

Directors' Report

Year Ended December 31, 2009

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, 2009.

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

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 21/01/2010	At beginning of the year	At end of the year	At 21/01/2010
			of the year	of the year	21/01/2010	of the year	of the year	21/01/2010
Peter Seah Lim Huat								
Sembcorp Industries Ltd	Ordinary shares		168,000	225,697	225,697	-	-	-
	Options to subscribe for ordinary shares at - \$0.99 per share	18/05/2005 to 17/05/2009	17,500	-	-	-	-	-
	- \$1.16 per share	23/11/2005 to 22/11/2009	35,000	-	-	-	-	-
	- \$2.37 per share	02/07/2006 to 01/07/2010	35,000	35,000	35,000	-	-	-
	- \$2.36 per share	22/11/2006 to 21/11/2010	52,500	52,500	52,500	-	-	-
	- \$2.52 per share	10/06/2007 to 09/06/2011	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 21/01/2010	At beginning of the year	At end of the year	At 21/01/2010
			of the year	of the year	21/01/2010	of the year	of the year	21/01/2010
Peter Seah Lim Huat (cont'd)								
Sembcorp Industries Ltd	Conditional award of: - 23,984 restricted stocks to be delivered after 2008 (Note 2b(ii))		Up to 31,179	10,393	10,393	-	-	-
	- 23,500 restricted stocks to be delivered after 2009 (Note 3a)		Up to 35,250	Up to 35,250	Up to 35,250	-	-	-
	- 23,500 restricted stocks to be delivered after 2010 (Note 3b)		-	Up to 35,250	Up to 35,250	-	-	-

Tang Kin Fei

Sembcorp Industries Ltd	Ordinary shares		2,354,011	2,782,084	2,782,084	-	-	-
	Options to subscribe for ordinary shares at - \$0.99 per share	18/05/2005 to 17/05/2014	50,000	-	-	-	-	-
	- \$1.16 per share	23/11/2005 to 22/11/2014	50,000	-	-	-	-	-
	- \$2.37 per share	02/07/2006 to 01/07/2015	150,000	150,000	150,000	-	-	-
	- \$2.36 per share	22/11/2006 to 21/11/2015	150,000	150,000	150,000	-	-	-
	- \$2.52 per share	10/06/2007 to 09/06/2016	300,000	300,000	300,000	-	-	-
	Conditional award of: - 428,244 performance shares to be delivered after 2008 (Note 1a)		Up to 642,366	-	-	-	-	-
	- 408,240 performance shares to be delivered after 2009 (Note 1b)		Up to 612,360	Up to 612,360	Up to 612,360	-	-	-
	- 400,000 performance shares to be delivered after 2010 (Note 1c)		Up to 600,000	Up to 600,000	Up to 600,000	-	-	-

