Sembcorp's cogeneration plant on Jurong Island, Singapore.

Operating & Financial Review

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Company Overview

Sembcorp's aim is to provide shareholder value by focusing on businesses that deliver recurring earnings and have the ability to sustain growth over the long term.

Business Description

Sembcorp Industries is a Singapore-listed company with assets totalling more than S$9 billion. The Group is primarily involved in the following businesses:

- Utilities
- Marine
- Environment
- Industrial Parks

The Utilities business provides energy and water to industrial and municipal customers in Singapore, the UK, China, Vietnam, the UAE and Oman. Key activities in the energy sector include power and steam generation, and the sale of electricity as well as natural gas. In the water sector, the business offers wastewater treatment, as well as the production and supply of reclaimed, desalinated and potable water and water for industrial use. Together with energy and water, the business also offers on-site logistics and services as part of a bundled offer to industrial customers.

The Marine business provides integrated solutions in ship repair, shipbuilding, ship conversion, rig building, topsides fabrication and offshore engineering through its global network of shipyards spanning Singapore, China, Indonesia, Brazil, India, the Middle East and the USA.

The Environment business provides integrated environmental management solutions to industries, municipalities and government agencies in Singapore, Australia and India. Its activities include waste collection, recycling and waste-to-resource as well as medical waste treatment.

The Industrial Parks business owns, develops, markets and manages integrated townships and industrial parks in Vietnam, China and Indonesia. It offers an integrated approach in the development of complete industrial, commercial and residential developments, providing fully self-sufficient townships for tenants from multinational companies and leading local enterprises to work and live in.

Objective & Strategies

Sembcorp's aim is to provide shareholder value by focusing on businesses that deliver recurring earnings and have the ability to sustain growth over the long term. The Group pursues five strategic directions:

Focus on key businesses

Sembcorp maintains a focus on our key businesses, chief of which are the Utilities and Marine businesses, which offer strong fundamentals. Coupled with our strong operational and management capabilities and a disciplined approach towards investment, we believe that focusing on our key businesses will enable us to continue delivering long-term value to our shareholders.

Build upon business models

Sembcorp has developed and will continue to build on strong business models in each of our businesses.

Our Utilities business has established a niche as a global leader for the provision of energy, water and on-site logistics and services. We aim to replicate our success in key markets around the globe through establishing and growing beachheads in target markets and entering into strategic partnerships with our international customers and suppliers. We also invest selectively in power and water projects with long-term offtake agreements. Meanwhile, our Marine business has built up a global brand name with a comprehensive range of capabilities encompassing various segments of the value chain in the global marine and offshore industry. Its orderbook provides earnings visibility while long-term strategic alliances with international ship operators provide a steady and growing baseload in ship repair. Our Industrial Parks unit takes an integrated approach to the development of townships and industrial parks. Its early involvement in the development of industrial, residential and commercial areas also provides potential opportunities for the provision of utilities and other services.

Leverage capabilities for growth

Sembcorp believes that only businesses with clear competitive edge and leading market positions can deliver sustainable growth. To this end, we continue to leverage the differentiating capabilities and processes we have built up in each of our businesses.

We seek to leverage and strengthen our unique operational and technological capabilities in energy and water to seize growth opportunities in these fast-growing sectors. On the energy front, Sembcorp applies technology for greater efficiency and lower emissions in our power, steam and desalination operations. This includes combined cycle gas turbine, cogeneration and combined power-and-desalination technologies. On the water front, we have developed distinctive capabilities as operators of reliable and efficient facilities offering essential utilities for industrial clusters, including the provision of industrial water, water reclamation and the treatment of complex high concentration wastewater from multiple sources. We continue to build on these capabilities to provide total water solutions using energy-efficient and environmentally-friendly technologies.

Meanwhile, our Marine business' proprietary technologies and designs for rigs and vessels allow it to serve its customers with technologically-advanced solutions. Its trusted brand name and reputation for quality and on-time delivery also strengthen its position as one of the leading players in the market. Similarly, our Industrial Parks business' concept of integrated industrial townships and our Environment business' solutions for advanced waste treatment and resource recovery demonstrate capabilities which provide us a unique competitive advantage.

Develop new income streams

Sembcorp is committed to developing our core businesses to generate new income streams. We seek to expand in tandem with demand through strategic partnerships with our customers, providing essential solutions to meet their needs. We also look to new markets where there is a demand for our services. To provide a platform for future growth, we continually identify and develop a pipeline of greenfield and brownfield investments. Applying a disciplined approach, we aim to build leading positions in growth markets through selective acquisitions and partnerships. In the face of global urbanisation and population growth, we also actively invest in green business lines which will give us an edge in an increasingly resource-scarce world.

Build on strong brand name

At Sembcorp, we aim to capitalise on the strength and reliability associated with the Sembcorp brand. Through understanding the needs of our customers and leveraging on group strength and sector expertise to deliver innovative and effective solutions that enable them to do business better, the performance of Sembcorp's businesses reinforces the strength of our brand.

Group Structure

Sembcorp Industries

SUT Division *Singapore*	100%
PPU Division *Singapore*	100%

Utilities

Sembcorp Utilities 100%

Sembcorp Cogen *Singapore*	100%
Sembcorp Power *Singapore*	100%
Sembcorp Gas *Singapore*	70%
Sembcorp Air Products (HYCO) *Singapore*	60%
Sakra Island Carbon Dioxide *Singapore*	30%
Sembcorp NEWater *Singapore*	100%
Sembcorp Utilities (UK) *UK*	100%
Sembcorp Utilities Investment Management (Shanghai) *China*	100%
Shanghai Cao Jing Co-generation Co *China*	30%
Nanjing Sembcorp SUIWU Company *China*	95%
NCIP Water Co *China*	95%
Zhangjiagang Free Trade Zone Sembcorp Water Co *China*	80%
Zhangjiagang Free Trade Zone Sembcorp Water Recycling Co *China*	80%
Sembcorp Tianjin Lingang Industrial Area Wastewater Treatment Co *China*	90%
Shenyang Sembcorp Water Co *China*	80%
Phu My 3 BOT Power Company *Vietnam*	33.3%
Emirates Sembcorp Water & Power Company *UAE*	40%
Sembcorp Gulf O&M Co *UAE*	100%
Sembcorp Salalah Power and Water Company *Oman*	60%
Sembcorp Salalah O&M Services Company *Oman*	70%

Marine

Sembcorp Marine 61.3%*

Jurong Shipyard *Singapore*	100%
Sembawang Shipyard *Singapore*	100%
PPL Shipyard *Singapore*	85%
SMOE *Singapore*	100%
Jurong SML *Singapore*	100%
Sembcorp Marine Technology *Singapore*	100%
COSCO Shipyard Group *China*	30%
Shenzhen Chiwan Offshore Petroleum Equipment Repair & Manufacture Company *China*	35%
PT Karimun Sembawang Shipyard *Indonesia*	100%
PT SMOE Indonesia *Indonesia*	90%
Sembcorp-Sabine Shipyard *USA*	100%
SembMarine Middle East *Saudi Arabia*	60%
Sembmarine Kakinada *India*	19.9%
Estaleiro Jurong Aracruz *Brazil*	100%
Jurong do Brasil Prestacao de Services *Brazil*	100%

Environment

Sembcorp Environment 100%

SembWaste *Singapore*	100%
Sembcorp Tay Paper Recycling *Singapore*	60%
SembSita Australia *Australia*	40%
SembRamky Environmental Management *India*	51%

Industrial Parks

Sembcorp Industrial Parks 100%

Vietnam Singapore Industrial Park JV Co *Vietnam*	40.4%
Vietnam Singapore Industrial Park and Township Development Joint Stock Company *Vietnam*	40.3%
VSIP Bac Ninh Co *Vietnam*	40.3%
VSIP Hai Phong Co *Vietnam*	40.3%
Wuxi-Singapore Industrial Park Development Co *China*	45.4%
Gallant Venture *Singapore*	23.9%
Sino-Singapore Nanjing Eco High-tech Island Development Co *China*	15%

