

DIRECTORS' REPORT

Year Ended December 31, 2007

DIRECTORS' REPORT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended December 31, 2007.

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

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 21/1/2008	beginning of the year	At end of the year	At 21/1/2008
Peter Seah Lim Huat								
Sembcorp Industries Ltd	Ordinary shares		280,000	150,500	150,500	–	–	–
	Options to subscribe for ordinary shares at							
	– S\$1.23 per share	8/5/2003 to 7/5/2007	70,000	–	–	–	–	–
	– S\$0.62 per share	18/10/2003 to 17/10/2007	70,000	–	–	–	–	–
	– S\$0.78 per share	3/6/2004 to 2/6/2008	70,000	–	–	–	–	–
	– S\$0.93 per share	19/11/2004 to 18/11/2008	70,000	17,500	17,500	–	–	–
	– S\$0.99 per share	18/5/2005 to 17/5/2009	70,000	17,500	17,500	–	–	–
	– S\$1.16 per share	23/11/2005 to 22/11/2009	70,000	35,000	35,000	–	–	–
	– S\$2.37 per share	2/7/2006 to 1/7/2010	70,000	35,000	35,000	–	–	–
	– S\$2.36 per share	22/11/2006 to 21/11/2010	70,000	52,500	52,500	–	–	–
	– S\$2.52 per share	10/6/2007 to 9/6/2011	140,000	105,000	105,000	–	–	–

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 21/1/2008	beginning of the year	At end of the year	At 21/1/2008
Peter Seah Lim Huat (cont'd)								
Sembcorp Industries Ltd	Conditional award of:							
	– 23,984 restricted shares to be delivered after 2008 (Note 5)		–	Up to 31,179	Up to 31,179	–	–	–
Tang Kin Fei								
Sembcorp Industries Ltd	Ordinary shares		1,121,105	1,181,841	1,181,841	–	–	–
	Options to subscribe for ordinary shares at							
	– S\$1.90 per share	20/5/2001 to 19/5/2009	150,000	–	–	–	–	–
	– S\$1.63 per share	27/6/2001 to 26/6/2010	260,000	–	–	–	–	–
	– S\$1.19 per share	20/4/2002 to 19/4/2011	75,000	–	–	–	–	–
	– S\$1.23 per share	8/5/2003 to 7/5/2012	87,500	–	–	–	–	–
	– S\$0.62 per share	18/10/2003 to 17/10/2012	43,750	–	–	–	–	–
	– S\$0.78 per share	3/6/2004 to 2/6/2013	50,000	50,000	50,000	–	–	–
	– S\$0.93 per share	19/11/2004 to 18/11/2013	100,000	50,000	50,000	–	–	–
	– S\$0.99 per share	18/5/2005 to 17/5/2014	100,000	100,000	100,000	–	–	–
	– S\$1.16 per share	23/11/2005 to 22/11/2014	150,000	100,000	100,000	–	–	–
	– S\$2.37 per share	2/7/2006 to 1/7/2015	300,000	300,000	300,000	–	–	–
	– S\$2.36 per share	22/11/2006 to 21/11/2015	300,000	300,000	300,000	–	–	–
	– S\$2.52 per share	10/6/2007 to 9/6/2016	300,000	300,000	300,000	–	–	–
	Conditional award of:							
	– 209,400 performance shares to be delivered after 2006 (Note 1)		Up to 418,800	–	–	–	–	–