Directors' Report

Year Ended December 31, 2009

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 21/01/2010	At beginning of the year	At end of the year	At 21/01/2010
Tang Kin Fei (cont'd)								
Sembcorp Industries Ltd	Conditional award of: – 400,000 performance shares to be delivered after 2011 (Note 1d)		–	Up to 600,000	Up to 600,000	–	–	–
	– 70,189 restricted stocks to be delivered after 2007 (Note 2a)		60,830	30,414	30,414	–	–	–
	– 128,596 restricted stocks to be delivered after 2008 (Note 2b(ii))		Up to 167,175	55,724	55,724	–	–	–
	– 126,000 restricted stocks to be delivered after 2009 (Note 3a)		Up to 189,000	Up to 189,000	Up to 189,000	–	–	–
	– 126,000 restricted stocks to be delivered after 2010 (Note 3b)		–	Up to 189,000	Up to 189,000	–	–	–
Sembcorp Marine Ltd	Ordinary shares		45,500	53,690	53,690	–	–	–
	Options to subscribe for ordinary shares at – \$2.11 per share	12/08/2006 to 11/08/2010	7,000	7,000	7,000	–	–	–
	– \$2.38 per share	03/10/2007 to 02/10/2011	73,500	73,500	73,500	–	–	–
	Conditional award of: – 18,900 restricted stocks to be delivered after 2008 (Note 2b(iii))		Up to 24,570	16,380	16,380	–	–	–
	– 12,000 restricted stocks to be delivered after 2009 (Note 3a)		Up to 18,000	Up to 18,000	Up to 18,000	–	–	–
	– 17,000 restricted stocks to be delivered after 2010 (Note 3b)		–	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 21/01/2010	At beginning of the year	At end of the year	At 21/01/2010
Tang Kin Fei (cont'd)								
Sembcorp Financial Services Pte Ltd	Fixed Rate Notes Due 2014 issued under Medium Term Note Programme (Note 4)		–	Principal amount: S\$500,000	Principal amount: S\$500,000	–	–	–
Goh Geok Ling								
Sembcorp Industries Ltd	Ordinary shares		299,600	327,630	327,630	47,000	47,000	47,000
	Options to subscribe for ordinary shares at – \$0.99 per share	18/05/2005 to 17/05/2009	12,500	–	–	–	–	–
	– \$1.16 per share	23/11/2005 to 22/11/2009	12,500	–	–	–	–	–
	– \$2.37 per share	02/07/2006 to 01/07/2010	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	10/06/2007 to 09/06/2011	70,000	70,000	70,000	–	–	–
	Conditional award of: – 13,982 restricted stocks to be delivered after 2008 (Note 2b(iv))		Up to 18,177	6,058	6,058	–	–	–
	– 13,700 restricted stocks to be delivered after 2009 (Note 3a)		Up to 20,550	Up to 20,550	Up to 20,550	–	–	–
	– 13,700 restricted stocks to be delivered after 2010 (Note 3b)		–	Up to 20,550	Up to 20,550	–	–	–
Sembcorp Marine Ltd	Ordinary shares		–	13,347	13,347	–	–	–
	Options to subscribe for ordinary shares at – \$2.38 per share	03/10/2007 to 02/10/2011	196,000	196,000	196,000	–	–	–

Directors' Report

Year Ended December 31, 2009

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 21/01/2010	At beginning of the year	At end of the year	At 21/01/2010
Goh Geok Ling (cont'd)								
Sembcorp Marine Ltd	Conditional award of: – 30,800 restricted stocks to be delivered after 2008 (Note 2b(v))		Up to 40,040	26,693	26,693	–	–	–
	– 22,000 restricted stocks to be delivered after 2009 (Note 3a)		Up to 33,000	Up to 33,000	Up to 33,000	–	–	–
	– 29,000 restricted stocks to be delivered after 2010 (Note 3b)		–	Up to 43,500	Up to 43,500	–	–	–
Richard Hale, OBE								
Sembcorp Industries Ltd	Ordinary shares		182,500	238,760	238,760	–	–	–
	Options to subscribe for ordinary shares at – \$0.99 per share	18/05/2005 to 17/05/2009	26,250	–	–	–	–	–
	– \$1.16 per share	23/11/2005 to 22/11/2009	26,250	–	–	–	–	–
	– \$2.37 per share	02/07/2006 to 01/07/2010	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	10/06/2007 to 09/06/2011	140,000	140,000	140,000	–	–	–
	Conditional award of: – 17,350 restricted stocks to be delivered after 2008 (Note 2b(vi))		Up to 22,555	7,518	7,518	–	–	–
	– 17,000 restricted stocks to be delivered after 2009 (Note 3a)		Up to 25,500	Up to 25,500	Up to 25,500	–	–	–
	– 17,000 restricted stocks to be delivered after 2010 (Note 3b)		–	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 21/01/2010	At beginning of the year	At end of the year	At 21/01/2010
Richard Hale, OBE (cont'd)								
Sembcorp Marine Ltd	Conditional award of: – 22,000 restricted stocks to be delivered after 2010 (Note 3b)		–	Up to 33,000	Up to 33,000	–	–	–
Yong Ying-I								
Sembcorp Industries Ltd	Ordinary shares		300,000	300,000	300,000	–	–	–
Evert Henkes								
Sembcorp Industries Ltd	Ordinary shares		–	69,298	69,298	–	–	–
	Options to subscribe for ordinary shares at – \$0.99 per share	18/05/2005 to 17/05/2009	12,000	–	–	–	–	–
	– \$1.16 per share	23/11/2005 to 22/11/2009	12,000	–	–	–	–	–
	– \$2.37 per share	02/07/2006 to 01/07/2010	17,500	4,375	4,375	–	–	–
	– \$2.36 per share	22/11/2006 to 21/11/2010	17,500	4,375	4,375	–	–	–
	– \$2.52 per share	10/06/2007 to 09/06/2011	35,000	17,500	17,500	–	–	–
	Conditional award of: – 7,144 restricted stocks to be delivered after 2008 (Note 2b(vii))		Up to 9,287	3,096	3,096	–	–	–
	– 7,000 restricted stocks to be delivered after 2009 (Note 3a)		Up to 10,500	Up to 10,500	Up to 10,500	–	–	–
	– 7,000 restricted stocks to be delivered after 2010 (Note 3b)		–	Up to 10,500	Up to 10,500	–	–	–