Sembcorp Parks Management 56%

Other Businesses

Sembcorp Design and Construction 100%

Shenzhen Chiwan Sembawang Engineering Company 32%

Singapore Precision Industries 100%

Singapore Mint *Singapore*	100%

Figures reflect effective shareholdings as at February 4, 2010.
** Calculated based on the number of issued ordinary shares excluding treasury shares.*

Group Review

Performance Scorecard *(S$ million)*

	2009	2008	Change (%)
Turnover	**9,572.4**	9,928.4	(4)
EBITDA	**1,315.7**	939.6	40
EBIT	**1,116.0**	744.4	50
PBT	**1,218.3**	861.9	41
PATMI before EI	**682.7**	534.0	28
PATMI after EI	**682.7**	507.1	35
EPS *(cents)*	**38.4**	28.5	35
ROE *(%)*	**23.1**	18.0	28

Overview

Sembcorp's good performance in 2009 has demonstrated the resilience of our strategy and businesses. The Group's profit after tax and minority interest (PATMI) in 2009 grew by 35% to S$682.7 million whilst turnover was S$9.6 billion compared to S$9.9 billion in the previous year.

Turnover

The Group achieved a turnover of S$9.6 billion, with the Utilities and Marine businesses contributing 96% of the total turnover.

The reduction in the Utilities business' turnover was mainly from its Singapore and UK operations. Singapore operations' reduced turnover in 2009 was largely due to the drop in high sulphur fuel oil (HSFO) prices as its revenue is mainly indexed to HSFO. The UK operations' 2009 turnover was affected by lower sales as a result of customers' closure of their on-site facilities and the weakening of the pound sterling, which resulted in lower turnover in Singapore dollar terms. In addition, our UK operations' turnover was impacted by the expiry of a favourable supply contract in March 2008.

The Marine business' 2009 turnover increased by 13% to S$5.7 billion mainly due to higher contribution from rig building activities.

The Environment business' turnover decreased primarily due to the divestment of certain businesses and lower sales tonnage and selling price of recyclables.

Revenue from the Others / Corporate segment was mainly contributed by a subsidiary dealing in specialised construction activities. Fluctuations in turnover were due to timing differences in the recognition of revenue from projects.

Earnings

Group PATMI grew 35% from S$507.1 million to S$682.7 million.

The Utilities business' PATMI grew by 6% to S$211.3 million, with operations in Singapore, China, Vietnam and the UAE showing growth. Despite the difficult economic environment during the year, the cogeneration unit in Singapore performed well, benefiting from higher margins despite undergoing major inspection and maintenance during the year. Further, it benefited from gains on sale of strategic diesel and lower corporate tax rate. Our UK operations' performance was lower due to customers' closure of their facilities on-site as well as the expiry of a favourable supply contract in March 2008.

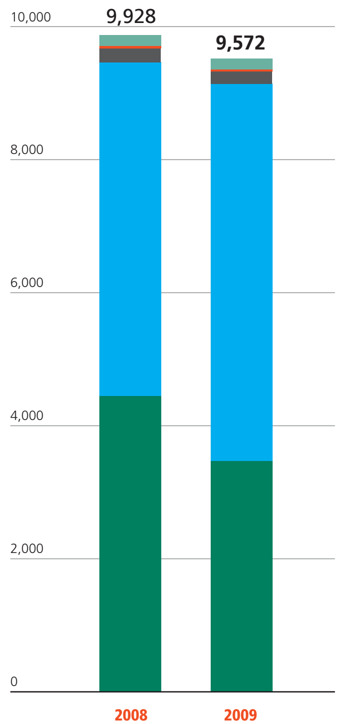
The Marine business' contribution to Group PATMI grew 48% from S$290.6 million to S$430.2 million, attributable to a combination of operational efficiency and execution of projects ahead of schedule, resulting in better margins and the resumption of margin recognition for some of the projects.

The Environment subsidiary's underlying business in Singapore has improved as a result of lower operational costs. Its 2009 PATMI included a gain on the divestment of certain businesses.

The Industrial Parks business' lower PATMI in 2009 was attributed to lower contributions from Gallant Venture and lower gains on the disposal of investments, partially offset by higher rental income and better performance from the China industrial parks.

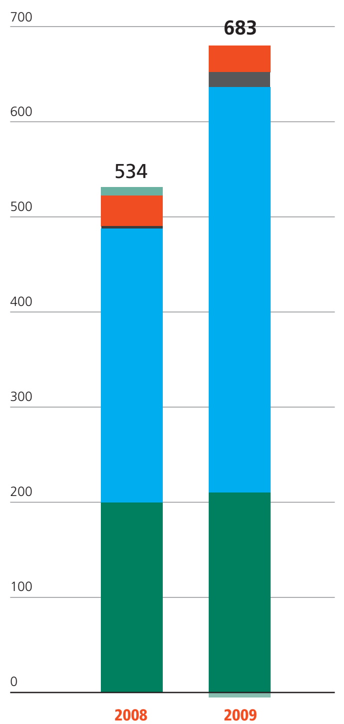
Turnover *(S$ million)*

	2008	2009
Utilities	4,478	**3,495**
Marine	5,061	**5,723**
Environment	214	**185**
Industrial Parks	16	**15**
Others / Corporate	159	**154**
	9,928	**9,572**



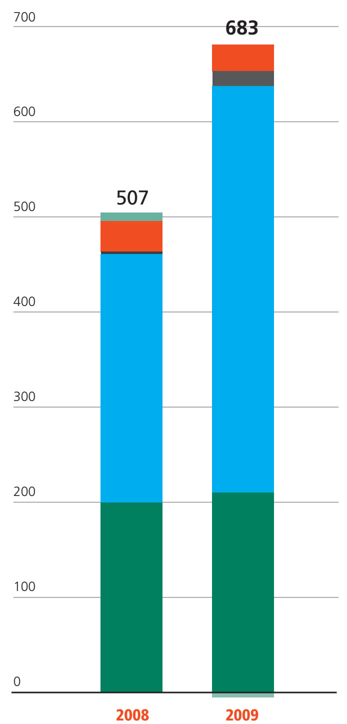
PATMI before EI *(S$ million)*

	2008	2009
Utilities	200	**211**
Marine	291	**430**
Environment	2	**16**
Industrial Parks	32	**28**
Others / Corporate	9	**(2)**
	534	**683**



PATMI after EI *(S$ million)*

	2008	2009
Utilities	200	**211**
Marine	264	**430**
Environment	2	**16**
Industrial Parks	32	**28**
Others / Corporate	9	**(2)**
	507	**683**



The exceptional loss in 2008 related to the Group's share of the Marine business' foreign exchange losses from unauthorised transactions.

Cash Flow and Liquidity

As at December 31, 2009, the Group had cash and cash equivalents of S$2.6 billion.

Cash flows from operating activities before changes in working capital increased from S$1.0 billion in 2008 to S$1.4 billion in 2009. Net cash inflow from operating activities for 2009 decreased to S$932.8 million due to increased inventories and work-in-progress in Marine.

Net cash outflow from investing activities for 2009 was S$474.6 million. The spending of S$407.4 million on expansion and operational capital expenditure, S$111.9 million on equity interests in associates and S$67.3 million on a shareholder's loan to an associate

Group Review

in 2009, were partially offset by dividends and interest received of S$98.9 million.

Net cash outflow from financing activities for 2009 of S$266.7 million related mainly to dividends and interest paid, partially offset by net proceeds from borrowings.

Free cash flow, defined as operating cash flow plus investing cash flow adjusted for expansion capital expenditure, was S$882.0 million as at December 31, 2009.

