March to undertake the recovery and sale of processed lead from used lead acid batteries to battery manufacturers.

Barring unforeseen circumstances, the Group's overall operating performance in 2007 is expected to be better than that of 2006 on a comparable basis, which excludes net profits arising from exceptional items in 2006.

SHAREHOLDER RETURNS

The year has been rewarding for our shareholders. A total of S\$264.6 million, or 57% of the gain arising from the divestment of our stake in SembCorp Logistics, was returned to shareholders via a capital reduction of 15 cents per share paid in August.

In addition, our Board of Directors is proposing a final gross dividend of 28.9 cents per ordinary share (net: 28.0 cents) for 2006, amounting to five times the net dividend paid in 2005. This comprises a 12.9 cents per share ordinary dividend (net: 12.0 cents), representing a payout of 56% of net profit from operations and a 16.0 cents per share special dividend (1-tier). The special dividend together with the capital reduction (tax exempt) paid in August accounts for a payout of 84% from exceptional profits.

Together with a 37% appreciation in our share price during the year, the total

shareholder return (TSR) for 2006 was 44%, relative to the benchmark Straits Times Index's TSR of 27%. At the close of the year, our market capitalisation stood at S\$6.8 billion, a S\$2.0 billion increase compared to S\$4.8 billion at the end of 2005.

Our balance sheet is healthy and the Group's business models generate strong operating cash flow. As such, we believe that we remain well placed to seize anticipated growth opportunities while continuing to return value to our shareholders through a progressive yet sustainable dividend policy. We also continue to review our capital structure and dividend policy with the aim of maximising value for our shareholders.

SUSTAINABILITY

It is worth emphasising that the growth we are committed to achieving is growth that is sustainable over the long term.

This means that it is vital that we maintain a balanced approach to achieving growth. First, even as we pursue expansion opportunities, we will continue to follow strict investment guidelines and maintain financial discipline. This will not only assist in focusing our project development efforts but will also ensure competitive returns and the management of risk. Second, it is our firm belief that high standards in governance and corporate responsibility go hand in hand with outstanding performance. It is only our adherence to a rigorous system

of policies, practices and internal controls that will ultimately enable us to deliver value and sustainable growth to our shareholders. At all levels, the commitment to good corporate governance must continue.

Our responsibilities also extend to society at large. In 2006, the cornerstone of our ongoing community efforts, the Trailblazer-Wong Kok Siew Fund, continued to support a wide range of programmes in Singapore for children and education as well as stroke victims. We also funded scholarships for children in Vietnam and contributed to the setting up of Ho Chi Minh City's first public children's library.

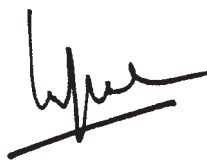
A NOTE OF THANKS

Building on these proven foundations, we believe that we can approach the future with confidence. This is not only because SembCorp is a robust and growing enterprise, but because we know that we can depend on the knowledge, skill, passion and commitment of SembCorp's employees, who provide the means for our development, performance and prospects. On behalf of the Board, we would like to pay tribute to their achievements in 2006 and thank them for the value they have created.

On February 14, 2006, Lua Cheng Eng, a Director since 1998, stepped down as Director and Chairman of the Audit and Risk Committees. He was succeeded as Chairman of the Audit and Risk Committees by Richard Hale, OBE, who is an independent director. We have benefited immeasurably from Cheng Eng's astute and judicious counsel and would like to record our deep appreciation to him. We would also like to thank Dr Vichit Suraphongchai and Colin Au Fook Yew, who resigned from our Board on May 8, 2006 and November 6, 2006 respectively,

for their contributions to SembCorp.

Our appreciation must also go to our customers and partners for their support. The entire SembCorp organisation is driven by a strong, shared commitment to be the partner of choice for customers in order to create value and sustainable growth for the people who trust us with their investments. With their support, we are confident that the coming years will see SembCorp creating more value and delivering sustainable growth. We look forward to an exciting future together.



PETER SEAH LIM HUAT
Chairman,
February 16, 2007



TANG KIN FEI
Group President & CEO,
February 16, 2007

SIGNIFICANT EVENTS IN 2006

JANUARY

PPL Shipyard, a subsidiary of **SembCorp Marine** (SembMarine), secures a rig building contract worth US\$175 million from Aban Singapore.

SembMarine's **Sembawang Shipyard** wins an S\$88 million Floating Production Storage and Offloading (FPSO) conversion contract from Bergesen Worldwide Offshore.

FEBRUARY

PPL Shipyard secures repeat order from Norway's Sinvest to build a jack-up rig for US\$141.1 million.

SembCorp Industries appoints Michael Ng to the post of President & CEO of **Singapore Mint** and **Singapore Precision Industries**.

SembMarine appoints Goh Geok Ling as Chairman and Director of the Board, taking over from Lua Cheng Eng.

MARCH

SembCorp Industries sells its entire 60.01% stake in SembCorp Logistics to Australia's Toll Holdings for S\$793 million.

Jurong Shipyard secures order to build a second ultra-deepwater semi-submersible rig for Norway's PetroMena for US\$480 million.

SembCorp Environmental

Management (SembEnviro) enters the waste-to-resource conversion business and forms a used lead acid battery recycling joint venture, Jiangsu SembCorp Chunxing Alloy, with China's largest lead recycler.

SembCorp Industries concludes Sembawang Corporation's 10-year arbitration with Switzerland's Allseas relating to the conversion of the pipe-laying vessel *Solitaire* with a settlement of €350 million.

SembCorp Industries consolidates its industrial park and leisure investments on Indonesia's Bintan and Batam islands under Gallant Venture, subsequently listed on the Singapore Exchange.

APRIL

Jurong Shipyard wins a contract with JackInvest I to build a jack-up rig for US\$165.5 million.

PPL Shipyard signs contract with Awilco Offshore, which exercised its option for another jack-up rig for US\$142 million.

MAY

SembMarine acquires 110,400,000 shares in COSCO Corporation from Seletar Investments for S\$120.3 million.

SembMarine delivers *Deep Driller I* jack-up rig, built by **PPL Shipyard**, to Sinvest and divests its interest in the rig for a gain of S\$13.3 million.

SembCorp Industries divests stake in Nirwana Gardens Resort in Indonesia. The sale recorded a gain of approximately S\$14 million.

JUNE

SembCorp Industries sells 88% of its interest in SembCorp Engineers & Constructors to India's Punj Lloyd.

JULY

SembCorp Utilities acquires a 40% stake in the Fujairah Independent Water and Power Plant in the UAE, its largest investment to date and first in the Middle East.

SembEnviro acquires waste plastics recycling subsidiary, SembEnviro KK Asia, its second waste-to-resource investment in the year.

SembMarine acquires remaining 50% stake in **Jurong Marine Services (JMS)**, a joint venture providing harbour tug services, for S\$1.6 million, making JMS its 100% subsidiary.

SembMarine's **Mauá Jurong** shipyard in Brazil secures US\$550 million contract to construct a fixed gas production platform for Companhia Mexilhão do Brasil.

AUGUST

SembCorp Industries distributes S\$264.6 million to shareholders as a tax-free capital reduction of 15 cents per share arising from the gain from the divestment of SembCorp Logistics.

SembMarine and **Sembawang Shipyard** acquire SMOE and Sembawang Bethlehem for S\$183.73 million from **SembCorp Industries** to expand and grow the rig building and offshore engineering business.

SEPTEMBER

SembCorp Industries incorporates 100% captive insurance subsidiary, **SembCorp Captive Insurance**.

OCTOBER

SembCorp Industries sells its remaining 12% stake in the former SembCorp Engineers & Constructors to Punj Lloyd and exits the engineering and construction business. The business was sold for a total of S\$38 million.

Sembawang Shipyard wins a drillship upgrading contract worth S\$30 million with Neptune Marine Oil & Gas.

PPL Shipyard signs contract with Offshore Group Corp, which exercised its option for another jack-up rig for US\$155 million.

NOVEMBER

SembMarine sells 30,000,000 shares of COSCO Corporation for a gain of S\$25.7 million.

DECEMBER

Jurong Shipyard wins four contracts worth US\$738 million, for the construction of a heavy-lift jack-up barge for Saudi Aramco Overseas Company and a semi-submersible drilling unit for Noble Drilling and the conversion of two FPSOs for Tanker Pacific.

SembCorp Industries enters into an agreement to sell its interest in Wuxi Garden City Mall Hotel Company. The transaction yielded an exceptional gain of S\$83 million.

GROUP STRUCTURE

SEBPCORP INDUSTRIES

UTILITIES

SembCorp Utilities 100%

SembCorp Utilities is a leading centralised utilities and energy business. It offers industrial utilities such as energy, steam, industrial water and wastewater treatment to energy intensive manufacturers. It operates in China, Singapore, UAE, UK and Vietnam.

Propylene Purification Unit/Singapore	100%
Sakra Island Carbon Dioxide/Singapore	30%
SembCorp Air Products (HYCO)/Singapore	60%
SembCorp Cogen/Singapore	100%
SembCorp Gas/Singapore	70%
SembCorp Power/Singapore	100%
SUT Division/Singapore	100%
SembCorp Gulf O&M/British Virgin Islands	100%
Nanjing SembCorp SUIWU/China	78.3%
NCIP SembCorp Water/China	70%
QianAn SembCorp Co-generation/China	65%
SembCorp Utilities Investment Management (Shanghai)/China	100%
Shanghai Cao Jing Co-generation/China	30%
Shenzhen Chiwan Sembawang Engineering/China	32%
Zhangjiagang SembCorp Water/China	80%
Emirates SembCorp Water & Power Company/UAE	40%
SembCorp Utilities (UK)/UK	100%
Phu My 3 BOT Power Company/Vietnam	33.3%

MARINE & OFFSHORE ENGINEERING

SembCorp Marine 61.5%

SembCorp Marine is a global marine and offshore engineering group renowned for its ship repair, rig building and offshore engineering expertise. It has 14 yards in Brazil, China, Indonesia, Singapore and the USA.

Jurong Shipyard/Singapore	100%
Jurong SML/Singapore	100%
PPL Shipyard/Singapore	85%
Sembawang Shipyard/Singapore	100%
SMOE/Singapore	100%
Mauá Jurong/Brazil	35%
COSCO Shipyard Group/China	30%
PT Karimun Sembawang Shipyard/Indonesia	100%
PT SMOE Indonesia/Indonesia	90%
SembCorp-Sabine Shipyard/USA	85%

ENVIRONMENTAL MANAGEMENT

SembCorp Environmental Management **100%**

A premier environmental services company, SembCorp Environmental Management operates in Australia, China, India and Singapore. Its business focus includes pre-disposal treatment and waste-to-resource.