DIRECTORS' REPORT

Year Ended December 31, 2007

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 21/1/2008	beginning of the year	At end of the year	At 21/1/2008
Tang Kin Fei (cont'd)								
Semcorp Industries Ltd	Conditional award of:							
	– 427,836 performance shares to be delivered after 2007 (Note 2a)		Up to 628,800	Up to 641,754	Up to 641,754	–	–	–
	– 428,244 performance shares to be delivered after 2008 (Note 2b)		Up to 629,400	Up to 642,366	Up to 642,366	–	–	–
	– 408,240 performance shares to be delivered after 2009 (Note 3)		–	Up to 612,360	Up to 612,360	–	–	–
	– 70,189 restricted shares to be delivered after 2007 (Note 4)		Up to 89,404	Up to 91,246	Up to 91,246	–	–	–
	– 128,596 restricted shares to be delivered after 2008 (Note 5)		–	Up to 167,175	Up to 167,175	–	–	–
Semcorp Marine Ltd	Ordinary shares		–	38,500	38,500	–	–	–
	Options to subscribe for ordinary shares at							
	– \$52.11 per share	12/8/2006 to 11/8/2010	20,000	14,000	14,000	–	–	–
	– \$52.38 per share	3/10/2007 to 2/10/2011	70,000	73,500	73,500	–	–	–
	Conditional award of:							
	– 18,900 restricted shares to be delivered after 2008 (Note 6)		–	Up to 24,570	Up to 24,570	–	–	–

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 21/1/2008	beginning of the year	At end of the year	At 21/1/2008
K Shanmugam								
Sembcorp Industries Ltd	Ordinary shares		245,000	358,750	385,000	-	-	-
	Options to subscribe for ordinary shares at							
	- S\$1.23 per share	8/5/2003 to 7/5/2007	8,750	-	-	-	-	-
	- S\$0.62 per share	18/10/2003 to 17/10/2007	8,750	-	-	-	-	-
	- S\$0.78 per share	3/6/2004 to 2/6/2008	17,500	-	-	-	-	-
	- S\$0.93 per share	19/11/2004 to 18/11/2008	17,500	8,750	-	-	-	-
	- S\$0.99 per share	18/5/2005 to 17/5/2009	26,250	8,750	8,750	-	-	-
	- S\$1.16 per share	23/11/2005 to 22/11/2009	26,250	17,500	8,750	-	-	-
	- S\$2.37 per share	2/7/2006 to 1/7/2010	35,000	17,500	17,500	-	-	-
	- S\$2.36 per share	22/11/2006 to 21/11/2010	35,000	26,250	17,500	-	-	-
	- S\$2.52 per share	10/6/2007 to 9/6/2011	70,000	52,500	52,500	-	-	-
	Conditional award of:							
	- 13,982 restricted shares to be delivered after 2008 (Note 5)		-	Up to 18,177	Up to 18,177	-	-	-
Goh Geok Ling								
Sembcorp Industries Ltd	Ordinary shares		282,100	287,100	287,100	47,000	47,000	47,000
	Options to subscribe for ordinary shares at							
	- S\$1.23 per share	8/5/2003 to 7/5/2007	25,000	-	-	-	-	-
	- S\$0.62 per share	18/10/2003 to 17/10/2007	12,500	-	-	-	-	-
	- S\$0.78 per share	3/6/2004 to 2/6/2008	18,750	6,250	6,250	-	-	-
	- S\$0.93 per share	19/11/2004 to 18/11/2008	18,750	6,250	6,250	-	-	-