Financial Position

Group shareholders' funds increased from S$2.6 billion as at December 31, 2008 to S$3.3 billion as at December 31, 2009. The increase in "Other reserves" was mainly due to (i) fair value gains on foreign currency forward and fuel oil swap contracts, (ii) fair value gains on Cosco Corporation (Singapore) (Cosco) shares held by the Marine business as well as (iii) the reversal of the fair value loss residing in the share of reserves of associates following the repayment of an equity bridge loan by Emirates Sembcorp Water & Power Company in February 2009.

"Interests in Associates and Joint Ventures" were higher in 2009 because of increased investments in associates in the UAE and Australia, a new investment in China and the addition of the Group's share of profits from associates and joint ventures during the year. The increase in "Other financial assets" was mainly due to fair value adjustments for Cosco shares held by the Marine business. The increase in "Long-term receivables and prepayments" pertained mainly to the Sembcorp NEWater Plant, which is being constructed under a service concession arrangement and a long-term loan due from an associated company.

"Inventories and work-in-progress" increased and "Excess of progress billings over work-in-progress" decreased significantly, mainly due to an increase in rig building, offshore and conversion projects. "Trade and other receivables" and "Trade and other payables" were lower due to the respective timing of receipts and payments. The increase in "Provisions" was mainly due to higher specific provisions for warranty and claims.

Shareholder Returns

Return on equity increased from 18% in 2008 to 23% in 2009, and earnings per share increased to 38.4 cents in 2009 from 28.5 cents in 2008.

Subject to approval by shareholders at the next annual general meeting, a final tax exempt one-tier dividend of 15.0 cents per ordinary share has been proposed for the financial year ended December 31, 2009.

Economic Value Added

The Group generated positive economic value added (EVA) of S$770.5 million in 2009. This positive EVA creation was mainly driven by better Group earnings.

Our net operating profit after tax (NOPAT) for 2009 amounted to S$1.1 billion whilst capital charges increased to S$322.6 million mainly due to a higher weighted average cost of capital (WACC) of 6%.

Value Added and Productivity Data

In 2009, the Group's total value added was S$2.2 billion. This was absorbed by employees in wages, salaries and benefits of S$710.3 million, by governments in income and other taxes of S$243.5 million and by providers of capital in interest and dividends of S$236.9 million, leaving a balance of S$1.0 billion reinvested in business.

Critical Accounting Policies

Sembcorp's financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

With effect from January 1, 2009, the Group adopted the following new or amended FRS and INT FRS, which are relevant to the Group's operations:

FRS 1 *(revised 2008)*	Presentation of Financial Statements
FRS 23 *(revised 2007)*	Borrowing Costs
Amendments to FRS 107	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
FRS 108	Operating Segments
INT FRS 116	Hedges of a Net Investment in a Foreign Operation
Improvements to FRSs	

The adoption of the above FRS and INT FRS did not result in substantial changes to the Group's accounting policies.

Financial Risk Management

The Group's activities expose it to a variety of financial risks, including changes in interest rates, foreign exchange rates and commodity prices as well as credit risk.

Please refer to the Risk Management & Mitigation Strategies chapter of this report for details on the management of these risks.

Sensitivity Analysis

In managing our interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. However, any prolonged adverse changes in foreign exchange and interest rates would have an impact on consolidated earnings.

Please refer to the sensitivity analysis as set out in Note 40 in the Notes to the Financial Statements.

Treasury Management

The Group's financing and treasury activities continue to be mainly centralised within its wholly-owned subsidiary Sembcorp Financial Services (SFS), the funding vehicle of the Group. SFS on-lends funds borrowed by it to companies within the Group.

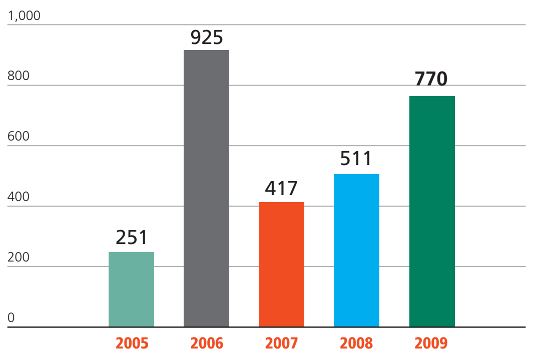
Economic Value Added *(S$ million)*

	Note	2009	2008
Net operating profit before income tax expense		**1,109**	736
Adjust for			
Share of associates' and joint ventures' profits		**136**	140
Interest expense	1	**45**	47
Others	2	**20**	5
Adjusted profit before interest and tax		**1,310**	928
Cash operating taxes	3	**(217)**	(104)
Net operating profit after tax (NOPAT)		**1,093**	824
Average capital employed	4	**5,376**	5,419
Weighted average cost of capital (%)	5	**6.0**	5.8
Capital charge		**323**	313
Economic value added (EVA)		**770**	511
Minority share of EVA		**(284)**	(175)
EVA attributable to shareholders		**486**	336
Less: Unusual items (UI) gains	6	**2**	10
EVA attributable to shareholders (excluding UI)		**484**	326

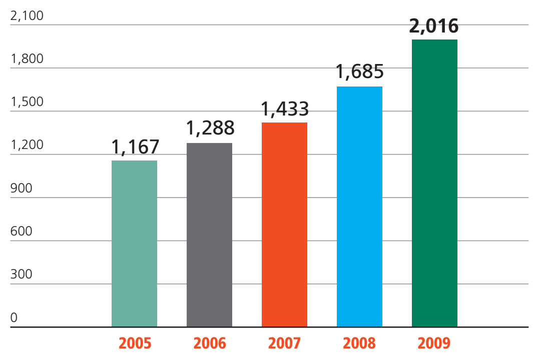
1. Interest expense includes imputed interest on present value of operating leases and capitalised interest charged to income statement upon disposal of the assets.
2. Other adjustments include recovery of investment costs, timing difference of allowances made for / (write-back) of doubtful debts, warranty, inventory obsolescence and goodwill written off / impaired and construction-in-progress.
3. The reported current tax is adjusted for the statutory tax impact of interest expense.
4. Average capital employed is computed by taking monthly average total assets less non interest-bearing liabilities plus timing provision, goodwill written off / impaired and present value of operating leases.
5. The weighted average cost of capital is calculated in accordance with the Sembcorp Group EVA Policy as follows:
i. Cost of equity using capital asset pricing model with market risk premium at 6.0% (2008: 6.0%);
ii. Risk-free rate of 2.08% (2008: 2.74%) based on yield-to-maturity of Singapore Government 10-year Bonds;
iii. Ungeared beta ranging from 0.5 to 1.1 (2008: 0.5 to 1.0) based on Sembcorp Industries' risk categorisation; and
iv. Cost of debt rate at 4.98% (2008: 3.53%).
6. Unusual items (UI) refer to gain / loss on divestment of subsidiaries, associates, joint ventures, long-term investments and disposal of major fixed assets.

