

Directors' Report

Year Ended December 31, 2008

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, 2008.

DIRECTORS

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

Peter Seah Lim Huat
Tang Kin Fei
Goh Geok Ling
Richard Hale, OBE
Yong Ying-I
Evert Henkes
Lee Suet Fern
Bobby Chin Yoke Choong *Appointed on December 1, 2008*

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 (including those held by their spouses and infant children) 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 beginning of the year	At end of the year	At 21/1/2009	At beginning of the year	At end of the year	At 21/1/2009
			of the year	of the year	21/1/2009	of the year	of the year	21/1/2009
Peter Seah Lim Huat								
Sembcorp Industries Ltd	Ordinary shares		150,500	168,000	168,000	-	-	-
	Options to subscribe for ordinary shares at							
	- S\$0.93 per share	19/11/2004 to 18/11/2008	17,500	-	-	-	-	-
	- S\$0.99 per share	18/5/2005 to 17/5/2009	17,500	17,500	17,500	-	-	-
	- S\$1.16 per share	23/11/2005 to 22/11/2009	35,000	35,000	35,000	-	-	-
	- S\$2.37 per share	2/7/2006 to 1/7/2010	35,000	35,000	35,000	-	-	-
	- S\$2.36 per share	22/11/2006 to 21/11/2010	52,500	52,500	52,500	-	-	-
	- S\$2.52 per share	10/6/2007 to 9/6/2011	105,000	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 beginning of the year	At end of the year	At 21/1/2009	At beginning of the year	At end of the year	At 21/1/2009
			of the year	of the year	21/1/2009	of the year	of the year	21/1/2009
Peter Seah Lim Huat (cont'd)								
Sembcorp Industries Ltd	Conditional award of:							
	- 23,984 restricted stocks to be delivered after 2008 (Note 2b)		Up to 31,179	Up to 31,179	Up to 31,179	-	-	-
	- 23,500 restricted stocks to be delivered after 2009 (Note 3)		-	Up to 35,250	Up to 35,250	-	-	-
Tang Kin Fei								
Sembcorp Industries Ltd	Ordinary shares		1,181,841	2,354,011	2,354,011	-	-	-
	Options to subscribe for ordinary shares at							
	- S\$0.78 per share	3/6/2004 to 2/6/2013	50,000	-	-	-	-	-
	- S\$0.93 per share	19/11/2004 to 18/11/2013	50,000	-	-	-	-	-
	- S\$0.99 per share	18/5/2005 to 17/5/2014	100,000	50,000	50,000	-	-	-
	- S\$1.16 per share	23/11/2005 to 22/11/2014	100,000	50,000	50,000	-	-	-
	- S\$2.37 per share	2/7/2006 to 1/7/2015	300,000	150,000	150,000	-	-	-
	- S\$2.36 per share	22/11/2006 to 21/11/2015	300,000	150,000	150,000	-	-	-
	- S\$2.52 per share	10/6/2007 to 9/6/2016	300,000	300,000	300,000	-	-	-
	Conditional award of:							
	- 427,836 performance shares to be delivered after 2007 (Note 1a)		Up to 641,754	-	-	-	-	-
	- 428,244 performance shares to be delivered after 2008 (Note 1b)		Up to 642,366	Up to 642,366	Up to 642,366	-	-	-

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Year Ended December 31, 2008