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Year Ended December 31, 2009

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	21/01/2010	At beginning	At end	At 21/01/2010
			of the year	of the year	of the year	of the year	of the year	of the year
Lee Suet Fern								
Sembcorp Industries Ltd	Ordinary Shares		35,000	38,030	38,030	-	-	-
	Options to subscribe for ordinary shares at - S\$2.36 per share	22/11/2006 to 21/11/2010	17,500	17,500	17,500	-	-	-
	- S\$2.52 per share	10/06/2007 to 09/06/2011	52,500	52,500	52,500	-	-	-
	Conditional award of: - 13,982 restricted stocks to be delivered after 2008 (Note 2b(viii))		Up to 18,177	6,058	6,058	-	-	-
	- 13,700 restricted stocks to be delivered after 2009 (Note 3a)		Up to 20,550	Up to 20,550	Up to 20,550	-	-	-
	- 13,700 restricted stocks to be delivered after 2010 (Note 3b)		-	Up to 20,550	Up to 20,550	-	-	-
Bobby Chin Yoke Choong								
Sembcorp Industries Ltd	Conditional award of: - 11,000 restricted stocks to be delivered after 2010 (Note 3b)		-	Up to 16,500	Up to 16,500	-	-	-

Directors' Interests (cont'd)

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 threshold 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 2006 to 2008*
- Period from 2007 to 2009
- Period from 2008 to 2010
- Period from 2009 to 2011

* For this period, 269,794 shares were released to Tang Kin Fei on March 27, 2009. The balance of the conditional awards covering the period has thus lapsed.

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 threshold 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 (2nd release of the 1/3 of the 91,246 shares) were released to Tang Kin Fei on March 27, 2009 and the remaining 30,414 shares will be released in year 2010. The 1st release of 30,416 shares has been released on March 28, 2008.

- For this period, 5,197 shares (1/3 of the 15,590 shares) were released to Peter Seah Lim Huat on March 27, 2009 and the remaining 10,393 shares will be released in year 2010/2011.
- For this period, 27,863 shares (1/3 of the 83,587 shares) were released to Tang Kin Fei on March 27, 2009 and the remaining 55,724 shares will be released in year 2010/2011.
- For this period, 8,190 shares (1/3 of the 24,570 shares) were released to Tang Kin Fei on March 30, 2009 and the remaining 16,380 shares will be released in year 2010/2011.
- For this period, 3,030 shares (1/3 of the 9,088 shares) were released to Goh Geok Ling on March 27, 2009 and the remaining 6,058 shares will be released in year 2010/2011.
- For this period, 13,347 shares (1/3 of the 40,040 shares) were released to Goh Geok Ling on March 30, 2009 and the remaining 26,693 shares will be released in year 2010/2011.
- For this period, 3,760 shares (1/3 of the 11,278 shares) were released to Richard Hale on March 27, 2009 and the remaining 7,518 shares will be released in year 2010/2011.
- For this period, 1,548 shares (1/3 of the 4,644 shares) were released to Evert Henkes on March 27, 2009 and the remaining 3,096 shares will be released in year 2010/2011.
- For this period, 3,030 shares (1/3 of the 9,088 shares) were released to Lee Suet Fern on March 27, 2009 and the remaining 6,058 shares will be released in year 2010/2011.

