sembcorp

Essential Solutions for Growing Needs

Sembcorp Industries Annual Report 2009

Contents

In the face of globalisation and urbanisation, the world's demand for energy, water and other urban solutions continues to grow. As a provider of these essential solutions, we believe that Sembcorp is in the right businesses and well-placed to benefit from these growth trends.

The Sembcorp NEWater Plant in Singapore.

Energy Solutions with a Difference

Sembcorp provides energy with a difference. From the development of high-efficiency cogeneration facilities and combined power and desalination plants to the production of green energy, we offer essential energy solutions tailored to our customers' needs and focused on enhancing returns to our shareholders.

Sembcorp's combined power and desalination plant in Fujairah, UAE.

Total Water Solutions for All

Sembcorp applies cutting-edge, energy-efficient and environmentally-friendly technologies to meet even the most challenging water needs of industries and communities. Our wastewater treatment, water reclamation, desalination and water treatment and supply services can be integrated synergistically to minimise liquid discharge and promote a sustainable alternative water supply.

Sembcorp's membrane bioreactor wastewater treatment plant on Jurong Island, Singapore.

Complete Marine & Offshore Solutions

A leader in its field with over four decades' track record, Sembcorp's marine business offers a comprehensive suite of marine and offshore solutions to serve the needs of major international oil and gas players. Underpinned by long-term strategic alliances, our essential ship repair business provides a steady and growing baseload.

Sembcorp Marine's Jurong Shipyard in Singapore.

Letter to Shareholders

PETER SEAH LIM HUAT
Chairman

TANG KIN FEI
Group President & CEO

Sembcorp's good performance in 2009 despite the challenging global business environment has demonstrated the strength of our strategy and the solid fundamentals of our businesses.

Dear Shareholders,

In 2009, Sembcorp delivered strong profit growth despite the very difficult global economic environment that followed the worst financial crisis since the 1930s.

Our profit after tax and minority interest (PATMI) for the year grew 35% to S$682.7 million, while turnover was S$9.6 billion compared to S$9.9 billion in the previous year. The Group's return on equity was a healthy 23% and earnings per share amounted to 38.4 cents. Economic value added was a positive S$770.5 million, while cash and cash equivalents stood at a strong S$2.6 billion.

For 2009, the Board of Directors is proposing a final tax exempt one-tier dividend of 15 cents per ordinary share. This marks an increase of 36% from 2008's 11 cents per ordinary share.

Maintaining Momentum, Positioning for the Future

While Sembcorp's focus in the past year has been on operational excellence, efficiency and cost management, we have also continued our efforts to position ourselves for the future. During the year, we expanded our businesses, strengthened our operational and technological capabilities and embarked on strategic initiatives that will give Sembcorp a solid competitive advantage over the long term.

In 2009, our Utilities business in Singapore commenced operations for the first phase of our 228,000 cubic metres per day Sembcorp NEWater Plant. The plant is set to be Singapore's largest NEWater plant and one of the world's largest water recycling facilities upon its full completion. We also strengthened our Jurong Island facilities to cater to additional demand, expanding our existing service corridor in Sakra and Seraya and extending it into the upcoming Tembusu area. In addition, during the year, we increased our integrated wastewater treatment capacity on the island by over 50% to serve new customers, with an additional plant employing membrane bioreactor technology. Sembcorp is the only company in Singapore which has successfully applied this advanced technology in the treatment of industrial wastewater, which produces high-quality effluent with lower energy consumption, minimal chemical usage and reduced sludge. Meanwhile, in China, we completed the country's first plant capable of treating third party customers' high concentration industrial wastewater without customers having to invest in pre-treatment facilities. This 15,000 cubic metres per day facility in the Zhangjiagang Free Trade Port Zone has been named a bilateral demonstration project by the governments of China and Singapore for integrated water management.

In the Middle East, a key strategic milestone was achieved when our Utilities business secured our first project in Oman with the award of a 15-year contract to supply power and water to the Oman Power and Water Procurement Company. With this, our 60%-owned joint venture company will invest approximately US$1 billion to develop, build, own and operate an independent water and power plant in Salalah, Oman. Targeted to begin full commercial operations in the first half of 2012, the facility is set to be the largest and most energy-efficient power and water plant in the Governorate of Dhofar in southern Oman, with a gross power generation capacity of 490 megawatts and a seawater desalination capacity of 69,000 cubic metres per day. Our success in securing the project against competition from global utilities players attests to our growing standing as an international energy and water player. Despite the very difficult financial climate, we also obtained long-term non-recourse project financing for this substantial investment. This project marks our second strategic beachhead in the Middle East after the UAE, where we own and operate a combined water and power plant in the Emirate of Fujairah, encompassing the world's largest operating hybrid desalination facility using both seawater reverse osmosis (SWRO) and thermal multi-stage flash distillation (MSF) technologies. In March 2009,

Letter to Shareholders

we successfully completed a power expansion to this Fujairah facility, bringing the plant's power generation capacity to 893 megawatts.

In 2009, our Marine business secured new orders worth S$1.2 billion, bringing its orderbook to S$5.5 billion as at the end of the year with completions and deliveries stretching to early 2012. During the year, the business commenced construction of a modern, work-efficient and integrated new yard facility in Singapore to position the business for sustainable growth. Development of the 206-hectare facility will harness the business' 46 years' experience in managing and operating shipyards and will take place in phases. Initial operations are targeted to begin in mid-2012, and the facility's first phase of 73.3 hectares is expected to be fully completed by the end of 2013. The new yard facility will offer customers enhanced services, faster turnaround time and more cost-competitive solutions. With this strategic initiative, the business is well poised to respond to the anticipated increase in dock capacity demand and offshore oil and gas activities driven by growth in seaborne and oil trade in Asia.

We have also taken steps to strengthen our Marine business' global network of shipyards. In 2009, we formed a joint venture with Kakinada Seaports to establish and operate a marine and offshore facility at the Kakinada port on the east coast of India, one of the world's key oil and gas exploration areas. In February 2010, we also announced that we 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. 825,000 square metres of freehold land with 1.6 kilometres of coastline in the state of Espirito Santo in Brazil was acquired 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.

During the year, our Industrial Parks business underscored its growing focus as a developer of modern integrated townships with an emphasis on sustainable urban development. In Vietnam, the business received an investment certificate to expand its integrated township and industrial park in Binh Duong, Vietnam, by an additional 700 hectares. With this, we are now positioned as a major integrated township and industrial park developer in the country, with 4,845 hectares of land in Vietnam under development. In China, we announced a new phase of development for the Wuxi-Singapore Industrial Park (WSIP) to add mixed-use commercial and residential developments, a business and information technologies park and a "Solar City" photovoltaic park to the industrial park. With this, the WSIP will be a complete residential, commercial and industrial development. We also announced the co-development of the Sino-Singapore Nanjing Eco High-tech Island, a new bilateral project under the cooperation framework of the Singapore-Jiangsu Cooperation Council. Nanjing City's largest foreign collaborative development to date, the 1,500 hectare island in Jiangxinzhou aims to attract research and development centres with a modern, ecologically-friendly work-live-play environment.

Essential Solutions for Growing Needs

Sembcorp's good performance in 2009 despite the challenging global business environment has demonstrated the strength of our strategy and the solid fundamentals of our businesses. These strong businesses lie at the heart of Sembcorp's ability to deliver value to our shareholders and growth in the long term.

In Utilities, we have established ourselves as a global leader in the provision of energy, water and on-site logistics and services to multiple customers in industrial sites. Our Marine business is a global leader in the marine and offshore industry and our Industrial Parks business has established a strong reputation in Asia's emerging growth markets for its expertise in owning, developing, marketing and managing integrated townships and industrial parks. Meanwhile, against the background of growing interest in innovative and environmentally responsible solutions, our Environment unit offers opportunities to enhance the Group's competitiveness through synergies with the energy, water and integrated township businesses.

In the face of globalisation and urbanisation, the world's demand for energy, water and other urban solutions continues to grow. As a provider of these essential solutions, we believe that Sembcorp is in the right businesses and well-placed to benefit from these growth trends. Furthermore, in the coming years, the world's economic recovery and growth is expected to be led by emerging economies, notably those in Asia. Sembcorp has established strong positions in many of these growth markets. Backed by a sound balance sheet, we will continue to build on these positions and capitalise on opportunities to expand our businesses internationally.

A Commitment to Sustainability

At Sembcorp, we believe that carrying out our business responsibly and making a meaningful contribution to a sustainable world is an integral part of being a truly successful company. Sembcorp continues to strive to ensure that our activities not only deliver value to our shareholders but also create mutual benefit for our customers, suppliers, partners and communities wherever we operate. For instance, in response to the challenges posed by climate change and increasingly scarce natural resources, Sembcorp's businesses apply technology to produce energy in greener ways, create innovative solutions for clean, sustainable water and recover precious resources from waste. In this way, we not only do our part to limit the impact of our activities on the environment, but also help our partners, customers and communities do the same. In addition, Sembcorp maintains an ongoing commitment to contribute to the communities in which we operate, through supporting social development and community investment projects. In 2009, we contributed just over S$1 million in cash and in kind in support of our local communities.

Acknowledgments

We would like to take this opportunity to record our deep appreciation to Ms Yong Ying-I, who will be retiring from the board at our next annual general meeting. An independent director of Sembcorp since 2003, Ms Yong has also served on the board's Audit and Risk Committees. We would like to thank her for her sterling contributions. We would also like to extend a warm welcome to Mr Ang Kong Hua, who joined our board as an independent director on February 26, 2010. Mr Ang has also been appointed to the board's Executive Committee, Executive Resource & Compensation Committee and Nominating Committee. A well-known corporate figure in Singapore, he brings with him a wealth of experience including 28 years at the helm of NSL, formerly known as NatSteel, an established industrial conglomerate in Singapore.

At this point, we would like to thank our customers and business partners for their continuing support. Last but not least, we turn to Sembcorp's talented management team and employees around the world. Sembcorp's ability to deliver outstanding performance depends on their commitment, expertise and creativity in providing essential solutions to meet our customers' growing needs. In this very challenging past year, they have responded magnificently. On behalf of the board, we would like to thank them for their contribution and dedication. We will continue to invest in strengthening our strong employee team, through initiatives for people development and talent management and through building leadership bench strength. As Sembcorp's businesses continue to grow, this committed team will remain the foundation of your company's success.

Peter Seah Lim Huat
Chairman
February 26, 2010

Tang Kin Fei
Group President & CEO
February 26, 2010

Group Financial Highlights

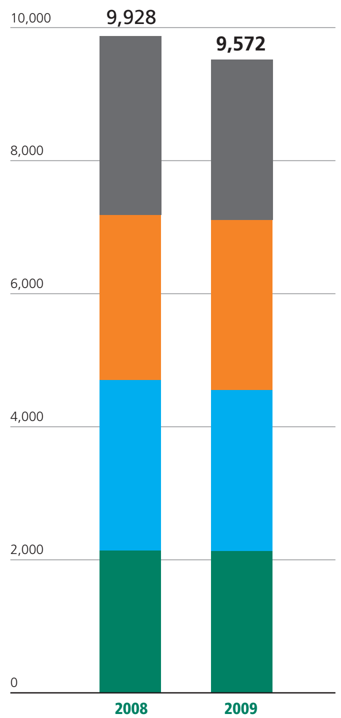
	2009	2008	Change (%)
For the Year *(S$ million)*			
Turnover	**9,572**	9,928	(4)
Earnings before interest, tax, depreciation and amortisation	**1,316**	940	40
Earnings before interest and tax	**1,116**	744	50
Profit before income tax expense	**1,218**	862	41
Profit after tax and minority interest			
– before exceptional items	**683**	534	28
– after exceptional items	**683**	507	35
Capital expenditure	**533**	381	40
At Year End *(S$ million)*			
Shareholders' funds	**3,320**	2,594	28
Total assets	**9,330**	8,467	10
Net debt / (cash)	**(1,630)**	(1,584)	3
Operating cash flow	**933**	2,261	(59)
Free cash flow	**882**	2,343	(62)
Per Share			
Earnings *(cents)*			
– before exceptional items	**38.37**	30.02	28
– after exceptional items	**38.37**	28.50	35
Net assets *(S$)*	**1.86**	1.46	28
Net tangible assets *(S$)*	**1.80**	1.39	29
Net ordinary dividends *(cents)*	**15.00**	11.00	36
Financial Ratios			
Return on equity *(%)*			
– before exceptional items	**23.1**	19.0	22
– after exceptional items	**23.1**	18.0	28
Return on total assets *(%)*			
– before exceptional items	**11.9**	9.5	25
– after exceptional items	**11.9**	9.0	31
Interest cover *(times)*			
– before exceptional items	**32**	22	44
– after exceptional items	**32**	21	51
Net gearing *(times)*	**Net cash**	Net cash	NM
Productivity Data *(S$ million)*			
Economic value added	**770**	511	51

Exceptional items refer to material and unusual items as disclosed in Note 35(d) in the Notes to the Financial Statements.

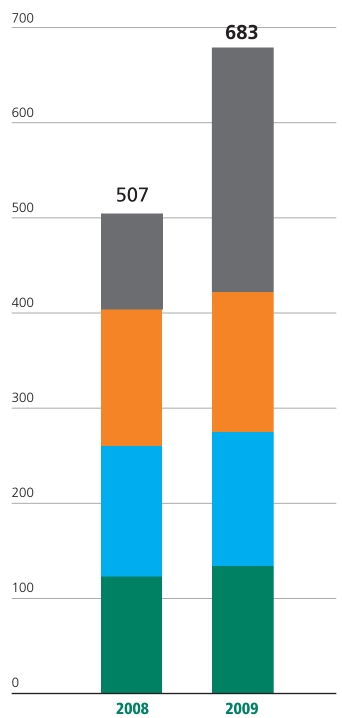
Group Quarterly Performance *(S$ million)*

	2009 1Q	2009 2Q	2009 3Q	2009 4Q	2009 Total	2008 1Q	2008 2Q	2008 3Q	2008 4Q	2008 Total
Turnover	**2,147**	**2,431**	**2,577**	**2,417**	**9,572**	2,153	2,580	2,501	2,694	9,928
Earnings before interest, tax, depreciation and amortisation	**240**	**273**	**283**	**520**	**1,316**	211	235	259	235	940
Earnings before interest and tax	**194**	**224**	**234**	**464**	**1,116**	163	186	209	186	744
Profit before income tax expense	**216**	**249**	**255**	**498**	**1,218**	204	231	250	177	862
Profit after tax and minority interest										
– before exceptional items	**134**	**142**	**148**	**259**	**683**	123	138	145	128	534
– after exceptional items	**134**	**142**	**148**	**259**	**683**	123	138	145	101	507
Earnings per share *(cents)*										
– before exceptional items	**7.52**	**7.97**	**8.33**	**14.55**	**38.37**	6.91	7.77	8.15	7.19	30.02
– after exceptional items	**7.52**	**7.97**	**8.33**	**14.55**	**38.37**	6.91	7.77	8.15	5.67	28.50

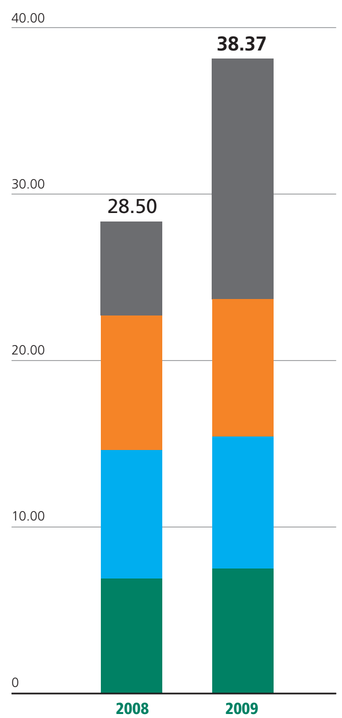
Turnover *(S$ million)*



PATMI *(S$ million)*



Earnings Per Share *(cents)*



■ First Quarter ■ Second Quarter ■ Third Quarter ■ Fourth Quarter

Five-Year Performance Profile

2009

Sembcorp's Group profit after tax and minority interest (PATMI) for the year grew 35% from S$507.1 million to S$682.7 million, while turnover stood at S$9.6 billion.

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 business' projects. The Utilities business' PATMI grew by 6% from S$200.3 million to S$211.3 million, with operations in Singapore, China, Vietnam and the UAE showing growth.

2008

Sembcorp's turnover increased by 15% from S$8.6 billion to S$9.9 billion. Group PATMI for the year stood at S$507.1 million. Excluding the one-off write-back of S$48 million of tax provisions recorded in 2007, Sembcorp achieved a PATMI growth of 6%.

Sembcorp's Utilities and Marine businesses continued to be its main profit contributors, accounting for 92% of Group PATMI. Marine's contribution to Group PATMI rose 32% to S$290.6 million, mainly due to higher revenue and operating margins from its rig building and ship repair businesses. Utilities' PATMI stood at S$200.3 million with its Singapore and UK operations contributing S$130.8 million and S$67.6 million respectively.

During the year, the Group recorded an exceptional loss of S$26.9 million comprising of the Group's share of the Marine business' foreign exchange losses from the unauthorised transactions.

2007

Sembcorp achieved a 6% growth in turnover to S$8.6 billion. Group PATMI before exceptional items (EI) in 2007 was S$557.2 million compared to S$380.8 million in 2006, representing a growth of 46%. Strong business fundamentals continued to drive Sembcorp's growth, backed by positive operating performance from Utilities' Singapore and UK operations and Marine's rig building and ship repair businesses.

The Group recorded a net exceptional loss of S$31.0 million during the year, which comprised the Group's share of losses recognised by the Marine business' unauthorised foreign exchange transactions, partially offset by gains on the sale of certain investments.

2006

Sembcorp achieved a robust performance, posting a record PATMI after EI of S$1.0 billion, a growth of 240% over 2005. Turnover from continuing operations increased by 30% to a record S$7.5 billion. PATMI before EI from continuing operations rose by 52% to S$373.1 million, driven mainly by strong performance from Utilities' UK operations and higher operating margins from Marine's rig building and ship repair businesses.

The Group recorded exceptional gains of S$650.2 million in 2006. These comprised the net gain on the sale of subsidiaries and other financial assets, tax benefits relating to compensation and related costs incurred in the Solitaire arbitration and the write-back of an impairment for property, plant and equipment. These were partially offset by an additional charge arising from the final settlement of the Solitaire arbitration as well as a loss from the sale of a subsidiary.