SembEnviro KK Asia/Singapore	90%
SembEnviro Tay Paper/Singapore	60%
SembVISY Recycling MRF/Singapore	60%
SembWaste/Singapore	100%
SembSITA Australia/Australia	40%
Chongqing SembCorp Chunxing Alloy/China	50%
Jiangsu SembCorp Chunxing Alloy/China	50%
Shanghai SEI SembCorp Enviro-Solutions/China	40%
Shanghai SembEnviro Reliance/China	60%
SembRamky Environmental Management/India	51%

OTHERS

SembCorp Parks Holdings	100%
Gallant Venture/Singapore	26.8%
Vietnam Singapore Industrial Park Joint Venture Company/Vietnam	40.4%
Wuxi-Singapore Industrial Park/China	45.4%
SembCorp Parks Management	56%
Singapore Precision Industries	100%
Singapore Mint/Singapore	100%
SembCorp Design and Construction	100%

As of December 31, 2006



SUMMARY FINANCIAL STATEMENTS

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SUMMARY DIRECTORS' REPORT

DIRECTORS' REPORT

The Summary Financial Statements contain only a summary of the information in the Directors' Report and financial statements of the Company's Annual Report. It does not contain sufficient information to allow for a full understanding of the state of affairs of the Company and of the Group and the results, changes in equity and cash flows of the Group.

For further information, the full financial statements, the Independent Auditors' Report on those statements and the Directors' Report in the Annual Report should be consulted. Shareholders may request for a copy of the Annual Report at no cost, subject to availability. Please use the Request Form at the end of this Summary Financial Report.

SUMMARY DIRECTORS' REPORT

We are pleased to submit this Summary Financial Statements to the members of the Company for the financial year ended December 31, 2006.

DIRECTORS

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

Peter Seah Lim Huat
Tang Kin Fei
K Shanmugam
Goh Geok Ling
Richard Hale, OBE
Yong Ying-I
Evert Henkes
Lee Suet Fern

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 provision of centralised utilities and energy. It offers industrial utilities and services such as energy, steam, industrial water and wastewater treatment to energy intensive users. It operates in Singapore, United Kingdom, Vietnam, China and United Arab Emirates. Its operations in engineering, construction and fabrication of offshore platforms, modules and floating production systems for oil and gas companies (offshore engineering) under the SMOE group was sold to SembCorp Marine Ltd in August 2006.

ii. Marine and Offshore Engineering

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

iii. Environmental Management

The business provides integrated waste management services and undertakes waste to resource businesses in the Asia Pacific region.

iv. Industrial Parks

The business focuses principally on developing, marketing and operating industrial parks in Asia.

PRINCIPAL ACTIVITIES *(cont'd)*

Logistics and Engineering & Construction businesses were disposed during the year. Logistics business was in supply chain management and offshore logistics. It provided one-stop integrated logistics management services including automatic warehouse and inventory management. The business also operated offshore supply bases in Singapore and overseas. Engineering & Construction business was an engineering and construction service provider with principal activities ranging from turnkey construction, design consultancy, infrastructure development and project management. It was also involved in petrochemical, chemical and industrial process engineering and manufacturing of precast components.

Except for the disposal of Logistics and Engineering & Construction businesses, there have been no other significant changes in the principal activities of the Company and the Group during the financial year.

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Singapore 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:

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At		At			
			beginning of the year	At end of the year	At 21/1/2007	beginning of the year	At end of the year	At 21/1/2007
Peter Seah Lim Huat								
SembCorp Industries Ltd	Ordinary shares		140,000	280,000	280,000	–	–	–
	Options to subscribe for ordinary shares at – S\$1.35 per share	20/4/2002 to 19/4/2006	140,000	–	–	–	–	–
	– S\$1.39 per share	8/5/2003 to 7/5/2007	70,000	70,000	70,000	–	–	–
	– S\$0.78 per share	18/10/2003 to 17/10/2007	70,000	70,000	70,000	–	–	–
	– S\$0.94 per share	3/6/2004 to 2/6/2008	70,000	70,000	70,000	–	–	–
	– S\$1.09 per share	19/11/2004 to 18/11/2008	70,000	70,000	70,000	–	–	–
	– S\$1.15 per share	18/5/2005 to 17/5/2009	70,000	70,000	70,000	–	–	–
	– S\$1.32 per share	23/11/2005 to 22/11/2009	70,000	70,000	70,000	–	–	–
	– S\$2.53 per share	2/7/2006 to 1/7/2010	70,000	70,000	70,000	–	–	–

SUMMARY DIRECTORS' REPORT

DIRECTORS' INTERESTS *(cont'd)*

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At			At		
			beginning of the year	At end of the year	At 21/1/2007	beginning of the year	At end of the year	At 21/1/2007
Peter Seah Lim Huat <i>(cont'd)</i>								
SembCorp Industries Ltd	Options to subscribe for ordinary shares at – \$2.52 per share	22/11/2006 to 21/11/2010	70,000	70,000	70,000	–	–	–
	– \$2.68 per share	10/6/2007 to 9/6/2011	–	140,000	140,000	–	–	–
Tang Kin Fei								
SembCorp Industries Ltd	Ordinary shares		688,355	1,121,105	1,427,355	–	–	–
	Options to subscribe for ordinary shares at – \$2.06 per share	20/5/2001 to 19/5/2009	150,000	150,000	150,000	–	–	–
	– \$1.79 per share	27/6/2001 to 26/6/2010	260,000	260,000	260,000	–	–	–
	– \$1.35 per share	20/4/2002 to 19/4/2011	75,000	75,000	–	–	–	–
	– \$1.39 per share	8/5/2003 to 7/5/2012	87,500	87,500	–	–	–	–
	– \$0.78 per share	18/10/2003 to 17/10/2012	87,500	43,750	–	–	–	–
	– \$0.94 per share	3/6/2004 to 2/6/2013	150,000	50,000	50,000	–	–	–
	– \$1.09 per share	19/11/2004 to 18/11/2013	150,000	100,000	50,000	–	–	–
	– \$1.15 per share	18/5/2005 to 17/5/2014	200,000	100,000	100,000	–	–	–
	– \$1.32 per share	23/11/2005 to 22/11/2014	200,000	150,000	100,000	–	–	–

DIRECTORS' INTERESTS (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At			At		
			beginning of the year	At end of the year	At 21/1/2007	beginning of the year	At end of the year	At 21/1/2007
Tang Kin Fei (cont'd)								
SembCorp Industries Ltd	Options to subscribe for ordinary shares at							
	– S\$2.53 per share	2/7/2006 to 1/7/2015	300,000	300,000	300,000	–	–	–
	– S\$2.52 per share	22/11/2006 to 21/11/2015	300,000	300,000	300,000	–	–	–
	– S\$2.68 per share	10/6/2007 to 9/6/2016	–	300,000	300,000	–	–	–
	Conditional award of:							
	– 100,000 performance shares to be delivered after 2005 (Note 1a)		Up to 200,000	–	–	–	–	–
	– 209,400 performance shares to be delivered after 2006 (Note 1b)		Up to 400,000	Up to 418,800	Up to 418,800	–	–	–
	– 419,200 performance shares to be delivered after 2007 (Note 2a)		Up to 600,000	Up to 628,800	Up to 628,800	–	–	–
	– 419,600 performance shares to be delivered after 2008 (Note 2b)		–	Up to 629,400	Up to 629,400	–	–	–
	– 68,772 restricted shares to be delivered after 2007 (Note 3)		–	Up to 89,404	Up to 89,404	–	–	–

SUMMARY DIRECTORS' REPORT

DIRECTORS' INTERESTS (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At			At		
			beginning of the year	At end of the year	At 21/1/2007	beginning of the year	At end of the year	At 21/1/2007
Tang Kin Fei (cont'd)								
SembCorp Marine Ltd	Options to subscribe for ordinary shares at – \$2.96 per share	12/8/2006 to 11/8/2010	20,000	20,000	20,000	–	–	–
	– \$3.33 per share	3/10/2007 to 2/10/2011	–	70,000	70,000	–	–	–

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 target 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. The conditional award was adjusted for Capital Reduction and Cash Distribution exercise in 2006.

a. Period from 2003 to 2005@

b. Period from 2004 to 2006

@ For this period, 89,000 shares were awarded and the balance of the conditional awards has thus lapsed.

Note 2: The actual number delivered will depend on the achievement of set targets over a 3-year period as indicated below. Achievement of targets below target level will mean no performance shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional performance shares awarded could be delivered. The conditional award was adjusted for Capital Reduction and Cash Distribution exercise in 2006.

a. Period from 2005 to 2007

b. Period from 2006 to 2008

Note 3: The actual number delivered will depend on the achievement of set targets at the end of the 2-year performance period from 2006 to 2007. Achievement of targets below target level will mean no restricted shares will be delivered, while achievement up to 130% will mean up to 1.3 times the number of conditional restricted shares awarded could be delivered. The conditional award was adjusted for Capital Reduction and Cash Distribution exercise in 2006.