DIRECTORS' REPORT

Year Ended December 31, 2007

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 21/1/2008	beginning of the year	At end of the year	At 21/1/2008
Goh Geok Ling <i>(cont'd)</i>								
Semcorp Industries Ltd	Options to subscribe for ordinary shares at – S\$0.99 per share	18/5/2005 to 17/5/2009	25,000	12,500	12,500	–	–	–
	– S\$1.16 per share	23/11/2005 to 22/11/2009	25,000	12,500	12,500	–	–	–
	– S\$2.37 per share	2/7/2006 to 1/7/2010	35,000	26,250	26,250	–	–	–
	– S\$2.36 per share	22/11/2006 to 21/11/2010	35,000	26,250	26,250	–	–	–
	– S\$2.52 per share	10/6/2007 to 9/6/2011	70,000	70,000	70,000	–	–	–
	Conditional award of:							
	– 13,982 restricted shares to be delivered after 2008 (Note 5)		–	Up to 18,177	Up to 18,177	–	–	–
Semcorp Marine Ltd	Options to subscribe for ordinary shares at – S\$2.38 per share	3/10/2007 to 2/10/2011	140,000	196,000	196,000	–	–	–
	Conditional award of:							
	– 30,800 restricted shares to be delivered after 2008 (Note 6)		–	Up to 40,040	Up to 40,040	–	–	–
Richard Hale, OBE								
Semcorp Industries Ltd	Ordinary shares		118,750	147,500	147,500	–	–	–
	Options to subscribe for ordinary shares at – S\$1.23 per share	8/5/2003 to 7/5/2007	17,500	–	–	–	–	–
	– S\$0.62 per share	18/10/2003 to 17/10/2007	17,500	–	–	–	–	–
	– S\$0.78 per share	3/6/2004 to 2/6/2008	26,250	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 21/1/2008	beginning of the year	At end of the year	At 21/1/2008
Richard Hale, OBE (cont'd)								
Sembcorp Industries Ltd	Options to subscribe for ordinary shares at							
	– S\$0.93 per share	19/11/2004 to 18/11/2008	26,250	17,500	17,500	–	–	–
	– S\$0.99 per share	18/5/2005 to 17/5/2009	35,000	26,250	26,250	–	–	–
	– S\$1.16 per share	23/11/2005 to 22/11/2009	35,000	26,250	26,250	–	–	–
	– S\$2.37 per share	2/7/2006 to 1/7/2010	35,000	26,250	26,250	–	–	–
	– S\$2.36 per share	22/11/2006 to 21/11/2010	35,000	35,000	35,000	–	–	–
	– S\$2.52 per share	10/6/2007 to 9/6/2011	140,000	140,000	140,000	–	–	–
	Conditional award of:							
	– 17,350 restricted shares to be delivered after 2008 (Note 5)		–	Up to 22,555	Up to 22,555	–	–	–
Yong Ying-I								
Sembcorp Industries Ltd	Ordinary shares		100,000	250,000	250,000	–	–	–
Evert Henkes								
Sembcorp Industries Ltd	Options to subscribe for ordinary shares at							
	– S\$0.99 per share	18/5/2005 to 17/5/2009	12,000	12,000	12,000	–	–	–
	– S\$1.16 per share	23/11/2005 to 22/11/2009	12,000	12,000	12,000	–	–	–
	– S\$2.37 per share	2/7/2006 to 1/7/2010	17,500	17,500	17,500	–	–	–
	– S\$2.36 per share	22/11/2006 to 21/11/2010	17,500	17,500	17,500	–	–	–
	– S\$2.52 per share	10/6/2007 to 9/6/2011	35,000	35,000	35,000	–	–	–
	Conditional award of:							
	– 7,144 restricted shares to be delivered after 2008 (Note 5)		–	Up to 9,287	Up to 9,287	–	–	–

DIRECTORS' REPORT

Year Ended December 31, 2007

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	21/1/2008	beginning of the year	At end of the year	21/1/2008
Lee Suet Fern								
Semcorp Industries Ltd	Ordinary shares		–	8,750	8,750	–	–	–
	Options to subscribe for ordinary shares at							
	– \$52.36 per share	22/11/2006 to 21/11/2010	35,000	26,250	26,250	–	–	–
	– \$52.52 per share	10/6/2007 to 9/6/2011	70,000	70,000	70,000	–	–	–
	Conditional award of:							
	– 13,982 restricted shares to be delivered after 2008 (Note 5)		–	Up to 18,177	Up to 18,177	–	–	–

Note 1: The actual number delivered will depend on the achievement of set targets over a 3-year period from 2004 to 2006. 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. For this period, 144,486 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 con
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 over a 3-year period from 2007 to 2009. 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 con

Note 4: The actual number to be released 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 Special Dividend payment in 2007.

Note 5: The actual number to be released will depend on the achievement of set targets at the end of the 2-year performance period from 2007 to 2008. 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 Special Dividend payment in 2007.

Note 6: The actual number to be released will depend on the achievement of set targets at the end of the 2-year performance period from 2007 to 2008. 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 two Bonus Shares credited as fully paid for every five existing ordinary shares in 2007.