2005

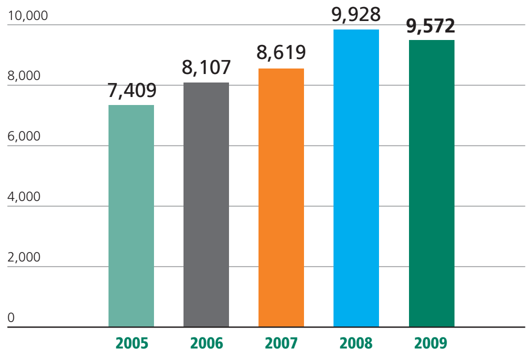
Sembcorp's turnover increased by 25% from S$5.9 billion in 2004 to S$7.4 billion in 2005. The Group's PATMI before EI was S$278.5 million compared to S$227.7 million in 2004, representing a 22% growth driven mainly by Utilities' UK operations and growth across all of Marine's business units, in particular offshore conversion and rig building. PATMI excluding the profit contribution from Kuehne & Nagel and EI was 45% higher as compared to 2004.

Five-Year Financials

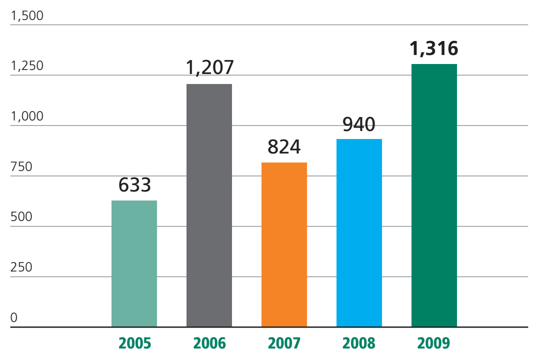
	2009	2008	2007	2006	2005
For the Year *(S$ million)*					
Turnover	**9,572**	9,928	8,619	8,107	7,409
Earnings before interest, tax, depreciation and amortisation	**1,316**	940	824	1,207	633
Earnings before interest and tax	**1,116**	744	641	1,037	448
Profit before income tax expense	**1,218**	862	787	1,150	508
Profit after tax and minority interest					
– before exceptional items	**683**	534	557	381	278
– after exceptional items	**683**	507	526	1,031	303
At Year End *(S$ million)*					
Property, plant and equipment and investment properties	**2,721**	2,525	2,633	2,534	2,627
Other non-current assets	**1,616**	1,372	1,691	1,318	1,171
Net current assets	**1,061**	374	863	1,149	305
Non-current liabilities	**(1,162)**	(1,006)	(1,357)	(1,540)	(1,258)
Net assets	**4,236**	3,265	3,830	3,461	2,845
Share capital and reserves	**3,320**	2,594	3,033	2,813	2,000
Minority interests	**916**	671	797	648	845
Total equity	**4,236**	3,265	3,830	3,461	2,845
Per Share					
Earnings *(cents)*					
– before exceptional items	**38.37**	30.02	31.32	21.64	15.74
– after exceptional items	**38.37**	28.50	29.57	58.58	17.14
Net tangible assets *(cents)*	**179.91**	139.42	163.76	152.27	105.74
Net ordinary dividends *(cents)*	**15.00**	11.00	15.00	12.00	5.20
Net special dividends *(cents)*	**–**	–	–	16.00	–
Financial Ratios					
Return on equity *(%)*					
– before exceptional items	**23.1**	19.0	19.0	18.3	14.2
– after exceptional items	**23.1**	18.0	18.0	42.8	15.3
Return on total assets *(%)*	**11.9**	9.0	8.7	16.4	6.1
Interest cover *(times)*	**31.9**	21.2	15.3	22.4	11.7
Net gearing *(times)*	**Net cash**	Net cash	0.01	0.04	Net cash

Five-Year Performance Profile

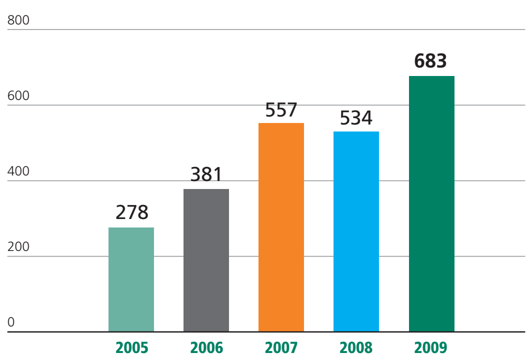
Turnover *(S$ million)*



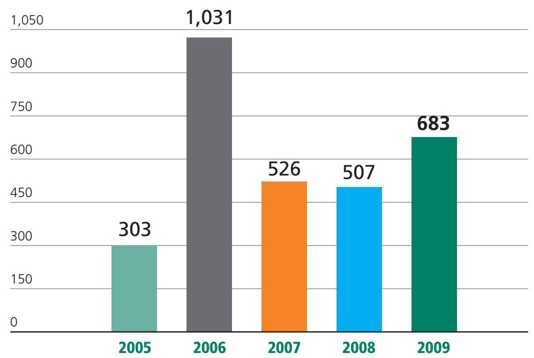
EBITDA *(S$ million)*



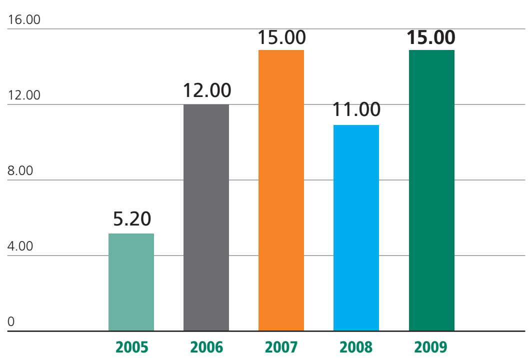
PATMI before EI *(S$ million)*



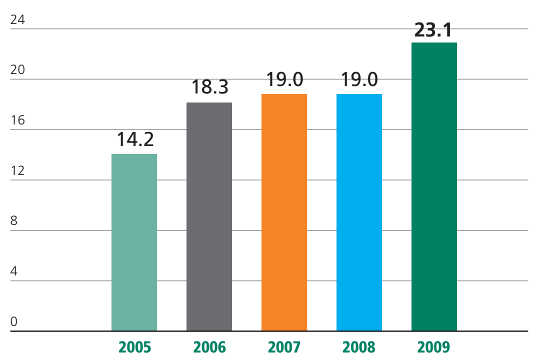
PATMI after EI *(S$ million)*



Net Ordinary Dividends Per Share *(cents)*



ROE before EI *(%)*



Review by Business *(S$ million)*

	2009	%	2008	%	2007	%	2006	%	2005	%
Turnover by Activity										
Continuing Operations:										
Utilities	**3,495**	**36**	4,478	45	3,736	43	3,426	42	2,945	40
Marine	**5,723**	**60**	5,061	51	4,512	53	3,539	43	2,102	28
Environment	**185**	**2**	214	2	205	2	210	3	217	3
Industrial Parks	**15**	**–**	16	–	23	–	65	1	166	2
Others / Corporate	**154**	**2**	159	2	143	2	246	3	341	5
	9,572	**100**	9,928	100	8,619	100	7,486	92	5,771	78
Discontinued Operations:										
Logistics	**–**	**–**	–	–	–	–	133	2	542	7
Engineering & Construction	**–**	**–**	–	–	–	–	488	6	1,096	15
Total	**9,572**	**100**	9,928	100	8,619	100	8,107	100	7,409	100
Profit After Tax and Minority Interest (PATMI) by Activity										
Continuing Operations:										
Utilities	**211**	**31**	200	40	230	44	194	19	171	56
Marine	**430**	**63**	291	57	220	42	129	12	73	24
Environment	**16**	**2**	2	–	14	3	(18)	(2)	5	2
Industrial Parks	**28**	**4**	32	6	34	6	42	4	14	5
Others / Corporate	**(2)**	**–**	9	2	59	11	26	3	(19)	(6)
	683	**100**	534	105	557	106	373	36	244	81
Discontinued Operations:										
Logistics	**–**	**–**	–	–	–	–	8	1	33	11
Engineering & Construction	**–**	**–**	–	–	–	–	–	–	1	–
	683	**100**	534	105	557	106	381	37	278	92
Exceptional items	**–**	**–**	(27)	(5)	(31)	(6)	650	63	25	8
Total	**683**	**100**	507	100	526	100	1,031	100	303	100

Significant Events

January
Sembcorp's joint venture in Vietnam incorporates two subsidiaries to develop the third and fourth Vietnam Singapore Industrial Park projects in Bac Ninh and Hai Phong respectively.

February
Sembcorp divests its entire 25% shareholdings in QianAn Henghui Cogeneration Company to New Zealand Power Investment.

April
Sembcorp Marine's Sembawang Shipyard secures a favoured customer contract from BG LNG Services. The contract provides for ship repair, refurbishment, upgrading and related marine services for BG LNG Services' fleet of liquefied natural gas carriers.

Sembcorp Marine's Jurong Shipyard secures a rig order from Gander Drilling, a wholly-owned subsidiary of SeaDragon Offshore, to complete and deliver a Moss Maritime full dynamically positioned semi-submersible drilling unit with an option for an additional unit.

Sembcorp's industrial parks business receives an investment certificate to expand its integrated township and industrial park in Binh Duong, Vietnam, by an additional 700 hectares.

May
Sembcorp Marine's Group President & CEO Mr Tan Kwi Kin retires and is succeeded at the helm of the business by Mr Wong Weng Sun, previously the business' President & Chief Operating Officer.

Sembcorp Marine's Indonesian offshore engineering unit secures a US$430 million contract, in consortium with PT Saipem Indonesia, for the engineering and construction of a central processing platform, a wellhead platform and an export subsea gas pipeline from Premier Oil Natuna Sea.

Sembcorp opens China's first plant capable of treating high concentration industrial wastewater directly from source and without pre-treatment by customers. The 15,000 cubic metres per day plant in the Zhangjiagang Free Trade Port Zone has been selected as a bilateral demonstration project for water management by the governments of China and Singapore.

Sembcorp signs a memorandum of understanding and breaks ground for a further plant in Zhangjiagang which will reclaim 20,000 cubic metres per day of industrial water and 4,000 cubic metres per day of demineralised water from treated industrial effluent. Sembcorp's joint venture will be granted exclusive rights to produce and supply the reclaimed water to industries in the Zhangjiagang Free Trade Port Zone.

Sembcorp's industrial parks business and its consortium partners Yanlord Land Group and Surbana Land jointly announce their development of the Sino-Singapore Nanjing Eco High-tech Island. The groundbreaking for the development is witnessed by Singapore's Deputy Prime Minister Wong Kan Seng and Jiangsu provincial party secretary Liang Baohua.

June
Sembcorp successfully completes a power expansion to the Fujairah Independent Water and Power Plant in the UAE, bringing the plant's power generation capacity to 893 megawatts.

Sembcorp and Nanyang Technological University's Nanyang Environment and Water Research Institute sign an agreement to jointly explore the application of a new treatment technology for the removal of recalcitrant organics from complex industrial wastewater.

Sembcorp announces the opening of its second energy-efficient membrane bioreactor wastewater treatment plant on Singapore's Jurong Island. The space-efficient plant produces high-quality effluent with lower energy consumption, minimal chemical usage and less waste.

The 2009 winner of the Lee Kuan Yew Water Prize, Prof Gatze Lettinga, visits Sembcorp's facilities on Jurong Island to view the industrial application of his solutions in the treatment of complex wastewater. A beneficiary of technology developed by Prof Lettinga, Sembcorp remains the only Singaporean company to have applied Expanded Granular Sludge Bed (EGSB) technology, with four EGSB wastewater treatment plants on Jurong Island, Singapore, as well as in Zhangjiagang and Nanjing in China.

Sembcorp signs a technical assistance agreement with United Envirotech and Memstar to form a pilot test bed for an environmentally-friendly membrane distillation system for industrial wastewater treatment and water reclamation.

Sembcorp signs a heads of agreement with the Shenyang Economic & Technological Development Area Administrative Committee to explore the widening of its water business in Shenyang to include wastewater treatment.

July
Sembcorp's Protection team at its UK operations wins the Professional and Engineering Supplier Award at the prestigious Chemical Industries' Association Awards for the effective round-the-clock protection, security and emergency cover it provides to over £14 billlion worth of high-hazard industrial assets.

Sembcorp Marine's Jurong Shipyard secures a second SeaDragon rig order from Oban B to complete and deliver a Moss Maritime full dynamically positioned semi-submersible drilling unit.

Sembcorp's Environment arm in Australia begins operating a 10-hectare resource recovery facility at Neerabup, Western Australia. The facility will treat up to 100,000 tonnes of household waste annually and produce around 40,000 tonnes of market-quality compost from recovered materials.

The Sembcorp NEWater Plant begins its first phase of commercial operations with an initial capacity of 69,000 cubic metres per day. When fully developed, the plant will be one of the world's largest water recycling facilities and Singapore's largest NEWater plant at 228,000 cubic metres per day.

August
Sembcorp's Environment arm in Australia begins operating its advanced waste treatment plant at Kemps Creek, Western Sydney. The 8-hectare facility will treat up to 134,000 tonnes of waste annually, diverting around 78% of this amount from landfill. This will reduce carbon dioxide emissions by an estimated 28,600 tonnes per annum.

Sembcorp's Environment arm in Australia wins the inaugural award for Waste Management Company of the Year at the 2009 Frost & Sullivan Asia Pacific Industrial Technologies Awards. The award recognises the company's excellence in waste management and treatment, including its progressive application of waste-to-resource technologies.

October
Sembcorp is named the Most Transparent Company in the multi-industry and conglomerates category by the Securities Investors Association (Singapore) at its annual Investors' Choice Awards. Sembcorp Marine is named runner-up in the award's non-electronics manufacturing category.

November
Sembcorp Marine announces plans to develop a modern, work-efficient and integrated new yard facility, to position the business for sustainable growth. To be situated at Tuas View Extension, the 206-hectare new yard facility will be strategically located along major sea lanes in the Singapore Straits and developed in phases over 16 years.

Sembcorp hosts Hu Jintao, President of the People's Republic of China, at the Sembcorp NEWater Plant.

Sembcorp secures a US$1 billion independent water and power project in Salalah, Oman, marking its 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.

Sembcorp Marine's Sembawang Shipyard and Kakinada Seaports form a joint venture to establish and operate a marine and offshore facility on India's east coast.

Sembcorp celebrates the 15th anniversary of the Wuxi-Singapore Industrial Park, and announces a new phase of development to enhance the existing industrial park with the addition of mixed-use commercial and residential developments, a business and information technology park and a photovoltaic park.

December
Sembcorp completes a 10,000 cubic metres per day industrial wastewater treatment plant in Tianjin, China.

Sembcorp's cogeneration plant on Jurong Island, Singapore.

Operating & Financial Review

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.

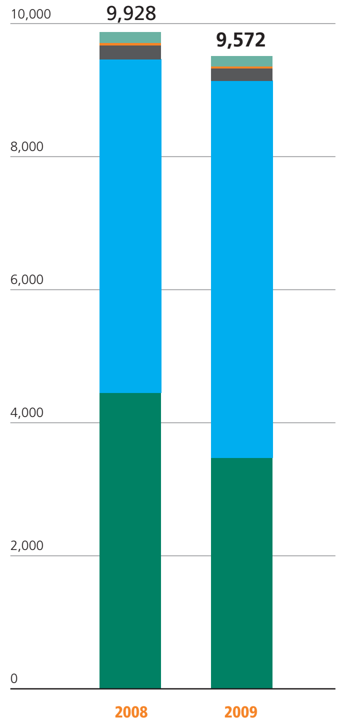
The Marine business' contribution to Group PATMI grew 48% from S$290.6 million to S$430.2 million, attributable to a combination of operational efficiency and execution of projects ahead of schedule, resulting in better margins and the resumption of margin recognition for some of the projects.

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.

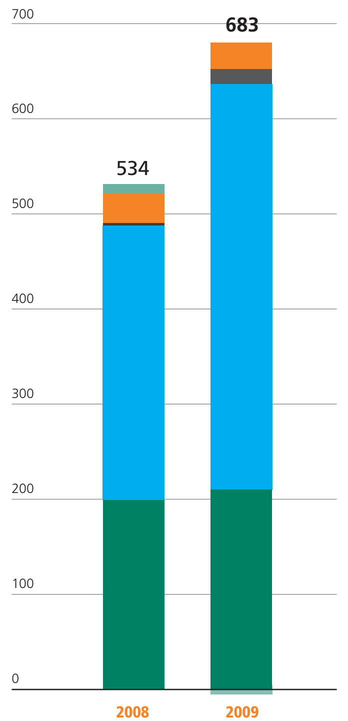
Turnover *(S$ million)*

	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**



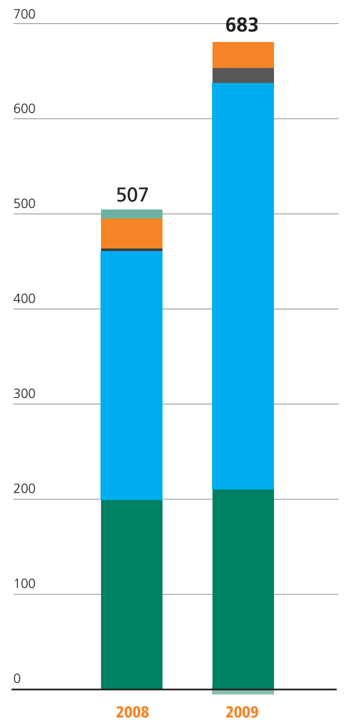
PATMI before EI *(S$ million)*

	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.