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At			At		
			beginning of the year	At end of the year	At 21/1/2007	beginning of the year	At end of the year	At 21/1/2007
K Shanmugam								
SembCorp Industries Ltd	Ordinary shares		70,000	245,000	245,000	–	–	–
	Options to subscribe for ordinary shares at – \$1.35 per share	20/4/2002 to 19/4/2006	70,000	–	–	–	–	–
	– \$1.39 per share	8/5/2003 to 7/5/2007	35,000	8,750	8,750	–	–	–
	– \$0.78 per share	18/10/2003 to 17/10/2007	35,000	8,750	8,750	–	–	–
	– \$0.94 per share	3/6/2004 to 2/6/2008	35,000	17,500	17,500	–	–	–

DIRECTORS' INTERESTS (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At			At		
			beginning of the year	At end of the year	At 21/1/2007	beginning of the year	At end of the year	At 21/1/2007
K Shanmugam (cont'd)								
SembCorp Industries Ltd	Options to subscribe for ordinary shares at – S\$1.09 per share	19/11/2004 to 18/11/2008	35,000	17,500	17,500	–	–	–
	– S\$1.15 per share	18/5/2005 to 17/5/2009	35,000	26,250	26,250	–	–	–
	– S\$1.32 per share	23/11/2005 to 22/11/2009	35,000	26,250	26,250	–	–	–
	– S\$2.53 per share	2/7/2006 to 1/7/2010	35,000	35,000	35,000	–	–	–
	– S\$2.52 per share	22/11/2006 to 21/11/2010	35,000	35,000	35,000	–	–	–
	– S\$2.68 per share	10/6/2007 to 9/6/2011	–	70,000	70,000	–	–	–
Goh Geok Ling								
SembCorp Industries Ltd	Ordinary shares		232,100	282,100	282,100	47,000	47,000	47,000
	Options to subscribe for ordinary shares at – S\$1.35 per share	20/4/2002 to 19/4/2006	50,000	–	–	–	–	–
	– S\$1.39 per share	8/5/2003 to 7/5/2007	25,000	25,000	25,000	–	–	–
	– S\$0.78 per share	18/10/2003 to 17/10/2007	12,500	12,500	12,500	–	–	–
	– S\$0.94 per share	3/6/2004 to 2/6/2008	18,750	18,750	18,750	–	–	–
	– S\$1.09 per share	19/11/2004 to 18/11/2008	18,750	18,750	18,750	–	–	–
	– S\$1.15 per share	18/5/2005 to 17/5/2009	25,000	25,000	25,000	–	–	–

SUMMARY DIRECTORS' REPORT

DIRECTORS' INTERESTS *(cont'd)*

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At beginning of the year	At end of the year	At 21/1/2007	At beginning of the year	At end of the year	At 21/1/2007
Goh Geok Ling <i>(cont'd)</i>								
SembCorp Industries Ltd	Options to subscribe for ordinary shares at – \$1.32 per share	23/11/2005 to 22/11/2009	25,000	25,000	25,000	–	–	–
	– \$2.53 per share	2/7/2006 to 1/7/2010	35,000	35,000	35,000	–	–	–
	– \$2.52 per share	22/11/2006 to 21/11/2010	35,000	35,000	35,000	–	–	–
	– \$2.68 per share	10/6/2007 to 9/6/2011	–	70,000	70,000	–	–	–
SembCorp Marine Ltd	Options to subscribe for ordinary shares at – \$3.33 per share	3/10/2007 to 2/10/2011	–	140,000	140,000	–	–	–
Richard Hale, OBE								
SembCorp Industries Ltd	Ordinary shares		58,750	118,750	118,750	–	–	–
	Options to subscribe for ordinary shares at – \$1.35 per share	20/4/2002 to 19/4/2006	60,000	–	–	–	–	–
	– \$1.39 per share	8/5/2003 to 7/5/2007	17,500	17,500	17,500	–	–	–
	– \$0.78 per share	18/10/2003 to 17/10/2007	17,500	17,500	17,500	–	–	–
	– \$0.94 per share	3/6/2004 to 2/6/2008	26,250	26,250	26,250	–	–	–
	– \$1.09 per share	19/11/2004 to 18/11/2008	26,250	26,250	26,250	–	–	–
	– \$1.15 per share	18/5/2005 to 17/5/2009	35,000	35,000	35,000	–	–	–

DIRECTORS' INTERESTS (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At			At		
			beginning of the year	At end of the year	At 21/1/2007	beginning of the year	At end of the year	At 21/1/2007
Richard Hale, OBE (cont'd)								
SembCorp Industries Ltd	Options to subscribe for ordinary shares at – S\$1.32 per share	23/11/2005 to 22/11/2009	35,000	35,000	35,000	–	–	–
	– S\$2.53 per share	2/7/2006 to 1/7/2010	35,000	35,000	35,000	–	–	–
	– S\$2.52 per share	22/11/2006 to 21/11/2010	35,000	35,000	35,000	–	–	–
	– S\$2.68 per share	10/6/2007 to 9/6/2011	–	140,000	140,000	–	–	–
Yong Ying-I								
SembCorp Industries Ltd	Ordinary shares		100,000	100,000	100,000	–	–	–
Evert Henkes								
SembCorp Industries Ltd	Options to subscribe for ordinary shares at – S\$1.15 per share	18/5/2005 to 17/5/2009	12,000	12,000	12,000	–	–	–
	– S\$1.32 per share	23/11/2005 to 22/11/2009	12,000	12,000	12,000	–	–	–
	– S\$2.53 per share	2/7/2006 to 1/7/2010	17,500	17,500	17,500	–	–	–
	– S\$2.52 per share	22/11/2006 to 21/11/2010	17,500	17,500	17,500	–	–	–
	– S\$2.68 per share	10/6/2007 to 9/6/2011	–	35,000	35,000	–	–	–
Lee Suet Fern								
SembCorp Industries Ltd	Options to subscribe for ordinary shares at – S\$2.52 per share	22/11/2006 to 21/11/2010	35,000	35,000	35,000	–	–	–
	– S\$2.68 per share	10/6/2007 to 9/6/2011	–	70,000	70,000	–	–	–

SUMMARY DIRECTORS' REPORT

DIRECTORS' INTERESTS *(cont'd)*

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 or at the end of the financial year.

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 34(b) and 38 to the full 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.

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 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.

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 associated company, are given an opportunity to participate in the equity of the 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 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.

The shares are settled by physical delivery of shares by way of issuance of new shares or existing shares procured by the Company for transfer to the employees or cash in lieu of the shares.

SHARE-BASED INCENTIVE PLANS *(cont'd)*

In 2005, the Committee, with the 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.

In 2006, performance share awards granted were based on the same type of criteria as those issued in 2005.

In 2006, as part of the redesigned approach, restricted stocks were awarded to managerial employees of the Group, with the objective to eventually replace share options as a long-term incentive for them. The share options grants to this group of employees were reduced by 50%, and these were replaced by restricted stocks of an equivalent fair value, as recommended by the independent compensation consultant and approved by the Committee.

As a result of the Capital Reduction and Cash Distribution exercise in 2006, the exercise prices of outstanding share options, number of outstanding share awards under the Performance Share Plan and Restricted Stock Plan were adjusted with effect from August 8, 2006. Such adjustments were recommended by an independent compensation consultant and approved by the Committee, in accordance to the rules of the Share Option Plan, Performance Share Plan and Restricted Stock Plan. The adjustments did not result in any incremental fair value and the effects of these modifications are insignificant to the financial statements of the Group and the Company.

Other information regarding the Share Plans are as follows:

a. Share Option Plan:

Under the rules of the Share Option Plan, participants who ceased to be employed by the Group 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.

Other information regarding the Share Option Plan is as follows:

- i. The exercise price of the options can be set at market price or a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. Market price is the volume-weighted average price for the shares on the Singapore Exchange over the three consecutive trading days prior to grant date of that option. For all options granted to date, the exercise prices are set at market price.
- 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. In 2006, all options are settled by issuance of new shares.
- iv. The options granted expire after 5 years for non-executive directors, associated company's employees and 10 years for the employees of the Group.

SUMMARY DIRECTORS' REPORT

SHARE-BASED INCENTIVE PLANS (cont'd)

a. Share Option Plan (cont'd):

v. SembCorp Industries Share Option Plan

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

SembCorp Industries Ltd Ordinary Shares

Date of grant of options	Exercise price per share*	Options outstanding at Jan 1, 2006	Options				Number of options holders/ (including number of directors) at Dec 31, 2006		Exercise period
			Options granted	Options exercised	Options cancelled/ lapsed/ not accepted	Options outstanding at Dec 31, 2006			
26/06/2000	S\$1.79	3,164,465	–	(2,127,957)	(74,600)	961,908	95 / (1)	27/06/2001 to 26/06/2010	
24/07/2000	S\$2.06	3,294,567	–	(2,443,545)	(38,083)	812,939	63 / (1)	20/05/2001 to 19/05/2009	
24/07/2000	S\$1.92	106,288	–	(67,222)	–	39,066	3 / (–)	16/09/2001 to 15/09/2009	
19/04/2001	S\$1.35	568,000	–	(565,000)	(3,000)	–	– / (–)	20/04/2002 to 19/04/2006	
19/04/2001	S\$1.35	2,015,350	–	(1,472,950)	(66,225)	476,175	74 / (–)	20/04/2002 to 19/04/2011	
07/05/2002	S\$1.39	293,750	–	(115,750)	–	178,000	7 / (4)	08/05/2003 to 07/05/2007	
07/05/2002	S\$1.39	2,635,300	–	(1,937,350)	(125,875)	572,075	146 / (–)	08/05/2003 to 07/05/2012	
17/10/2002	S\$0.78	240,000	–	(52,000)	–	188,000	7 / (4)	18/10/2003 to 17/10/2007	
17/10/2002	S\$0.78	1,985,850	–	(1,346,475)	(129,375)	510,000	128 / (–)	18/10/2003 to 17/10/2012	
02/06/2003	S\$0.94	266,250	–	(39,000)	–	227,250	13 / (4)	03/06/2004 to 02/06/2008	
02/06/2003	S\$0.94	3,174,155	–	(1,918,930)	(214,000)	1,041,225	290 / (1)	03/06/2004 to 02/06/2013	
18/11/2003	S\$1.09	290,500	–	(44,750)	–	245,750	15 / (4)	19/11/2004 to 18/11/2008	
18/11/2003	S\$1.09	3,617,245	–	(1,969,675)	(250,925)	1,396,645	303 / (1)	19/11/2004 to 18/11/2013	
17/05/2004	S\$1.15	310,500	–	(20,000)	(24,250)	266,250	15 / (5)	18/05/2005 to 17/05/2009	
17/05/2004	S\$1.15	4,967,670	–	(2,393,520)	(379,000)	2,195,150	367 / (1)	18/05/2005 to 17/05/2014	
22/11/2004	S\$1.32	312,500	–	(16,125)	(27,625)	268,750	15 / (5)	23/11/2005 to 22/11/2009	
22/11/2004	S\$1.32	6,046,951	–	(3,002,426)	(423,000)	2,621,525	398 / (1)	23/11/2005 to 22/11/2014	
01/07/2005	S\$2.53	300,000	–	(4,375)	(13,125)	282,500	7 / (5)	02/07/2006 to 01/07/2010	
01/07/2005	S\$2.53	7,783,000	–	(2,259,572)	(761,875)	4,761,553	903 / (1)	02/07/2006 to 01/07/2015	
21/11/2005	S\$2.52	335,000	–	–	(17,500)	317,500	8 / (6)	22/11/2006 to 21/11/2010	
21/11/2005	S\$2.52	8,160,000	–	(1,958,055)	(876,125)	5,325,820	1,116 / (1)	22/11/2006 to 21/11/2015	
09/09/2006	S\$2.68	–	665,000	–	(140,000)	525,000	6 / (6)	10/06/2007 to 09/06/2011	
09/06/2006	S\$2.68	–	8,081,500	(11,000) [@]	(620,000)	7,450,500	1,461 / (1)	10/06/2007 to 09/06/2016	
		49,867,341	8,746,500	(23,765,677)	(4,184,583)	30,663,581			

* The exercise prices for outstanding share options granted prior to August 8, 2006 were adjusted as a result of the Capital Reduction and Cash Distribution exercise in 2006.