Group Review

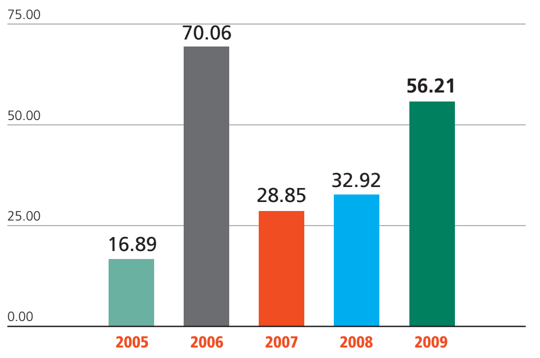
Economic Value Added (S$ million)



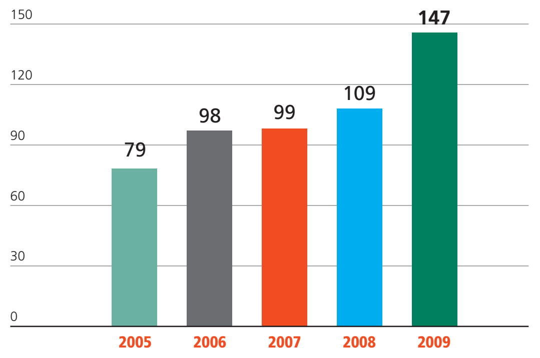
Gross Value Added (S$ million)



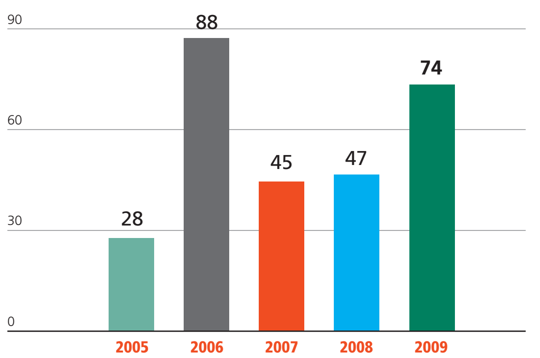
EVA per Employee (S$'000)



Value Added per Employee (S$'000)



Profit after Tax per Employee (S$'000)



SFS also actively manages the cash within the Group by taking in surplus funds from those with excess cash and lending to those with funding requirements. We actively manage the Group's excess cash, deploying it with a number of financial institutions and actively tracking developments in the global banking sector. Such proactive cash management continues to be an efficient and cost-effective way of managing the Group's cash and financing its funding requirements.

Facilities

During the year, SFS issued an inaugural S$200 million five-year note maturing in April 2014 under its S$1.5 billion medium-term note programme. In addition, SFS also arranged bank financing amounting to approximately S$411 million for a tenor of up to four years to fund the Group's investment and working capital needs. Together with Sembcorp Marine's S$500 million medium-term note programme, the Group's total available credit facilities as at end-2009 amounted to S$6.7 billion (2008: S$4.6 billion), with unfunded facilities standing at S$1.9 billion (2008: S$1.9 billion).

Borrowings

Although the global financial turmoil and tightening credit markets have improved somewhat as compared to 2008, we continue to focus on maintaining adequate liquidity for the Group's businesses.

We continue to build on our banking relationships with a view to ensuring that when commercially viable and strategically attractive opportunities arise, we are able to secure funding on competitive terms.

The Group remains committed to balancing the availability of funding and the cost of funding, together with the need to maintain prudent financial ratios. We also aim to maintain an efficient and optimal mix of committed and uncommitted facilities and fixed and floating rate borrowings.

As at December 31, 2009, gross borrowings amounted to S$967.7 million, of which 98% (2008: 92%)

Value Added Statement (S$ million)

	2009	2008	2007	2006	2005
Value added from					
Turnover	**9,572**	9,928	8,619	8,074	7,304
Less: Bought in materials and services	**(7,556)**	(8,243)	(7,186)	(6,786)	(6,137)
Gross value added	**2,016**	1,685	1,433	1,288	1,167
Investment, interest and other income	**125**	154	461	778	240
Share of associates' profit	**65**	91	114	87	53
Share of joint ventures' profit	**71**	49	60	55	48
Other non-operating expenses	**(59)**	(145)	(348)	(172)	(74)
	2,218	1,834	1,720	2,036	1,434
Distribution					
To employees in wages, salaries and benefits	**710**	682	636	624	621
To government in income and other taxes	**243**	170	186	36	137
To providers of capital on:					
Interest paid on borrowings	**41**	44	54	53	54
Dividends to shareholders	**196**	267	498	91	73
	1,190	1,163	1,374	804	885
Retained in Business					
Depreciation and amortisation	**200**	195	185	163	174
Retained profits	**487**	240	28	911	235
Minority interests	**333**	224	125	130	112
	1,020	659	338	1,204	521
Other non-operating expenses	**8**	12	8	28	28
	1,028	671	346	1,232	549
Total distribution	**2,218**	1,834	1,720	2,036	1,434

Group Review

Productivity Data

	2009	2008	2007	2006	2005
Average staff strength	**13,707**	15,512	14,453	13,199	14,862
Employment costs *(S$ million)*	**710**	682	636	624	621
Sales per employee *(S$'000)*	**698**	640	596	612	491
Profit after tax per employee *(S$'000)*	**74**	47	45	88	28
Economic value added *(S$ million)*	**770**	511	417	925	251
Economic value added spread *(%)*	**14.3**	9.4	8.1	19.2	4.8
Economic value added per employee *(S$'000)*	**56.21**	32.92	28.85	70.06	16.89
Value added *(S$ million)*	**2,016**	1,685	1,433	1,288	1,167
Value added per employee *(S$'000)*	**147**	109	99	98	79
Value added per dollar employment costs *(S$)*	**2.84**	2.47	2.25	2.06	1.88
Value added per dollar investment					
in fixed assets *(S$)*	**0.47**	0.43	0.36	0.35	0.30
Value added per dollar sales *(S$)*	**0.21**	0.17	0.17	0.16	0.16

The figures above reflect core businesses only.

was committed funding. Of the overall debt portfolio, 90% (2008: 86%) constituted fixed rate debts which were not exposed to interest rate fluctuations.

The Group seeks to limit its interest rate exposure by adopting a prudent debt structure and balancing this with liquidity and cost considerations. The weighted average cost of funding was 4.14% (2008: 3.83%). Interest cover ratio remained healthy at 31.9 times (2008: 21.2 times).

The current maturity profile of the Group's debt continues to be weighted more towards the longer dated maturities, which mitigates short-term refinancing risks. As at end-2009, the portion of the Group's debt maturing beyond one year was 70% (2008: 65%). Only S$286.6 million of the Group's debt is due within 12 months.

Financing & Treasury Highlights *(S$ million)*

	2009	2008	2007
Source of Funding			
Cash and cash equivalents	**2,598**	2,401	1,297
Funded bank facilities and capital markets			
Uncommitted facilities available for drawdown	**3,753**	3,831	3,598
Committed facilities available for drawdown	**2,918**	755	1,154
Total funded facilities	**6,671**	4,586	4,752
Less: Uncommitted funding drawn down	**(16)**	(62)	(187)
Less: Committed funding drawn down	**(952)**	(755)	(1,154)
Unutilised funded facilities available	**5,703**	3,769	3,411
Unfunded bank facilities			
Unfunded facilities available for drawdown	**1,942**	1,886	1,893
Less: Amount drawn down	**(911)**	(816)	(985)
Unutilised unfunded facilities available	**1,031**	1,070	908
Total unutilised funded and unfunded facilities	**6,734**	4,839	4,319
Funding Profile			
Maturity profile			
Due within one year	**287**	287	501
Due between one to five years	**546**	441	656
Due after 5 years	**135**	89	184
	968	817	1,341
Debt mix			
Fixed rate debt	**871**	701	862
Floating rate debt	**97**	116	479
	968	817	1,341
Currency denomination of debt			
SGD	**627**	591	969
USD	**61**	39	66
GBP	**154**	170	286
Others	**126**	17	20
	968	817	1,341

Group Review

Financing & Treasury Highlights *(S$ million)*

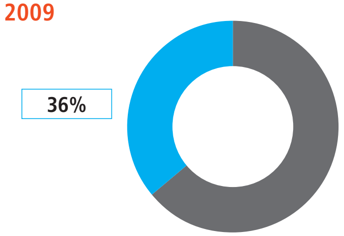
	2009	2008	2007
Debt Ratios			
Interest cover ratio			
Earnings before interest, tax, depreciation and amortisation	**1,316**	940	824
Interest on borrowings	**41**	44	54
Interest cover *(times)*	**31.9**	21.2	15.3
Debt / equity ratio			
Non-recourse project financing	**307**	362	511
Long-term debt	**430**	236	398
Short-term debt	**231**	219	432
	968	817	1,341
Less: Cash and cash equivalents	**(2,598)**	(2,401)	(1,297)
Net debt / (cash)	**(1,630)**	(1,584)	44
Net (cash) exclude project financing	**(1,752)**	(1,825)	(306)
Net gearing excluding project financing *(times)*	**Net cash**	Net cash	Net cash
Net gearing including project financing *(times)*	**Net cash**	Net cash	0.01
Average cost of funds	**4.14**	3.83	3.85