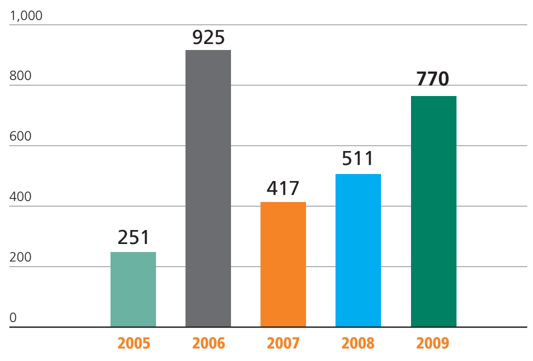
Economic Value Added *(S$ million)*

	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

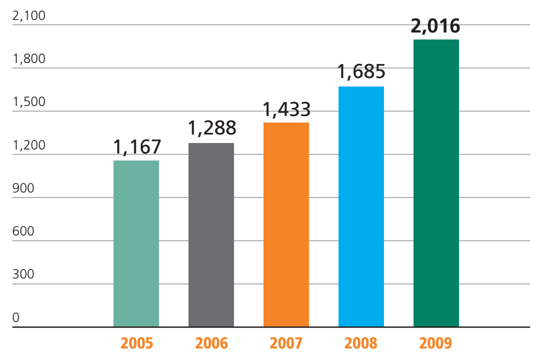
1. *Interest expense includes imputed interest on present value of operating leases and capitalised interest charged to income statement upon disposal of the assets.*
2. *Other adjustments include recovery of investment costs, timing difference of allowances made for / (write-back) of doubtful debts, 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

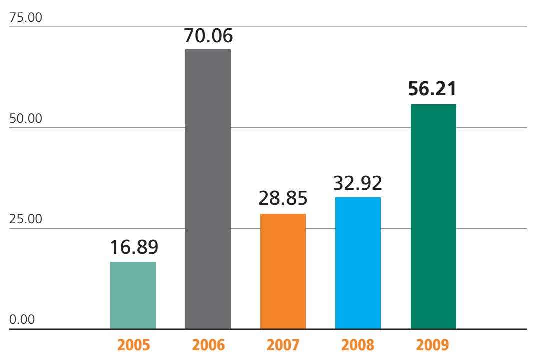
Economic Value Added *(S$ million)*



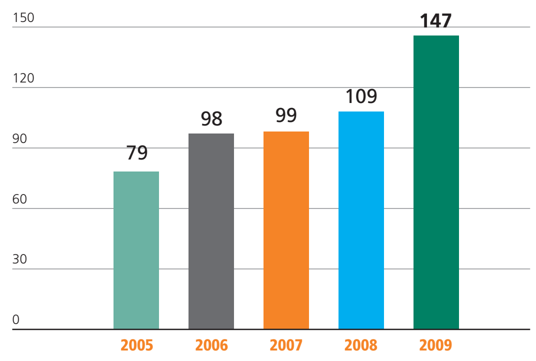
Gross Value Added *(S$ million)*



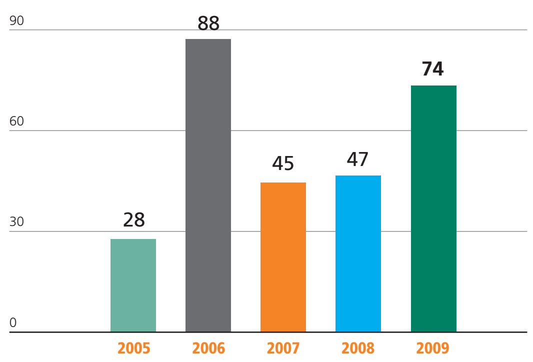
EVA per Employee *(S$'000)*



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)*

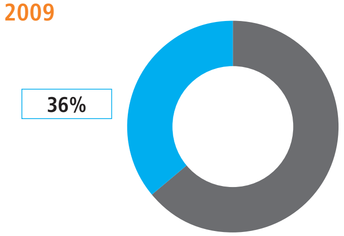
	2009	2008	2007
Debt Ratios			
Interest cover ratio			
Earnings before interest, tax, depreciation and amortisation	**1,316**	940	824
Interest on borrowings	**41**	44	54
Interest cover *(times)*	**31.9**	21.2	15.3
Debt / equity ratio			
Non-recourse project financing	**307**	362	511
Long-term debt	**430**	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

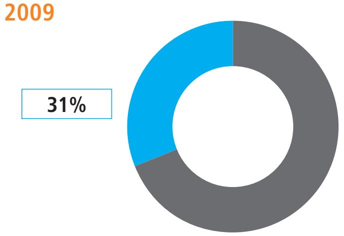
Performance Scorecard *(S$ million)*

	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.

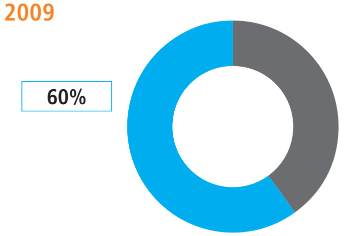
Underpinned by long term agreements, our Phu My 3 power plant in Vietnam and Fujairah 1 independent water and power plant in the UAE are also expected to continue to perform well. In addition, in view of the strong projected demand for power and water in the region, we continue to explore opportunities 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

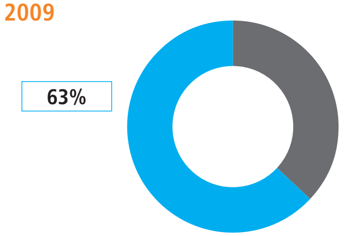
Performance Scorecard *(S$ million)*

	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 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.

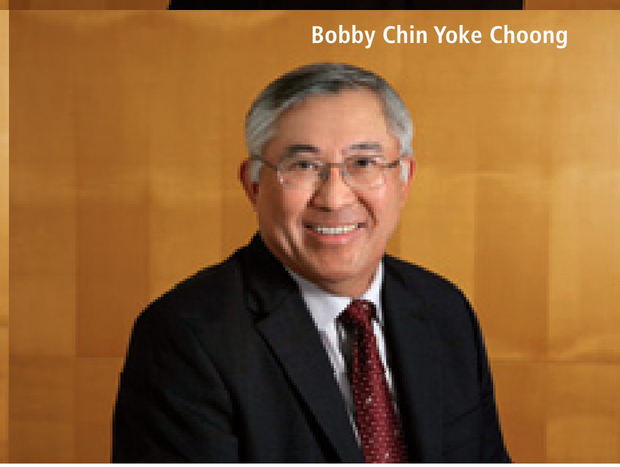
In China, the urban and economic restructuring of the Wuxi New District, increased foreign direct investment to the municipality and growing congregation of skilled talent in the area is expected to create a strong demand for township developments. In Nanjing, master-planning for the Sino-Singapore Nanjing 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.

Environmental, Social & Governance Review

Board of Directors



Peter Seah Lim Huat
Non-executive Chairman
Appointed July 29, 1998

As Chairman, Mr Seah leads the board in its overall direction of the company. Mr Seah also chairs the board's Executive Committee, Executive Resource & Compensation Committee and Nominating Committee.

Currently, Mr Seah is also Chairman of ST Engineering. His directorships include membership on the boards of Alliance Bank Malaysia, Bank of China, CapitaLand, DBS Bank, Global Crossing, StarHub, STATS ChipPAC and Singapore Health Services. In addition, Mr Seah serves on the boards of the Government of Singapore Investment Corporation and the LaSalle Foundation. He is a member of the Temasek Advisory Panel. Mr Seah holds a BAdmin (Hons) from the University of Singapore.

Past directorships in listed companies and major appointments 2007–2009:

- EDB Investments
- PT Bank Internasional Indonesia
- The National Kidney Foundation
- PT Indosat
- Singapore Computer Systems
- Siam Commercial Bank
- Chartered Semiconductor Manufacturing

Tang Kin Fei
Group President & CEO
Appointed May 1, 2005

Mr Tang is Group President & CEO of Sembcorp Industries. With over twenty years at Sembcorp, he is credited with spearheading the development of its Utilities business into a leading energy, water and centralised utilities provider serving an international customer base in Singapore, the UK, China, Vietnam, the UAE and Oman.

Mr Tang is Deputy Chairman of International Enterprise Singapore, a member of the APEC Business Advisory Council and President of the Singapore Water Association. A council member of the Singapore Business Federation, Mr Tang serves on several China-Singapore as well as Saudi-Singapore and Abu Dhabi-Singapore business councils. In addition, he is

Board of Directors

a director of the School of Science and Technology, Singapore, and sits on the board of the Kwong Wai Shiu Hospital, a charitable hospital which provides care for needy patients.

Mr Tang holds a First Class Honours degree in Mechanical Engineering from the University of Singapore and underwent the Advanced Management Programme at INSEAD.

Past directorships in listed companies and major appointments 2007–2009:

- GuocoLeisure

Goh Geok Ling
Non-executive Director
Appointed May 3, 2000

Mr Goh is an independent director and serves on the board's Executive Committee, Executive Resource & Compensation Committee and Nominating Committee.

He is Chairman of Sembcorp Marine and a director of Venture Corporation. In addition, Mr Goh serves as a member of the Board of Trustees of Nanyang Technological University. He holds a BEng from the University of Sydney, Australia.

Past directorships in listed companies and major appointments 2007–2009:

- DBS Bank
- DBS Group Holdings
- 02Micro International

Richard Hale, OBE
Non-executive Director
Appointed September 1, 2000

Mr Hale is an independent director and heads the board's Audit and Risk Committees.

Mr Hale is Chairman of CapitaCommercial Trust Management and Deputy Chairman of Sembcorp Marine. He is also a director of CapitaLand. Mr Hale was previously a director and CEO Singapore of The Hongkong and Shanghai Banking Corporation. He was educated at Radley College, Abingdon, UK.

Past directorships in listed companies and major appointments 2007–2009:

- The Ascott Group
- BM Trust Management
- Wheelock Properties (Singapore)

Yong Ying-I
Non-executive Director
Appointed May 26, 2003

Ms Yong is an independent director and a member of the board's Audit and Risk Committees.

She is Singapore's Permanent Secretary for Health as well as Chairman of the Infocomm Development Authority of Singapore and IDA International. Ms Yong also serves on the boards of the Civil Service College, the Singapore Symphonia Company, the National University Health System, Singapore Health Services and the Singapore Totalisator Board. She holds an MBA from Harvard University Graduate School of Business, USA and an Economics degree from the University of Cambridge, UK.

Past directorships in listed companies and major appointments 2007–2009:

- Singapore Workforce Development Agency

Evert Henkes
Non-executive Director
Appointed April 30, 2004

Mr Henkes is an independent director. He has extensive experience in the petrochemical industry as the former CEO of Shell's global chemical business. Mr Henkes is a director of Air Products and Chemicals, Outokumpu and Tate & Lyle. In addition, he serves as a member of the International Advisory Board of China National Offshore Oil Corporation. He holds a BSc from Cornell University, USA.

Past directorships in listed companies and major appointments 2007–2009:

- China National Offshore Oil Corporation

Lee Suet Fern
Non-executive Director
Appointed July 1, 2005

Mrs Lee is an independent director and a member of the board's Audit and Risk Committees.

The Senior Director of Stamford Law Corporation, Mrs Lee has extensive experience as a corporate law practitioner with a focus on mergers and acquisitions, equity and debt capital markets and restructurings. Mrs Lee currently serves on the boards of Macquarie International Infrastructure Fund, Rickmers Trust Management and Transcu Group. She is a member of the National Heritage Board, the Board of Trustees of Nanyang Technological University, the Accounting Advisory Board of National University of Singapore's Business School and the Advisory Board of Singapore Management University's School of Law. Mrs Lee holds a double first in Law from Cambridge University, UK and is a member of the Honourable Society of Gray's Inn.

Past directorships in listed companies and major appointments 2007–2009:

- International Capital Investment
- Media Asia Entertainment Group
- Transpac Industrial Holdings
- ECS Holdings
- China Aviation Oil (Singapore) Corporation
- Sincere Watch (Hong Kong)
- Richina Pacific

Bobby Chin Yoke Choong
Non-executive Director
Appointed December 1, 2008

Mr Chin is an independent director and serves on the board's Audit Committee.

The Managing Partner of KPMG Singapore from 1992 until his retirement in September 2005, Mr Chin is the Chairman of the Singapore Totalisator Board and a board member of the Competition Commission of Singapore and the Singapore Labour Foundation. He serves as a member of the Council of Presidential Advisers and also sits on the boards of AV Jennings, Ho Bee Investment, Neptune Orient Lines, Oversea-Chinese Banking Corporation and Yeo Hiap Seng. Mr Chin holds a BAcc from the University of Singapore. He is a member of the Institute of Certified Public Accountants of Singapore and an associate member of the Institute of Chartered Accountants in England and Wales.

Past directorships in listed companies and major appointments 2007–2009:

- Changi Airports International
- Singapore Changi Airports Enterprise
- Stamford Land Corporation
- The Straits Trading Company

Ang Kong Hua
Non-executive Director
Appointed February 26, 2010

Mr Ang is an independent director and a member of the board's Executive Committee, Executive Resource & Compensation Committee and Nominating Committee.

Currently, Mr Ang is Executive Director at NSL, an established industrial conglomerate in Singapore. He also serves on the boards of DBS Bank, DBS Group Holdings, the Government of Singapore Investment Corporation, GIC Special Investments, Bangkok Synthetics Co, Foamtec International Co and Action Precision Holdings.

Mr Ang holds a BSc (Hons) in Economics from the University of Hull, UK.

Past directorships in listed companies and major appointments 2007–2009:

- Neptune Orient Lines
- K1 Ventures
- Yantai Raffles Shipyard

Key Executives

Tang Kin Fei
Group President & CEO
Joined 1987

Mr Tang is Group President & CEO of Sembcorp Industries. With over twenty years at Sembcorp, he is credited with spearheading the development of its Utilities business into a leading energy, water and centralised utilities provider serving an international customer base in Singapore, the UK, China, Vietnam, the UAE and Oman.

Mr Tang is Deputy Chairman of International Enterprise Singapore, a member of the APEC Business Advisory Council and President of the Singapore Water Association. A council member of the Singapore Business Federation, Mr Tang serves on several China-Singapore as well as Saudi-Singapore and Abu Dhabi-Singapore business councils. In addition, he is a director of the School of Science and Technology, Singapore, and sits on the board of the Kwong Wai Shiu Hospital, a charitable hospital which provides care for needy patients.

Mr Tang holds a First Class Honours degree in Mechanical Engineering from the University of Singapore and underwent the Advanced Management Programme at INSEAD.

Lim Joke Mui
Group Chief Financial Officer
Joined 2002

Mrs Lim is responsible for the corporate finance & treasury, accounts, tax, information technology and risk management of Sembcorp Industries and oversees these functions across the Group. She also handles investor relations matters as Group CFO and is a director on the boards of various Sembcorp companies, including Sembcorp Marine.

Mrs Lim has almost three decades of experience in corporate finance, accounting, tax and other corporate functions. During her career with DBS Land, she managed many large financing transactions via the equity and debt markets and was involved in several corporate exercises, including takeovers and initial public offerings. She holds a BAcc degree from the University of Singapore.

Wong Weng Sun
President & CEO
Sembcorp Marine
Joined 1988

Mr Wong is President & CEO of Sembcorp Marine, as well as Managing Director of Jurong Shipyard. He sits on the board of a number of its subsidiaries.

Prior to his present appointment, Mr Wong served as President & Chief Operating Officer of Sembcorp Marine, as well as Managing Director of Jurong Shipyard. He first joined the company in 1988 as an engineer before rising to become Jurong Shipyard's General Manager in charge of project management.

Mr Wong is a board member of the Maritime and Port Authority of Singapore, and the Singapore Marine Foundation.

He holds a BEng (Hons) in Mechanical Engineering (Marine) from the University of Technology, Malaysia, as well as an MBA from Oklahoma City University, USA.

Tan Cheng Guan
Executive Vice President
Group Business & Strategic Development
Joined 2007

Mr Tan is responsible for business and strategic development at Sembcorp, and drives business development for the Group's energy and water businesses. He also heads the Group's business for the Middle East & North Africa region.

He brings with him broad experience in strategy, business development and management for the utilities industry. Mr Tan rejoined Sembcorp in 2007 after a three-year stint heading Vopak's operations in China. Prior to that, he spent 14 years with Sembcorp, during which he led the development of our Utilities business on Jurong Island and also the expansion of our centralised utilities business into China and the UK.

Mr Tan holds a BEng (Hons) from the University of Liverpool and completed the Advanced Management Programme at Harvard Business School, USA.

Key Executives

Dr Paul Gavens
Executive Vice President
Sembcorp Utilities (UK)
Joined 2003

Dr Gavens is Managing Director of Sembcorp's Utilities operations in the UK and a director on the boards of various companies within the Sembcorp Group.

He began his career with ICI in 1977 as a research chemist but has worked in the energy and utilities field at the Wilton International site in Teesside, UK, since 1984. During that time, he was involved with the 1,875 megawatt Teesside Power project and many of ICI's divestments during the 1990s. Dr Gavens is a director of the Industry Nature Conservation Association, a membership organisation providing environmental and ecological consultancy to businesses in the Tees Valley. He is also a Governor of Prior Pursglove College, a local sixth form college.

Dr Gavens holds a PhD in Chemistry from the University of Cambridge, UK.

Low Sin Leng
Executive Chairman
Sembcorp Industrial Parks
Joined 2000

Ms Low spearheads the development of Sembcorp's integrated township and industrial parks business. Leveraging on her business experience in Asia, Ms Low oversees the Group's activities in Vietnam and Indonesia. She is also a Singapore Representative to the ASEAN Business Advisory Council.

Prior to joining Sembcorp, Ms Low was the Executive Vice President of Singapore Power and served 20 years in the Singapore Government Administrative Service holding senior positions in the Ministries of Finance, Trade & Industry and Education.

A President's Scholar, Ms Low holds an MBA (High Distinction) from the Catholic University of Leuven, Belgium, as well as a BEng (Distinction) from the University of Alberta, Canada, and completed Harvard Business School's Advanced Management Programme in the USA.

Growth & Performance

Group Business & Strategic Development
Tan Cheng Guan
Executive Vice President

Group Asset Management
Lau Gar Ning
Executive Vice President

Group Project Development
Aw Chin Leng
Senior Vice President

Corporate Headquarters
Koh Chiap Khiong
Deputy Group Chief Financial Officer

Kwong Sook May
Company Secretary

Lim Suet Boey
Senior Vice President
Group Legal

Richard Quek
Senior Vice President
Group Corporate Finance and Mergers & Acquisitions

Goh Han Leng
Senior Vice President
Group Tax

Lillian Lee
Senior Vice President
Group Human Resource

Lee Swee Chee
Chief Risk Officer

Lau Gar Ning
Chief Health, Safety & Environment Officer

Jasmine Teo
Senior Vice President
Group Information Technology

Ng Lay San
Vice President
Group Corporate Relations

Group Internal Audit
Benedict Lee
Senior Vice President

Business Key Management

Utilities

Singapore
Ng Meng Poh
Head

Atul Nargund
Deputy Head

UK
Dr Paul Gavens
Head

China
Dr Jeffrey Chen
Head

Middle East & North Africa
Tan Cheng Guan
Head

Marine
Wong Weng Sun
President & CEO
Sembcorp Marine
Managing Director
Jurong Shipyard

Ong Poh Kwee
Deputy President
Sembcorp Marine
Managing Director
Sembawang Shipyard

Douglas Tan
Managing Director
PPL Shipyard

Ho Nee Sin
Managing Director
SMOE

Industrial Parks
Low Sin Leng
Executive Chairman

Environment
Goh Swee Ooi
Chief Operating Officer

Design & Construction
Lim Kah Hing
Managing Director

Mint
Yip Pak Ling
General Manager & Mint Director

Corporate Governance

Sembcorp's corporate governance principles are built on the core value of integrity, and reflect our commitment to protect and enhance shareholder value.