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	At end	At 21/1/2009	At beginning	At end	At 21/1/2009
			of the year	of the year	21/1/2009	of the year	of the year	21/1/2009
Tang Kin Fei (cont'd)								
Sembcorp Industries Ltd	Conditional award of:							
	- 408,240 performance shares to be delivered after 2009 (Note 1c)		Up to 612,360	Up to 612,360	Up to 612,360	-	-	-
	- 400,000 performance shares to be delivered after 2010 (Note 1d)		-	Up to 600,000	Up to 600,000	-	-	-
	- 70,189 restricted stocks to be delivered after 2007 (Note 2a)		Up to 91,246	60,830	60,830	-	-	-
	- 128,596 restricted stocks to be delivered after 2008 (Note 2b)		Up to 167,175	Up to 167,175	Up to 167,175	-	-	-
	- 126,000 restricted stocks to be delivered after 2009 (Note 3)		-	Up to 189,000	Up to 189,000	-	-	-
Sembcorp Marine Ltd	Ordinary shares		38,500	45,500	45,500	-	-	-
	Options to subscribe for ordinary shares at							
	- \$2.11 per share	12/8/2006 to 11/8/2010	14,000	7,000	7,000	-	-	-
	- \$2.38 per share	3/10/2007 to 2/10/2011	73,500	73,500	73,500	-	-	-
	Conditional award of:							
	- 18,900 restricted stocks to be delivered after 2008 (Note 2b)		Up to 24,570	Up to 24,570	Up to 24,570	-	-	-
	- 12,000 restricted stocks to be delivered after 2009 (Note 3)		-	Up to 18,000	Up to 18,000	-	-	-

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 beginning	At end	At 21/1/2009	At beginning	At end	At 21/1/2009
			of the year	of the year	21/1/2009	of the year	of the year	21/1/2009
Goh Geok Ling								
Sembcorp Industries Ltd	Ordinary shares		287,100	299,600	299,600	47,000	47,000	47,000
	Options to subscribe for ordinary shares at							
	- \$0.78 per share	3/6/2004 to 2/6/2008	6,250	-	-	-	-	-
	- \$0.93 per share	19/11/2004 to 18/11/2008	6,250	-	-	-	-	-
	- \$0.99 per share	18/5/2005 to 17/5/2009	12,500	12,500	12,500	-	-	-
	- \$1.16 per share	23/11/2005 to 22/11/2009	12,500	12,500	12,500	-	-	-
	- \$2.37 per share	2/7/2006 to 1/7/2010	26,250	26,250	26,250	-	-	-
	- \$2.36 per share	22/11/2006 to 21/11/2010	26,250	26,250	26,250	-	-	-
	- \$2.52 per share	10/6/2007 to 9/6/2011	70,000	70,000	70,000	-	-	-
	Conditional award of:							
	- 13,982 restricted stocks to be delivered after 2008 (Note 2b)		Up to 18,177	Up to 18,177	Up to 18,177	-	-	-
	- 13,700 restricted stocks to be delivered after 2009 (Note 3)		-	Up to 20,550	Up to 20,550	-	-	-
Sembcorp Marine Ltd	Options to subscribe for ordinary shares at							
	- \$2.38 per share	3/10/2007 to 2/10/2011	196,000	196,000	196,000	-	-	-

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Year Ended December 31, 2008

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 21/1/2009	At beginning of the year	At end of the year	At 21/1/2009
Goh Geok Ling (cont'd)								
Sembcorp Marine Ltd	Conditional award of: – 30,800 restricted stocks to be delivered after 2008 (Note 2b)		Up to 40,040	Up to 40,040	Up to 40,040	–	–	–
	– 22,000 restricted stocks to be delivered after 2009 (Note 3)		–	Up to 33,000	Up to 33,000	–	–	–
Richard Hale, OBE								
Sembcorp Industries Ltd	Ordinary shares		147,500	182,500	182,500	–	–	–
	Options to subscribe for ordinary shares at – \$0.78 per share	3/6/2004 to 2/6/2008	17,500	–	–	–	–	–
	– \$0.93 per share	19/11/2004 to 18/11/2008	17,500	–	–	–	–	–
	– \$0.99 per share	18/5/2005 to 17/5/2009	26,250	26,250	26,250	–	–	–
	– \$1.16 per share	23/11/2005 to 22/11/2009	26,250	26,250	26,250	–	–	–
	– \$2.37 per share	2/7/2006 to 1/7/2010	26,250	26,250	26,250	–	–	–
	– \$2.36 per share	22/11/2006 to 21/11/2010	35,000	35,000	35,000	–	–	–
	– \$2.52 per share	10/6/2007 to 9/6/2011	140,000	140,000	140,000	–	–	–
	Conditional award of: – 17,350 restricted stocks to be delivered after 2008 (Note 2b)		Up to 22,555	Up to 22,555	Up to 22,555	–	–	–
	– 17,000 restricted stocks to be delivered after 2009 (Note 3)		–	Up to 25,500	Up to 25,500	–	–	–