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 as indicated below. Achievement of targets below threshold 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.

- Period from 2008 to 2009
- Period from 2009 to 2010

Note 4: Fixed Rate Notes Due 2014 issued under the Medium Term Note Programme of Sembcorp Financial Services Pte Ltd, a related company of Sembcorp Industries Group.

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, 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.

Directors' Report

Year Ended December 31, 2009

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.

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.

Share-based Incentive Plans (cont'd)

a. Share Option Plan (cont'd)

Other information regarding the Share Option Plan is as follows:

- 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.
- After the first 12 months of lock-out period, the Group imposed a further vesting of 4 years for managers and above for retention purposes.
- In 2009, all options were settled by the issuance of treasury shares.

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 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 2009

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2009	Options exercised	Options		Options outstanding at Dec 31, 2009	Number of options holders / (including directors) at Dec 31, 2009	Exercise period
				cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2009			
26/06/2000	S\$1.63	225,323	-	(36,600)	188,723	35 / (-)	27/06/2001 to 26/06/2010	
24/07/2000	S\$1.90	175,175	(27,870)	(147,305)	-	- / (-)	20/05/2001 to 19/05/2009	
24/07/2000	S\$1.76	34,065	(34,065)	-	-	- / (-)	16/09/2001 to 15/09/2009	
19/04/2001	S\$1.19	169,350	(8,000)	(38,600)	122,750	15 / (-)	20/04/2002 to 19/04/2011	
07/05/2002	S\$1.23	222,125	(21,000)	(12,000)	189,125	35 / (-)	08/05/2003 to 07/05/2012	
17/10/2002	S\$0.62	95,875	(1,625)	(3,000)	91,250	15 / (-)	18/10/2003 to 17/10/2012	
02/06/2003	S\$0.78	116,100	(10,875)	-	105,225	25 / (-)	03/06/2004 to 02/06/2013	
18/11/2003	S\$0.93	157,750	(27,625)	-	130,125	35 / (-)	19/11/2004 to 18/11/2013	
17/05/2004	S\$0.99	68,750	(68,250)	(500)	-	- / (-)	18/05/2005 to 17/05/2009	
17/05/2004	S\$0.99	611,650	(319,375)	-	292,275	68 / (-)	18/05/2005 to 17/05/2014	
22/11/2004	S\$1.16	88,250	(85,750)	(2,500)	-	- / (-)	23/11/2005 to 22/11/2009	
22/11/2004	S\$1.16	851,900	(473,625)	(2,000)	376,275	86 / (-)	23/11/2005 to 22/11/2014	
01/07/2005	S\$2.37	105,000	(13,125)	-	91,875	4 / (4)	02/07/2006 to 01/07/2010	
01/07/2005	S\$2.37	1,683,197	(271,495)	(94,750)	1,316,952	232 / (1)	02/07/2006 to 01/07/2015	
21/11/2005	S\$2.36	148,750	(13,125)	-	135,625	5 / (5)	22/11/2006 to 21/11/2010	
21/11/2005	S\$2.36	1,998,870	(325,419)	(123,375)	1,550,076	293 / (1)	22/11/2006 to 21/11/2015	
09/06/2006	S\$2.52	402,500	(17,500)	-	385,000	5 / (5)	10/06/2007 to 09/06/2011	
09/06/2006	S\$2.52	3,378,950	(414,315)	(222,500)	2,742,135	452 / (1)	10/06/2007 to 09/06/2016	
		10,533,580	(2,133,039)	(683,130)	7,717,411			

Directors' Report

Year Ended December 31, 2009

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 2008

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2008	Options		Options outstanding at Dec 31, 2008	Number of options holders / (including directors) at Dec 31, 2008	Exercise period
			exercised	cancelled / lapsed / not accepted			
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.