The board and management of Sembcorp Industries are committed to maintaining high standards of corporate governance to preserve and maximise shareholder value. The company recognises that well-defined corporate governance processes are vital in enhancing corporate accountability and sustainability.

For its efforts towards excellent financial reporting and extensive disclosures beyond the minimum regulatory requirements, the company was awarded a Silver award for the Best Annual Report at the Singapore Corporate Awards 2009 held in April. As at the end of the year, the Company was also ranked as the 5th most transparent company under The Business Times' Governance and Transparency Index.

This report sets out the company's corporate governance processes and activities for the financial year with reference to the principles set out in the Singapore Code of Corporate Governance 2005 (Code) and deviations from the Code are explained. The company will continue to review and refine its processes in light of the best practice, consistent with the needs and the circumstances of the Group.

Board of Directors

Effective board to lead and effect controls (Principle 1)

The fundamental responsibility of the directors is to exercise their judgement to act in what they reasonably believe to be the best interest of the company, for the creation of long-term value for shareholders. The board relies on the integrity and due diligence of senior management, external auditors and advisors to oversee the Group's overall performance objectives, key operational initiatives, financial plans and annual budget, major investments, divestment and funding proposals, financial performance reviews, risk management and corporate governance practices.

To assist the board in the efficient discharge of its responsibilities and provide independent oversight of management, a number of board committees, including the Executive Committee, Audit Committee, Executive Resource & Compensation Committee, Nominating Committee and Risk Committee have been established. These committees are primarily made up of independent or non-executive directors. The committees' respective roles and responsibilities are further explained in this report. Special purpose committees are also established as dictated by business imperatives.

The composition of the board committees is structured to ensure an equitable distribution of responsibilities among board members, maximise the effectiveness of the board and foster active participation and contribution. Diversity of experience and appropriate skills are considered along with the need to maintain appropriate checks and balances between the different committees. Hence, membership of the Executive Committee (ExCo), with its greater involvement in key business and executive decisions, and membership of the Audit and Risk Committees, with their respective oversight roles, is mutually exclusive.

Board meetings are held on a quarterly basis to review and approve the release of the quarterly results and discuss reports by management on Group's performance, plans and prospects. A board meeting is also held at the end of each financial year to review the Group's strategy going forward and to consider and approve the Group's budget for the following year. Twice a year, the board also sets aside time during its scheduled meetings without the presence of management to discuss management's performance. Further board meetings may also be held to specifically consider other issues arising. Decisions of the board and board committees may also be obtained via circular resolutions. To assist directors in planning for their attendance at board and board committee meetings as well as at the Annual General Meeting (AGM), these are scheduled one year in advance, and telephonic attendance and conference via audio-visual communication are allowed under the company's Articles of Association. The company recognises that to focus on a director's attendance at formal meetings alone may lead to a narrow view of a director's contribution. Directors' contributions may be made in many other forms, such as bringing strategic relationships to the Group and providing guidance to management or an exchange of views outside the formal environment of the board or board committee meetings. Notwithstanding this, the company encourages active participation at formal meetings of the board. In 2009, a total of seven board meetings were held, with an average of 88% attendance.

The Group has adopted a set of internal controls and guidelines that set out financial authorisation and approval limits for borrowings, including off balance sheet commitments, investments, acquisitions, disposals, capital and operating expenditures, requisitions and expenses. Under the financial authorisation and approval limits, approval sub-limits are provided at management levels to facilitate operational efficiency. Approval of the ExCo or board is required where the value of a transaction exceeds certain financial thresholds. The ExCo is chaired by Peter Seah Lim Huat and its members are Goh Geok Ling and Tang Kin Fei. The ExCo met four times, out of which three were informal meetings, with the full attendance of its members.

The ExCo reviews and approves business opportunities, strategic investments, capital and operating expenditures and divestments. Within the limits of authority delegated by the board, it also evaluates and recommends larger investments, capital and operating expenditures, as well as divestments to the board for approval.

Directors are briefed on changes to regulations and accounting standards from time to time either during board meetings or at specially convened sessions, including sponsored training sessions and seminars conducted by external professionals. Articles and reports relevant to the Group's businesses are also circulated to the directors for information. Newly-appointed directors are given comprehensive presentations by management, country heads and the Group Business Development department, on Sembcorp's strategic plans and direction, as well as its business activities in its various geographical markets. A formal letter is sent to newly-appointed directors upon their appointment explaining the Group's governance policies and practices and their duties and obligations as directors. Facility visits to our subsidiaries' operation sites are arranged to provide newly-appointed directors an understanding of the Group's business operations. Existing directors are also invited to participate in such facility visits and orientation programmes. During the year, visits to our operations at Jurong Shipyard, Singapore and Fujairah, UAE were conducted for the board.

Strong and independent board exercising objective judgement (Principle 2)

The current board comprises eight directors, of whom six are independent directors. Save for the Group President & CEO, all the directors are non-executive, including the Chairman. Given that the majority of the board is comprised of non-executive directors who are independent of management and independent in terms of character and judgement, objectivity on issues deliberated is assured.

The Nominating Committee (NC) ensures that the board maintains an appropriate size and comprises members with a balance of skill and experience. It takes care to ensure that directors have sufficient time to devote to their duties. Through the delegation of its authority to the NC, the board has applied its best efforts to ensure that the directors appointed possess the background, experience and knowledge in business, finance, legal, related industry and management skills critical to the company's businesses.

The board members comprise business leaders, professionals with financial backgrounds, a practicing lawyer and a senior officer of the public sector. Best efforts have also been made to ensure that, in addition to contributing their expertise and insight to board deliberations, each director brings to the board an independent and objective perspective to enable balanced and well-considered decisions to be made. Profiles of the directors can be found on page 48 to 51.

Chairman and Chief Executive Officer (Principle 3)

The roles of chairman and the Group President & CEO are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman and the Group President & CEO are not related to each other.

The Chairman, who is non-executive, leads and ensures effective and comprehensive board discussion on matters brought to the board including strategic issues as well as business planning and monitors the translation of the board's decisions into executive action. Meanwhile, the Group President & CEO acts upon the board's decisions and is responsible for implementing the Group's strategies and policies in the conduct of the Group's business.

Formal appointment and re-election of directors (Principle 4)

Sembcorp Industries' board is periodically renewed to ensure strong, independent and sound leadership for the continued success of the company and its businesses. The board also recognises the contribution of directors who, over time, have developed deep insights into the Group's businesses. As such, the board would exercise its discretion to retain the services of such directors.

The company subscribes to the principle that all directors including the Group President & CEO should retire and submit themselves for re-election at regular intervals, subject to their continued satisfactory performance. The company's Articles of Association require a third of its directors to retire and subject themselves to re-election by shareholders at every AGM (one-third rotation rule).

Prior to seeking shareholders' approval at the AGM, the NC reviews and considers the retirement and re-election of directors. In addition, a newly-appointed director submits himself for retirement and election at the AGM immediately following his appointment. Thereafter, he is subject to the one-third rotation rule.

Board Members for 2009

Director	Position held on the board	Date of first appointment to the board	Date of last re-election / re-appointment as director	Nature of appointment
Peter Seah Lim Huat	Chairman	Jul 29, 1998	Apr 20, 2009	Non-executive / Non-independent
Tang Kin Fei	Director	May 1, 2005	Apr 25, 2008	Executive / Non-independent
Goh Geok Ling	Director	May 3, 2000	Apr 25, 2008*	Non-executive / Independent
Richard Hale, OBE	Director	Sep 1, 2000	Apr 20, 2009*	Non-executive / Independent
Yong Ying-I	Director	May 26, 2003	Apr 23, 2007*	Non-executive / Independent
Evert Henkes	Director	Apr 30, 2004	Apr 23, 2007*	Non-executive / Independent
Lee Suet Fern	Director	Jul 1, 2005	Apr 20, 2009	Non-executive / Independent
Bobby Chin Yoke Choong	Director	Dec 1, 2008	Apr 20, 2009	Non-executive / Independent

** Up for retirement at AGM*

Directors who are above the age of 70 are also statutorily required to seek re-appointment at each AGM.

Every year, the NC reviews the independence of directors. To this end, each director is required to complete a Director's Independence Checklist on an annual basis to confirm his independence. The checklist is drawn up based on the guidelines provided in the Code and further requires each director to assess whether he considers himself independent despite not being involved in any of the relationships identified in the Code. The NC will then review the checklist completed by each director to determine whether the director is independent.

The NC supports and advises the company by nominating suitable board candidates to maintain the board's balance of skills, knowledge and experience. Appointments to the board are made on merit and against objective criteria. Candidates must be able to discharge their responsibilities as directors while upholding the highest standards of governance practised by the Group. While the directors may have multiple board representations, the NC takes care to ensure and is satisfied that appointees have enough time available to devote to their directorship roles.

The NC is chaired by Mr Seah, who is joined on the committee by Mr Goh. The NC Chairman is regarded as non-independent with reference to the definition of "independence" under the Code, given his seat on the Advisory Panel of Temasek Holdings, a substantial shareholder of the company. Notwithstanding this, the board believes that the NC Chairman's ability to exercise strong independent judgement in his deliberations and act in the best interest of the company is not compromised, as his appointment to the Advisory Panel of Temasek Holdings is non-executive in nature and does not entail involvement in the day-to-day conduct of Temasek Holdings' business.

Pursuant to the one-third rotation rule, Mr Goh, Yong Ying-I and Evert Henkes will retire at the forthcoming AGM. Ms Yong has confirmed that she will not be seeking re-election. Save for Ms Yong, the retiring directors, being eligible, have offered themselves for re-election. In addition, Richard Hale, OBE, who is above the age of 70, will also submit his retirement and offer himself for re-appointment pursuant to the Companies Act.

Board Performance and Conduct of Its Affairs

Active participation and valuable contributions are key to overall effectiveness of the board (Principle 5)

Each year, the board undertakes an informal assessment of its performance. To provide feedback to aid in this assessment, each director is required to complete a questionnaire on the effectiveness of the board as a whole. This questionnaire considers factors such as the size and composition of the board, directors' access to information, board processes and accountability as well as board performance in relation to communication with senior management. Feedback from the questionnaire is subsequently discussed at a board meeting and used to highlight areas of strength and weakness for continuous improvement of the board and its committees.

The NC feels that the financial indicators set out in the Code as guides for the evaluation of the board are more a measure of the management's performance and therefore are less applicable to directors. The NC believes that board performance is ultimately reflected in the long-term performance of the Group.

Full Access to Information and Resources

Directors have complete, adequate and timely information and resources (Principle 6)

To assist the board in discharging its duties and to keep abreast of the Group's operational and financial performance, key issues, challenges and opportunities, Sembcorp's management furnishes adequate management and operation reports as well as financial statements to it on a regular basis. As a general rule, board and board committee papers are sent to directors at least three working days before each meeting so that they may better understand the matters prior to the meeting and discussions may be focused on questions that the directors have on these matters. Members of senior management who may provide insight into the matters at hand are also called on to be present at discussions relevant to them.

Financial highlights of the Sembcorp Group's performance and key developments are presented on a quarterly basis at board meetings. The Group President & CEO, Group Chief Financial Officer and members of senior management are present at these presentations to address any queries which the board may have.

Composition of Board and Board Committees for 2009

Board Member	Executive Committee	Audit Committee	Executive Resource & Compensation Committee	Nominating Committee	Risk Committee
Peter Seah Lim Huat	Chairman		Chairman	Chairman	
Tang Kin Fei	Member				
Goh Geok Ling	Member		Member	Member	
Richard Hale, OBE		Chairman			Chairman
Yong Ying-I		Member			Member
Evert Henkes					
Lee Suet Fern		Member			Member
Bobby Chin Yoke Choong		Member			

The Company Secretary assists the board with the preparation of meeting agenda and administers, attends and prepares minutes of board proceedings, ensuring good information flow within the board and its committees. She also assists the board on the compliance of the Group with the Memorandum and Articles of Association and regulations, including requirements of the Companies Act, Securities & Futures Act and the SGX-ST. She liaises with the SGX-ST, the Accounting and Corporate Regulatory Authority and when necessary, shareholders. Management also assists the board to implement and strengthen good corporate governance practices and processes across the Group.

The board has ready and independent access to the Group President & CEO, senior management, Company Secretary and internal and external auditors at all times. The board exercises its discretion to seek independent professional advice if deemed necessary to ensure that full information is available before important decisions are made.

Competitive Remuneration System

Remuneration of directors adequate and not excessive (Principle 7)

The Executive Resource & Compensation Committee (ERCC) comprises Mr Seah as its chairman, as well as Mr Goh. The ERCC held four meetings in the year with the full attendance of its members.

The ERCC is responsible for ensuring a formal procedure for developing and reviewing policies on compensation and development of the Group's senior management. It assists the board to ensure that competitive remuneration policies and practices are in place to attract, motivate and retain talented executives. The ERCC also reviews the remuneration of the non-executive directors and executive director.

The ERCC reviews succession planning for key positions in the Group and the leadership pipeline for the organisation. It reviews the development of senior staff and assesses their strengths and development needs based on the Group's leadership competencies framework with the aim of building talent and maintaining strong and sound leadership for the Group. The ERCC conducts a succession planning review of the Group President & CEO, officers reporting directly to him, as well as selected key positions in the company on an annual basis. Potential internal and external candidates for succession are reviewed for different time horizons of immediate, medium-term and long-term needs.

The ERCC also establishes guidelines on share-based incentives and other long-term incentive plans and approves the grant of such incentives to key executives. The underlying philosophy is to motivate executives to maximise operating and financial performance and shareholder value as well as to align the interests of the executives and shareholders.

The ERCC has access to expert professional advice on human resource matters whenever there is a need for such external consultations. In its deliberations, the ERCC takes into consideration industry practices and norms of compensation. The Group President & CEO is not present during the discussions relating to his own compensation, terms and conditions of service, or the review of his performance.

While the ERCC Chairman is not regarded as independent within the context of the definition of "independence" in the Code, he is a non-executive director independent of management with a clear separation of his role from management in deliberations of the ERCC. No ERCC member or any director is involved in deliberations in respect of any remuneration, compensation, share-based incentives or any form of benefits to be granted to himself.

Competitive reward system to ensure highest performance and retention of best talents and key executives (Principle 8)

Sembcorp believes that a competitive remuneration and reward system based on individual performance is important in order to retain and incentivise the best talents. Sembcorp's remuneration and reward system is also responsive to the economic climate as well as the performance of the Group and its business units.

The Group President & CEO, as an executive director, does not receive director's fees. As a lead member of management, his compensation consists of his salary, allowances, bonuses and share-based incentives conditional upon meeting certain performance targets. Details on the share-based incentives and the performance targets are available in the Directors' Report and Note 4 in the Notes to the Financial Statements.

Non-executive directors have remuneration packages that consist of a director's fee component pursuant to the company's Directors' Fee Policy, an attendance fee component and a share-based incentives component pursuant to the company's employee share plans. The company does not have a retirement remuneration plan for non-executive directors. The Directors' Fee Policy is based on a scale of fees divided into basic retainer fees and additional fees for attendance and service on board committees. The basis of the allocation of share-based incentives takes into account a director's contribution and additional responsibilities on board committees. Details on share-based incentives granted to the non-executive directors and their fair value are available in the Directors' Report and Note 4 in the Notes to the Financial Statements.

Key executives are rewarded based on actual performance relative to pre-agreed performance targets, which include financial and non-financial performance indicators such as economic value added (EVA), total shareholder return and promoting and maintaining health, safety and environment issues. The Group believes that the current reward systems are in line with market norms and formulated to motivate executives to give their best to the Group. Rewards include long-term share-based incentives, which would further ensure the retention of the most talented and high performing executives in the Group. For further details on the share-based incentives and performance targets please refer to the Directors' Report and Note 4 in the Notes to the Financial Statements.

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

Disclosure on remuneration (Principle 9)

To retain and motivate high calibre directors from Singapore and overseas to contribute to the growth of the Group, the company needs to compensate its directors in keeping with international standards and commensurate with the directors' level of responsibility, performance and contributions to the Group. The directors' fees are reviewed regularly and are subject to the approval of shareholders at the AGM. The report on directors and key executives' remuneration is found in the related item under the Supplementary Information section of the Financial Statements in this report.

With the impact of the global economic crisis on businesses worldwide, the Group's focus is on managing prudently amidst the current uncertainty. The Group has implemented measures across the group to reduce administrative and operating costs, including wage cuts for senior management staff. It continues to watch market developments closely and maintain discipline in its business decisions.

In addition, in 2009, the directors supported the ERCC's proposal that the board voluntarily lower each director's basic retainer fees for the financial year by S$5,000. The directors' fees totalled S$802,000 in 2009 (as compared to S$801,250 in 2008) and were derived using the fee structure below.

Directors' Fees by Type of Appointment

	S$
Board of Directors	
■ Basic fee	50,000*
■ Chairman's allowance	45,000
■ Vice Chairman's allowance	25,000
Executive Committee	
■ Chairman's allowance	40,000
■ Member's allowance	25,000
Audit Committee	
■ Chairman's allowance	40,000
■ Member's allowance	25,000
Executive Resource & Compensation Committee / Nominating Committee	
■ Chairman's allowance	25,000
■ Member's allowance	15,000
Risk Committee	
■ Chairman's allowance	25,000
■ Member's allowance	15,000

Notes:

Tang Kin Fei, as an executive director, did not receive director's fees.

The Executive Resource & Compensation Committee and the Nominating Committee have the same members, who receive one payment for service on both committees.

The directors also receive attendance fees of S$2,000 (in-country) and S$10,000 (out-country) for each board meeting; and S$1,000 (in-country) and S$10,000 (out-country) for each committee meeting.

* *For FY2009, directors took a lower basic fee of S$45,000.*

The board is accountable to the shareholders (Principle 10)

Sembcorp is committed to open and honest communication with shareholders at all times. Shareholders are provided with quarterly and annual financial reports in a timely manner that gives shareholders a balanced and coherent assessment of the company's performance and prospect.