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

SHARE-BASED INCENTIVE PLANS (cont'd)

a. Share Option Plan (cont'd):

v. SembCorp Industries Share Option Plan (cont'd)

The details of options of the Company granted during the year and awarded/exercised since commencement of the Scheme (aggregate) to December 31, 2006 were as follows:

Option participants	Options granted during the year	Aggregate options			
		Aggregate options granted	cancelled/lapsed/not accepted	Aggregate options exercised	Aggregate options outstanding
Directors					
Peter Seah Lim Huat	140,000	980,000	–	(280,000)	700,000
Tang Kin Fei	300,000	3,444,052	(607,759) ¹	(920,043)	1,916,250
K Shanmugam	70,000	490,000	–	(245,000)	245,000
Goh Geok Ling	70,000	370,000	–	(105,000)	265,000
Richard Hale, OBE	140,000	490,000	–	(122,500)	367,500
Yong Ying-I	70,000	235,000	(235,000) ²	–	–
Evert Henkes	35,000	94,000	–	–	94,000
Lee Suet Fern	70,000	105,000	–	–	105,000
Other executives					
Group	7,781,500	149,771,742	(65,662,425)	(57,916,986)	26,192,331
Associated company	–	748,600	(196,600)	(512,000)	40,000
Parent Group ³	–	378,500	(76,000)	(246,500)	56,000
Former directors of the Company					
	70,000	8,341,578	(2,129,578)	(5,529,500)	682,500
Total	8,746,500	165,448,472	(68,907,362)	(65,877,529)	30,663,581

Notes:

- Options lapsed due to replacement of 1999 options and expiry of earlier options.
- Options not accepted due to civil service regulation.
- Parent Group refers to former employees of Singapore Technologies Pte Ltd. No options were granted to former employees of Singapore Technologies Pte Ltd since 2005.

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.

SUMMARY DIRECTORS' REPORT

SHARE-BASED INCENTIVE PLANS (cont'd)

a. Share Option Plan (cont'd):

vi. Share options of the Subsidiaries

At the end of the financial year, details of the options granted under the Share Option Plan on unissued ordinary shares of SembCorp Marine Ltd are as follows:

SembCorp Marine Ltd Ordinary Shares

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2006	Options granted	Options exercised	Options			Number of options holders/ (including directors) at		Exercise period
					cancelled/ lapsed/ not accepted	Options outstanding at Dec 31, 2006	Options	Dec 31, 2006	Dec 31, 2006	
08/09/2000	S\$0.70	75,000	–	–	(75,000)	–	–	– / (–)	08/09/2001 to 07/09/2005	
08/09/2000	S\$0.70	466,600	–	(163,000)	(5,600)	298,000	45	/ (–)	08/09/2001 to 07/09/2010	
27/09/2001	S\$0.66	145,000	–	(145,000)	–	–	–	/ (–)	28/09/2002 to 27/09/2006	
27/09/2001	S\$0.66	2,107,000	–	(1,586,550)	(10,250)	510,200	148	/ (–)	28/09/2002 to 27/09/2011	
07/11/2002	S\$0.90	475,000	–	(335,000)	–	140,000	2	/ (–)	08/11/2003 to 07/11/2007	
07/11/2002	S\$0.90	6,955,150	–	(3,606,950)	(145,750)	3,202,450	582	/ (–)	08/11/2003 to 07/11/2012	
08/08/2003	S\$0.99	667,000	–	(300,000)	–	367,000	4	/ (–)	09/08/2004 to 08/08/2008	
08/08/2003	S\$0.99	8,912,200	–	(3,374,550)	(226,000)	5,311,650	884	/ (–)	09/08/2004 to 08/08/2013	
10/08/2004	S\$1.04	800,000	–	(290,000)	–	510,000	6	/ (–)	11/08/2005 to 10/08/2009	
10/08/2004	S\$1.04	12,428,225	–	(3,015,050)	(444,975)	8,968,200	1,001	/ (–)	11/08/2005 to 10/08/2014	
11/08/2005	S\$2.96	530,000	–	(25,000)	–	505,000	7	/ (1)	12/08/2006 to 11/08/2010	
11/08/2005	S\$2.96	14,851,000	–	(710,100)	(735,250)	13,405,650	1,080	/ (–)	12/08/2006 to 11/08/2015	
02/10/2006	S\$3.33	–	560,000	–	–	560,000	8	/ (2)	03/10/2007 to 02/10/2011	
02/10/2006	S\$3.33	–	9,315,075	–	(91,000)	9,224,075	1,268	/ (–)	03/10/2007 to 02/10/2016	
		48,412,175	9,875,075	(13,551,200)	(1,733,825)	43,002,225				

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.

b. 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, participants 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 target exceeds 100%, more performance shares than the original award could be delivered up to a maximum of 200% of the original award.

SHARE-BASED INCENTIVE PLANS (cont'd)

b. Performance Share Plan (cont'd)

In the 2005 performance share award, the performance criteria were changed and performance levels were re-calibrated based on the new measures, namely Wealth Added and Total Shareholders' Return. For each performance measure, three distinct performance levels were 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.

In 2006, performance share awards granted were based on the same type of criteria as those issued in 2005.

Participants are also required to hold a minimum percentage of the shares released to them under the Performance Share Plan and Restricted Stock 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.

i. SembCorp Industries Performance Shares

The details of performance shares relating to SembCorp Industries Ltd's shares 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					
Directors of the Company:					
Tang Kin Fei	419,600	1,488,200	(145,000)	(295,000)	1,048,200
Former director of the Company*	–	1,780,000	(341,600)	(1,438,400)	–
Key executives of the Group	525,825	2,779,195	(439,100)	(1,380,900)	959,195
	945,425	6,047,395	(925,700)	(3,114,300)	2,007,395

* Former director of the Company refers to the late Mr Wong Kok Siew.

In accordance with the rules of Performance Share Plan and the advice of the independent compensation consultant, and with the Committee's approval, additional 92,395 shares were awarded to the holders of the outstanding awards as a result of the Capital Reduction and Cash Distribution exercise in August 2006. The number of additional shares awarded was based on an adjustment factor to maintain the parity of the award's economic values before and after modification date. The effect of these modifications is insignificant to the financial statements of the Group and the Company.

The total number of performance shares in awards granted conditionally and representing 100% of targets achieved, but not released as at end 2006, was 2,007,395. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,194,318 performance shares.

ii. Performance shares of a listed subsidiary

The details of performance shares of SembCorp Marine Ltd's shares awarded during the year since commencement of the Performance Share Plan (aggregate) were as follows:

Conditional shares awarded during the year	600,000
Aggregate conditional shares awarded	3,695,000
Aggregate conditional shares released	(1,186,400)
Aggregate conditional shares lapsed	(553,600)
Aggregate conditional shares outstanding	1,955,000

SHARE-BASED INCENTIVE PLANS (cont'd)

b. Performance Share Plan (cont'd)

ii. Performance shares of a listed subsidiary (cont'd)

No SembCorp Marine Ltd's performance shares were awarded to directors of the Company.

The total number of SembCorp Marine Ltd's performance shares in awards granted conditionally and representing 100% of targets achieved, but not released as at end 2006, was 1,955,000. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,222,500 performance shares.

c. Restricted Stock Plan

In 2006, as part of the redesigned approach, restricted stocks were awarded to managerial employees of the Group, with the objective to eventually replace share options as a long-term incentive for them. The share options grants to this group of employees were reduced by 50%, and these were replaced by restricted stocks of an equivalent fair value, as recommended by the independent compensation consultant and approved by the Committee.

Under the Restricted Stock Plan, the awards granted conditional on performance targets are set based on corporate objectives at the start of each rolling two-year performance qualifying period. The performance criteria are set and performance levels for the restricted stocks are calibrated based on Return on Total Assets 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 criteria, restricted stocks to be delivered for awards granted in 2006 will range from 0% to 130% of the original award.

A specific number of restricted stocks shall be awarded at the end of the two-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset. There is a further vesting of three years after the performance period, during which one-third of the awarded shares are released each year.

Senior management participants are also required to hold a minimum percentage of the shares released to them under the Restricted Stock Plan and 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.

i. SembCorp Industries Restricted Stocks

A total of 1,049,800 restricted stocks of SembCorp Industries Ltd's shares were awarded on June 9, 2006 for the performance period 2006 to 2007.

In accordance with the rules of Restricted Stock Plan and the advice of the independent compensation consultant, and with the Committee's approval, additional 42,808 restricted stocks were awarded to the holders of the outstanding awards as a result of the Capital Reduction and Cash Distribution exercise in August 2006. The number of additional shares awarded was based on an adjustment factor to maintain the parity of the award's economic values before and after modification date. The effect of these modifications is insignificant to the financial statements of the Group and the Company.

68,772 restricted stocks were awarded to Mr Tang Kin Fei, Group President & CEO of the Group and Director of the Company for the performance period 2006 to 2007.

The total number of restricted stocks in awards granted conditionally and representing 100% of targets achieved, but not released as at end 2006, was 1,025,857. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 1,333,614 restricted stocks.

SHARE-BASED INCENTIVE PLANS (cont'd)

c. Restricted Stock Plan (cont'd)

ii. Restricted stocks of a listed subsidiary

A total of 1,222,400 restricted stocks of SembCorp Marine Ltd's shares were awarded on October 2, 2006 for the performance period 2006 to 2007. No SembCorp Marine Ltd's restricted stocks were awarded to directors of the Company.

The total number of SembCorp Marine Ltd's restricted stocks in awards granted conditionally and representing 100% of targets achieved, but not released as at end 2006, was 1,222,400. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 1,589,120 restricted stocks.

d. 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.