Utilities Review

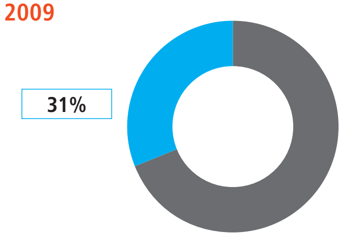
Performance Scorecard *(S$ million)*

	2009	2008	Change (%)
Turnover	**3,527.1**	4,516.4	(22)
EBITDA	**353.3**	396.6	(11)
EBIT	**247.4**	289.9	(15)
PATMI	**211.3**	200.3	6
ROE *(%)*	**20**	18	8

Contribution to 2009 Group Turnover



Contribution to 2009 Group PATMI



Key Developments

- Completed a power expansion to the Fujairah Independent Water and Power Plant in the UAE, bringing the plant's power generation capacity to 893 megawatts.
- Secured a US$1 billion independent water and power project in Salalah, Oman, marking our first beachhead in the country. Sembcorp will develop, build, own and operate the greenfield facility, which will supply power and water to the Oman Power and Water Procurement Company under a long-term contract.
- Commenced first phase commercial operations at the Sembcorp NEWater Plant in Singapore, one of the world's largest water recycling plants.
- Increased our integrated wastewater treatment capacity on Singapore's Jurong Island by over 50% with a second membrane bioreactor treatment plant completed in June.
- Completed a 15,000 cubic metres per day industrial wastewater treatment plant in Zhangjiagang. A G-to-G demonstration project, the plant is the first in China capable of treating high concentration industrial wastewater directly from source without pre-treatment by customers.

Competitive Edge

- A leading energy and water player with strong operational and technical capabilities.
- More than 3,800 megawatts of power capacity installed and under development worldwide.
- Singapore's largest water management company with more than 4 million cubic metres per day of water capacity in operation and under development.
- Technical expertise and operational scale in treating high concentration and complex industrial wastewater from multiple sources.
- A global leader in the provision of energy, water and on-site logistics and services to multiple customers in energy intensive clusters.

Utilities Review

Operations Review

In 2009, the Utilities business' profit after tax and minority interest (PATMI) grew a healthy 6% to S$211.3 million from S$200.3 million in 2008. Singapore and UK operations contributed S$132.0 million and S$47.2 million respectively. Contributions from overseas operations now comprise 39% of Utilities' PATMI, with earnings from Vietnam, the Middle East and China growing 143% to S$38.8 million during the full-year period. Turnover was S$3.5 billion in 2009 compared to S$4.5 billion in 2008. Return on equity was a healthy 20%.

In 2009, our Utilities operations in Singapore, the UK and China secured new and renewed contracts worth a total of S$624 million, of which long-term contracts comprised S$240 million.

Singapore

Our Singapore operations posted a healthy performance in 2009 mainly due to strong performance from our energy operations. Benefitting from higher margins, our cogeneration unit on Jurong Island performed well despite undergoing a major inspection and maintenance during the year. The unit, which held an 11% generator market share in Singapore's electricity market as at December 2009, also benefited from gains on the sale of strategic diesel and a lower corporate tax rate.

During the year, we strengthened our Jurong Island facilities to cater to additional demand, expanding our existing service corridor in Sakra and Seraya and also extending it into the upcoming Tembusu area. To serve new customers, we also increased our integrated wastewater treatment capacity on the island with an additional wastewater treatment plant, opened in June. This facility is our second on the island to employ membrane bioreactor technology, an advanced technology which provides consistently high-quality effluent with a smaller plant footprint, lower energy consumption, minimal chemical usage and reduced sludge. To date, Sembcorp is the only company in Singapore to have successfully applied this advanced technology for the treatment of industrial wastewater. With a hydraulic capacity of almost 3,000 cubic metres per day, the new plant has increased our integrated wastewater treatment capacity on Jurong Island by more than 50%.

In July, we commenced first phase commercial operations at the Sembcorp NEWater Plant, with an initial capacity of 15 million imperial gallons (or 69,000 cubic metres) per day. On track for completion in May 2010, the facility's full capacity of 50 million imperial gallons (or 228,000 cubic metres) per day will make it Singapore's largest NEWater plant and also one of the world's largest water recycling plants.

During the year, our Singapore operations secured a total of S$357 million worth of new and renewed utilities and gas contracts.

UK

As we had guided the market, in 2009, the performance of our UK operations saw the full-year impact of the expiry of certain favourable supply contracts at the end of March 2008. Along with the weakening of the pound sterling, this affected the unit's contributions to the Group.

During the year, we commenced utilities supply to a major new customer, SABIC's new 400,000 tonnes per annum low density polyethylene plant, which began commissioning during the year and started operations in October. The business has 15-year contracts with both SABIC as well as Ensus, which began commissioning its 400 million litres per annum bio-ethanol plant in 2009 and has this year begun the process of starting up their plant.

The 35-megawatt Sembcorp Biomass Power Station performed well during the year, and under the UK government's legislative changes, benefited from an arrangement which increased the allocation of renewable obligation certificates. In September, we also completed a combined heat and power unit, comprising a gas turbine and a heat recovery steam generator. The new facility is capable of generating 42 megawatts of power and 162 tonnes of steam per hour.

During the course of the year our UK operations secured new and renewed contracts worth S$188 million.

China

Our cogeneration plant in Shanghai performed well during the year due to the resolution of the gas shortage issue.

During the year, we also made progress in growing our water and wastewater treatment capabilities in various sites in the country. In the Zhangjiagang Free Trade Port Zone, we completed the first facility in China capable of treating high concentration industrial wastewater directly from customers without pre-treatment in May. The 15,000 cubic metres per day plant in the free trade port zone is capable of treating high concentration industrial wastewater with up to 4,000 milligrammes per litre influent chemical oxygen demand using a combination of anaerobic, aerobic and anoxic processes. This project has been selected as a government-to-government demonstration project for integrated water management by the governments of China and Singapore. In the same month, we held a groundbreaking ceremony for a water reclamation plant on the site, which has also been selected as a government-to-government water demonstration project. The facility, which is capable of producing 20,000 cubic metres per day of industrial water and 4,000 cubic metres per day of demineralised water, will take the water treatment process further by reclaiming high grade industrial water and demineralised water from treated effluent. This closed-loop approach minimises discharge and demonstrates our focus on conserving water resources and protecting the environment.

In northeast China, we commenced commercial operations for a 10,000 cubic metres per day wastewater treatment plant in Tianjin in June. 2009 also marked the first full year of operations of our three water works facilities in the Shenyang Economic & Technological Development Area, which were acquired in October 2008. Water tariffs for the area were also increased in October 2009.

In addition, in January 2010, we secured our first beachhead in southern China, entering into an 80%-owned joint venture to build, own and operate a wastewater treatment plant in the Qinzhou Economic Development Zone (QEDZ), Guangxi Province. The plant will have an initial capacity of 15,000 cubic metres per day and is expected to be completed in mid-2011. Upon completion, the joint venture will have 50 years' concession rights to provide wastewater treatment and reclaimed water to customers in the QEDZ.

During the year, our China operations secured a total of S$79 million worth of new and renewed contracts.

Other markets

In Vietnam, our one-third-owned Phu My 3 power plant performed well during the year, underpinned by a 20-year power purchase agreement with Electricity of Vietnam. In the UAE, profit contribution from our independent water and power plant in Fujairah also grew with the completion of an expansion bringing the plant's power generation capacity to 893 megawatts.