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, 2009 are 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	-	(787,500)	192,500
Tang Kin Fei	3,444,052	(607,759) ¹	(2,236,293)	600,000
Goh Geok Ling	370,000	-	(247,500)	122,500
Richard Hale, OBE	490,000	-	(288,750)	201,250
Yong Ying-I	235,000	(235,000) ²	-	-
Evert Henkes	94,000	-	(67,750)	26,250
Lee Suet Fern	105,000	-	(35,000)	70,000
Other executives				
Group	149,771,742	(69,045,338)	(74,246,493)	6,479,911
Associated company	748,600	(215,100)	(533,500)	-
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	(72,339,525)	(85,391,536)	7,717,411

- 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, 2009

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 2009

Date of grant of options	Exercise price per share	Options outstanding		Options cancelled / lapsed / not accepted		Options outstanding exercisable		Options exercisable		Exercise period
		at Jan 1, 2009	Options exercised	at Dec 31, 2009	at Dec 31, 2009	at Jan 1, 2009	at Dec 31, 2009			
08/09/2000	S\$0.50	191,170	–	–	191,170	191,170	191,170	191,170	08/09/2001 to 07/09/2010	
27/09/2001	S\$0.47	178,710	(79,100)	–	99,610	178,710	99,610	28/09/2002 to 27/09/2011		
07/11/2002	S\$0.64	335,700	(14,650)	(12,600)	308,450	335,700	308,450	08/11/2003 to 07/11/2012		
08/08/2003	S\$0.71	1,015,270	(113,250)	(23,800)	878,220	1,015,270	878,220	09/08/2004 to 08/08/2013		
10/08/2004	S\$0.74	52,500	(52,500)	–	–	52,500	–	11/08/2005 to 10/08/2009		
10/08/2004	S\$0.74	3,586,885	(956,607)	(32,000)	2,598,278	3,586,885	2,598,278	11/08/2005 to 10/08/2014		
11/08/2005	S\$2.11	250,250	(47,250)	–	203,000	147,000	203,000	12/08/2006 to 11/08/2010		
11/08/2005	S\$2.11	9,703,475	(2,589,438)	(78,250)	7,035,787	5,348,775	7,035,787	12/08/2006 to 11/08/2015		
02/10/2006	S\$2.38	649,250	(61,250)	–	588,000	281,750	453,250	03/10/2007 to 02/10/2011		
02/10/2006	S\$2.38	9,955,834	(1,450,621)	(169,560)	8,335,653	4,318,857	5,774,379	03/10/2007 to 02/10/2016		
		25,919,044	(5,364,666)	(316,210)	20,238,168	15,456,617	17,542,144			

Sembcorp Marine Ltd Ordinary shares 2008

Date of grant of options	Exercise price per share	Options outstanding		Options cancelled / lapsed / not accepted		Options outstanding exercisable		Options exercisable		Exercise period
		at Jan 1, 2008	Options exercised	at Dec 31, 2008	at Dec 31, 2008	at Jan 1, 2008	at Dec 31, 2008			
08/09/2000	S\$0.50	198,870	(7,700)	–	191,170	198,870	191,170	191,170	08/09/2001 to 07/09/2010	
27/09/2001	S\$0.47	259,280	(80,570)	–	178,710	259,280	178,710	28/09/2002 to 27/09/2011		
07/11/2002	S\$0.64	513,650	(177,250)	(700)	335,700	513,650	335,700	08/11/2003 to 07/11/2012		
08/08/2003	S\$0.71	142,800	(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	2,130,490	1,015,270	09/08/2004 to 08/08/2013		
10/08/2004	S\$0.74	430,500	(378,000)	–	52,500	280,000	52,500	11/08/2005 to 10/08/2009		
10/08/2004	S\$0.74	6,856,205	(3,154,220)	(115,100)	3,586,885	2,412,955	3,586,885	11/08/2005 to 10/08/2014		
11/08/2005	S\$2.11	365,750	(115,500)	–	250,250	134,750	147,000	12/08/2006 to 11/08/2010		
11/08/2005	S\$2.11	12,635,335	(2,609,460)	(322,400)	9,703,475	3,582,935	5,348,775	12/08/2006 to 11/08/2015		
02/10/2006	S\$2.38	724,500	(75,250)	–	649,250	136,500	281,750	03/10/2007 to 02/10/2011		
02/10/2006	S\$2.38	11,319,490	(894,585)	(469,071)	9,955,834	2,388,059	4,318,857	03/10/2007 to 02/10/2016		
		35,576,870	(8,742,155)	(915,671)	25,919,044	12,180,289	15,456,617			

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. A minimum 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.