The company believes that prompt compliance with statutory reporting requirements is key to maintaining shareholders' confidence and trust in the company. In line with stock exchange requirements, negative assurance statements were issued by the board to accompany the company's quarterly financial results announcements, confirming that to the best of its knowledge, nothing had come to its attention which would render the company's quarterly results false or misleading.

Audit Committee (Principle 11)

The Audit Committee (AC) comprises four directors, all of whom are independent non-executive directors. The AC is chaired by Mr Hale and its members are Ms Yong, Lee Suet Fern and Bobby Chin Yoke Choong. The AC held four meetings and achieved an average of 94% attendance in 2009.

The Audit Committee Guidance Committee, an industry-led committee established by the Monetary Authority of Singapore, the Accounting and Corporate Regulatory Authority and the Singapore Exchange, published a Guidebook for Audit Committees in 2008. The Guidebook has been issued to all AC members for their reference.

The AC assists the board in fulfilling its fiduciary responsibilities relating to corporate accounting, auditing and reporting practices of the Group. Its main responsibilities are to review the company's policies and control procedures with the external auditors, internal auditors and management and act in the interest of the shareholders in respect of interested person transactions as well as any matters or issues that affect the financial performance of the Group. The AC reviews the quarterly, half-yearly and full-year results announcements as well as the financial statements of the Group and company before they are submitted to the board for approval.

Each year, the AC also reviews and recommends the appointment of the company's external auditors. The AC meets the external and internal auditors at least once a year without the presence of management.

The AC has the authority to investigate any matter within its terms of reference. It has full access to management and received its co-operation during the course of the year.

Having reviewed the nature and extent of non-audit services provided by the external auditors to the Group for the year – excluding services provided to Sembcorp Marine, a listed subsidiary that has its own audit committee – the AC is satisfied that the provision of non-audit services by the external auditors did not impair their independence as external auditors. Details of the non-audit fees payable to the external auditors are found in Note 35(b) in the Notes to the Financial Statements.

The AC also oversees the Group's whistle-blowing policy.

Internal control and risk management (Principle 12)

The board and management of the company are fully committed to a robust system of internal controls, procedures and risk management to safeguard shareholders' interests and the Group's assets, and to manage risks.

The Risk Committee (RC) is chaired by Mr Hale and its members include Mrs Lee and Ms Yong. All members of the RC are independent directors. The main role and function of the RC is to assist the board in fulfilling its oversight responsibility for risk management in the Group. It reviews the adequacy and effectiveness of the Group's risk management plans, systems, processes and procedures, Group-wide risk policies, guidelines and limits, as well as its risk portfolio and risk levels, including the treatment of identified risks. The RC also reviewed the impact and potential risks arising from the global banking and credit crisis on the Group's operations, as well as the proposed mitigating actions to ensure preservation of capital and adequate liquidity for the Group's operations. The impact of the credit crisis on key customers and suppliers is also monitored by management and is periodically reported to the RC. The RC held four meetings in 2009 and achieved an average of 83% attendance.

For more information on the progress of the company's enterprise risk management system, please refer to page 65.

Internal Audit

Independent internal audit function (Principle 13)

The internal audit function of the Group is provided by the Group Internal Audit department (GIA), which reports directly to the AC Chairman on audit matters and to the Group President & CEO on administrative matters.

GIA adopts a risk-based methodology in defining its annual internal audit plan, which is reviewed and approved by the AC. The internal audits performed are aimed at assisting the board and management in the discharge of their corporate governance responsibilities as well as improving and promoting effective and efficient business processes within the Group. To ensure that the internal audits are performed by competent professionals, GIA employs qualified staff and identifies and provides training and development opportunities for them so that their technical knowledge remains current and relevant. GIA is guided by the standards for the professional practice of internal auditing developed by the Institute of Internal Audit and has met the standards for the professional practice of Internal Auditing promulgated by the Institute of Internal Audit.

The board has been kept informed of the AC's review of GIA's reports and the management controls in place and is satisfied on the adequacy of the internal controls in the Group.

Whistle-Blowing Policy

To strengthen corporate governance practices across the Group, the company has put in place a whistle-blowing policy and procedures which provide employees with accessible channels to GIA for reporting suspected fraud, corruption, dishonest practices or other similar matters. The aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will, to the extent possible, be protected from reprisal.

For more information on the whistle-blowing policy, please refer to page 66.

Communication with Shareholders

Regular, effective and equal treatment of shareholders (Principle 14)

Sembcorp is committed to upholding high standard of disclosure and continues to keep all stakeholders informed of its corporate activities on a timely and consistent basis. The company disseminates all price-sensitive and material information to its shareholders via SGXNET on a non-selective basis. Financial and other performance data is given for the Group as well as business units where appropriate, to give shareholders a better insight into the Group's performance. The date of the release of quarterly results is disclosed at least two weeks prior to the date of announcement through SGXNET. On the day of announcement, the financial statements as well as the accompanying press release and presentation slides are released onto the SGX-ST website as well as on the company website at www.sembcorp.com. Thereafter, a briefing or teleconference by management is jointly held for media and analysts. For first half and full year results announcements, results briefings are concurrently broadcast live via webcast.

Following the release of financial statements or price-sensitive developments, investor relations officers are available by e-mail or telephone to answer questions from shareholders and the media as long as the information requested does not conflict with the SGX-ST's rules of fair disclosure.

Greater shareholder participation at General Meetings (Principle 15)

The company encourages shareholder participation at General Meetings. General Meetings are held at a convenient central location which is accessible by public transport. Information on shareholder meetings is disseminated through notices in the reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the company website. All registered shareholders are invited to participate in shareholder meetings.

The company's Articles of Association allow all shareholders the right to appoint up to two proxies to attend and vote on their behalf. The company also allows CPF investors to attend General Meetings as observers.

Voting in absentia by mail, facsimile or e-mail is currently not allowed as such voting methods would need to be cautiously evaluated for feasibility to ensure that there is no compromise to the integrity of the information and the authentication of the shareholders' identity.

At General Meetings, every matter requiring approval is proposed as a separate resolution, and the Chairman declares the number of proxy votes received for and against the resolutions. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before the resolutions are voted on. The board and management are present to address these questions and obtain feedback from shareholders. The external auditors are also present to assist the board. Minutes of shareholder meetings are available upon request by registered shareholders.

For further details on Sembcorp Industries' communications with its shareholders, please see the Investor Relations chapter of this annual report.

Dealings In Securities

The company has adopted a Code of Compliance on Dealing in Securities, which prohibits dealings in the company's securities by its directors and senior management within two weeks prior to the announcement of the company's financial statements for each of the first three quarters of its financial year and within one month prior to the announcement of the company's full year financial statements. Directors and employees are also expected to observe insider trading laws at all times, even when dealing in the company's securities within the permitted trading period.

Interested Person Transactions

Shareholders have adopted an Interested Person Transaction (IPT) Mandate in respect of interested person transactions of the company. The IPT Mandate defines the levels and procedures to obtain approval for such transactions. Information regarding the IPT Mandate is available on the company's website, www.sembcorp.com. All business units are required to be familiar with the IPT Mandate and report any interested person transactions to the company. The Group Reporting and Policies department maintains a register of the company's interested person transactions in accordance with the reporting requirements stipulated by Chapter 9 of the SGX-ST Listing Manual. Information on interested person transactions for 2009 may be found in the related item under the Supplementary Information section of the Financial Statements in this report.

Risk Management & Mitigation Strategies

Sembcorp is fully committed to a robust system of internal controls and risk management.

The Group manages risk under an overall strategy determined by the board of directors, supported by the board-level Risk Committee and the Internal Audit department. Formed in August 2003 to assist the board of directors, the Risk Committee, comprising three directors, reviews and enhances the effectiveness of the Group's risk management plans, systems, processes and procedures. The Risk Committee also reviews Group-wide risk policies, guidelines and limits as well as significant risk exposure and their risk treatment plans. Since April 2005, the Sembcorp Marine Risk Committee has assumed oversight responsibility for the Marine business' risk management activities and practices.

Enterprise Risk Management

The Group has established an Enterprise Risk Management Framework to standardise the risk management methodologies within the Group. In line with Sembcorp's commitment to deliver sustainable value to its shareholders, the objective of the Enterprise Risk Management Framework is to provide guidance to the operating units in implementing a comprehensive and consistent approach to identifying and managing the risks that they face. The Enterprise Risk Management Framework applies to the action of all employees of the Group and is implemented at each operating unit.

Within this framework, critical and major risks of the Group and the operating units are identified and assessed to determine the appropriate type of risk treatment plans to be implemented and which are to be monitored at the Group level as well as by each strategic business unit (SBU).

The Enterprise Risk Management Framework sets out a systematic and ongoing process for identifying, evaluating, controlling and reporting risk, comprising the following key elements:

- Identification and assessment of all risks.
- Formulation of risk management strategies.
- Design and implementation of risk management and mitigation action plans.
- Monitoring and reporting of risk management performance and risk exposure levels.
- Continuous improvement of risk management and mitigation action plans and capabilities.

These processes are put in place to manage and monitor the Group's risk management activities on a regular and timely basis.

System of Financial Discipline

Since 2003, a systematic approach has been in place for Sembcorp Industries and its subsidiaries and associates, to ensure financial discipline across

Risk Management & Mitigation Strategies

the Group. We have set up a self-check, review and certification process called the 'System of Financial Discipline' for all subsidiaries to confirm their commitment to and compliance with a prudent financial discipline framework.

At the SBU level, the process involves a comprehensive self-review exercise by management at various levels to ensure that transactions are in compliance with the accounting standards and acceptable accounting policies, and that the internal controls in place are adequate. The System of Financial Discipline also sets out a structured approach to identifying and facilitating the continued assessment of key risk areas with financial implications, such as provisioning for project losses, asset impairment, significant long outstanding debtors, fraud incidents and any transactions and / or events with material impact or potential material impact on the SBU's financial results.

On a quarterly basis, SBUs' operating and finance heads are required to certify and report the results of their self-review exercise to Sembcorp Industries. This process serves to facilitate oversight over accounting treatments adopted by SBUs and allows early identification of areas of potential exposure that can be addressed to minimise adverse impact to the Group. The reporting also serves as a periodic platform for all SBUs' operating and finance heads to highlight any transactions and / or events with material or potential material financial impact to the Group.

Whistle-Blowing

Since 2005, Sembcorp Industries has had a whistle-blowing policy and procedures, which provide employees with well-defined and accessible channels within the Group through which they may, in confidence, raise concerns about possible improprieties in matters of business activities, financial reporting or other matters to the Audit Committee. This arrangement facilitates independent investigation of such matters for appropriate resolution.

Internal Audit

The Group also has a Group Internal Audit department, which focuses on providing an independent resource and perspective to both the board and the Audit Committee on the processes and controls that help to mitigate major risks.

Mitigation Strategies

Our risk management efforts are focused on the following risks:

a. Financial and counterparty / credit risk
b. Operational risk
c. Investment risk
d. Compliance and legal risk
e. Interested person transaction risk
f. Human resource risk

a. Financial and counterparty / credit risk

The Group's activities expose it to a variety of financial risks, including changes in funding and liquidity risks, interest rates, foreign exchange risks, commodity risks and counterparty / credit risks.

To manage these risks, the Group's Treasury Policies and financial authority limits are documented, reviewed periodically and communicated to the Group's entities. The policies set out the parameters for management of Group liquidity, counterparty risk, foreign exchange and other transactions and financing.

The Group utilises approved financial instruments to manage exposure to interest rate, foreign exchange and commodity price risks arising from operational, financing and investment activities. The commodities involved basically include fuel oil, coal and natural gas. Transactions such as foreign exchange forwards, interest rate swaps, commodities swaps, purchase of options and contracts for differences are used, as appropriate, to manage these risks. It is the Group's overall Treasury Policy that transactions for speculative purposes are strictly not allowed. Transactions are allowed only for hedging purposes based on the underlying business and operating requirements. Exposure to foreign currency risks is also hedged naturally where possible.

The financial authority limits seek to limit and mitigate operational risk by setting out the threshold of approvals required for the entry into contractual obligations and investments.

Liquidity risk

The Group manages its working capital requirements with a view to balance the risk of non-availability of funding, the cost of funding and an optimal level of liquidity appropriate to the operating environment and expected cash flow of the Group. Working capital requirements are maintained within the credit facilities established and are adequate and available to the Group to meet its obligations.

Interest rate risk

The Group's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts and long-term and short-term borrowings. The Group enters into interest rate swaps to minimise its interest rate risk. A minimum of 50% of the Group's loan portfolio having fixed interest rates is targeted for the Group.

Foreign exchange risk

The Group operates globally and is exposed to foreign currency exchange rate movements, primarily for the US dollar, pound sterling, euro, Australian dollar and *renminbi*. Such risks are either hedged by forward foreign exchange contracts in respect of actual or forecasted net currency exposure or hedged naturally by a sale or purchase of a matching asset or liability of the same currency and amount. No speculative foreign exchange transactions are allowed.

Commodity risk

The Group hedges against fluctuations in commodity prices that affect revenue and cost. Exposure is managed via swaps, purchase of options, contracts for differences and forward contracts.

Contracts for differences are entered into with appropriate counterparties to hedge against adverse price movements on the sale of electricity. Exposure to price fluctuations arising on the purchase of fuel is managed via fuel oil swaps, where the price of fuel is indexed to a benchmark fuel price index, for example the Singapore High Sulphur Fuel Oil (HSFO) 180-CST.

For precious metal commodities, such as gold, exposures to fluctuations in price are hedged through the use of forward contracts or purchase of options that fix the purchases at an agreed price. The quantum of commitment is based on actual or forecasted requirements.

Counterparty / Credit risk

The Group monitors its exposure to credit risk arising from sales to trade customers and default risks from suppliers and contractors on an ongoing basis. Credit evaluations are done on these counterparties from time to time. The Group generally deals with pre-approved customers, suppliers, contractors and financial institutions with good credit rating. On a case to case basis, the Group will require additional securities when dealing with counterparties of lower credit standing. At balance sheet date, except as disclosed, there were no significant concentrations of counterparty / credit risks with any single counterparty.

b. Operational risk

Operational risk, which is inherent in all business activities, is the risk of potential financial loss and / or business instability arising from failures in internal controls, operational processes or the systems that support them.

It is recognised that operational risk can never be entirely eliminated and that the cost of minimising it may outweigh the potential benefits. Accordingly, the Group manages operational risk by focusing on risk management and incident management. The Group has also put in place operating manuals, standard operating procedures, delegation of authority guidelines and a regular reporting framework, which encompasses operational and financial reporting. This allows for early identification of areas of potential exposure which can be addressed to minimise adverse impact to the Group. Independent checks on the operating units' internal controls and risk management process are undertaken by the Internal Audit department to ensure their effectiveness and adequacy. Where appropriate, this is supported by risk transfer mechanisms such as insurance.

Insurance

It is not practicable to insure every insurable risk event to the fullest extent as the insurance market may lack the capacity, both as to breadth and extent of

Risk Management & Mitigation Strategies

coverage, and in some cases external insurance is simply unavailable or is not available at an economical price. The Group regularly reviews both the type and amount of insurance coverage that it buys, bearing in mind the availability of such cover, its price and the likelihood and magnitude of the risks involved.

During the year, the Group renewed its global insurance programme for property damage, business interruption and public liability for its Utilities operations in Singapore and the UK under the advice of established global insurance broker and risk adviser Marsh (Singapore) and maintained insurance levels deemed appropriate in the light of the cost of cover and risk profiles of the businesses.

The Group's wholly-owned captive insurance subsidiary, Sembcorp Captive Insurance, which is advised and managed by Marsh Management Services, also participates in the property damage and business interruption portion of the Group's global insurance programme as a reinsurer, retaining a maximum exposure of S$2.5 million for each and every loss with an annual maximum of S$5 million in aggregate in excess of the existing retentions of the business entities within the Group.

c. Investment risk

The Group's capital investment decision process is guided by investment parameters instituted on a Group-wide basis. All investments are subject to rigorous scrutiny to ensure that they are in line with the Group's strategic business focus, meet the relevant hurdle rates of return and take into account all other relevant risk factors, such as market risks, operating risks, environmental risks and foreign exchange risks.

In addition, the board requires that each major investment proposal submitted to the board for decision is accompanied by a comprehensive risk assessment and management's proposed mitigation strategies.

d. Compliance and legal risk

The Group's operations are subject to regulation and future changes in regulation that may adversely affect results, particularly in the areas of corporate law, competition law, consumer protection and environmental law. The responsibility of compliance with applicable laws and regulations lies with the respective operating business heads, and oversight of the discharge of their responsibilities is provided by the Group's Legal department.

Legal risk is the risk that the business activities of the Group may have unintended or unexpected legal consequences. This includes risks arising from:

- Actual or potential violation of laws or regulations (which may attract a civil or criminal fine or penalty).
- Inadequate documentation, legal or regulatory incapacity, insufficient authority of a counterparty and uncertainty about the validity or enforceability of a contract in a counterparty insolvency.
- Failure to protect the Group's property (including its interests in its premises and its intellectual property, such as Sembcorp Industries' logo and other related logos, brand names and products).
- The possibility of civil claims (including acts or other events that may lead to litigation or other disputes).

The Group identifies and manages legal risk through effective use of its internal and external legal advisers. Sembcorp's internal legal department assists in identifying, monitoring and providing the support necessary to identify and manage legal risks across the Group.

e. Interested person transaction risk

In respect of transactions entered into by the Group, its subsidiaries and associated companies that are "entities at risk" with interested persons (namely its controlling shareholders, Chief Executive Officer, directors and their respective associates), the Group is guided by and complies with the provisions of Chapter 9 of the SGX-ST Listing Manual, to ensure that such interested person transactions (IPTs) are entered into on an arm's length basis and on normal commercial terms, which are generally no more favourable than those extended to unrelated third parties.

The Group has internal control procedures to ensure that transactions carried out with interested persons comply with the provisions of Chapter 9 and Sembcorp Industries' Shareholders' Mandate. This mandate is renewed on an annual basis and will be updated at the extraordinary general meeting to be convened on April 22, 2010. These internal control procedures are intended to ensure that IPTs are conducted at arm's length and on normal commercial terms that are not prejudicial to the interests of minority shareholders.

The Group maintains a register of all IPTs, recording the basis on which they are entered into, including quotations obtained to support such basis. The Group's annual internal audit plan incorporates a review of all IPTs for the relevant financial year.