In November 2009, we established our first beachhead in Oman when we secured a 15-year contract for the supply of power and water to the Oman Power and Water Procurement Company, which is wholly-owned by the Government of Oman. With this contract, our 60%-owned joint venture will invest approximately US$1 billion to develop, build, own and operate a combined power and desalination plant in Salalah, Oman. Expected to begin full commercial operations in the first half of 2012, the plant is set to be the largest and most energy-efficient power and water plant in the Governorate of Dhofar, with a gross power capacity of 490 megawatts and a seawater desalination capacity of 15 million imperial gallons (or 69,000 cubic metres) per day. This project marks our second strategic beachhead in the Middle East, an important region of growth for our business with its strong projected demand for power and water.

Market Review and Outlook

According to the International Monetary Fund's forecasts, the global economic situation is improving with signs of recovery in trade and industrial production. World output is expected to rise by 4% in 2010 compared to a negative 1% growth recorded in 2009, with developing countries experiencing stronger recovery growth compared to developed nations.

Singapore

While the first half of 2009 saw facilities scheduling maintenance shutdowns and lowering output, as well as a deceleration of new project announcements, the outlook for 2010 appears to be improving, with customers on Jurong Island expected to maintain a reasonably high level of production with minimal shutdowns. In addition, as an indication of confidence, new investors such as LANXESS have announced that they are resuming their projects on the island

Utilities Review

while major projects in Singapore such as the two petrochemical crackers being built by Shell and ExxonMobil also remain on track to be completed by 2010 and 2011 respectively.

Singapore's Economic Development Board reported that fixed asset investments declined from S$18 billion in 2008 to S$11.8 billion in 2009. With the economic recovery and the increasing investment focus on Asia, the Economic Development Board is cautiously optimistic that save for fixed asset investment, investment commitments in 2010 will be higher than 2009. However, it has yet to see a firm pick-up in major expansions of manufacturing capacity around the world due to continued weakness in consumer demand in the G3 economies of the US, Japan and the European Union. Meanwhile, to cater to increased customer demand, an expansion of our service corridor and product grid networks on Jurong Island is underway and is expected to be completed in 2010. The importation of an additional 90 billion British thermal units per day of natural gas from the West Natuna Sea, Indonesia, following our second gas sales agreement also remains on track for delivery in 2011. This additional gas supply will augment our capacity by 26% to a total of 431 billion British thermal units per day.

UK

As a result of the global economic slowdown and the downturn in the petrochemical and chemical sector, three customers on the Wilton International site which contributed to approximately 30% of our UK business' 2008 turnover announced closures and have all ceased operations on the site as at end-January 2010. Another on-site customer, Artenius, entered into administration during the year. However in February 2010 its administrators completed the sale of its plants on the site to Lotte Chemicals, part of the Korean Lotte Group conglomerate.

These customer closures would have been expected to have a significant adverse impact on the profitability of our UK operations. However, due to the various ongoing management initiatives, this impact will be partially mitigated and our UK operations are expected to continue to maintain a credible level of profitability in 2010 and beyond.

Apart from serving demand from new customers Ensus, SABIC and Yara UK in 2010, the business has also embarked on a number of significant value-adding initiatives, including maximising green credits at the Sembcorp Biomass Power Station, a programme of cost savings as well as the reconfiguration of its assets to secure alternative income. For example, to secure more off-site income, we are installing a new 52 megawatt condensing steam turbine at the Wilton Power Station to enable the facility to convert excess steam capacity into an additional power for export to the UK electricity grid. The condensing steam turbine is expected to be fully operational by mid-2011.

China and other markets

In 2010 in China, our water reclamation facility in Zhangjiagang capable of producing 20,000 cubic metres per day of industrial water and 4,000 cubic metres per day of demineralised water, as well as our 12,500 cubic metres per day high concentration industrial wastewater treatment plant in Nanjing, are expected to come onstream to cater to additional demand. In November 2009, the Shanghai Yangshan liquefied natural gas terminal started receiving natural gas from East Malaysia, easing the gas shortage in Shanghai. Nevertheless, the benefit of increased gas supply on the performance of our cogeneration facility in Shanghai in 2010 may be reduced by some extent should the natural gas price be increased during the year, given that upward adjustments in power prices may experience some time lag. Operations in Shanghai, Nanjing and Zhangjiagang are expected to continue to be profitable, while operations in Shenyang are expected to turn profitable during the year.

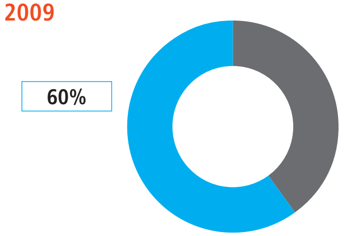
Underpinned by long term agreements, our Phu My 3 power plant in Vietnam and Fujairah 1 independent water and power plant in the UAE are also expected to continue to perform well. In addition, in view of the strong projected demand for power and water in the region, we continue to explore opportunities for growth through the expansion of our current facilities in the UAE. In Oman, our independent water and power plant in Salalah commenced construction in February 2010 and is on track for full commercial operations in the first half of 2012.

Marine Review

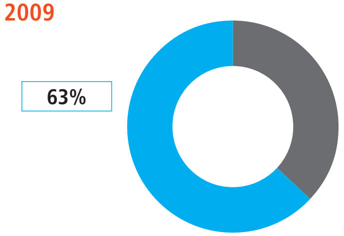
Performance Scorecard *(S$ million)*

	2009	2008	Change (%)
Turnover	**5,724.7**	5,063.9	13
EBITDA	**937.5**	572.5	64
EBIT	**862.4**	501.8	72
PATMI before EI	**700.1**	473.7	48
PATMI after EI	**700.1**	429.9	63
ROE *(%)*	**44**	29	52

Contribution to 2009 Group Turnover



Contribution to 2009 Group PATMI



Key Developments

- Embarked on the development of a 206-hectare modern, work-effective and integrated new yard facility at the Tuas View Extension in Singapore to position the business for sustainable growth and expansion.
- Formed a joint venture with Kakinada Seaport to establish and operate a marine and offshore facility on the east coast of India. The facility began immediate first phase operations and will be developed within the next three to five years into a one-stop integrated offshore service facility.
- Net orderbook at S$5.5 billion as of end-December 2009 with completions and deliveries until 2012.

Competitive Edge

- Singapore's leading marine and offshore engineering group for more than 45 years.
- Comprehensive portfolio encompassing the full spectrum of integrated solutions from ship repair, shipbuilding, ship conversion, rig repair, rig building, topsides fabrication to offshore engineering and construction.
- Strong track record for quality and timely delivery and the ability to handle complex turnkey projects and repairs while meeting high standards for health, safety, security and environment.
- Global network of yards strategically located near major shipping routes.
- Development and ownership of proprietary designs for rigs and container vessels.
- Long-term strategic alliances with international ship operators provide a steady and growing baseload in ship repair.

Marine Review

Operations Review

Sembcorp's Marine business delivered strong results in 2009 underpinned by its rig building, offshore and conversion and ship repair businesses. Turnover grew 13% from S$5.1 billion to S$5.7 billion, while profit after tax and minority interest (PATMI) before exceptional items (EI) increased 48% to S$700.1 million, surpassing 2008's PATMI before EI of S$473.7 million. 2009 PATMI grew 63% from S$429.9 million to S$700.1 million. Operating profit and operating margins improved during the year. 2009 operating profit was S$862.4 million and the business' operating margin was 15% compared to S$501.8 million and 10% respectively in 2008. Return on equity for the year stood at a strong 44%.

Net orderbook stood strong at S$5.5 billion as of December 2009, with completions and deliveries until 2012. S$1.2 billion worth of orders were secured during the year.