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 Notes 35(b) and 39 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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 and Restricted Stock Plan are the incentive schemes for directors and employees of the Company and its subsidiaries (the "Group") whereas the Performance Share Plan is aimed primarily at key executives of the Group. Under the Restricted Stock Plan, the managerial participants of the Group will be awarded restricted stocks, while the non-managerial participants of the Group will receive their awards in an equivalent cash value.

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.

DIRECTORS' REPORT Year Ended December 31, 2007

SHARE-BASED INCENTIVE PLANS (cont'd)

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.

Following the review of the Company's share-based incentives in 2005 to take 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 Company has implemented the following:

- From 2005, performance shares were awarded based on the redesigned approach.
- From 2006, restricted stocks were awarded to managerial participants of the Group. This group of participants received 50% of their 2006 share-based incentives in restricted stocks and 50% in share options.
- In 2007, share options were entirely replaced with restricted stocks of an equivalent fair value. Under the Restricted Stock Plan, participants must achieve pre-determined targets that create and enhance economic values for shareholders of the Company. If these targets are achieved, managerial participants are awarded with restricted stocks while non-managerial participants will receive the equivalent value in cash.

No share options were granted in 2007.

As a result of the Special Dividend payment in 2007, the exercise prices of the outstanding share options and the number of outstanding share awards under the Performance Share Plan and Restricted Stock Plan were adjusted with effect from April 27, 2007. Such adjustments were recommended by an independent compensation consultant, approved by the Committee and confirmed to be fair and reasonable by the auditors of the Company, in accordance with 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 is 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.

SHARE-BASED INCENTIVE PLANS (cont'd)**a. Share Option Plan** (cont'd)

- iii. In 2007, all options were settled by issuance of new shares.
- iv. The options granted expire after 5 years for non-executive directors and associated company's employees, and 10 years for the employees of the Group.
- 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
2007

Date of grant of options	Exercise price* per share	Options outstanding at Jan 1, 2007	Options exercised	Options cancelled/ lapsed/ not accepted	Options outstanding at Dec 31, 2007	Number of options holders/ (including number of directors) at		Exercise period
						Dec 31, 2007	Dec 31, 2007	
26/06/2000	\$S1.63	961,908	(618,255)	(37,700)	305,953	38 / (-)		27/06/2001 to 26/06/2010
24/07/2000	\$S1.90	812,939	(444,325)	(17,666)	350,948	31 / (-)		20/05/2001 to 19/05/2009
24/07/2000	\$S1.76	39,066	(2)	-	39,064	1 / (-)		16/09/2001 to 15/09/2009
19/04/2001	\$S1.19	476,175	(210,025)	(35,500)	230,650	25 / (-)		20/04/2002 to 19/04/2011
07/05/2002	\$S1.23	178,000	(177,500)	(500)	-	- / (-)		08/05/2003 to 07/05/2007
07/05/2002	\$S1.23	572,075	(252,625)	(25,200)	294,250	38 / (-)		08/05/2003 to 07/05/2012
17/10/2002	\$S0.62	188,000	(187,000)	(1,000)	-	- / (-)		18/10/2003 to 17/10/2007
17/10/2002	\$S0.62	510,000	(338,000)	(21,375)	150,625	23 / (-)		18/10/2003 to 17/10/2012
02/06/2003	\$S0.78	227,250	(188,500)	(2,000)	36,750	5 / (2)		03/06/2004 to 02/06/2008
02/06/2003	\$S0.78	1,041,225	(637,375)	(27,500)	376,350	64 / (1)		03/06/2004 to 02/06/2013
18/11/2003	\$S0.93	245,750	(180,250)	(2,500)	63,000	7 / (4)		19/11/2004 to 18/11/2008
18/11/2003	\$S0.93	1,396,645	(737,020)	(50,750)	608,875	151 / (1)		19/11/2004 to 18/11/2013
17/05/2004	\$S0.99	266,250	(183,750)	(3,500)	79,000	9 / (5)		18/05/2005 to 17/05/2009
17/05/2004	\$S0.99	2,195,150	(933,723)	(80,000)	1,181,427	253 / (1)		18/05/2005 to 17/05/2014
22/11/2004	\$S1.16	268,750	(156,500)	(5,000)	107,250	10 / (5)		23/11/2005 to 22/11/2009
22/11/2004	\$S1.16	2,621,525	(1,028,625)	(98,500)	1,494,400	253 / (1)		23/11/2005 to 22/11/2014
01/07/2005	\$S2.37	282,500	(160,000)	-	122,500	5 / (5)		02/07/2006 to 01/07/2010
01/07/2005	\$S2.37	4,761,553	(2,099,131)	(290,775)	2,371,647	351 / (1)		02/07/2006 to 01/07/2015
21/11/2005	\$S2.36	317,500	(133,750)	-	183,750	6 / (6)		22/11/2006 to 21/11/2010
21/11/2005	\$S2.36	5,325,820	(2,249,930)	(333,570)	2,742,320	396 / (1)		22/11/2006 to 21/11/2015
09/06/2006	\$S2.52	525,000	(52,500)	-	472,500	6 / (6)		10/06/2007 to 09/06/2011
09/06/2006	\$S2.52	7,450,500	(2,636,205)	(514,825)	4,299,470	601 / (1)		10/06/2007 to 09/06/2016
		30,663,581	(13,604,991)	(1,547,861)	15,510,729			