The Audit Committee periodically reviews Group Internal Audit's IPT Reports to ascertain that the guidelines and procedures on IPTs have been complied with. The review includes the examination of the nature of the IPTs and relevant supporting documents or other such information deemed necessary by the Audit Committee. If a member of the Audit Committee has an interest in an IPT, he or she abstains from participating in the review and approval process of that IPT.

f. Human resource risk

In order to develop, support and market the products and services offered by the Group and to grow our businesses internationally, it is necessary to hire and retain skilled and professional employees with the relevant expertise. The implementation of the Group's strategic business plans could be undermined by failure to recruit or retain competent key personnel, the unexpected loss of such key senior employees or failure in the Company's succession planning.

In this respect, the Group places great emphasis on establishing comprehensive human resource policies for the recruitment, compensation and development of staff. This ensures that the Group's human assets – its skilled workforce and competent senior management – are nurtured and retained, so that the Group's competitive edge is preserved. The board's Executive Resource & Compensation Committee has oversight of the Group's remuneration policies and oversees management, development and succession plans for key management positions. Further details on the Executive Resource & Compensation Committee as well as on Sembcorp's human resources management may be found at pages 60 to 61 and 86 to 90 of this annual report.

Investor Relations

At Sembcorp, we are committed to ensuring that all capital market players have easy access to clear, reliable and meaningful information on our company in order to make informed investment decisions.

In the context of constantly evolving requirements of disclosure, transparency and corporate governance, we aim to provide investors with an accurate, coherent and balanced account of the Group's performance. To do this, multiple communication platforms are utilised including group briefings to analysts, investors and the media, one-on-one meetings with shareholders and potential investors, investor roadshows and our investor relations website. In addition, company visits and facility tours are also organised to help investors gain better insight to the Group's operations.

Proactive Communication with the Financial Community

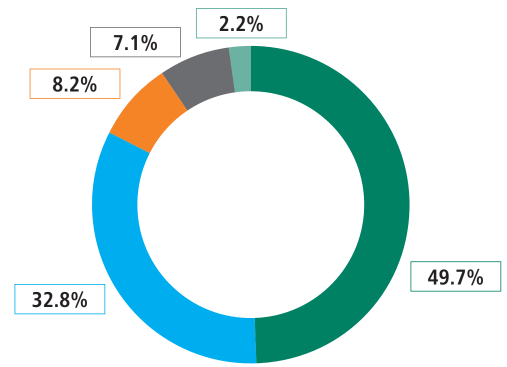
Senior management and the investor relations team continued to actively maintain open communication channels with the financial community. During the year, we held over 180 one-on-one and group meetings with shareholders, analysts and potential investors. These included non-deal marketing roadshows in major financial centres. In Asia, we covered Singapore and Hong Kong; and in Europe, London, Frankfurt, Amsterdam and Edinburgh. We also participated in nine investor conferences during the year. In Singapore, we participated in the DBS Pulse of Asia Conference in January, the Deutsche Bank Access Singapore Corporate Day in March, the Macquarie ASEAN Conference in June, the Nomura Asia Equity Forum and DBS Pulse of Asia Conference in July, the BNP Paribas Securities Asia – ASEAN Corporate Day Conference and Citi ASEAN Investor Conference in August and the Morgan Stanley Asia Pacific Summit in November. In Hong Kong, we participated in the Credit Suisse Asian Investment Conference in March. During the year, we also organised site visits to our operations on Jurong Island to offer investors a better understanding of our utilities business.

During the year, Sembcorp Industries was awarded the Most Transparent Company Award in the multi-industry / conglomerates category at the Investors' Choice Awards presented by the Securities Investors Association (Singapore) in recognition of our commitment to corporate governance and transparency.

The company was ranked fifth among 494 Singapore-listed companies that released their annual reports between January 1 and June 30, 2009 in the Business Times Governance and Transparency Index. Sembcorp was also one of only two Singapore companies to be named one of the Global 100 Most Sustainable Corporations in the World by Corporate Knights, a Canadian financial magazine for "clean capitalism".

Share Ownership by Investor Category

- Strategic*
- Institutional
- Shareholders holding less than 100,000 shares
- Retail
- Others

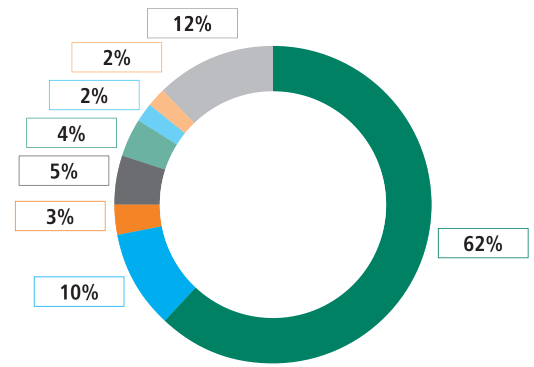


* Includes indirect interest

As at December 31, 2009.

Share Ownership by Geographical Distribution

- Singapore
- USA
- Hong Kong
- UK
- Other Europe
- Germany
- Japan
- Others*



* *Others include shareholders holding less than 100,000 shares. These shareholders collectively hold 8.2% of total shares*

As at December 31, 2009.

Total Shareholder Return

2009 saw the global equities market recovering from the fallout of the global economic slowdown with the aid of government stimulus packages. Against this recovery, Sembcorp Industries' shares had a total shareholder return of 57% in 2009.

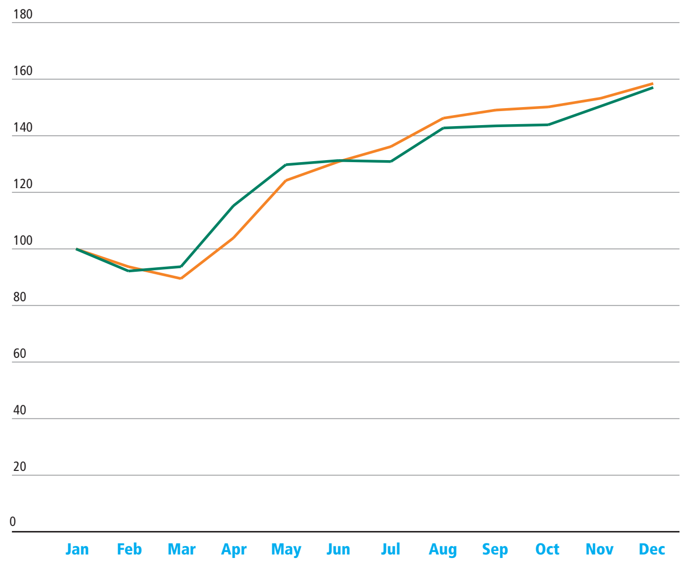
Sembcorp Industries' share price performed well in 2009, closing the year at S$3.70 from S$2.32 in 2008. The company's share price averaged S$2.97 and registered a low of S$2.00 on February 20 and 24, 2009 and a high of S$3.85 on November 23, 2009. Daily turnover averaged 4.4 million shares in 2009.

Shareholder Information

In 2009, other than our major shareholder Temasek Holdings, which held 49.7% of our shares as at the end of 2009, institutional shareholders as a group continued to dominate Sembcorp's shareholder base. Institutional shareholders accounted for 32.8% of our issued share capital or 65% of free float. Retail shareholders, including shareholders holding less than 100,000 shares, and others held the remaining 17.5% of issued share capital or 35% of free float. In terms of geographical breakdown, excluding the stake held by Temasek Holdings, Singapore shareholders accounted for the largest number of shares held with 13% of issued share capital. Outside Singapore, our single largest geographical shareholder base was the USA with 10% of issued share capital. Shareholders from the UK and Hong Kong accounted for 5% and 3% of issued share capital respectively.

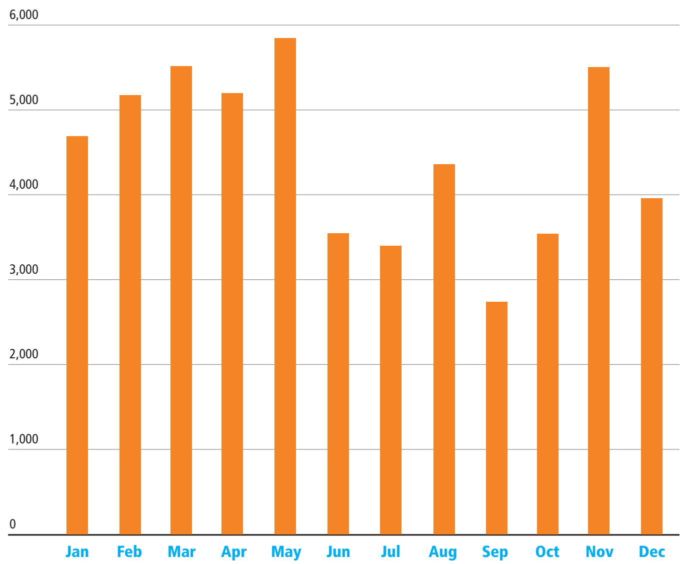
Average Monthly Sembcorp Industries Share Price and Straits Times Index in 2009 *(Rebased)*

Month	Sembcorp Industries (S$)	Straits Times Index
January	2.33	1,777.26
February	2.14	1,665.55
March	2.18	1,590.91
April	2.68	1,846.32
May	3.02	2,207.53
June	3.05	2,325.53
July	3.04	2,420.23
August	3.32	2,599.04
September	3.34	2,649.80
October	3.35	2,669.52
November	3.50	2,723.86
December	3.65	2,816.80



Average Monthly Trade Volume of Sembcorp Industries Shares in 2009

	Volume ('000)
January	4,689
February	5,174
March	5,518
April	5,197
May	5,847
June	3,548
July	3,398
August	4,362
September	2,741
October	3,539
November	5,506
December	3,962



Sustainability

Sustainability at Sembcorp is about striving for excellence and continuous improvement in identifying, understanding and responding to evolving environmental, social and governance challenges facing our businesses today.

Managing Sembcorp's Sustainability

Sembcorp's priority is to deliver long-term value and sustainable returns to our shareholders. As a multinational enterprise and a public listed company, we understand that there is a complex value chain to which Sembcorp belongs and that our wider responsibility incorporates sustainability issues. We fully recognise that these issues may be outside the traditional view of corporate activity, but as the global business landscape evolves, managing these issues is increasingly viewed as vital in maintaining companies' "license to operate" from society and their stakeholders.

This widening role of business is taken seriously by Sembcorp and we believe our commitment to excellence and continuous improvement in our health, safety and environment (HSE) performance as well as governance and human resources builds and protects the value of our business.

In our management of sustainability and governance, many issues are directly managed at the Group level with the support and input of each of the business units. Examples of these include our corporate governance programmes, risk management and mitigation strategies, group-wide HSE, as well as community investment initiatives. A number of commitments external to the company have also been undertaken such as membership of the chemical sector's Responsible Care initiative, and an anti-corruption declaration with a well-recognised and respected non-governmental organisation in Singapore.

The approach taken by Sembcorp to manage sustainability is intended to benefit our shareholders, other key stakeholders and the communities in which we operate, on a global basis. In early 2010 we were recognised for our efforts by being included in the 'Global 100: Most Sustainable Companies in the World' published by Corporate Knights and the Global Research Alliance, a leading sustainability publication and research collaboration. Launched in 2005, the Global 100 is announced each year at the sidelines of the World Economic Forum.

Scope and Development

With customers and operations around the world, Sembcorp is an international company. Our four main operating units comprise Utilities, Marine, Environment and Industrial Parks. As our Marine business is separately listed and reports its activities in its own annual report, this report will primarily cover the other three strategic business units (SBUs). Data for our key performance indicators (KPIs) for these SBUs has been tracked and reported in the areas of environment, health and safety, human resources and community investment. Aside from this chapter, information on the company's corporate governance, risk management and mitigation strategies, and investor relations which are part of the wider ambit of sustainability issues, may be found in the relevant chapters under the Environmental, Social and Governance Review section of this annual report.

The following sustainability report addresses the activities and data that fall within the company's financial year for the period from January 1 to December 31, 2009. Sembcorp has included aspects of sustainability in our annual report since 2001 and these issues were last reported for the financial year 2008.

As part of the development of our sustainability reporting systems, we have begun to implement the Global Reporting Initiative (GRI) G3 reporting principles and framework and aspects of the GRI Electric Utility Sector Supplement on a voluntary basis. Our aim is to work towards providing readers with an accurate, complete and reliable report that contains meaningful information on how we manage sustainability issues in our specific business sectors. The disclosure processes will also allow our stakeholders to view our progress over time. In our reporting, Sembcorp will also consider the principles of the GRI in terms of materiality, stakeholder inclusiveness, sustainability context, completeness, accuracy and comparability.

We have tried to incorporate as much data as possible from our ongoing operations and the scope of this report includes reporting on our majority owned business units, particularly our operations in Singapore and the UK. While reporting boundaries are based on currently available data from these operations, reference has also been made to other joint ventures and associates where appropriate. Where data is unavailable or has been excluded, this has been clearly stated, and data measurement is in line with GRI G3 recommendations for our chosen indicators. Sembcorp is committed to continuous improvement and aims to expand the scope of the report in the future. Our target for our ongoing reporting development is to incorporate reporting on all those SBUs which Sembcorp has a majority stake.

This report has been self-declared at GRI G3 Level B incorporating all of the Standard Disclosures and our material key performance indicators. An index of GRI G3 performance indicators covered in this report can be found on our website, www.sembcorp.com.

Our Sustainability Approach: Risk, Opportunities and Engagement

Identifying, monitoring and managing material issues that we believe are relevant and significant for the company and its stakeholders is an ongoing process at Sembcorp. We aim to regularly review these issues, bearing in mind that these are dynamic and can change over time and across different geographical areas.

In general, Sembcorp's management and monitoring of sustainability issues is based on a risk management approach. However, we also recognise that there are tremendous opportunities to actively invest in sustainable business lines. Using our integrated group strength, we apply proven technologies to produce energy in greener ways, create innovative solutions for clean, sustainable water and help manage resources through the treatment and recovery of recyclables from waste. In this way, we not only do our part to limit the impact of our activities on the environment while staying competitive, but also help our customers to do the same.

At Sembcorp, we also recognise the very useful role which employee engagement and two-way communication channels can play, not only in determining our sustainability-related risks but also in identifying areas for future improvement. Sembcorp maintains a whistle-blowing scheme and also provides our employees with confidential feedback channels. To promote a sustainability culture within the Group, employee appraisals take into account HSE performance. Our employees are also encouraged to contribute innovative ideas and suggestions to improve workplace practices, products and services, including their HSE impact.

Sustainability Policy at Sembcorp

Sembcorp, as a member of the international business community, recognises that our business activities have varying direct and indirect impacts on the societies in which we operate. We commit to manage these in a responsible manner, believing that sound and appropriate performance in this area is important for business success.

For Sembcorp, being a responsible corporate citizen is reflected in the following principles:

- **Standards of business conduct**
  We ensure that our business is conducted according to rigorous ethical, professional and legal standards, through maintaining robust corporate governance and an Employee Code of Conduct for staff.
- **Health, safety and the environment**
  We place the management of our health, safety and environmental (HSE) responsibilities as our first priority. We are committed to continuously improving our HSE performance and managing health, safety and environmental risks associated with our activities, products and services. We integrate HSE considerations into all aspects of our business operations and processes with the aim of preventing accidents, injuries, occupational illnesses and pollution and conserving natural resources.
- **Employees**
  We aim to be a fair and caring employer offering our staff equitable opportunities to develop and grow.
- **Community**
  We act as a responsible corporate citizen through support for community care initiatives, community partnerships and philanthropic and charitable causes, in particular those supporting children and youth, education and the environment.

Sembcorp's operations throughout the world are committed to these principles. The stage and level of implementation varies according to each operational area and maturity of business.

Our efforts to engage our internal stakeholders in the practice of sustainability are also supported by our engagement with other companies and organisations, ranging from site and industry-specific groups to organisations with a much wider agenda.

Sembcorp is a founding member and supporter of the Singapore Compact for Corporate Social Responsibility, a national society promoting sustainability issues in Singapore and a participant in the United Nations Global Compact.

At the industry level, Sembcorp participates in the Responsible Care voluntary initiative, which is endorsed by the Singapore Chemical Industry Council (SCIC). This encourages members to adopt 10 guiding principles for a safer chemical industry through the six management practices of employee health and safety, distribution, pollution prevention, process safety, product stewardship and community awareness and emergency response. Sembcorp is also a member of the Sakra Island Community Awareness Group (SICA), which seeks to promote community awareness and a standardised management practice code for emergency responses among companies located in the Sakra cluster on Singapore's Jurong Island.

In 2009, Sembcorp signed a regional declaration on anti-corruption in an initiative led by the Singapore Institute of International Affairs (SIIA) a regional think-tank in Southeast Asia.

In the UK, Sembcorp is currently one of around 50 organisations in the world to have achieved the British Standards Institute (BSI) Management Systems BS25999 standard for business continuity management. In 2009, the Protection business unit also worked with BSI to promote the new standard to the wider business community and took part in external education events.

Anti-corruption Declaration

In September 2009, Sembcorp re-emphasised our commitment to good corporate governance and anti-corruption as one of 17 signatories to make a pledge towards clean and transparent business practices. The anti-corruption declaration was initiated by the Singapore Institute of International Affairs (SIIA), and is the first of its kind in Southeast Asia.

Under the declaration, a signatory organisation signals its intention to comply with all applicable laws, regulations and provisions on corruption and unfair competition to promote a clean business environment.

Sembcorp believes that such a public commitment is a useful step towards good governance and corruption prevention and believes that everyone, both in the public and private sector, has a responsibility to create a corruption-free pro-business environment.

Sembcorp's Supply Chain

Due to the scale of Sembcorp's operations, our supply chain is a complex one. Our commitment to issues such as HSE performance dictates that our sustainability policies should deliver wider beneficial effects for all stakeholders who are part of our value chain.

As an integrated utilities provider, Sembcorp directly uses primary resources, whilst other parts of the business operate and maintain or manage facilities and buildings, treatment processes, machinery and people. Sembcorp already works closely with our suppliers, business partners and contractors to promote issues such as health and safety to encourage our contractors to practise pollution control at source and waste minimisation. For each contract that is awarded by Sembcorp, an assessment of the contractor's general capability is undertaken to ensure that the delivery of the project will be in line with our health, safety and environment policy. We also work collectively with our suppliers to actively identify and improve upon performance in these areas via platforms such as contractor HSE committee meetings, safety induction programmes as well as vendor performance audits.