Ship repair

During the year, ship repair turnover was S$706 million compared to S$795 million in 2008. A total of 282 vessels docked at our yards in 2009 and the average value per vessel was S$2.5 million. Long-term strategic alliances continued to provide a steady and growing baseload. Together with our regular repeat customers, they made up 83% of total ship repair revenue in 2009.

High value repairs to oil tankers, container vessels, as well as liquefied natural gas (LNG) and liquefied petroleum gas (LPG) tankers, floating production storage and offloading (FPSO) upgrading, passenger vessels and drillship repairs dominated the vessel mix for the segment.

During the year, Sembcorp Marine secured a favoured customer contract from BG LNG Services for the repair, refurbishment, upgrading and related marine services for its fleet of LNG carriers.

Ship conversion and offshore

Turnover from ship conversion and offshore activities at S$1.3 billion in 2009 was marginally down by 1% as compared with S$1.4 billion in 2008. The sector constituted 23% of the total turnover of our Marine business. Projects completed during the year included two offshore platforms for Total E&P and a topside for Carigali-PTTER Operating Company which is the biggest and heaviest topside ever constructed by our offshore engineering arm, SMOE.

Rig building

The rig building segment registered a 28% growth, from S$2.8 billion in 2008 to S$3.6 billion in 2009, contributing 64% to total turnover. During the year, we completed and delivered four BMC Pacific 375 jack-up rigs on or ahead of schedule: the Aquamarine Driller, Sapphire Driller, Topaz Driller and WilConfidence. We also completed and delivered two Friede & Goldman semi-submersibles, the Ocean Courage and Ocean Valour, as well as a unit of Bingo 9000 semi-submersible, the Noble Danny Adkins.

Strategic milestones

During the year, the Marine business announced that it would be building a 206-hectare modern, work-efficient and integrated new yard facility to be situated at the Tuas View Extension. The yard will be developed in three phases over a period of 16 years. Construction works for the first phase repair and conversion yard commenced in November 2009. Initial operations are targeted to begin in mid-2012, and the business will relocate its current facilities at Pulau Samulun to the new yard following the expected completion of its 73.3-hectare first phase by the end of 2013.

The new yard is set to a be a "one-stop solutions hub" for ship repair and conversion, ship building, rig building and offshore engineering, and construction, situated along the major sea lanes in the Singapore Straits. Harnessing Marine's 46 years of experience in managing and operating shipyards, the new yard will have facilities and layout schemes that maximise workflow efficiency and resource optimisation. It will be able to cater to different ships including very large crude carriers (VLCCs), new generation mega containerships, LNG carriers and passenger ships. When fully completed, the yard will position Sembcorp Marine as a global leader in ship repair and conversion, ship building, rig building, as well as offshore engineering and construction.

During the year, Sembcorp Marine's Sembawang Shipyard also formed a joint venture with Kakinada Seaports to establish and operate a marine and offshore facility catering to offshore drilling units and merchant vessels trading or operating in Indian waters. Strategically located along the east coast of India and well supported by the Indian government, the facility began immediate initial operations and secured its first two favoured customer contracts with Trancocean Offshore International Ventures and Aban Offshore. Sembcorp Marine holds an effective 19.9% share in the joint venture, with an option to increase this to 40%. The facility will be developed within the next three to five years into a one-stop integrated offshore service facility offering services including the repair and servicing of offshore vessels and ships, new-building of offshore vessels and ships, riser and equipment repair and modules fabrication.

In February 2010, the business announced that it would be building a new shipyard in Brazil to cater directly to one of the fastest growing offshore oil and gas exploration and production markets in the world. The business has acquired 825,000 square metres of freehold land with 1.6 kilometres of coastline in the state of Espirito Santo in Brazil for this project. The site's strategic proximity to the offshore Espirito Santo Basin, one of the recently discovered giant pre-salt oil basins of Brazil, makes it an ideal location from which to support the country's oil and gas activities. On completion, the shipyard will be equipped with state-of-the-art facilities, including a drydock, slipways, berthing quays, as well as ancillary steel and piping facilities. In addition to the traditional activities of drilling rig repairs, ship repairs and modification works, the yard will be capable of constructing drillships, building semi-submersible rigs, undertaking FPSO integration, fabricating topside modules and constructing platform supply vessels.

Market Review and Outlook

The Marine business has a net orderbook of S$5.5 billion comprising rig building, ship conversation and offshore projects. This includes S$1.2 billion in new orders secured in 2009. These will keep the business' shipyards busy with progressive completion and deliveries from 2010 until 2012.

With the world economy showing signs of recovery since the third quarter of 2009 driven largely by Asia, the demand for energy is expected to grow. Fundamentals for the offshore oil and gas sector remain intact, with prices of oil stabilising within the US$70 to US$80 a barrel range. The long-term fundamentals driving deepwater exploration and production activities are expected to be maintained in order to replenish declining oil and gas reserves and increase production to meet growing energy demand.

For ship repair, the bigger docks are well-booked due to the strong support from the Group's alliance, favoured customer contract and regular customers, as well as its niche market segment of refurbishment of LNG carriers. Demand for the bigger docks remains strong. Singapore's strategic location and its reputation as an international maritime centre, coupled with our Marine business' strategic alliances and partnerships with long-term customers, will provide a stable baseload for the Group's ship repair sector.

Environment Review

Performance Scorecard *(S$ million)*

	2009	2008	Change (%)
Turnover	**187.7**	216.8	(13)
EBITDA	**9.7**	(0.3)	NM
EBIT	**(0.7)**	(9.8)	93
PATMI	**15.5**	2.1	625
ROE (%)	**8**	1	628

Key Developments

- Australian arm won Asia Pacific-wide Frost & Sullivan Waste Management Company of the Year Award for excellence in waste management, including the application of waste-to-resource technologies.
- Streamlined business portfolio with the divestment of the conservancy services, commercial cleaning and car park management units in Singapore.
- Sharpened focus on collection, post-collection treatment and waste-to-resource.

Competitive Edge

- A leading environmental management player providing integrated waste management services in Singapore and Australia with a strong focus on waste-to-resource businesses in our selected markets.
- Ability to offer comprehensive integrated environmental management services to municipal, industrial and commercial customers.

Operations Review

In 2009, Sembcorp's Environment business posted a turnover of S$187.7 million compared to S$216.8 million in 2008, mainly due to the divestment of certain businesses and lower sales tonnage and selling price of recyclables. Profit after tax and minority interest (PATMI) improved 625% to S$15.5 million from S$2.1 million in the previous year.

Operations in Singapore performed better in 2009 than in 2008 with a reduction in our cost base. During the year, we continued to sharpen our focus on collection, post-collection treatment and waste-to-resource. Our waste-to-resource facilities in Singapore extract recyclables from waste collected through our collection arm, which is the leading operator in Singapore serving four out of the nation's nine municipal sectors.

Operations at our Australian arm, SITA Environmental Solutions, performed well in 2009. During the year, the unit began operating two state-of-the-art resource recovery facilities in Sydney and Perth. These plants will treat a total of up to 234,000 tonnes of household waste annually, diverting a proportion of this waste from landfill, recovering recyclables and producing compost from recovered materials. In June, the unit secured an eight-year waste collection contract to serve the City of Brisbane in Queensland, Australia. Worth around S$30 million per year, the contract is the largest waste collection contract in the country and will commence in the second half of 2010. In addition, the unit was also named the Frost & Sullivan Waste Management Company of the Year for its excellence in waste management, including the progressive application of waste-to-resource technologies.

In India, our subsidiary SembRamky Environmental Management continued to meet performance expectations while operating eight biomedical waste facilities throughout India.

During the year, we continued to streamline our business portfolio, divesting the conservancy services, commercial cleansing and car park management units within the Services division of our Singapore operations. This divestment is in line with Sembcorp's strategy to move its Environment business towards a stronger focus on collection, post-collection treatment and waste-to-resource.