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 beginning of the year	At end of the year	At 21/1/2009	At beginning of the year	At end of the year	At 21/1/2009
Yong Ying-I								
Sembcorp Industries Ltd	Ordinary shares		250,000	300,000	300,000	–	–	–
Evert Henkes								
Sembcorp Industries Ltd	Options to subscribe for ordinary shares at – \$0.99 per share	18/5/2005 to 17/5/2009	12,000	12,000	12,000	–	–	–
	– \$1.16 per share	23/11/2005 to 22/11/2009	12,000	12,000	12,000	–	–	–
	– \$2.37 per share	2/7/2006 to 1/7/2010	17,500	17,500	17,500	–	–	–
	– \$2.36 per share	22/11/2006 to 21/11/2010	17,500	17,500	17,500	–	–	–
	– \$2.52 per share	10/6/2007 to 9/6/2011	35,000	35,000	35,000	–	–	–
	Conditional award of: – 7,144 restricted stocks to be delivered after 2008 (Note 2b)		Up to 9,287	Up to 9,287	Up to 9,287	–	–	–
	Conditional award of: – 7,000 restricted stocks to be delivered after 2009 (Note 3)		–	Up to 10,500	Up to 10,500	–	–	–
Lee Suet Fern								
Sembcorp Industries Ltd	Ordinary shares		8,750	35,000	35,000	–	–	–
	Options to subscribe for ordinary shares at – \$2.36 per share	22/11/2006 to 21/11/2010	26,250	17,500	17,500	–	–	–
	– \$2.52 per share	10/6/2007 to 9/6/2011	70,000	52,500	52,500	–	–	–

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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	At end	At 21/1/2009	At beginning	At end	At 21/1/2009
			of the year	of the year	21/1/2009	of the year	of the year	21/1/2009
Lee Suet Fern (cont'd)								
Sembcorp Industries Ltd	Conditional award of:							
	- 13,982 restricted stocks to be delivered after 2008 (Note 2b)		Up to 18,177	Up to 18,177	Up to 18,177	-	-	-
	- 13,700 restricted stocks to be delivered after 2009 (Note 3)		-	Up to 20,550	Up to 20,550	-	-	-

Note 1: The actual number to be 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.

- Period from 2005 to 2007*
- Period from 2006 to 2008
- Period from 2007 to 2009
- Period from 2008 to 2010

* For this period, 641,754 shares were released to Tang Kin Fei in 2008.

Note 2: The actual number to be delivered will depend on the achievement of set targets at the end of the 2-year performance period as indicated below. Achievement of targets below target level will mean no restricted stocks will be delivered, while achievement up to 130% will mean up to 1.3 times the number of conditional restricted stocks awarded could be delivered.

- Period from 2006 to 2007*
- Period from 2007 to 2008

* For this period, 30,416 shares were released to Tang Kin Fei in 2008 and the remaining 60,830 shares will be released in the next two years.

Note 3: The actual number to be delivered will depend on the achievement of set targets at the end of the 2-year performance period from 2008 to 2009. Achievement of targets below target level will mean no restricted stocks will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted stocks awarded could be delivered.

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 34(b) and 38 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, except as disclosed in Interested Person Transactions to the Supplementary Information on purchase of goods and services (if any) from Stamford Law Corporation in which Mrs Lee Suet Fern is the Senior Director.

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 5, 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

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.

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. From 2007 onwards, no share options were granted as share options were entirely replaced with restricted stocks of an equivalent fair value.

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.