ABILITY TO MEET OBLIGATIONS

No contingent liability or other liability of the Group or of the Company has become enforceable or is likely to become enforceable within the period twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

OTHER CIRCUMSTANCES AFFECTING THE FINANCIAL STATEMENTS

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the full financial statements which would render misleading any amount stated in the financial statements of the Group or of the Company.

UNUSUAL ITEMS DURING AND AFTER THE FINANCIAL YEAR

Except for the material and unusual items as set out in note 34(d) to the full financial statements, in the opinion of the directors, no item, transaction or event of a material and unusual nature has substantially affected the results of the operations of the Group, or of the Company, during the financial year.

AUDIT COMMITTEE

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

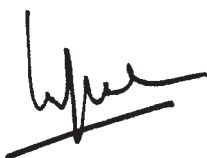
Richard Hale, OBE (Chairman) (Appointed chairman on February 14, 2006)

K Shanmugam

Lee Suet Fern

Yong Ying-I (Appointed on July 19, 2006)

The Summary Financial Statements set out on pages 22 to 52 were approved by the Board of Directors and were signed on its behalf by:



PETER SEAH LIM HUAT
Chairman



TANG KIN FEI
Director

Singapore
February 16, 2007

AUDITORS' STATEMENT

AUDITORS' STATEMENT TO THE MEMBERS OF SEMBCORP INDUSTRIES LTD

We have examined the Summary Financial Statements set out in pages 22 to 52, which have been prepared by the Directors of the Company.

In our opinion, the Summary Financial Statements are consistent with the full financial statements and the Directors' Report of SembCorp Industries Ltd for the year ended December 31, 2006, and comply with the requirements of Section 203A of the Singapore Companies Act, Chapter 50, and regulations made thereunder, applicable to the Summary Financial Statements.

We have issued an unqualified audit report dated February 16, 2007, on the full financial statements of SembCorp Industries Ltd for the year ended December 31, 2006, which is as follows:

INDEPENDENT AUDITORS' REPORT MEMBERS OF THE COMPANY SEMBCORP INDUSTRIES LTD

We have audited the accompanying financial statements of SembCorp Industries Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at December 31, 2006, the profit and loss account, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages # to #.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion:

- a. the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2006, and of the results, changes in equity and cash flows of the Group for the year ended on that date; and
- b. the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



KPMG

Certified Public Accountants

Singapore

February 16, 2007

Note:

The page numbers are as stated in the Independent Auditors' Report dated February 16, 2007, included in the SembCorp Industries Ltd's Annual Report for the financial year ended December 31, 2006.

SUMMARY BALANCE SHEETS

	Group		Company	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Equity attributable to shareholders of the Company:				
Share capital	525,414	436,603	525,414	436,603
Other reserves	474,738	419,286	5,269	316,062
Accumulated profits	1,811,447	1,143,729	1,065,803	542,643
	2,811,599	1,999,618	1,596,486	1,295,308
Minority interests	648,186	845,041	-	-
Total equity	3,459,785	2,844,659	1,596,486	1,295,308
Non-current assets				
Property, plant and equipment	2,534,505	2,627,380	4,352	997
Investments in subsidiaries	-	-	1,464,045	2,275,587
Interests in associates	476,421	294,755	-	-
Interests in joint ventures	264,457	431,711	-	-
Other financial assets	359,255	121,373	-	-
Long-term receivables and prepayments	70,167	146,152	-	-
Intangible assets	109,912	150,765	90	90
Deferred tax assets	36,596	26,285	-	-
	3,851,313	3,798,421	1,468,487	2,276,674
Current assets				
Inventories and work-in-progress	1,273,898	863,612	-	-
Trade and other receivables	1,268,804	1,315,508	199,827	84,808
Assets held for sale	6,167	52,230	-	-
Bank balances, fixed deposits and cash	1,185,639	1,231,281	347,336	10,503
	3,734,508	3,462,631	547,163	95,311
Current liabilities				
Trade and other payables	1,646,928	1,870,393	257,015	926,482
Excess of progress billings over work-in-progress	545,370	389,837	-	-
Provisions	30,381	639,900	11,454	-
Retirement benefit obligations	-	4,061	-	-
Current tax payable	146,836	104,683	-	-
Interest-bearing borrowings	216,161	149,383	-	-
	2,585,676	3,158,257	268,469	926,482
Net current assets/(liabilities)	1,148,832	304,374	278,694	(831,171)
	5,000,145	4,102,795	1,747,181	1,445,503
Non-current liabilities				
Deferred tax liabilities	294,214	220,095	195	195
Provisions	14,028	8,977	500	-
Retirement benefit obligations	31,320	42,035	-	-
Interest-bearing borrowings	1,096,174	908,686	150,000	150,000
Other long-term liabilities	104,624	78,343	-	-
	1,540,360	1,258,136	150,695	150,195
	3,459,785	2,844,659	1,596,486	1,295,308

SUMMARY CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Group	
	2006	2005
	S\$'000	S\$'000
Continuing operations		
Turnover	7,485,853	5,770,603
Cost of sales	(6,820,304)	(5,275,116)
Gross profit	665,549	495,487
Non-operating income (net)	167,848	125,137
General and administrative expenses	(198,227)	(199,503)
Finance costs	(53,530)	(51,477)
Share of results (net of tax) of:		
– associates	67,390	29,633
– joint ventures	43,246	23,342
Profit before income tax credit / (expense)	692,276	422,619
Income tax credit / (expense)	14,099	(78,611)
Profit from continuing operations	706,375	344,008
Discontinued operations		
Profit from discontinued operations (net of tax)	453,445	71,218
Profit for the year	1,159,820	415,226
Attributable to:		
Shareholders of the Company		
– Net profit from continuing operations	582,894	265,210
– Net profit from discontinued operations	446,879	38,085
	1,029,773	303,295
Minority interests	130,047	111,931
Profit for the year	1,159,820	415,226
Earnings per share (cents):		
Basic–continuing operations	33.12	14.99
Basic–discontinued operations	25.39	2.15
Basic	58.51	17.14
Diluted–continuing operations	32.83	14.83
Diluted–discontinued operations	25.16	2.13
Diluted	57.99	16.96

OTHER INFORMATION

1. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Profit attributable to shareholders of the Company for the year includes the following material and unusual items:

	Group	
	2006	2005
	S\$'000	S\$'000
Non-operating income (net)		
Gain on divestment of investments	498,924	56,119
Realised gain / (unrealised loss) in foreign exchange relating to an amount accumulated in connection with Solitaire arbitration	9,213	(30,758)
Recovery of doubtful recoverables	-	4,549
General and administrative expenses		
Reversal of impairment for property, plant and equipment	83,069	-
Additional charge arising from final settlement on Solitaire	(66,213)	-
Allowance (made) / written back for doubtful receivables (net)	(7,176)	19,654
Allowance for impairment of goodwill relating to interests in associates	-	(6,214)
	517,817	43,350
Income tax credit* / (expense) on material and unusual items above	144,275	(8,875)
Net material and unusual items before minority interests	662,092	34,475
Less: Minority interests	(11,868)	(9,655)
	650,224	24,820

* Included in income tax credit for 2006 is tax benefit arising from utilisation of tax losses attributable to Solitaire of S\$153.2 million.

2. DISCONTINUED OPERATIONS

On April 3, 2006, the Group completed the divestment of its entire 60.01% stake in SembCorp Logistics Ltd. On June 2, 2006 and October 7, 2006, the Group divested its 88% and 12% stake respectively in SembCorp Engineers and Constructors Pte Ltd. These divestments are in line with the Group's aim to sharpen its strategic focus on a smaller stable of core businesses.

2. DISCONTINUED OPERATIONS *(cont'd)*

The analysis of the results from discontinued operations is as follows:

	2006	2005
	S\$'000	S\$'000
Turnover	621,250	1,638,614
Cost of sales	(578,239)	(1,494,502)
Gross profit	43,011	144,112
General and administrative expenses	(33,611)	(111,798)
Non-operating income (net)	1,876	29,771
Finance costs	(484)	(2,384)
Share of results (net of tax) of:		
– associates	4,192	15,656
– joint ventures	2,486	9,680
Profit before income tax expense	17,470	85,037
Income tax expense	(3,224)	(13,819)
Profit after income tax expense before gain on divestment of discontinued operations	14,246	71,218
Gain on divestment of discontinued operations	439,199	–
Profit for the year from discontinued operations	453,445	71,218

3. DIVIDENDS AND CAPITAL DISTRIBUTION

On April 3, 2006, the directors approved a distribution to shareholders via capital distribution of 15 cents per share following the divestment of its 60.01% stake in SembCorp Logistics Ltd. This capital distribution amounting to S\$264.6 million was paid to shareholders in August 2006.

Subject to the approval by the shareholders at the next Annual General Meeting, the directors have proposed a total gross dividend of 28.9 cents (net 28.0 cents) per share comprising a final gross ordinary dividend of 4.9 cents (net 4.0 cents) per share; ordinary 1-tier dividend of 8.0 cents per share and special 1-tier dividend of 16.0 cents per share (2005: a final gross ordinary dividend of 6.5 cents (net 5.2 cents) per share) amounting to an estimated net dividend of S\$495,649,000 (2005: S\$91,344,000) in respect of the financial year ended December 31, 2006, based on the share capital as at that date.

The proposed dividend has not been included as a liability in the financial statements.

OTHER INFORMATION

4. RELATED PARTIES

Group

a. Related party transactions

The Group had the following significant transactions with related parties during the year:

	Group	
	2006	2005
	S\$'000	S\$'000
Related Companies		
Sales	791,038	788,566
Purchases including rental	7,836	29,645
Associates and Joint Ventures		
Sales	21,196	15,645
Purchases including rental	353,700	352,571

b. Compensation of key management personnel

In 2006, Directors of the Company, CEOs of our subsidiaries, namely SembCorp Marine Ltd, SembCorp Environmental Management Pte Ltd, Executive Chairman of SembCorp Parks Holdings Ltd, Executive Vice President of SembCorp Utilities Pte Ltd, Executive Vice President/Managing Director of SembCorp Utilities UK, Group Chief Financial Officer, Executive Vice President of Group Performance Management & Ventures are considered to be key management personnel in accordance with FRS 24 – Related Party Disclosures. These persons have the authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation is as follows:

	Group	
	2006	2005
	S\$'000	S\$'000
Directors' remuneration	3,223	6,320 [@]
Other key management personnel remuneration	7,643	6,580
	10,866	12,900
Fair value of share-based compensation	3,348	2,231

[@] In 2005, a payout was made to the estate of the late Mr Wong Kok Siew, a former key executive and executive director of the Board, in accordance with his terms and conditions of employment. This payout was approved by the Executive Resource & Compensation Committee.