* The exercise prices for outstanding share options granted prior to April 27, 2007 were adjusted as a result of the Special Dividend payment in 2007.

DIRECTORS' REPORT

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

a. Share Option Plan *(cont'd)*

v. Semcorp Industries Share Option Plan *(cont'd)*

Semcorp Industries Ltd
Ordinary shares
2006

Date of grant of options	Exercise price* per share	Options outstanding at Jan 1, 2006	Options granted	Options exercised	Options cancelled/ lapsed/ not accepted	Options outstanding at Dec 31, 2006	Number of options holders/ (including directors) at Dec 31, 2006	Exercise period
26/06/2000	\$S1.79	3,164,465	–	(2,127,957)	(74,600)	961,908	95 / (1)	27/06/2001 to 26/06/2010
24/07/2000	\$S2.06	3,294,567	–	(2,443,545)	(38,083)	812,939	63 / (1)	20/05/2001 to 19/05/2009
24/07/2000	\$S1.92	106,288	–	(67,222)	–	39,066	3 / (–)	16/09/2001 to 15/09/2009
19/04/2001	\$S1.35	568,000	–	(565,000)	(3,000)	–	– / (–)	20/04/2002 to 19/04/2006
19/04/2001	\$S1.35	2,015,350	–	(1,472,950)	(66,225)	476,175	74 / (–)	20/04/2002 to 19/04/2011
07/05/2002	\$S1.39	293,750	–	(115,750)	–	178,000	7 / (4)	08/05/2003 to 07/05/2007
07/05/2002	\$S1.39	2,635,300	–	(1,937,350)	(125,875)	572,075	146 / (–)	08/05/2003 to 07/05/2012
17/10/2002	\$S0.78	240,000	–	(52,000)	–	188,000	7 / (4)	18/10/2003 to 17/10/2007
17/10/2002	\$S0.78	1,985,850	–	(1,346,475)	(129,375)	510,000	128 / (–)	18/10/2003 to 17/10/2012
02/06/2003	\$S0.94	266,250	–	(39,000)	–	227,250	13 / (4)	03/06/2004 to 02/06/2008
02/06/2003	\$S0.94	3,174,155	–	(1,918,930)	(214,000)	1,041,225	290 / (1)	03/06/2004 to 02/06/2013
18/11/2003	\$S1.09	290,500	–	(44,750)	–	245,750	15 / (4)	19/11/2004 to 18/11/2008
18/11/2003	\$S1.09	3,617,245	–	(1,969,675)	(250,925)	1,396,645	303 / (1)	19/11/2004 to 18/11/2013
17/05/2004	\$S1.15	310,500	–	(20,000)	(24,250)	266,250	15 / (5)	18/05/2005 to 17/05/2009
17/05/2004	\$S1.15	4,967,670	–	(2,393,520)	(379,000)	2,195,150	367 / (1)	18/05/2005 to 17/05/2014
22/11/2004	\$S1.32	312,500	–	(16,125)	(27,625)	268,750	15 / (5)	23/11/2005 to 22/11/2009
22/11/2004	\$S1.32	6,046,951	–	(3,002,426)	(423,000)	2,621,525	398 / (1)	23/11/2005 to 22/11/2014
01/07/2005	\$S2.53	300,000	–	(4,375)	(13,125)	282,500	7 / (5)	02/07/2006 to 01/07/2010
01/07/2005	\$S2.53	7,783,000	–	(2,259,572)	(761,875)	4,761,553	903 / (1)	02/07/2006 to 01/07/2015
21/11/2005	\$S2.52	335,000	–	–	(17,500)	317,500	8 / (6)	22/11/2006 to 21/11/2010
21/11/2005	\$S2.52	8,160,000	–	(1,958,055)	(876,125)	5,325,820	1,116 / (1)	22/11/2006 to 21/11/2015
09/06/2006	\$S2.68	–	665,000	–	(140,000)	525,000	6 / (6)	10/06/2007 to 09/06/2011
09/06/2006	\$S2.68	–	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 are 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 awarded/exercised since commencement of the Scheme (aggregate) to December 31, 2007 were as follows:

Option participants	Aggregate options			
	Aggregate options granted	cancelled/ lapsed/ not accepted	Aggregate options exercised	Aggregate options outstanding
Directors				
Peter Seah Lim Huat	980,000	–	(717,500)	262,500
Tang Kin Fei	3,444,052	(607,759) ¹	(1,636,293)	1,200,000
K Shanmugam	490,000	–	(358,750)	131,250
Goh Geok Ling	370,000	–	(210,000)	160,000
Richard Hale, OBE	490,000	–	(201,250)	288,750
Yong Ying-I	235,000	(235,000) ²	–	–
Evert Henkes	94,000	–	–	94,000
Lee Suet Fern	105,000	–	(8,750)	96,250
Other executives				
Group	149,771,742	(67,183,786)	(69,366,977)	13,220,979
Associated company	748,600	(211,100)	(530,500)	7,000
Parent Group ³	378,500	(88,000)	(265,500)	25,000
Former directors of the Company				
	8,341,578	(2,129,578)	(6,187,000)	25,000
Total	165,448,472	(70,455,223)	(79,482,520)	15,510,729

- 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.

DIRECTORS' REPORT

Year Ended December 31, 2007

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

a. Share Option Plan *(cont'd)*

vi. Share options of a listed subsidiary

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

Semcorp Marine Ltd Ordinary shares 2007

Date of grant of options	Exercise price [#] per share	Options granted for				Options cancelled/ lapsed/ not accepted	Options outstanding at Dec 31, 2007	Number of options holders/ (including directors) at Dec 31, 2007	Exercise period
		Options outstanding at Jan 1, 2007	bonus shares issued during the year	Options exercised	Options				
08/09/2000	\$0.50	298,000	61,260	(80,440)	(79,950)	198,870	20 / (-)	08/09/2001 to 07/09/2010	
27/09/2001	\$0.47	510,200	108,680	(333,850)	(25,750)	259,280	37 / (-)	28/09/2002 to 27/09/2011	
07/11/2002	\$0.64	140,000	-	(140,000)	-	-	- / (-)	08/11/2003 to 07/11/2007	
07/11/2002	\$0.64	3,202,450	182,700	(2,688,750)	(182,750)	513,650	93 / (-)	08/11/2003 to 07/11/2012	
08/08/2003	\$0.71	367,000	40,800	(265,000)	-	142,800	3 / (-)	09/08/2004 to 08/08/2008	
08/08/2003	\$0.71	5,311,650	721,240	(3,682,150)	(220,250)	2,130,490	192 / (-)	09/08/2004 to 08/08/2013	
10/08/2004	\$0.74	510,000	129,000	(187,500)	(21,000)	430,500	4 / (-)	11/08/2005 to 10/08/2009	
10/08/2004	\$0.74	8,968,200	2,085,380	(3,726,325)	(471,050)	6,856,205	905 / (-)	11/08/2005 to 10/08/2014	
11/08/2005	\$2.11	505,000	130,500	(185,750)	(84,000)	365,750	5 / (1)	12/08/2006 to 11/08/2010	
11/08/2005	\$2.11	13,405,650	3,803,910	(3,902,275)	(671,950)	12,635,335	978 / (-)	12/08/2006 to 11/08/2015	
02/10/2006	\$2.38	560,000	224,000	(59,500)	-	724,500	8 / (2)	03/10/2007 to 02/10/2011	
02/10/2006	\$2.38	9,224,075	3,480,850	(648,335)	(737,100)	11,319,490	1,144 / (-)	03/10/2007 to 02/10/2016	
		43,002,225	10,968,320	(15,899,875)	(2,493,800)	35,576,870			