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SHARE-BASED INCENTIVE PLANS (cont'd)

Other information regarding the Share Plan 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 Limited ("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. After the first 12 months of lock-out period, the Group imposed a further vesting of four years for managers and above for retention purposes.
- iii. In 2008, all options were either settled by the issuance of new shares or by issuance of treasury shares.
- iv. The options granted expire after five years for non-executive directors and associated company's employees, and 10 years for the employees of the Group.

SHARE-BASED INCENTIVE PLANS (cont'd)

a. Share Option Plan (cont'd)

v. Sembcorp Industries Ltd 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 2008

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2008	Options exercised*	Options		Number of options holders / (including number of directors) at		Exercise period
				cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2008	Dec 31, 2008	Dec 31, 2008	
26/06/2000	S\$1.63	305,953	(3,030)	(77,600)	225,323	36 / (-)	27/06/2001 to 26/06/2010	
24/07/2000	S\$1.90	350,948	(115,750)	(60,023)	175,175	22 / (-)	20/05/2001 to 19/05/2009	
24/07/2000	S\$1.76	39,064	-	(4,999)	34,065	1 / (-)	16/09/2001 to 15/09/2009	
19/04/2001	S\$1.19	230,650	(6,000)	(55,300)	169,350	19 / (-)	20/04/2002 to 19/04/2011	
07/05/2002	S\$1.23	294,250	(7,875)	(64,250)	222,125	37 / (-)	08/05/2003 to 07/05/2012	
17/10/2002	S\$0.62	150,625	(12,375)	(42,375)	95,875	18 / (-)	18/10/2003 to 17/10/2012	
02/06/2003	S\$0.78	36,750	(23,750)	(13,000)	-	- / (-)	03/06/2004 to 02/06/2008	
02/06/2003	S\$0.78	376,350	(185,375)	(74,875)	116,100	33 / (-)	03/06/2004 to 02/06/2013	
18/11/2003	S\$0.93	63,000	(56,250)	(6,750)	-	- / (-)	19/11/2004 to 18/11/2008	
18/11/2003	S\$0.93	608,875	(373,500)	(77,625)	157,750	51 / (-)	19/11/2004 to 18/11/2013	
17/05/2004	S\$0.99	79,000	(10,250)	-	68,750	5 / (4)	18/05/2005 to 17/05/2009	
17/05/2004	S\$0.99	1,181,427	(469,652)	(100,125)	611,650	143 / (1)	18/05/2005 to 17/05/2014	
22/11/2004	S\$1.16	107,250	(19,000)	-	88,250	6 / (4)	23/11/2005 to 22/11/2009	
22/11/2004	S\$1.16	1,494,400	(463,875)	(178,625)	851,900	214 / (1)	23/11/2005 to 22/11/2014	
01/07/2005	S\$2.37	122,500	(17,500)	-	105,000	4 / (4)	02/07/2006 to 01/07/2010	
01/07/2005	S\$2.37	2,371,647	(577,450)	(111,000)	1,683,197	310 / (1)	02/07/2006 to 01/07/2015	
21/11/2005	S\$2.36	183,750	(35,000)	-	148,750	5 / (5)	22/11/2006 to 21/11/2010	
21/11/2005	S\$2.36	2,742,320	(600,325)	(143,125)	1,998,870	350 / (1)	22/11/2006 to 21/11/2015	
09/06/2006	S\$2.52	472,500	(70,000)	-	402,500	5 / (5)	10/06/2007 to 09/06/2011	
09/06/2006	S\$2.52	4,299,470	(729,020)	(191,500)	3,378,950	494 / (1)	10/06/2007 to 09/06/2016	
		15,510,729	(3,775,977)	(1,201,172)	10,533,580			

* In 2008, 1,568,994 options were settled by the issuance of new shares and the rest by issuance of treasury shares.