Sembcorp also owns and operates facilities which supply products and services to industrial customers.

Sembcorp in the UK: Ensus' Key Supply Chain Partner

A new plant designed to meet the power and steam requirements of Ensus' significant new bio-refinery and other companies at Sembcorp's Wilton International site was completed in 2009. The gas turbine and heat recovery steam generator will supply 42 megawatts of electricity and up to 162 tonnes an hour of steam to the site system.

By virtue of its combined heat and power status, Sembcorp's plant – the second gas turbine to be built by Sembcorp at Wilton in the last seven years – is effectively supplying greener energy to Ensus helping to reduce the overall carbon footprint of its biofuels plant.

We understand that many of our multinational clients are in the process of developing and integrating their own sustainability programmes and Sembcorp aims to help them improve their own performance by being a responsible member of their supply chain.

Stakeholder Engagement

Constructive dialogue with our stakeholders is an important tool for Sembcorp to understand our internal and external business environment and deliver the right products, services and information to the right groups at the right time. Our engagement processes, including identification and prioritisation, broadly reside at the operational level with some oversight at Group level, but stakeholder engagement involves all of the issues highlighted in this report.

Our main stakeholder groups can be identified as regulators (including diverse entities such as the Singapore Stock Exchange and the Energy Market Authority), financial institutions, shareholders and other investors, suppliers, customers and communities in which we operate.

As part of ongoing efforts to elevate the importance of engagement, we have carried out a pilot stakeholder engagement programme using the AA1000 Stakeholder Engagement Standard as the basis for its methodology. This standard is a framework for designing, implementing, assessing and assuring the quality of stakeholder engagement and will assist Sembcorp to improve transparency, reporting and accountability over time.

The purpose of the exercise is to engage a target number of internal and external opinion formers and discuss what they feel sustainability should mean for Sembcorp. We hope to add to the overall depth and credibility of stakeholder engagement at Sembcorp and relevant findings from the exercise could also provide some indicators to develop and include in the future.

Through these internationally recognised standards and other formal engagement processes, such as our investor relations programme, we hope to align relevant issues with our overall strategy and use this process as part of our ongoing target setting.

Green Business Lines

In line with our continual drive for innovation and to widen our sustainable business portfolio, the development of sustainable or 'green' business lines has become a growing part of our ongoing core businesses. We foresee sustainable products and services delivering an additional competitive edge and enhancing our reputation as a responsible and responsive company. Sembcorp's sustainable business operations include:

Renewable energy

At Sembcorp's operations in the UK, we operate a 35-megawatt renewable energy power station using sustainable wood for fuel (see case study on following page), enough to power 30,000 households.

Natural gas

Sembcorp was the first commercial importer and retailer of natural gas in Singapore and the first company to supply and retail compressed natural gas directly to motorists. We import 341 billion British thermal units of natural gas per day from West Natuna in Indonesia and starting in late 2011, we will import an additional 90 billion British thermal units of gas per day.

Efficient power and steam generation and combined power-and-desalination

Sembcorp continues to seek greater efficiency and lower emissions in our power, steam and desalination operations in Singapore, China, the UK, the Middle East and Vietnam through the use of technology.

In Vietnam, we make use of combined cycle gas turbine technology, where waste heat from gas turbines is used to create steam to generate additional electricity via steam turbines. This enables us to generate more electricity from each unit of fuel input. In addition, we operate cogeneration plants in China, Singapore and the UK. Cogeneration refers to the production of both electricity and steam from a single fuel input at a facility located near the consumer. Considered the most efficient use of fuel, cogeneration improves the overall recovery of heat and also saves on fuel needed to produce heat or steam in a separate unit. Cogeneration plants also generate substantially lower emissions compared to conventional power plants.

We also co-own and operate a combined power-and-desalination facility in the UAE with an 893 megawatt power generation capacity and a seawater desalination capacity of 100 million imperial gallons per day. This plant captures heat created as a by-product of the power generation process which might otherwise have been lost in the form of flue gas, for use in seawater desalination. In addition, we are building a combined power-and-desalination plant in Oman with a gross power generation capacity of 490 megawatts and a seawater desalination capacity of 15 million imperial gallons per day.

Waste-to-resource

Through Sembcorp's range of services, waste that would usually be disposed of in landfill and incineration facilities is diverted for recycling. We also have capabilities in advanced waste treatment and resource recovery, including composting and waste-to-energy recovery. Sembcorp's award-winning environmental arm in Australia, SITA Environmental Solutions is the leader in the development and operation of advanced resource recovery facilities.

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.

Sembcorp also operates a construction and demolition materials recovery facility in Singapore capable of processing 300,000 tonnes of construction and demolition waste per year. Timber, hardcore and fines, as well as ferrous and non-ferrous metals are recovered during the sorting process. Furthermore, the complete range of waste paper recycling services is offered from collection, sorting and baling to bulk supply of recovered paper to paper manufacturers. With more than 20 years of experience in waste paper recycling, we have an extensive network collecting some 300 tonnes of waste paper each day.

Biomass Power: An Integrated and Sustainable Future

Renewable energy has presented an entirely new business opportunity for Sembcorp as well as a platform to move forward to a brighter, more sustainable future. The Sembcorp Biomass Power Station became the UK's first large scale wood-to-energy plant when it began full commercial operations in October 2007. The station has been designed to meet all current and foreseeable European emissions targets by applying best available technology.

Quick Facts

- Saves 200,000 tonnes of carbon dioxide emissions a year, roughly equivalent to emissions savings from taking 67,000 vehicles off the road
- Uses nearly 300,000 tonnes of sustainable and recycled wood fuel
- 40% of fuel derived from recycled timber = less landfill
- 20% of fuel from wood from locally managed forests = less transport

Taking nearly 300,000 tonnes a year of wood from sustainable sources in the UK, the plant is capable of generating around 35 megawatts of electricity. It is helping in the battle against climate change by saving 200,000 tonnes of carbon dioxide emissions a year compared to a fossil fuel power station with a similar capacity.

Around 1,000 jobs were created during a two-year construction period and the facility has created 15 permanent jobs as well as contributing to the wider economy and community by creating additional job opportunities within the farming, forestry, wood recycling and transport sectors.

Sembcorp has signed contracts with companies that can deliver long term wood supplies from the surrounding region, avoiding the cost and emissions associated with long distance road haulage. It also offers farmers and landowners in Yorkshire and the northeast of England the opportunity to diversify into the production of the energy crop short rotation coppice. The four chosen fuels (with no requirement to artificially dry any fuel) are:

- Recycled wood supplied as chips with a proportion of sheet materials, pre-processed chips and some demolition timber included
- Small roundwood logs from commercially managed forests
- Sawmill co-products including offcuts, supplied as chips
- Short rotation coppice supplied as woodchips

The short rotation coppice, which is currently in the process of being cultivated, has many economic and environmental benefits. These include secure supply contracts direct with Sembcorp, a guaranteed direct market for the harvested crop and risk management by diversification as the guaranteed price for short rotation coppice is not affected by the vagaries of the agricultural market.

Other benefits are a significant reduction in pesticide, herbicide and fertiliser use compared to conventional cropping, increased biodiversity within the agricultural landscape including increased cover for game and the use of marginal and reclaimed land for cultivation of the crop. The crop has increased resistance to flooding and can be cultivated on land exposed to regular or unpredictable flooding where conventional crops might be lost.

Wastewater treatment and water recycling

In Singapore and China, Sembcorp is a pioneer in industrial wastewater treatment and water reclamation. Sembcorp's facilities are capable of treating high organic concentration and high salinity industrial wastewater which can be 20 times more concentrated than municipal wastewater and 1.5 times more saline than seawater. In 2009, we increased our integrated wastewater treatment capacity in Singapore by over 50% with the opening of a 3,000 cubic metres per day industrial wastewater plant utilising membrane bioreactor technology. Sembcorp is the only company in Singapore to have successfully applied this advanced technology for the treatment of industrial wastewater, which allows our plants to occupy a smaller plant footprint compared to a conventional aerobic treatment system, yet produce effluent of a consistently high quality with lower energy consumption, minimal chemical usage and a reduced amount of sludge.

Sembcorp was also the first company to reclaim secondary effluents from industrial wastewater, applying dual-media filtration, microfiltration, reverse osmosis and ion exchange technologies to produce high purity demineralised water and high grade industrial water for supply to its customers. Today, Sembcorp's supply of demineralised water and high grade industrial water to customers is substantially derived from reclaimed water. Our ability to integrate wastewater treatment, water reclamation and water supply in a "closed loop" minimises liquid discharge, conserves potable water supplies and promotes a sustainable water supply.

The Sembcorp NEWater Plant, designed, built, owned and operated by Sembcorp, is Singapore's largest plant producing treated used water that has undergone stringent purification and treatment process using advanced dual-membrane and ultraviolet technologies. It began operations in July 2009 and when fully completed in mid-2010, will be one of the largest water recycling plants in the world, producing 228,000 cubic metres per day.

Sustainable integrated townships

Sembcorp's Industrial Parks business applies an integrated approach to township development, providing world-class manufacturing space coupled with a sustainable urban environment.

In May 2009, the business entered into a joint venture with Yanlord Land Group and Surbana Land to develop the Sino-Singapore Nanjing Eco High-Tech Island in Nanjing, China. The development will offer approximately 6,000,000 square metres of gross floor area for prime commercial, industrial and residential use. When completed, it will house many of the world's leading technology companies. The Eco High-Tech Island will be progressively developed and will provide a platform for the sustainable development of high-tech, smart industries and services. This commercially-driven project will focus on the growing importance of achieving a balance between continued technological progress and environmental preservation.

Research and development

Research and development plays an important role in strengthening Sembcorp's sustainable capabilities. One such example in 2009 was the partnership between Sembcorp and the Nanyang Technological University's Nanyang Environment and Water Research Institute (NTU-NEWRI) to jointly explore the application of a new system for the treatment of complex industrial wastewater. Sembcorp and NTU-NEWRI will work together over the next three years to explore a novel treatment technology aimed at removing recalcitrant organic matter from wastewater. The process models nature's way of cleaning the water and it is hoped that the technology can be more competitive than other technologies.

In June 2009, Sembcorp signed a technical assistance agreement with local water technology companies United Envirotech and Memstar to form a pilot testbed for a new high environmental performance system to treat industrial wastewater and reclaim water. The system will be the first in Singapore to apply membrane distillation technology for the treatment of industrial wastewater and water reclamation. The system will aim to maximise the reclamation of clean water from treated effluent and make progress towards achieving affordable zero liquid discharge solutions. The new testbed is in line with Sembcorp's efforts to commercialise promising new sustainable technologies and help industrial sites and cities minimise discharge into waterways.

Sustainability Awards and External Recognition

In the past year, Sembcorp has received a number of awards, both nationally and globally for its efforts to promote and practice sustainability.

Global 100: Most Sustainable Companies in the World (Ranked 78th)

Sembcorp was one of two Singapore-headquartered companies included in the 'Global 100 Most Sustainable Corporations in the World' list. The list, published annually by Corporate Knights, a magazine for "clean-capitalism", applies environmental, social and governance measures to demonstrate that "the most sustainable companies attract the most capital and earn the best returns…squeeze[ing] more wealth from less material resources while honouring the social contract." Key assessment parameters include energy, carbon, water and waste productivity, leadership diversity, percentage tax paid, sustainability leadership, innovation capacity and overall transparency. Sembcorp was ranked 78th on the list.

SCIC Responsible Care Awards

Sembcorp was honoured by the Singapore Chemical Industry Council (SCIC) with a gold award in the 'Community Awareness and Emergency Preparedness' code category and two achievement awards in the 'Employee Health and Safety' and 'Pollution Prevention' code categories at the Responsible Care Awards 2009. The awards were conceived to honour companies who have incorporated Responsible Care Management Practices into their operations, and to recognise those with exemplary performance in maintaining high health, safety and environmental standards.

Workplace Safety and Health Performance Award (WSHPA) 2009

Sembcorp won four silver Workplace Safety and Health Performance Awards at the Workplace Safety and Health Performance Awards. The annual awards are presented by the Workplace Safety and Health Council in collaboration with Singapore's Ministry of Manpower to give recognition to organisations that have performed well by implementing sound health and safety management systems. The four silver awards were received by Sembcorp Gas, Sembcorp Cogen, Sembcorp Industries' SUT Division and collectively by Sembcorp's Sakra Island Carbon Dioxide and PPU Division as well as Sembcorp Air Products (HYCO).

NTUC Commendation for People Development

Sembcorp's waste collection unit received a commendation award from the National Trades Union Congress in recognition of our strong commitment to growing a constructive partnership between the company and the union, and also for our continuing focus in skills upgrading, work safety and employee welfare.

Chemical Industries Association Awards

Sembcorp UK's vastly experienced Protection Team, which protects more than £14 billion of industrial assets in the UK was recognised by the UK's Chemical Industries Association (CIA) by being named the winner of the CIA 2009 Awards in the Professional and Engineering Supplier category. The award recognises suppliers whose services allow chemical manufacturers to concentrate on their own area of expertise.

Sembcorp's Protection business is based at the company's Wilton International site on Teesside in the UK and supplies a wide range of services to customers, from world class fire fighting and chemical spill protection, to emergency planning, site security and business continuity expertise.

Frost & Sullivan Asia Pacific Industrial Technologies Award

Sembcorp's Australian environmental arm, SITA Environmental Solutions (SES), won the inaugural Frost & Sullivan Asia Pacific Industrial Technologies Award for 'Waste Management Company of the Year'. SES was selected by Frost & Sullivan, a global growth consultancy, for the award given its excellence in waste management and treatment, and its active application of progressive technologies particularly in areas like waste-to-resource. This award provides a clear message that SES' commitment to developing sustainable and innovative advanced resource recovery practices is the Asia-Pacific benchmark for all recycling and waste management companies operating in this region.

Total Defence Award 2009

Sembcorp's waste collection unit was named the winner of Distinguished Defence Partner Award 2009 by Singapore's Ministry of Defence for our continuing support and contributions towards operational readiness for national defence.

Health, Safety and Environment

Managing our material issues

HSE issues are closely linked with Sembcorp's long-term business success. HSE issues have been identified as material factors in terms of their potential impact on our main business operations. Clean air and climate change, water, waste and the health and safety of our employees and business partners are areas where we have focused our sustainability efforts and resources.

Under our Group HSE policy, which can be viewed on our website at www.sembcorp.com, Sembcorp views HSE issues as its first priority. This section of the report will provide information on how the Group pro-actively manages impacts arising from its operations.

We continue to be guided by four HSE main principles which include:

- Implementing internationally recognised HSE management systems such as ISO14001 and OSHAS18001, as well as our own additional indicators such as SCU 5/0.
- Actively investing in financially viable sustainable business lines, which form part of our core operations.
- Continuous improvement to enhance HSE performance of our processes, products and services (incorporating feedback, audits and innovation to strengthen the functioning of our management systems).
- Working closely with our business partners and seeking active engagement to promote mutual HSE performance improvement and positive impacts.

HSE management, committees and structures

Sembcorp's culture of HSE involves everyone associated with the company. This approach of shared responsibility means that employees and business partners, including contractors, must all take ownership of our day-to-day health, safety and environmental performance, and meet the standards that we expect.

Our Group HSE office is the driver of our management systems and co-ordinates our global HSE efforts. HSE management committees and associated reporting structures have been established for the effective management of HSE issues with the express purpose of setting long-term HSE objectives and targets and complying with the regulatory requirements and voluntary guidelines and initiatives.

An example of this structure is our operations on Jurong Island in Singapore, where the HSE Committees are structured at two levels. The main HSE Committee comprises all heads of department while the HSE Sub-Committee comprises members from the respective operating plants on Jurong Island. The committees are responsible for monitoring and reporting results, ensuring continuous improvement, enhancing effective two-way communication, and engaging with staff and maximising their involvement. The sub-committee comprises representatives from various disciplines, not just HSE, and there are at least three employees and three management representatives at each committee level. During the 2009 reporting period monthly sub-committee meetings were held, whilst the main HSE committee met quarterly.

Similar structures are used at our various business units to ensure that HSE is always a high priority.

Sembcorp Contractors' HSE Committee

From mid-2009, a Sembcorp Contractors' HSE Committee for Utilities in Singapore was initiated to promote wider co-operation in achieving and maintaining HSE performance amongst all contractors working with the company.

This important addition to our HSE management systems at Sembcorp has set a series of targets which include:

- Carrying out inspections to highlight gaps or deficiencies in HSE control.

Sustainability

- Keeping abreast of developments in new technologies, legislative changes and the introduction of new products.
- Jointly organising safety promotion activities to generate HSE awareness among workers.
- Contributing safety suggestions and participating actively in areas that would improve the overall safety performance of contractors as well as more widely at Sembcorp.
- Investigating any accident, incidents or near-misses relating to HSE and recommending counter measures to prevent recurrence.

Clean Air and Climate Change

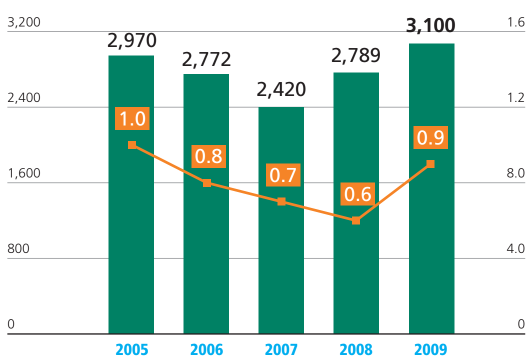
As a key player in the energy sector, Sembcorp is mindful of our impact on clean air and climate change. Sembcorp works towards limiting and managing environmental impact by improving the efficiency and performance of our operations.

Emissions and energy usage are monitored and the levels of carbon dioxide emitted by some of our Utilities operations have been reported on for a number of years with a view to limiting emissions. For the purpose of this report, data is from our wholly or majority owned units in Singapore and the UK unless otherwise stated.

Utilities' CO_2 Emissions *(%)*

■ Total CO_2

■ CO_2 emissions per million dollars of revenue



Data covers Singapore and UK operations only

Utilities' Primary Energy Sources Consumption

Fuel Type (in gigajoules)	2008	2009
Natural Gas	43,046,563	**52,629,901**
Diesel*	162,661	**10,012**
Biomass	2,301,271	**2,592,894**
Fuel Oil	45,422	**186,867**
Coal#	8,302,550	**4,250,602**

* *Only used in Singapore*
\# *Only used in the UK*

Data covers Singapore and UK operations only

Total carbon dioxide emissions in Singapore increased from 2,789 to 3,100 kilotonnes due to the increase in the production of steam during the reporting period. In the UK there was a marked reduction in carbon dioxide emissions from 1,065 kilotonnes to 810 kilotonnes. This was mainly due to a significant increase in the use of natural gas and decrease in the use of coal as a new gas turbine and heat recovery steam generator was brought into service.