Adjusted for two bonus shares credited as fully paid for every five existing ordinary shares.

SHARE-BASED INCENTIVE PLANS (cont'd)**a. Share Option Plan** (cont'd)vi. Share options of a listed subsidiary (cont'd)

Sembcorp Marine Ltd
Ordinary shares
2006

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2006	Options granted	Options exercised	Options cancelled/ lapsed/ not accepted	Options outstanding at Dec 31, 2006	Options (including directors) at Dec 31, 2006	Exercise period
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.

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.

For performance shares awarded from 2005, the performance levels were calibrated based on Wealth Added and Total Shareholder 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. Performance shares to be delivered will range between 0% to 150% of the original award.

DIRECTORS' REPORT

Year Ended December 31, 2007

SHARE-BASED INCENTIVE PLANS (cont'd)

b. Performance Share Plan (cont'd)

Senior management participants are 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. Semcorp Industries Performance Shares

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

	Additional conditional performance		Aggregate conditional performance		Aggregate conditional performance	
	Conditional performance	Aggregate conditional performance	shares awarded due to modification	Aggregate conditional performance	Aggregate conditional performance	
Performance shares participants	shares awarded during the year	shares awarded	during the year	shares released	shares lapsed	
					shares outstanding	
Director of the Company:						
Tang Kin Fei	400,000	1,888,200	25,520	(289,486)	(359,914)	1,264,320
Key executives of the Group						
	490,000	5,049,196	25,793	(889,064)	(2,867,986)	1,317,939
	890,000	6,937,396	51,313	(1,178,550)	(3,227,900)	2,582,259

In accordance with the rules of Performance Share Plan and the advice of the independent compensation consultant, and with the Committee's approval, additional 51,313 shares were awarded to the holders of the outstanding awards as a result of the Special Dividend payment in April 2007. 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 to be achieved, but not released as at end 2007, was 2,582,259. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,873,389 performance shares.

ii. Performance shares of a listed subsidiary

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

Conditional performance shares awarded during the year	700,000
Aggregate conditional performance shares awarded	4,395,000
Additional conditional performance shares awarded arising from bonus shares issued during the year	830,000
Aggregate conditional performance shares released	(1,555,400)
Aggregate conditional performance shares lapsed	(764,600)
Aggregate conditional performance shares outstanding	2,905,000

No performance shares of Semcorp Marine Ltd were awarded to the directors of the Company.

SHARE-BASED INCENTIVE PLANS *(cont'd)***b. Performance Share Plan** *(cont'd)*ii. Performance shares of a listed subsidiary *(cont'd)*

The total number of Sembcorp Marine Ltd's performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2007, was 2,905,000. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 4,357,500 performance shares.

c. Restricted Stock Plan

In 2006, as part of the redesigned approach, restricted stocks were awarded to managerial participants of the Group, with the objective to eventually replace share options as a long-term incentive plan. The share option grants to this group of participants 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.

In 2007, share option grant was ceased and entirely replaced with restricted stock award of an equivalent fair value.

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 Shareholder Return. For each performance measure, three distinct performance levels are set. A minimum 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 will range from 0% to 130% of the original award.