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SHARE-BASED INCENTIVE PLANS (cont'd)

a. Share Option Plan (cont'd)

v. Sembcorp Industries Ltd Share Option Plan (cont'd)

Sembcorp Industries Ltd Ordinary shares 2007

Date of grant of options	Exercise price* per share	Options outstanding at Jan 1, 2007	Options cancelled / lapsed / not accepted		Options outstanding at Dec 31, 2007	Number of options holders / (including directors) at Dec 31, 2007	Exercise period	Aggregate options					
			exercised	exercised				options granted	cancelled / lapsed / not accepted	options exercised	options outstanding		
26/06/2000	S\$1.63	961,908	(618,255)	(37,700)	305,953	38 / (-)	27/06/2001 to 26/06/2010						
24/07/2000	S\$1.90	812,939	(444,325)	(17,666)	350,948	31 / (-)	20/05/2001 to 19/05/2009						
24/07/2000	S\$1.76	39,066	(2)	-	39,064	1 / (-)	16/09/2001 to 15/09/2009						
19/04/2001	S\$1.19	476,175	(210,025)	(35,500)	230,650	25 / (-)	20/04/2002 to 19/04/2011						
07/05/2002	S\$1.23	178,000	(177,500)	(500)	-	- / (-)	08/05/2003 to 07/05/2007						
07/05/2002	S\$1.23	572,075	(252,625)	(25,200)	294,250	38 / (-)	08/05/2003 to 07/05/2012						
17/10/2002	S\$0.62	188,000	(187,000)	(1,000)	-	- / (-)	18/10/2003 to 17/10/2007						
17/10/2002	S\$0.62	510,000	(338,000)	(21,375)	150,625	23 / (-)	18/10/2003 to 17/10/2012						
02/06/2003	S\$0.78	227,250	(188,500)	(2,000)	36,750	5 / (2)	03/06/2004 to 02/06/2008						
02/06/2003	S\$0.78	1,041,225	(637,375)	(27,500)	376,350	64 / (1)	03/06/2004 to 02/06/2013						
18/11/2003	S\$0.93	245,750	(180,250)	(2,500)	63,000	7 / (4)	19/11/2004 to 18/11/2008						
18/11/2003	S\$0.93	1,396,645	(737,020)	(50,750)	608,875	151 / (1)	19/11/2004 to 18/11/2013						
17/05/2004	S\$0.99	266,250	(183,750)	(3,500)	79,000	9 / (5)	18/05/2005 to 17/05/2009						
17/05/2004	S\$0.99	2,195,150	(933,723)	(80,000)	1,181,427	253 / (1)	18/05/2005 to 17/05/2014						
22/11/2004	S\$1.16	268,750	(156,500)	(5,000)	107,250	10 / (5)	23/11/2005 to 22/11/2009						
22/11/2004	S\$1.16	2,621,525	(1,028,625)	(98,500)	1,494,400	253 / (1)	23/11/2005 to 22/11/2014						
01/07/2005	S\$2.37	282,500	(160,000)	-	122,500	5 / (5)	02/07/2006 to 01/07/2010						
01/07/2005	S\$2.37	4,761,553	(2,099,131)	(290,775)	2,371,647	351 / (1)	02/07/2006 to 01/07/2015						
21/11/2005	S\$2.36	317,500	(133,750)	-	183,750	6 / (6)	22/11/2006 to 21/11/2010						
21/11/2005	S\$2.36	5,325,820	(2,249,930)	(333,570)	2,742,320	396 / (1)	22/11/2006 to 21/11/2015						
09/06/2006	S\$2.52	525,000	(52,500)	-	472,500	6 / (6)	10/06/2007 to 09/06/2011						
09/06/2006	S\$2.52	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.