4. RELATED PARTIES (cont'd)

Group (cont'd)

b. Compensation of key management personnel (cont'd)

Remuneration includes salary (which includes employer CPF, allowances, fees and other emoluments) and bonus (which includes AWS, discretionary bonus, performance targets bonus, performance shares and restricted stocks released during the year).

In addition to the above, the Company provides medical benefits to all employees, which include key management personnel.

The Group adopts an incentive compensation plan, which ties to the creation of Economic Value Added ("EVA"), as well as to attainment of individual and Group performance goals for its key executives. A "bonus bank" is used to hold incentive compensation credited in any year. Typically, one-third of the available balance is paid out in cash each year, with the balance being carried forward to the following year. Such carried forward balances of the bonus bank may either be reduced or increased in future, based on the yearly EVA performance of the Group and its subsidiaries.

Fair value of share-based compensation relates to share options, performance shares and restricted stocks granted during the year. The amount charged is determined in accordance with FRS 102 Share-based Payment.

Company

- a. The Company provided a corporate guarantee to a subsidiary, SembCorp Cogen Pte Ltd ("SembCogen") which on January 15, 1999, entered into a long-term contract ("End User Agreement") with a fellow subsidiary, SembCorp Gas Pte Ltd ("SembGas") to purchase natural gas over the period of 22 years.

Under the End User Guarantee Agreement ("EUGA"), the Company and one of its subsidiaries, SembCorp Utilities Pte Ltd issued corporate guarantee in favour of SembGas for 70% and 30% respectively of SembCogen's obligations under the End User Agreement.

- b. The Company has provided financial guarantees for the indebtedness of other companies within the Group; the Company considers these to be insurance arrangements and treats them as contingent liabilities. Details of the guarantees are set out in note 40 to the full financial statements.
- c. In 2005, the Company provided a lease guarantee to the landlord of a subsidiary, amounting to approximately S\$36 million, representing the expected rental payment for the remaining 16 years under the tenancy agreement. The subsidiary was disposed of in 2006.

OTHER INFORMATION

5. SEGMENT REPORTING

a. Business Segments

	Continuing Operations			
		Marine	Environmental	Others /
	Utilities	Engineering	Engineering	Corporate
	S\$'000	S\$'000	S\$'000	S\$'000
2006				
Turnover				
External sales	3,589,752	3,538,845	210,133	147,123
Inter-segment sales	39,057	6,204	1,749	13,335
Total	3,628,809	3,545,049	211,882	160,458
Results				
Segment results	292,685	256,374	(28,142)	67,967
Interest income	13,950	19,530	709	36,488
Interest expense	(44,885)	(10,549)	(1,877)	(20,610)
	261,750	265,355	(29,310)	83,845
Share of results of associates	4,596	35,947	10,540	16,307
Share of results of joint ventures	30,950	3,439	930	7,927
	297,296	304,741	(17,840)	108,079
Income tax (expense) / credit	(58,735)	(57,056)	505	129,385
Minority interests	(14,838)	(100,956)	528	(8,215)
Net profit / (loss) for the year	223,723	146,729	(16,807)	229,249
Assets				
Segment assets	2,578,410	3,277,271	170,932	1,079,054
Investment in associates	–	141,224	51,590	283,607
Investment in joint ventures	158,636	22,005	29,080	54,736
Tax assets	35,333	2,185	6,177	243,723
Total assets	2,772,379	3,442,685	257,779	1,661,120
Liabilities				
Segment liabilities	1,588,151	1,887,423	129,902	627,652
Tax liabilities	202,935	169,415	4,751	63,949
Total liabilities	1,791,086	2,056,838	134,653	691,601
Capital expenditure	298,458	126,278	23,211	12,342
Significant non-cash items				
Depreciation and amortisation	90,775	49,292	6,443	18,088
Other non-cash items (including provisions, loss on disposal and exchange differences)	11,301	5,441	18,343	121,137

Discontinued Operations

Engineering and

Elimination	Sub-total	Logistics	Construction	Sub-total	Elimination	Total operations
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
–	7,485,853	133,250	488,000	621,250	–	8,107,103
(60,345)	–	150	48	198	(198)	–
(60,345)	7,485,853	133,400	488,048	621,448	(198)	8,107,103
–	588,884	472,112	(24,219)	447,893	–	1,036,777
(24,391)	46,286	2,270	671	2,941	(359)	48,868
24,391	(53,530)	(108)	(735)	(843)	359	(54,014)
–	581,640	474,274	(24,283)	449,991	–	1,031,631
–	67,390	4,199	(7)	4,192	–	71,582
–	43,246	2,486	–	2,486	–	45,732
–	692,276	480,959	(24,290)	456,669	–	1,148,945
–	14,099	(3,156)	(68)	(3,224)	–	10,875
–	(123,481)	(6,546)	(20)	(6,566)	–	(130,047)
–	582,894	471,257	(24,378)	446,879	–	1,029,773
(548,142)	6,557,525	–	–	–	–	6,557,525
–	476,421	–	–	–	–	476,421
–	264,457	–	–	–	–	264,457
–	287,418	–	–	–	–	287,418
(548,142)	7,585,821	–	–	–	–	7,585,821
(548,142)	3,684,986	–	–	–	–	3,684,986
–	441,050	–	–	–	–	441,050
(548,142)	4,126,036	–	–	–	–	4,126,036
–	460,289	3,798	1,192	4,990	–	465,279
–	164,598	3,260	2,490	5,750	–	170,348
–	156,222	836	6,247	7,083	–	163,305

OTHER INFORMATION

5. SEGMENT REPORTING (cont'd)

a. Business Segments (cont'd)

	Continuing Operations			
		Marine	Environmental	Others /
	Utilities	Engineering	Engineering	Corporate
	S\$'000	S\$'000	S\$'000	S\$'000
2005				
Turnover				
External sales	3,261,939	2,102,173	216,592	189,899
Inter-segment sales	18,600	17,106	2,101	20,912
Total	3,280,539	2,119,279	218,693	210,811
Results				
Segment results	223,027	127,057	(2,064)	47,289
Interest income	7,209	15,614	139	23,377
Interest expense	(41,523)	(4,785)	(1,026)	(24,670)
	188,713	137,886	(2,951)	45,996
Share of results of associates	713	15,999	8,253	4,668
Share of results of joint ventures	18,783	1,011	–	3,548
	208,209	154,896	5,302	54,212
Income tax expense	(38,387)	(31,437)	(245)	(8,542)
Minority interests	(13,765)	(49,118)	(360)	(15,555)
Net profit for the year	156,057	74,341	4,697	30,115
Assets				
Segment assets	2,413,467	2,212,686	158,853	1,088,009
Investment in associates	–	104,688	56,270	55,711
Investment in joint ventures	148,981	18,957	–	196,198
Tax assets	26,400	1,368	4,104	90,438
Total assets	2,588,848	2,337,699	219,227	1,430,356
Liabilities				
Segment liabilities	1,606,964	1,107,591	58,282	1,190,902
Tax liabilities	149,663	101,687	3,909	49,327
Total liabilities	1,756,627	1,209,278	62,191	1,240,229
Capital expenditure	160,629	139,586	6,363	37,448
Significant non-cash items				
Depreciation and amortisation	89,943	39,516	8,756	23,641
Other non-cash items (including provisions, loss on disposal and exchange differences)	14,249	13,136	5,347	8,008

Discontinued Operations

Engineering and

Elimination	Sub-total	Logistics	Construction	Sub-total	Elimination	Total operations
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
–	5,770,603	542,149	1,096,465	1,638,614	–	7,409,217
(58,719)	–	305	40	345	(345)	–
(58,719)	5,770,603	542,454	1,096,505	1,638,959	(345)	7,409,217
–	395,309	52,755	354	53,109	–	448,418
(20,527)	25,812	8,538	1,095	9,633	(657)	34,788
20,527	(51,477)	(2,299)	(742)	(3,041)	657	(53,861)
–	369,644	58,994	707	59,701	–	429,345
–	29,633	14,343	1,313	15,656	–	45,289
–	23,342	9,680	–	9,680	–	33,022
–	422,619	83,017	2,020	85,037	–	507,656
–	(78,611)	(12,643)	(1,176)	(13,819)	–	(92,430)
–	(78,798)	(33,011)	(122)	(33,133)	–	(111,931)
–	265,210	37,363	722	38,085	–	303,295
(574,085)	5,298,930	611,705	508,994	1,120,699	(32,489)	6,387,140
–	216,669	75,754	2,332	78,086	–	294,755
–	364,136	67,575	–	67,575	–	431,711
–	122,310	10,526	14,610	25,136	–	147,446
(574,085)	6,002,045	765,560	525,936	1,291,496	(32,489)	7,261,052
(574,085)	3,389,654	272,717	461,733	734,450	(32,489)	4,091,615
–	304,586	12,677	7,515	20,192	–	324,778
(574,085)	3,694,240	285,394	469,248	754,642	(32,489)	4,416,393
–	344,026	19,053	8,123	27,176	–	371,202
–	161,856	12,738	9,785	22,523	–	184,379
–	40,740	8,061	21,420	29,481	–	70,221

OTHER INFORMATION

5. SEGMENT REPORTING (cont'd)

b. Geographical Segments

	Singapore	Rest of Asia	Europe	Others	Discontinued Operations	Consolidated
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2006						
Revenue from external customers	3,438,967	899,667	2,727,348	419,673	621,448	8,107,103
Total assets	5,944,168	618,845	831,465	191,343	–	7,585,821
Segment assets	5,404,613	202,537	819,699	130,676	–	6,557,525
Capital expenditure	284,879	42,081	132,669	660	4,990	465,279
2005						
Revenue from external customers	2,698,794	698,188	2,002,606	370,670	1,638,959	7,409,217
Total assets	4,466,112	752,587	635,027	115,830	1,291,496	7,261,052
Segment assets	4,130,271	464,811	620,728	50,631	1,120,699	6,387,140
Capital expenditure	208,036	67,392	68,598	–	27,176	371,202

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.

i. Business Segments

The Group comprises the following main business segments:

Utilities' principal activities are in provision of centralised utilities and energy. It offers industrial utilities and services such as energy, steam, industrial water and wastewater treatment to energy intensive users. It operates in Singapore, United Kingdom, Vietnam, China and United Arab Emirates. Its operations in engineering, construction and fabrication of offshore platforms, modules and floating production systems for oil and gas companies (offshore engineering) under the SMOE group was sold to SembCorp Marine Ltd in August 2006.