From 2009, the Performance Share Plan was enhanced to create alignment between senior management and other employees at the time of vesting by introducing a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2009 to 2011 will be vested to the senior management participants only if the restricted stocks for the performance period 2010 to 2011 are vested, subject to the achievement of the performance conditions for the respective performance periods.

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

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) are as follows:

	Aggregate					
	Aggregate conditional performance shares awarded during the year	Aggregate conditional performance shares awarded	Aggregate conditional performance shares awarded due to modification	Aggregate conditional performance shares released	Aggregate conditional performance shares lapsed	Aggregate conditional performance shares outstanding
2009						
Director of the Company:						
Tang Kin Fei	400,000	2,640,000	73,720	(1,201,034)	(518,364)	1,208,240
Key executives of the Group	570,000	6,125,000	69,989	(1,630,795)	(3,313,404)	1,432,622
	970,000	8,765,000	143,709	(2,831,829)	(3,831,768)	2,640,862
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

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2006 to 2008, a total of 476,730 (2008: 1,176,549) performance shares were released via the issuance of treasury shares.

Directors' Report

Year Ended December 31, 2009

Share-based Incentive Plans (cont'd)

b. Performance Share Plan (cont'd)

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

In 2008, there were additional 395,750 performance shares awarded for the over-achievement of the performance targets.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2009, was 2,640,862 (2008: 2,740,764). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,961,293 (2008: 4,111,146) 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) are as follows:

	2009	2008
Conditional performance shares awarded during the year	545,000	790,000
Aggregate original conditional performance shares awarded	6,560,000	5,215,000
Aggregate conditional performance shares released	(3,594,500)	(2,721,900)
Aggregate conditional performance shares lapsed	(1,193,000)	(425,600)
Aggregate conditional performance shares outstanding	2,315,000	2,610,000

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

In 2008, there were additional 542,500 performance shares awarded for the over-achievement of the performance targets.

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 2009 was 2,315,000 (2008: 2,610,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,472,500 (2008: 3,915,000) performance shares.

c. Restricted Stock Plan

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 for the restricted stocks are calibrated based on Return on Total Assets and Total Shareholder Return for awards granted before 2009 and Return on Total Assets (excluding Sembcorp Marine Ltd) and Earnings Before Interest and Taxes (excluding Sembcorp Marine Ltd) for awards granted in 2009.

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.

Share-based Incentive Plans (cont'd)

c. Restricted Stock Plan (cont'd)

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 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 Restricted Stocks

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

	Aggregate					
	Conditional restricted stocks awarded during the year	original conditional stocks awarded	restricted stocks awarded due to modification	Aggregate conditional stocks released	Aggregate conditional stocks lapsed	Aggregate conditional stocks outstanding
2009						
Directors of the Company:						
Peter Seah Lim Huat	23,500	70,500	484	(5,197)	(8,394)	57,393
Tang Kin Fei	126,000	444,000	6,785	(88,695)	(45,009)	338,138
Goh Geok Ling	13,700	41,100	282	(3,030)	(4,894)	33,458
Richard Hale, OBE	17,000	51,000	350	(3,760)	(6,072)	41,518
Evert Henkes	7,000	21,000	144	(1,548)	(2,500)	17,096
Lee Suet Fern	13,700	41,100	282	(3,030)	(4,894)	33,458
Bobby Chin Yoke Choong	11,000	11,000	-	-	-	11,000
Other executives of the Group	2,012,500	6,740,600	93,425	(1,082,459)	(1,503,517)	4,506,785
	2,224,400	7,420,300	101,752	(1,187,719)	(1,575,280)	5,038,846
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

Directors' Report

Year Ended December 31, 2009

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 2007 to 2008, a total of 392,617 restricted stocks were released. For awards in relation to the performance period 2006 to 2007, a total of 355,501 (2008: 439,601) restricted stocks were released in 2009. The restricted stocks were released via the issuance of treasury shares.