SHARE-BASED INCENTIVE PLANS (cont'd)

a. Share Option Plan (cont'd)

v. Sembcorp Industries Ltd Share Option Plan (cont'd)

The details of options of the Company awarded / exercised since commencement of the Scheme (aggregate) to December 31, 2008 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	-	(735,000)	245,000
Tang Kin Fei	3,444,052	(607,759) ¹	(2,136,293)	700,000
Goh Geok Ling	370,000	-	(222,500)	147,500
Richard Hale, OBE	490,000	-	(236,250)	253,750
Yong Ying-I	235,000	(235,000) ²	-	-
Evert Henkes	94,000	-	-	94,000
Lee Suet Fern	105,000	-	(35,000)	70,000
Other executives				
Group	149,771,742	(68,365,208)	(72,411,204)	8,995,330
Associated company	748,600	(212,100)	(533,500)	3,000
Parent Group ³	378,500	(88,000)	(265,500)	25,000
Former directors of the Company	8,831,578	(2,148,328)	(6,683,250)	-
Total	165,448,472	(71,656,395)	(83,258,497)	10,533,580

- Options lapsed due to replacement of 1999 options and expiry of earlier options.
- Options not accepted due to civil service regulations.
- 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, 2008

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 Sembcorp Marine Ltd are as follows:

Sembcorp Marine Ltd Ordinary shares 2008

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2008	Options cancelled / lapsed / not accepted		Options outstanding at Dec 31, 2008		Number of options holders / (including directors) at Dec 31, 2008	Exercise period
			exercised	not accepted	exercised	not accepted		
08/09/2000	S\$0.50	198,870	(7,700)	–	191,170	15 / (–)	08/09/2001 to 07/09/2010	
27/09/2001	S\$0.47	259,280	(80,570)	–	178,710	25 / (–)	28/09/2002 to 27/09/2011	
07/11/2002	S\$0.64	513,650	(177,250)	(700)	335,700	63 / (–)	08/11/2003 to 07/11/2012	
08/08/2003	S\$0.71	142,800	(142,800)	–	–	– / (–)	09/08/2004 to 08/08/2008	
08/08/2003	S\$0.71	2,130,490	(1,106,820)	(8,400)	1,015,270	109 / (–)	09/08/2004 to 08/08/2013	
10/08/2004	S\$0.74	430,500	(378,000)	–	52,500	1 / (–)	11/08/2005 to 10/08/2009	
10/08/2004	S\$0.74	6,856,205	(3,154,220)	(115,100)	3,586,885	462 / (–)	11/08/2005 to 10/08/2014	
11/08/2005	S\$2.11	365,750	(115,500)	–	250,250	4 / (1)	12/08/2006 to 11/08/2010	
11/08/2005	S\$2.11	12,635,335	(2,609,460)	(322,400)	9,703,475	915 / (–)	12/08/2006 to 11/08/2015	
02/10/2006	S\$2.38	724,500	(75,250)	–	649,250	7 / (2)	03/10/2007 to 02/10/2011	
02/10/2006	S\$2.38	11,319,490	(894,585)	(469,071)	9,955,834	1,062 / (–)	03/10/2007 to 02/10/2016	
		35,576,870	(8,742,155)	(915,671)	25,919,044			

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 2007

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2007	Options granted for bonus shares issued during the year		Options cancelled / lapsed / not accepted		Options outstanding at Dec 31, 2007		Number of options holders / (including directors) at Dec 31, 2007	Exercise period
			exercised	not accepted	exercised	not accepted				
08/09/2000	S\$0.50	298,000	61,260	–	(80,440)	(79,950)	198,870	20 / (–)	08/09/2001 to 07/09/2010	
27/09/2001	S\$0.47	510,200	108,680	–	(333,850)	(25,750)	259,280	37 / (–)	28/09/2002 to 27/09/2011	
07/11/2002	S\$0.64	140,000	–	–	(140,000)	–	–	– / (–)	08/11/2003 to 07/11/2007	
07/11/2002	S\$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	S\$0.71	367,000	40,800	–	(265,000)	–	142,800	3 / (–)	09/08/2004 to 08/08/2008	
08/08/2003	S\$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	S\$0.74	510,000	129,000	–	(187,500)	(21,000)	430,500	4 / (–)	11/08/2005 to 10/08/2009	
10/08/2004	S\$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	S\$2.11	505,000	130,500	–	(185,750)	(84,000)	365,750	5 / (1)	12/08/2006 to 11/08/2010	
11/08/2005	S\$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	S\$2.38	560,000	224,000	–	(59,500)	–	724,500	8 / (2)	03/10/2007 to 02/10/2011	
02/10/2006	S\$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.