The managerial participants of the Group will be awarded restricted stocks under the Restricted Stock Plan, while the non-managerial participants of the Group will receive their awards in an equivalent cash value. This cash-settled notional restricted stocks award for non-managerial participants is known as the Sembcorp Challenge Bonus.

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 period of three years after the performance period, during which one-third of the awarded shares are released each year to managerial participants. Non-managerial participants will receive the equivalent in cash at the end of the two-year performance cycle, with no further vesting conditions.

Senior management participants are 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.

DIRECTORS' REPORT

Year Ended December 31, 2007

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

c. Restricted Stock Plan *(cont'd)*

i. Semcorp Industries Restricted Stocks

The details of restricted stocks of Semcorp Industries Ltd awarded during the year since commencement of the Restricted Stock Plan (aggregate) were as follows:

			Additional conditional		Aggregate conditional
	Conditional restricted stocks awarded during the year	Aggregate conditional restricted stocks awarded	restricted stocks awarded due to modification during the year	Aggregate conditional restricted stocks lapsed	
Restricted stocks participants					Aggregate conditional restricted stocks outstanding
Directors of the Company:					
Peter Seah Lim Huat	23,500	23,500	484	–	23,984
Tang Kin Fei	126,000	194,772	4,013	–	198,785
K Shanmugam	13,700	13,700	282	–	13,982
Goh Geok Ling	13,700	13,700	282	–	13,982
Richard Hale, OBE	17,000	17,000	350	–	17,350
Evert Henkes	7,000	7,000	144	–	7,144
Lee Suet Fern	13,700	13,700	282	–	13,982
Key executives of the Group	1,753,300	2,734,328	53,037	(186,334)	2,601,031
	1,967,900	3,017,700	58,874	(186,334)	2,890,240

In accordance with the rules of Restricted Stock Plan and the advice of the independent compensation consultant, and with the Committee's approval, additional 58,874 restricted stocks were awarded to the holders of the outstanding awards as a result of the Special Dividend payment in April 2007. 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 restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2007, was 2,890,240. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,757,312 restricted stocks.

A total of 546,000 notional restricted stocks of Semcorp Industries Ltd's shares were awarded on April 9, 2007 for the Semcorp Challenge Bonus for the performance period 2007 to 2008.

The total number of notional restricted stocks in awards for the Semcorp Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at end 2007, was 546,000. Based on the multiplying factor, the number of notional restricted stocks to be converted into the funding pool could range from zero to a maximum of 709,800.

SHARE-BASED INCENTIVE PLANS *(cont'd)***c. Restricted Stock Plan** *(cont'd)*

ii. Restricted stocks of a listed subsidiary

The details of restricted stocks of Sembcorp Marine Ltd awarded during the year since commencement of the Restricted Stock Plan (aggregate) were as follows:

	Additional conditional restricted stocks				
	Conditional restricted stocks awarded during the year	Aggregate conditional restricted stocks awarded	arising from bonus shares issued during the year	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted stocks outstanding
Restricted stocks participants					
Directors of the Company:					
Tang Kin Fei	13,500	13,500	5,400	–	18,900
Goh Geok Ling	22,000	22,000	8,800	–	30,800
Other participants	3,819,690	5,042,090	1,931,720	(229,825)	6,743,985
	3,855,190	5,077,590	1,945,920	(229,825)	6,793,685

The total number of Sembcorp Marine Ltd's restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2007, was 6,793,685. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 8,831,791 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.

DIRECTORS' REPORT Year Ended December 31, 2007

AUDIT COMMITTEE

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

Richard Hale, OBE (*Chairman*)
K Shanmugam
Lee Suet Fern
Yong Ying-I

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

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

The Audit Committee also reviewed the following:

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

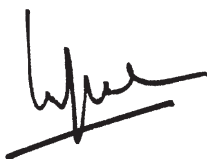
The Audit Committee has full access to the management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external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

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

AUDITORS

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

On behalf of the Board of Directors



PETER SEAH LIM HUAT
Chairman



TANG KIN FEI
Director

Singapore
March 19, 2008