In 2008, additional 279,793 restricted stocks were awarded for the over-achievement of the performance targets for the performance period 2006 to 2007.

The total number of restricted stocks outstanding, including award(s) achieved but not released, as at end 2009, was 5,038,846 (2008: 4,629,589). Of this, the total number of restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released was 4,077,962 (2008: 3,900,597). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 6,116,943 (2008: 5,491,236) restricted stocks.

Sembcorp Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2007 to 2008, a total of S\$584,000, equivalent to 252,989 notional restricted stocks, were paid.

A total of 600,000 (2008: 600,000) notional restricted stocks of Sembcorp Industries Ltd's shares were awarded in 2009 for the Sembcorp Challenge Bonus.

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 2009, was 1,200,000 (2008: 1,157,248). 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 1,800,000 (2008: 1,624,422).

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) are as follows:

	Aggregate					
	additional					
	Conditional	Aggregate	conditional	Aggregate	Aggregate	Aggregate
restricted	original	restricted	conditional	conditional	conditional	
stocks awarded	restricted	due to	restricted	restricted	stocks	
Restricted stocks participants	during the year	stocks awarded	bonus issue	stocks released	stocks lapsed	outstanding
2009						
Directors of the Company:						
Tang Kin Fei	17,000	42,500	5,400	(8,190)	-	45,380
Goh Geok Ling	29,000	73,000	8,800	(13,347)	-	77,693
Richard Hale, OBE	22,000	22,000	-	-	-	22,000
Other participants	3,358,330	11,123,170	1,629,952	(3,372,147)	(764,302)	10,261,889
	3,426,330	11,260,670	1,644,152	(3,393,684)	(764,302)	10,406,962

Share-based Incentive Plans (cont'd)

c. Restricted Stock Plan (cont'd)

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

	Aggregate					
	additional					
	Conditional	Aggregate	conditional	Aggregate	Aggregate	Aggregate
restricted	original	restricted	conditional	conditional	conditional	
stocks awarded	restricted	due to	restricted	restricted	stocks	
Restricted stocks participants	during the year	stocks awarded	bonus issue	stocks released	stocks lapsed	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	7,764,840	1,629,952	(708,128)	(485,406)	8,679,151
	3,573,000	7,834,340	1,644,152	(708,128)	(485,406)	8,762,851

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2007 to 2008, a total of 1,956,117 Sembcorp Marine Ltd's restricted stocks were released via the issuance of treasury shares. For awards in relation to the performance period 2006 to 2007, a total of 729,439 (2008: 708,128) restricted stocks were released in 2009.

In 2009, additional 1,182,233 (2008: 477,893) restricted stocks were awarded for the over-achievement of the performance targets for the performance period 2007 to 2008.

The total number of Sembcorp Marine Ltd's restricted stocks outstanding including award(s) achieved but not released, as at end 2009, was 10,406,962 (2008: 8,762,851). Of this, the total number of restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released was 6,709,730 (2008: 7,422,586). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 10,064,595 (2008: 10,339,522) restricted stocks.

Challenge Bonus of a listed subsidiary

With the committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2007 to 2008, a total of S\$1,679,000, equivalent to 1,203,602 notional restricted stocks, were paid.

A total of 1,130,050 (2008: 957,400) notional restricted stocks of Sembcorp Marine Ltd's shares were awarded in 2009 for the Sembcorp Marine Challenge Bonus.

The total number of notional restricted stocks in awards for the Sembcorp Marine Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at end 2009, was 1,928,700 (2008: 1,866,248). 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 2,893,050 (2008: 2,606,642).

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, 2009

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

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;
- quarterly financial information and annual 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 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 25, 2010