Directors' Report

Year Ended December 31, 2008

SHARE-BASED INCENTIVE PLANS (cont'd)

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.

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 conditional performance shares awarded.

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. Sembcorp Industries Ltd Performance Shares

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

Performance shares participants	Aggregate additional					
	Conditional performance shares awarded during the year	Aggregate original performance conditional shares awarded	conditional performance due to modification	Aggregate conditional performance shares released	Aggregate conditional performance shares lapsed	Aggregate conditional performance shares outstanding
2008						
Director of the Company:						
Tang Kin Fei	400,000	2,240,000	73,720	(931,240)	(359,914)	1,236,484
Key executives of the Group						
	550,000	5,555,000	69,989	(1,423,859)	(2,878,682)	1,504,280
	950,000	7,795,000	143,709	(2,355,099)	(3,238,596)	2,740,764
2007						
Director of the Company:						
Tang Kin Fei	400,000	1,840,000	73,720	(289,486)	(359,914)	1,264,320
Key executives of the Group						
	490,000	5,005,000	69,989	(889,064)	(2,867,986)	1,317,939
	890,000	6,845,000	143,709	(1,178,550)	(3,227,900)	2,582,259

SHARE-BASED INCENTIVE PLANS (cont'd)

b. Performance Share Plan (cont'd)

i. Sembcorp Industries Ltd Performance Shares (cont'd)

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2005 to 2007, a total of 1,176,549 (2007: 252,850) performance shares were released, of which an additional 395,750 (2007: Nil) performance shares were awarded for the over-achievement of the performance targets. These shares were released via the issuance of treasury shares.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2008, was 2,740,764 (2007: 2,582,259). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 4,111,146 (2007: 3,873,389) performance shares.

ii. Performance shares of a listed subsidiary

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

	2008	2007
Conditional performance shares awarded during the financial year	790,000	700,000
Aggregate conditional performance shares awarded	5,215,000	4,395,000
Additional performance shares awarded arising from targets met during the financial year	542,500	830,000
Aggregate conditional performance shares released	(2,721,900)	(1,555,400)
Aggregate conditional performance shares lapsed	(425,600)	(764,600)
Aggregate conditional performance shares outstanding	2,610,000	2,905,000

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

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 2008, was 2,610,000 (2007: 2,905,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,915,000 (2007: 4,357,000) performance shares.

Directors' Report

Year Ended December 31, 2008

SHARE-BASED INCENTIVE PLANS (cont'd)

c. Restricted Stock Plan

From 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 awards granted before 2008, three distinct performance levels are set for each performance measure. 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 conditional restricted stocks awarded.

For awards granted in 2008, four distinct performance levels are set for each performance measure. 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 150% of the conditional restricted stocks awarded.

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.

SHARE-BASED INCENTIVE PLANS (cont'd)

c. Restricted Stock Plan (cont'd)

i. Sembcorp Industries Ltd Restricted Stocks

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

	Aggregate					
	Conditional restricted stocks awarded	Aggregate original conditional restricted stocks awarded	Aggregate conditional restricted stocks due to modification	Aggregate conditional restricted stocks released	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted stocks outstanding
2008						
Directors of the Company:						
Peter Seah Lim Huat	23,500	47,000	484	-	-	47,484
Tang Kin Fei	126,000	318,000	6,785	(30,416)	-	315,426
Goh Geok Ling	13,700	27,400	282	-	-	27,682
Richard Hale, OBE	17,000	34,000	350	-	-	34,350
Evert Henkes	7,000	14,000	144	-	-	14,144
Lee Suet Fern	13,700	27,400	282	-	-	27,682
Other executives of the Group	1,977,300	4,728,100	93,425	(409,185)	(508,255)	4,162,821
	2,178,200	5,195,900	101,752	(439,601)	(508,255)	4,629,589
2007						
Directors of the Company:						
Peter Seah Lim Huat	23,500	23,500	484	-	-	23,984
Tang Kin Fei	126,000	192,000	6,785	-	-	198,785
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
K Shanmugam	13,700	13,700	282	-	-	13,982
Other executives of the Group	1,753,300	2,737,100	93,143	-	(229,212)	2,601,031
	1,967,900	3,017,700	101,752	-	(229,212)	2,890,240