Market Review and Outlook

With continued urbanisation and industrialisation, the long-term growth in demand for sustainable waste management solutions is expected to be strengthened. We intend to continue leveraging on our Group capabilities to meet these needs. Within Sembcorp, we have the capabilities to treat both liquid and solid waste, and are also exploring waste-to-energy initiatives which would allow us to strengthen synergies across the Group, particularly with our Utilities business.

In 2010, the Environment business is expected to maintain its 2009 performance.

Industrial Parks Review

Performance Scorecard *(S$ million)*

	2009	2008	Change (%)
Turnover	**18.5**	18.9	(2)
EBITDA	**13.6**	10.2	33
EBIT	**11.4**	8.2	39
PATMI	**28.3**	31.5	(10)
ROE *(%)*	**6**	7	(11)

Note:

The turnover of Vietnam Singapore Industrial Park, Wuxi-Singapore Industrial Park and Gallant Venture is not consolidated as these are joint ventures or associate companies.

Key Developments

- Expanded our integrated township and industrial park in Binh Duong, Vietnam from 1,000 hectares to 1,700 hectares. With this, VSIP will offer 4,845 hectares of land in Vietnam when fully developed.
- Announced the development of the 1,500-hectare Sino-Singapore Nanjing Eco High-tech Island in Jiangsu Province, China, the largest foreign collaborative project in Nanjing.
- Celebrated the 15th anniversary of the Wuxi-Singapore Industrial Park and announced a new phase of development which will make it a complete industrial, commercial and residential development.
- Collaborated with Suntech Power and Wuxi New District to jointly develop a 400-hectare "Solar City".

Competitive Edge

- Owns, develops, markets and manages integrated townships and industrial parks in Vietnam, China and Indonesia.
- Recognised as one of the leading industrial space providers in Southeast Asia, with over 500 multinational companies and leading local enterprises as tenants.
- An integrated approach to township development designed to provide world-class manufacturing space and a sustainable urban environment.
- Expertise in integrated township and industrial park management and international marketing attracts premier customers such as multinational companies and leading local enterprises.

Operations Review

Sembcorp's Industrial Parks business' turnover for 2009 was S$18.5 million compared to S$18.9 million in 2008. Turnover from integrated townships and industrial parks owned and under management amounted to approximately S$380 million for the year. The business' profit after tax and minority interest (PATMI) in 2009 was S$28.3 million compared to S$31.5 million in 2008, mainly due to our share of losses in associate Gallant Venture. Although the global economic downturn and the resultant weaker investor sentiment has slowed the realisation of profits from land sales in Vietnam, the Vietnam Singapore Industrial Park (VSIP) remains the largest profit contributor to the Industrial Parks business.

Vietnam

During the year, we continued to strengthen our position as a major land bank owner and developer in Vietnam with a total area of 4,845 hectares when fully developed. Our Vietnam Singapore Industrial Park (VSIP) projects saw a few tenant withdrawals, but new customers enabled the VSIP to maintain a healthy take-up rate, indicating ongoing demand for quality industrial, residential and commercial space in the market despite the economic slowdown.

While the 500-hectare VSIP I in Binh Duong province in southern Vietnam is now fully developed, the 345-hectare initial phase of VSIP II achieved 91% take-up rate. In April, VSIP II also received an investment certificate for a further 700-hectare expansion, on top of the 1,000 hectares for which an investment certificate was awarded last year. Out of this 1,700 hectares, 1,622 hectares was resettled by the end of 2009. This brings the total land area of the two VSIP projects in Binh Duong to 2,545 hectares. In 2009, profits from the sale of 81 hectares of industrial land and 35 hectares of residential land were realised. The two VSIP projects in southern Vietnam now have a total of 382 committed industrial and commercial customers, compared to 363 customers in 2008.

Meanwhile, land resettlement and preparation for customer take-up continued to progress well for the third VSIP integrated township and industrial park in Bac Ninh province. A total of 472 hectares of land was resettled as at end-2009. We handed over 34 hectares of land to three customers during the year, with a further orderbook of 94 hectares already set aside for another 18 confirmed customers. At a groundbreaking ceremony in January 2010 witnessed by the Prime Ministers of Vietnam and Singapore, we also launched our fourth VSIP project in Hai Phong city. The 1,600-hectare VSIP Hai Phong integrated township and industrial park has a planned 1,100 hectares allocated for commercial and residential development and 500 hectares allocated for a business park and clean industries park.

China

In May, we announced the co-development of the 1,500-hectare Sino-Singapore Nanjing Eco High-tech Island in China's Jiangsu province with consortium partners Yanlord Land Group and Surbana Land. A new bilateral project under the cooperation framework of the Singapore-Jiangsu Cooperation Council, this project is currently Nanjing's largest economic and technological foreign cooperation project. It will provide a superior ecologically-friendly work-live-play environment and aims to attract research and development centres and position the Jiangxinzhou island as a new green enclave six kilometres from Nanjing's old city. In May, Singapore's Deputy Prime Minister Wong Kan Seng and Jiangsu Provincial Party Secretary Liang Baohua graced the groundbreaking ceremony for the project. The master concept plan for the development is being reviewed and once finalised, the project will be progressively completed over the next 10 to 15 years.

In November, we embarked on a new phase of development for the Wuxi-Singapore Industrial Park (WSIP) to complement WSIP's existing industrial zone with the addition of residential and commercial developments. WSIP will develop an additional 14,000 square metres of mixed-use residential and commercial land, with construction expected to commence in the first quarter of 2010. A business and information technology park with 102,000 square metres of gross floor area will also be developed in collaboration with Hong Kong-listed First Shanghai Group. The 35,000 square metres first phase of this business and information technology park is targeted for completion in the first half of 2010. Furthermore, WSIP and Suntech Power, the world leader in solar energy, also announced a collaboration with the Wuxi New District government to develop a 400-hectare "Solar City" photovoltaic park. Forty hectares of land belonging to the WSIP will be used to kick-start the first phase development of this photovoltaic park. We also celebrated the 15th anniversary of the WSIP in a ceremony witnessed by the two Co-chairmen of the Singapore-Jiangsu Cooperation Council.

Indonesia

In 2009, our associate company Gallant Venture's industrial parks and resort land sales businesses were impacted by the global economic downturn and resultant weak investor sentiment. While Gallant Venture received new resort land sale orders worth S$17.7 million in the fourth quarter of 2009 bringing the total cumulative resort land sale orders to S$84.7 million, it has not yet recognised the income from these sales pending the full payment and transfer of land title to buyers.

Market Review And Outlook

The global economic crisis has led to slower take-up for new industrial space. While the world outlook appears to have improved in the last quarter of the year, industrial customers are likely to maintain a cautious approach in waiting for clear and sustained signs of economic recovery before committing to new investments. Nevertheless, the long-term outlook for industrial developments in emerging Asian markets

Industrial Parks Review

continues to be positive in light of the continued industrialisation.

In Vietnam, demand for residential and commercial developments in integrated townships is expected to be maintained with increasing urban migration and improvement in local per capita income levels. In 2010, we will continue to focus on global marketing for all three VSIP sites as well as land preparation for our projects in Bac Ninh and Hai Phong, which are currently in an early stage of development.

In China, the urban and economic restructuring of the Wuxi New District, increased foreign direct investment to the municipality and growing congregation of skilled talent in the area is expected to create a strong demand for township developments. In Nanjing, master-planning for the Sino-Singapore Nanjing Eco High-tech Island is expected to be finalised by mid-2010. Land preparation for the development will commence thereafter.

With the improved outlook on Indonesia and the opening of the integrated resorts in Singapore which are likely to attract more tourists to the region, we expect the business environment in the Riau islands to be enhanced.

In 2010, the Industrial Parks business is expected to perform better than in 2009 with the improved world economic outlook and our integrated approach to township development.