Marine and Offshore Engineering segment focuses on repair, building and conversion of ships and rigs, and on offshore engineering.

Environmental Management segment provides integrated waste management services and undertakes waste to resource businesses in the Asia Pacific region.

5. SEGMENT REPORTING (cont'd)

i. Business Segments (cont'd)

Others/Corporate segment comprises businesses relating to minting, hotels and industrial parks and design and construction activities; and the corporate companies.

The Group sold its businesses in SembCorp Logistics Ltd (Logistics segment) and SembCorp Engineers and Constructors Pte Ltd (Engineering and Construction segment) in April 2006 and June 2006 respectively. The Logistics segment provided one-stop logistics management services, parts and components management, automated warehouse operations, preservation and packaging technologies and hazardous goods management. Engineering and Construction segment was engaged in turnkey construction, design consultancy, infrastructure development and project management.

ii. Geographical Segments

The Group operates in three principal geographical areas, Singapore, Europe 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.

6. MATERIAL CHANGES IN GROUP STRUCTURE, ACCOUNTING POLICIES, ASSET VALUES AND SHARE CAPITAL

Group Structure

Except for the divestment of SembCorp Logistics Ltd and SembCorp Engineers and Constructors Pte Ltd, there have been no other material acquisitions and disposals of subsidiaries during the year.

Accounting Policies

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS").

With effect from January 1, 2006, the Group adopted the following FRS and Interpretations to FRS ("INT FRS") which are relevant to the Group's operation:

FRS 19 Amendments	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosure
FRS 39 Amendments	Financial Instruments: Recognition and Measurement <ul style="list-style-type: none">■ Cash flow hedge accounting of forecast intragroup transactions■ Fair value option■ Financial guarantee contracts
FRS 104	Insurance Contracts
FRS 106	Exploration for and Evaluation of Mineral Resources
INT FRS 104	Determining whether an Arrangement contains a Lease
INT FRS 105	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
INT FRS 106	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The effects of adoption of the above FRS and INT FRS did not result in substantial changes to the Group's accounting policies and did not give rise to any adjustments to the opening balances of accumulated profits of the prior and current years or changes to comparatives.

OTHER INFORMATION

6. MATERIAL CHANGES IN GROUP STRUCTURE, ACCOUNTING POLICIES, ASSET VALUES AND SHARE CAPITAL *(cont'd)*

Accounting Policies *(cont'd)*

FRS yet to be adopted

The Group has not applied the following FRS and interpretations that have been issued as of the balance sheet date but are not yet effective:

FRS 40	Investment Property
FRS 107	Financial Instruments: Disclosures and the Amendment to FRS 1 Presentation of Financial Statements: Capital Disclosures
INT FRS 107	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies
INT FRS 108	Scope of FRS 102 Share-based Payment
INT FRS 109	Reassessment of Embedded Derivatives
INT FRS 110	Interim Financial Reporting and Impairment

FRS 40, which becomes mandatory for the Group from January 1, 2007, permits investment property to be stated at either fair value or cost less accumulated depreciation and accumulated impairment losses. The Group will continue to state investment property at cost less accumulated depreciation and accumulated impairment losses.

FRS 107 and amended FRS 1, which become mandatory for the Group from January 1, 2007, will require additional disclosures with respect to the Group's financial instruments and share capital.

The initial application of these FRS and interpretations is not expected to have any material impact on the Group's results.

The Group has not considered the impact of FRS issued after the balance sheet date.

Asset Value

The total assets as at December 31, 2006 was S\$7.6 billion as compared with S\$7.3 billion for 2005.

Share Capital

- i. On the date of commencement of the Companies (Amendment) Act 2005 on January 30, 2006:
 - The concept of authorised share capital was abolished;
 - Shares of the Company ceased to have par value; and
 - Amount standing to the credit of the Company's share premium account of S\$313,618,000 became part of the Company's share capital.
- ii. During the year, the Company issued 23,765,677 ordinary shares for cash upon the exercise of the options under the Company's Share Option Plan.
- iii. During the year, the Company reduced its capital by S\$264,578,000 by way of a cash distribution of 15 cents per share, without deduction for tax, out of the Company's share capital account.

7. INTERESTED PERSON TRANSACTIONS

Interested person transactions carried out during the financial year which fall under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") are as follows:

**Aggregate value of all interested person transactions conducted
under a shareholders' mandate pursuant to Rule 920
of the SGX-ST Listing Manual (excluding transactions less than S\$100,000)**

	2006
	S\$'000
Sale of goods and services	
Temasek Holdings (Private) Limited and its Associates	
– Tuas Power Ltd/PowerSeraya Limited ¹	551,267
– Temasek Capital (Private) Limited and its Associates	6,322
– MediaCorp Pte Ltd and its Associates	4,515
– Singapore Technologies Telemedia Pte Ltd and its Associates	3,465
– PSA International Pte Ltd and its Associates	2,448
– Wildlife Reserves Singapore Pte Ltd and its Associates	1,675
– Senoko Power Ltd	811
– Singapore Power Ltd and its Associates	798
– National University Hospital (S) Pte Ltd and its Associates	450
– Surbana Corporation Pte Ltd and its Associates	391
	572,142
Singapore Petroleum Company Limited and its Associates	27,201
Singapore Airlines Limited and its Associates	10,904
Starhub Ltd and its Associates	3,285
Singapore Food Industries Ltd and its Associates	998
SNP Corporation Ltd and its Associates	783
SIA Engineering Company Limited and its Associates	635
	615,948
Purchase of goods and services	
Temasek Holdings (Private) Limited and its Associates	
– Temasek Capital (Private) Limited and its Associates ²	514,182
– Singapore Power Ltd and its Associates	3,343
	517,525
Treasury (Balances as at December 31)	
Placement of funds	
Singapore Technologies Pte Ltd and its Associates	11,219
Total interested person transactions	1,144,692

Notes:

¹ This relates mainly to the sale of gas by SembCorp Gas Pte Ltd to Tuas Power Ltd and PowerSeraya Limited for the generation of electricity.

² This relates mainly to the purchase of gas by SembCorp Cogen Pte Ltd from SembCorp Gas Pte Ltd for the generation of electricity.

There were no transactions which were not conducted under the shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual during the period January 1, 2006 to December 31, 2006.

SHAREHOLDERS' INFORMATION

STATISTICS OF SHAREHOLDERS AS OF FEBRUARY 21, 2007

Issued and fully Paid-up Capital:	S\$530,521,498.94
Number of Issued Shares:	1,773,187,337
Number of Shareholders:	21,332
Class of Shares:	Ordinary Shares with equal voting rights

SHAREHOLDINGS HELD BY THE PUBLIC

Based on information available to the Company as of February 21, 2007, 50.15% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

Substantial Shareholder	Direct Interest	Indirect Interest	Total Interest	%
Temasek Holdings (Private) Limited	871,200,328	12,718,760*	883,919,088	49.85

* Temasek is deemed to be interested in the 12,718,760 shares held by its other subsidiaries

TOP 20 SHAREHOLDERS AS OF FEBRUARY 21, 2007

No.	Name	No. of Shares held	%
1	Temasek Holdings (Private) Ltd	871,200,328	49.13
2	DBS Nominees Pte Ltd	230,430,954	13.00
3	DBSN Services Pte Ltd	164,778,439	9.29
4	Citibank Nominees Singapore Pte Ltd	118,911,700	6.71
5	HSBC (Singapore) Nominees Pte Ltd	88,493,470	4.99
6	United Overseas Bank Nominees Pte Ltd	51,145,750	2.88
7	Raffles Nominees Pte Ltd	48,901,742	2.76
8	Morgan Stanley Asia (S'pore)	24,461,217	1.38
9	Startree Investments Pte Ltd	9,400,000	0.53
10	OCBC Nominees Singapore Pte Ltd	8,865,982	0.50
11	Merrill Lynch (Singapore) Pte Ltd	3,765,634	0.21
12	DB Nominees (S) Pte Ltd	3,657,231	0.21
13	Royal Bank of Canada (Asia) Ltd	2,347,000	0.13
14	Oversea Chinese Bank Nominees Pte Ltd	2,208,217	0.12
15	The Asia Life Assurance Society Ltd – Par Fund	1,886,580	0.11
16	Phillip Securities Pte Ltd	1,673,618	0.09
17	DBS Vickers Securities (S) Pte Ltd	1,541,110	0.09
18	UOB Kay Hian Pte Ltd	1,470,176	0.08
19	Tang Kin Fei	1,427,355	0.08
20	Capital Intelligence Limited	1,200,000	0.07
		1,637,766,503	92.36

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1–999	3,118	14.62	1,836,682	0.10
1,000–10,000	15,918	74.62	54,174,139	3.06
10,001–1,000,000	2,276	10.67	79,410,013	4.48
1,000,001 and above	20	0.09	1,637,766,503	92.36
	21,332	100.00	1,773,187,337	100.00

REGISTERED OFFICE

30 Hill Street #05-04
Singapore 179360
Tel: (65) 6723 3113
Fax: (65) 6822 3254
www.sembcorp.com.sg

BOARD OF DIRECTORS

Peter Seah Lim Huat
Chairman

Tang Kin Fei
Group President & CEO

K Shanmugam
Goh Geok Ling
Richard Hale, OBE
Yong Ying-I
Evert Henkes
Lee Suet Fern

EXECUTIVE COMMITTEE

Peter Seah Lim Huat
Chairman

Goh Geok Ling

AUDIT COMMITTEE

Richard Hale, OBE
Chairman

K Shanmugam
Lee Suet Fern
Yong Ying-I

EXECUTIVE RESOURCE & COMPENSATION COMMITTEE

Peter Seah Lim Huat
Chairman

Goh Geok Ling
K Shanmugam

NOMINATING COMMITTEE

Peter Seah Lim Huat
Chairman

Goh Geok Ling
K Shanmugam

RISK COMMITTEE

Richard Hale, OBE
Chairman

K Shanmugam
Lee Suet Fern
Yong Ying-I

COMPANY SECRETARY

Kwong Sook May

REGISTRAR

M & C Services
138 Robinson Road #17-00
The Corporate Office
Singapore 068906
Tel: (65) 6227 6660
Fax: (65) 6225 1452