Directors' Report

Year Ended December 31, 2008

SHARE-BASED INCENTIVE PLANS (cont'd)

c. Restricted Stock Plan (cont'd)

i. Sembcorp Industries Ltd Restricted Stocks (cont'd)

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2006 to 2007, a total of 439,601 restricted stocks were released. An additional 279,793 restricted stocks were awarded for the over-achievement of the performance targets. These restricted stocks were released via the issuance of treasury shares. There was no release of restricted stocks in the year 2007.

The total number of restricted stocks outstanding, including award(s) achieved but not released, as at end 2008, was 4,629,589 (2007: 2,890,240). Of this, the total number of restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released was 3,900,597 (2007: 2,890,240). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 5,491,236 (2007: 3,757,312) restricted stocks.

A total of 600,000 (2007: 546,000) notional restricted stocks of Sembcorp Industries Ltd's shares were awarded on April 7, 2008 for the Sembcorp Challenge Bonus for non-managerial participants for the performance period 2008 to 2009. With the Committee's approval during the year, an additional 11,248 notional restricted stocks for the performance period 2007 to 2008 were added to the outstanding awards as a result of the Special Dividend payment in April 2007, therefore the total outstanding notional restricted stocks for the performance period 2007 to 2008 is 557,248.

The total number of notional restricted stocks in awards for the Sembcorp Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at end 2008, was 1,157,248 (2007: 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 1,624,422 (2007: 709,800).

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:

	Aggregate		Aggregate		Aggregate	
	conditional	additional	conditional	conditional	conditional	conditional
Restricted stocks participants	conditional stocks awarded during the year	original conditional stocks awarded	restricted stocks awarded due to bonus issue	Aggregate conditional stocks released	Aggregate conditional stocks lapsed	Aggregate conditional stocks outstanding
2008						
Directors of the Company:						
Tang Kin Fei	12,000	25,500	5,400	-	-	30,900
Goh Geok Ling	22,000	44,000	8,800	-	-	52,800
Other participants	3,539,000	7,534,632	1,931,720	(708,128)	(556,966)	8,679,151
	3,573,000	7,604,132	1,945,920	(708,128)	(556,966)	8,762,851
2007						
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

SHARE-BASED INCENTIVE PLANS (cont'd)

c. Restricted Stock Plan (cont'd)

ii. Restricted stocks of a listed subsidiary (cont'd)

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 of 2008, was 8,762,851 (2007: 6,793,685¹). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 11,391,706 (2007: 8,831,791²) restricted stocks. In 2008, an additional 477,893 restricted stocks were awarded for the over-achievement of the performance targets for the performance period 2006 to 2007.

Notes:

1. Includes 1,046,458 notional restricted stocks in awards for the Challenge Bonus.
2. Includes 1,360,396 notional restricted stocks in awards for the Challenge Bonus.

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.

AUDIT COMMITTEE

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

Richard Hale, OBE (Chairman)

Lee Suet Fern

Yong Ying-I

Bobby Chin Yoke Choong (Appointed on December 1, 2008)

The Audit Committee held four 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, Chapter 50, 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.

Directors' Report

Year Ended December 31, 2008

AUDIT COMMITTEE *(cont'd)*

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 LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

AUDITORS

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

On behalf of the Board of Directors



PETER SEAH LIM HUAT
Chairman



TANG KIN FEI
Director

Singapore
February 26, 2009