BANKERS

Citibank NA
3 Temasek Avenue #17-00
Centennial Tower
Singapore 039190

DBS Group
6 Shenton Way
DBS Building
Singapore 068809

Mizuho Corporate Bank
168 Robinson Road #13-00
Capital Tower
Singapore 068912

Oversea-Chinese Banking Corporation
65 Chulia Street
OCBC Centre
Singapore 049513

Standard Chartered Bank
6 Battery Road
Singapore 049909

Sumitomo Mitsui Banking Corporation
3 Temasek Avenue #06-01
Centennial Tower
Singapore 039190

The Bank of Tokyo-Mitsubishi UFJ
9 Raffles Place #01-01
Republic Plaza
Singapore 048619

The Hongkong and
Shanghai Banking Corporation
21 Collyer Quay #14-01
HSBC Building
Singapore 049320

United Overseas Bank
80 Raffles Place
UOB Plaza
Singapore 048624

AUDITORS

KPMG
Certified Public Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Partner-in-Charge: Phuoc Tran
(Appointed during the financial year
ended December 31, 2005)

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Ninth Annual General Meeting of the Company will be held at The Auditorium, NTUC Centre, Level 7, One Marina Boulevard, Singapore 018989 on Monday, April 23, 2007 at 11.00 am for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended December 31, 2006 and the Auditors' Report thereon. **Resolution 1**
2. To declare gross final dividends of 28.9 cents per share for the year ended December 31, 2006 as follows: **Resolution 2**
 - a final ordinary franked gross dividend of 4.9 cents per share less income tax;
 - a final ordinary exempt 1-tier dividend of 8 cents per share; and
 - a final special exempt 1-tier dividend of 16 cents per share.
3. To re-elect the following Directors, each of whom will retire by rotation pursuant to Article 93 of the Company's Articles of Association and who, being eligible, will offer themselves for re-election:
 - a. Peter Seah Lim Huat **Resolution 3**
 - b. Evert Henkes **Resolution 4**
 - c. Yong Ying-I (*Independent Member of Audit Committee*) **Resolution 5**
4. To approve the sum of S\$895,332 as Directors' Fees for the year ended December 31, 2006 (2005: S\$643,083). **Resolution 6**
5. To re-appoint KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**


SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions which will be proposed as Ordinary Resolutions:

6. That authority be and is hereby given to the Directors of the Company to:
 - a. i. issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
 - ii. make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,
at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- b. (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

- 
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”)) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for:
 - i. new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - ii. any subsequent consolidation or subdivision of shares;
 - (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
 - (4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

7. That approval be and is hereby given to the Directors to:

Resolution 9

- a. offer and grant options in accordance with the provisions of the SembCorp Industries Share Option Plan (the “**Share Option Plan**”) and/or to grant awards in accordance with the provisions of the SembCorp Industries Performance Share Plan (the “**Performance Share Plan**”) and/or the SembCorp Industries Restricted Stock Plan (the “**Restricted Stock Plan**”) (the Share Option Plan, the Performance Share Plan and the Restricted Stock Plan, together the “**Share Plans**”); and
- b. allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the Share Option Plan and/or such number of fully paid shares as may be required to be issued pursuant to the vesting of awards under the Performance Share Plan and/or the Restricted Stock Plan,

provided that the aggregate number of ordinary shares to be issued pursuant to the Share Plans shall not exceed 15% of the total number of issued shares in the capital of the Company from time to time.

8. To transact any other business.

By Order of the Board

Kwong Sook May
Company Secretary
March 15, 2007

Explanatory Notes:

Resolution 3 to 5 – Detailed information on these Directors can be found under Board of Directors and Corporate Governance Report in the Annual Report 2006.

If re-elected, Ms Yong Ying-I will remain as a member of the Audit Committee. Ms Yong Ying-I is an independent Director.

NOTICE OF ANNUAL GENERAL MEETING

STATEMENT PURSUANT TO ARTICLE 55 OF THE ARTICLES OF ASSOCIATION OF THE COMPANY:

Resolution 8 – is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total 50% of the issued shares in the capital of the Company, with a sub-limit of 20% for issues other than on a *pro rata* basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time that Resolution 8 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 8 is passed, and (b) any subsequent consolidation or subdivision of shares.

Resolution 9 – is to empower the Directors to offer and grant options and/or grant awards and to issue ordinary shares in the capital of the Company pursuant to the SembCorp Industries Share Option Plan, the SembCorp Industries Performance Share Plan and the SembCorp Industries Restricted Stock Plan (collectively, the “Share Plans”) provided that the aggregate number of ordinary shares issued pursuant to the Share Plans shall not exceed 15% of the total number of issued shares in the capital of the Company for the time being. Approval for the adoption of the Share Plans was given by shareholders at an Extraordinary General Meeting of the Company held on June 5, 2000 and modified at the Extraordinary General Meeting of the Company held on April 26, 2005. The grant of options and awards under the respective Share Plans will be made in accordance with their respective provisions.

Note:

1. *A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.*
2. *The instrument appointing a proxy must be lodged at the registered office of the Company at 30 Hill Street, #05-04 Singapore 179360 not later than 48 hours before the time appointed for the Annual General Meeting.*

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Register of Members and Share Transfer Books of the Company will be closed on April 30, 2007 to determine the shareholders’ entitlements to the proposed dividend. Duly completed transfers of shares received by the Company’s Share Registrar, M & C Services Private Limited at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, up to 5.00 pm on April 27, 2007 (the “Book Closure Date”) will be registered to determine shareholders’ entitlements to the proposed dividend. Subject as aforesaid, shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 pm on the Book Closure Date will be entitled to the dividend.

The proposed dividend, if approved by the members at the Annual General Meeting, will be paid on May 15, 2007.

IMPORTANT

1. For investors who have used their CPF monies to buy SembCorp Industries Ltd's shares, this report is forwarded to them at the request of their CPF Approved Nominees solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

SEMBCORP INDUSTRIES LTD

Co Regn No. 199802418D
(Incorporated in the Republic of Singapore)

NINTH ANNUAL GENERAL MEETING

I/We, _____ (Name), _____ (NRIC No.)

of _____ (Address)

being a member/members of SEMBCORP INDUSTRIES LTD hereby appoint:

Name	Address	NRIC/Passport No.	% of Shareholdings
and/or (delete as appropriate)			

as my/our proxy/proxies to attend and vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held on Monday, April 23, 2007 at 11.00 am at The Auditorium, NTUC Centre, Level 7, One Marina Boulevard, Singapore 018989 and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

	Resolutions	For	Against
ORDINARY BUSINESS			
1.	To adopt the Directors' Report and Accounts		
2.	To declare Final Dividends		
3.	To re-elect Peter Seah Lim Huat		
4.	To re-elect Evert Henkes		
5.	To re-elect Yong Ying-I		
6.	To approve Directors' Fees		
7.	To re-appoint KPMG as Auditors and to fix their Remuneration		
SPECIAL BUSINESS			
8.	To approve the renewal of Share Issue Mandate		
9.	To authorise the Directors to grant options and/or grant awards and issue shares under the SembCorp Industries' Share Plans		

Total Number of Shares Held

Signature(s) or Common Seal of member(s)

Date

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 30 Hill Street #05-04 Singapore 179360 not less than 48 hours before the time appointed for the Annual General Meeting.

1st FOLD

4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
6. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by the Central Depository (Pte) Limited to the Company.

2nd FOLD



Affix
Postage
Stamp

The Company Secretary
SembCorp Industries Ltd
30 Hill Street #05-04
Singapore 179360

3rd FOLD

REQUEST FORM

SEBFCORP INDUSTRIES LTD

Co Regn No. 199802418D
(Incorporated in the Republic of Singapore)

March 15, 2007
Dear Shareholder

This is a copy of the Summary Financial Report ("SFR") of SembCorp Industries Ltd ("SembCorp" or "Company") for the financial year 2006. The SFR contains a review of SembCorp and its group of companies ("Group") for the year ended December 31, 2006. It also contains a summary of the audited financial statements of the Company and the Group.

The Directors' Report and the full financial statements of the Company and the Group for the year ended December 31, 2006 are set out in a separate report called the Annual Report ("AR") 2006. This report is available at no cost to all registered SembCorp shareholders upon request.

We will continue to send you a copy of the SFR for as long as you are a SembCorp shareholder unless you indicate otherwise. For shareholders who wish to receive a copy of the AR 2006 and request copies for future years, please complete this form and return it to us by **March 26, 2007**. If we do not receive your request form, it would indicate that you do not wish to receive the AR for this year and for as long as you are a SembCorp shareholder.

Shareholders who have previously indicated your wishes to us do not need to return this form unless you wish to change your instruction. If we receive this form by **March 26, 2007**, it will supersede any previous request to us.

For the convenience of shareholders, the AR can be viewed or downloaded at SembCorp's website www.sembcorp.com.sg.

Yours faithfully
For SEMBFCORP INDUSTRIES LTD
Kwong Sook May
Company Secretary

TO: SEMBFCORP INDUSTRIES LTD

NB. Please tick only one box. Incomplete or incorrectly completed forms cannot be processed.

1. I/We wish to receive the Annual Report in addition to the Summary Report for FY2006.
2. I/We wish to receive the Annual Report for FY2006 in addition to the Summary Report for as long as I/we am/are a shareholder/s of SembCorp Industries Ltd.
3. I/We do not wish to receive the Annual Report and the Summary Report for FY2006 and for as long as I/we am/are a shareholder/s of SembCorp Industries Ltd.

Name(s) of Shareholder(s): _____ NRIC/ Passport No.: _____

The shares are held by me under or through:

CDP Securities Account Number

1	6	8	1	-															
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CPFIS Account*

Physical scrips

Address: _____ Postal Code: _____

Signature(s): _____ Date: _____

* Please note that if your shares are held under CPFIS, you are only eligible for option 1.

1st FOLD

2nd FOLD



SembCorp
Industries

BUSINESS REPLY SERVICE
PERMIT NO. 06735



The Company Secretary
SembCorp Industries Ltd
c/o The Central Depository (Pte) Ltd
4 Shenton Way #02-01
SGX Centre 2
Singapore 068807

*Postage will be
paid by addressee.
For posting in
Singapore only*

3rd FOLD