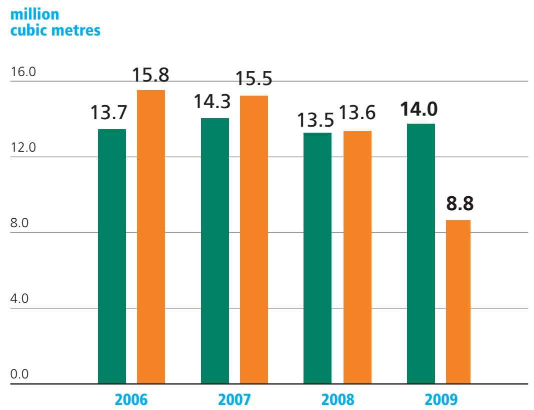
In addition to tracking direct carbon dioxide emissions, we monitor the energy usage of our Utilities operations. Electricity consumption from our Utilities operations increased slightly by 1.2% from 131,808 gigajoules to 133,400 gigajoules for the year.

We also track our Utilities operations' primary energy sources usage. Natural gas continues to remain the largest constituent of our primary energy sources (all measurements have been expressed in gigajoules for ease of comparison).

Utilities' Potable / Raw & Recycled Water Use

■ Recycled Water

■ Total Potable / Raw Water



Data covers Singapore and UK operations only

Water

As a result of our continued efforts, and the use of closed-loop systems in Singapore that reuse and recycle water, we have, for three consecutive years, reduced our use of potable and raw water. Our total potable and raw water consumption in the UK and Singapore fell by 35% in 2009.

In addition to tracking our own water use in our operations, Sembcorp's wastewater treatment activities also treat industrial effluent generated by our customers to reduce their impact on the environment.

Accident and Injury Rates

Sembcorp's SCU 5/0

With HSE issues being a top business priority, Sembcorp launched the internally driven SCU 5/0 initiative in 2006. This encompasses the five goals of zero injury, zero spill, zero non-compliance, zero hazardous release and zero unplanned shutdown. The initiative provides a common platform across all of our Utilities operating sites and requires all employees to identify hazards and gaps in activities and eliminate them. Employees at all levels are encouraged to participate in the discussion of HSE issues arising in their course of work.

The campaign has been effective and in 2009 the "price of non-conformance", our internal measurement indicator for the imputed monetary cost of lapses relating to the five indicators, decreased by 38%. Since the campaign was started over five years ago, the overall price of non-conformance has decreased by 90%.

SCU 5/0 Profile

	2006	2007	2008	2009
Total Incidents	44	38	23	**20**

Data for Singapore operations only

Utilities' Consolidated Accident Statistics

	2007	2008	2009
Accident Frequency Rate[1] *(AFR)*	1.3	0.0	**1.3**
Accident Severity Rate[2] *(ASR)*	14.3	0.0	**20.2**

1. *Number of workplace accidents per million man-hours worked*
2. *Number of man-days lost to workplace accidents per million man-hours worked*

Data covers operations in Singapore and the UK – combined data only available for this three-year period

SCU 5/0 was introduced to our UK operations in 2009 and the data collected will form part of the wider HSE monitoring and management systems at Sembcorp.

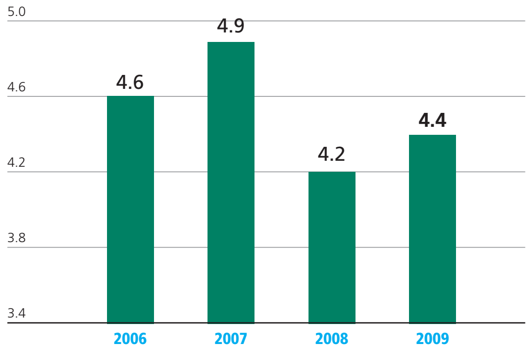
For 2009 we have been able to extend the scope of our accident and injury rate reporting. Beginning last year in Singapore, we started to use accident frequency rates (AFR) and accident severity rates (ASR) in accordance with the tracking criteria set by Singapore's Ministry of Manpower. The safety performance from our UK operations is now incorporated with data from our Utilities operations in Singapore. Our Environment operations' safety performance in Singapore is also reported on separately.

Our Utilities operations had four reportable cases in 2009, two in the UK and two in Singapore. For the ASR, our Utilities operations reported 64 man-days lost per million man-hours worked in 2009, compared to zero man-days lost in 2008. One of the accidents, which accounted for 57 days of lost time, was a cycling accident that took place when an employee was travelling between operations sites in our Jurong Island facilities in Singapore. We will continue to strive for zero accidents and believe our SCU 5/0 initiative will help us to achieve this.

In terms of prevention initiatives, Sembcorp's operations in the UK ran a successful seminar on process safety for managers and engineers taking several external industrial incidents as learning examples. The focus was on human behavioural aspects of the accident and the interface with equipment and processes. Attendees gained insight as to how they

Environment's Accident Frequency Rate

■ Number of workplace accidents per million man-hours worked



Data covers operations in Singapore only

could take such factors into account in the design and operation of facilities.

For our Environment business in Singapore, we saw an increase in the AFR and ASR compared to 2008. This was mainly due to two industrial accident cases that led to an extended number of days away from work, along with a decrease in the number of man-hours worked by 33% due to a divestment of part of the business.

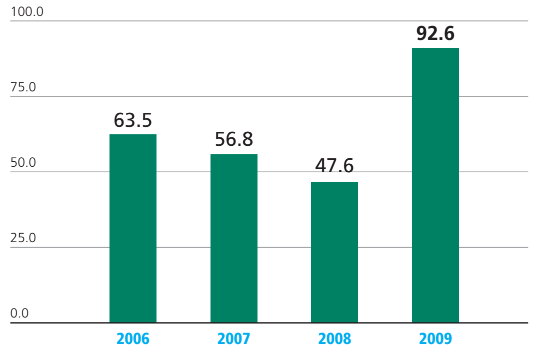
Safety is important to us and our Environment business has taken preventative action to improve its AFR and ASR levels. This includes additional "toolbox meetings" with management and employees to cover the importance of health and safety. Spot inspections at operational sites were also conducted more frequently and new guidelines relating to the use of safety equipment were implemented.

Vehicle accident rates

With a relatively large number of commercial vehicles in use, a considerable amount of driving is undertaken in the course of the year by our waste management unit. Hence, a key indicator for safety is the unit's vehicle accident rate. In 2009, there was a fall in the total number of vehicle accidents.

Environment's Accident Severity Rate

■ Number of man-days lost to workplace accidents per million man-hours worked



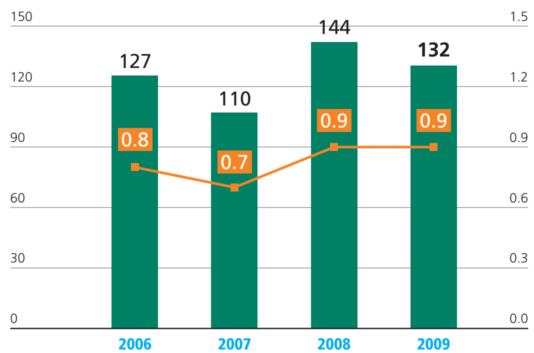
Data covers operations in Singapore only

Our ongoing preventive and corrective measures include counselling, internal disciplinary systems jointly spearheaded by operations and human resources, with the direct involvement of the union, to improve driver selection and orientation programme. We also

Environment's Vehicle Accident Rate

■ Total number of vehicle accidents

■ Vehicle accident rate per 100,000km



Data covers operations in Singapore only

have awards for drivers achieving three years of traffic accident-free service with the company.

HSE Progress in 2009

HSE Accident Incident Management System

The HSE Accident Incident Management System, a web-based application that tracks and reports incidents and accidents at the Utilities operational facilities in Singapore, was launched in 2009. The system tracks the status of reported incidents and accidents and creates a useful database for analysis and learning. Based on two HSE procedures, hazard identification, risk assessment and risk control, and incident and non-conformance reporting, it is a positive step forward in our HSE management systems.

Commitment to Responsible Care

To strengthen its HSE performance, Sembcorp joined the Singapore branch of Responsible Care in 2008. An initiative of the global chemical industry, Responsible Care signatories must commit to implementing the guiding principles and management codes of practice. At the Responsible Care Awards 2009, Sembcorp won a gold award for 'Emergency Preparedness and Community Awareness Code' and two achievement awards under the 'Pollution Prevention Code' and 'Employee Health and Safety Code' categories.

As a signatory to Responsible Care in Singapore, Sembcorp has committed to:

- Implement all relevant components of the Responsible Care codes of management practices in Singapore.
- Implement and describe specific company initiatives on HSE and community openness.
- Strive for continuous improvement in HSE performance and standard with zero injuries, incidents and waste.
- Regularly brief employees on Responsible Care objectives, processes and results as part of its own HSE activity and improvements; supported by SCIC to allow employees to represent the industry as ambassadors.
- Consider and give weightage to HSE performance reflected in the Responsible Care Guiding Principles and processes when selecting suppliers of materials or services.
- Broaden the influence of Responsible Care to the users of chemicals by implementation of product stewardship by all employees.
- Submit self-assessment and key performance indicator forms annually.

HSE learning initiatives

Sembcorp's Utilities operations in Singapore launched an HSE e-learning platform in mid-2009. This project was triggered by the need to provide an alternative learning environment for staff to ensure HSE skills are regularly upgraded without the need to spend a great deal of time away from office. At present, the range of modules includes safety inductions, hearing conservation and scaffold safety amongst others.

The HSE department also conducted a series of roadshows to promote the initiative as well as to orientate staff on the use of the system. Harnessing innovation and technology, the interactive web-based lesson content is interspersed with informative videos and energetic presentations, animations, graphics and interactive exercises. Employees are expected to demonstrate clearly specified competencies by the end of the session and are able to review their personal learning records.

HSE teams also collaborated in cross audits at Utilities operations in Singapore, UAE and the UK. The audits are undertaken to develop expertise and share best practice within the different operating environments at Sembcorp.

HSE staff from our Utilities operations in Vietnam visited Utilities operations in Singapore to learn and share HSE best practices during a major inspection in Singapore in mid-2009. Officers from the Group HSE Office also visited our water operations in Shenyang, China, to assess and understand the site's existing HSE management systems and identify and recommend areas for improvement. The two-day programme allowed both teams to learn and share best practices and discuss how management systems may be continually enhanced in order to achieve improvements. Collaborative visits and cross audits will continue as part of our overall efforts to derive opportunities in HSE performance consistent with Sembcorp's HSE Policy.

International HSE Management Systems

A main principle of our sustainability approach is to implement internationally recognised management standards. To this end, 2009 saw a great effort to implement ISO 14001:2004 certification across the entire Utilities business in Singapore.

Sembcorp Industries – SUT Division, a unit of our Utilities business, has held ISO14001 certification since 2001 but with a view to continuous improvement, we committed to implementing this certification with a broader reach and more integrated approach. Therefore, our Singapore Utilities operations are currently in the process of seeking certification covering all Utilities operations in Singapore.

HSE Certifications Held

Unit / Certification	ISO9001	ISO14001	OHSAS18001
Sembcorp Utilities Singapore	✓	In progress	
Sembcorp Gas	✓		
Sembcorp Environment	✓	✓	✓
Sembcorp Industrial Parks	✓		

Office Material Recycling Scheme Pays Dividends for Sembcorp and the Environment

Sembcorp UK has for many years recycled more conventional industrial waste such as metal, oils, batteries, fluorescent tubes and electronic equipment. In 2009, the business ran a trial campaign to recycle everyday office materials. The scheme was run for almost a year in conjunction with our contract cleaning firm and the local Redcar and Cleveland Council.

In that time Sembcorp's UK employees gathered more than 5 tonnes of paper, 4 tonnes of cardboard, 2 tonnes of plastic and half a tonne of metal drinks cans. Their efforts in this pilot scheme has also saved more than £3,000 and prevented these materials going to landfill.

The amount of paper recycled alone has saved an estimated:

- 70 trees
- More than 1,500 gallons of oil
- Around 28,000 gallons of water
- Around 16,000 kilowatt hours of electricity and
- 12 cubic yards of landfill space

With the focus of environmental initiatives so often on products, the focus on the internal organisation has been a great success so far.

Waste

As the leading management player in Singapore, Sembcorp's Environment business provides services that aim to reduce waste going to incineration or landfill facilities. We also promote waste reduction by providing separate bins for recyclables as part of our waste collection service to municipal customers.

In line with our business focus to reduce waste, we are actively developing differentiating know-how including waste-to-resource capabilities.

Human Resources and Employee Welfare

At Sembcorp, we recognise that our employees are our most vital assets and a key stakeholder group. We believe in providing a fair, diverse and inclusive workplace for our employees. We are committed to continuous improvement in our human resources and people development approach and practices, and working together with our employees to achieve this aim.

Scope of the section

The scope of this section of the report covers the activities of the Utilities, Environment, Industrial Parks, Design and Construction and Mint business units. We have covered key data relating to our main Singapore operations and our various overseas units in China, Vietnam, the UK, the UAE and Oman as well as our overseas industrial parks. If there is any deviation from this scope it is noted under the individual indicator.

Engaging and communicating with our people

Sembcorp engages our employees through a variety of channels on areas such as group financial and business performance, ethical standards, employee feedback mechanisms and information provision.

During the business performance review cycle, senior management, including the Group President & CEO, attend town hall style briefing sessions and roadshows. These sessions help to give employees a better understanding of strategy, performance and future direction of the company.

In addition, a confidential employee feedback system is available to all staff. In line with our commitment to high ethical standards and good corporate governance practices, we encourage all employees to report any possible improprieties and maintain a group-wide whistle-blowing policy.

Relevant, up-to-date information on human resource policies, procedures, legislation and best practice is made available to most employees via the company intranet. The system, which offers easy access with search facilities, is available to most of Sembcorp's employees. A handbook is made available to employees who do not have access to the intranet.

Communicating corporate updates, such as press releases and a bi-monthly employee e-newsletter, is done via email blasts to staff. At the country level some business units hold quarterly learning and sharing sessions, as well as senior manager briefings.

Socially, Sembcorp encourages employees to participate in events that are run regularly throughout the year. Most of the business units involve staff in sports and recreation club activities which can take the form of festive parties, team sports and annual family days.

Diversity and fair employment practices

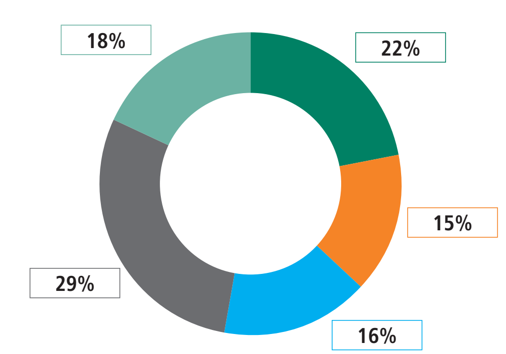
The Group subscribes to the Principles of Fair Employment in Singapore and has endorsed the Employers' Pledge of Fair Employment Practices formulated by the Singapore Tripartite Alliance for Fair Employment Practices. Sembcorp's commitment is encompassed in the incorporation and implementation of these principles in our human resource management practices at the global level.

The fair employment principles incorporate a commitment to:

- Recruit and select based on merit, such as skills, experience and ability, regardless of age, race, gender, religion or family status.
- Treat employees fairly and with respect and implement progressive human resource management systems.
- Provide equal opportunities for training and development based on employees' strengths and needs, to help them achieve their full potential.

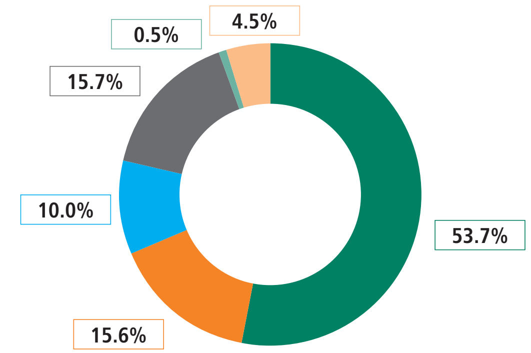
Staff Distribution by Age

- 29 & below
- 30-34
- 35-39
- 40-49
- 50 & above



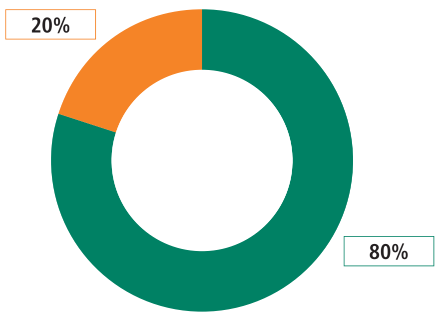
Staff Distribution by Geography

- Singapore
- UK
- China
- India
- Other Asia
- Middle East



Staff Distribution by Gender

■ Male ■ Female



■ Reward fairly based on ability, performance, contribution and experience.
■ Abide by labour laws and adopt tripartite guidelines which promote fair employment practices.

Human rights

Sembcorp fully supports basic principles of human rights. We have several policies in place relating to the support of these, including a set of fair employment practices, a grievance and harassment policy and a recruitment and selection policy. We also have strict control procedures in place for contractors who are working for Sembcorp.

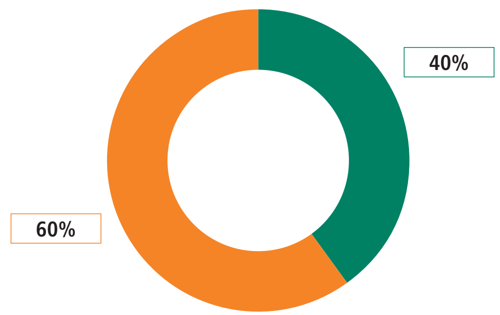
Sembcorp respects labour laws within each of the countries we operate in. Through our policies and the planning and administration of our employment practices, we are confident that our operations are not exposed to issues such as child or forced labour.

Unionised Employees at Sembcorp

	No. of Unionised Employees
Singapore	
Union for Power and Gas Employees (UPAGE)	113
Building Construction and Timber Industries Employees' Union (BATU)	488
UK	
Unite	186

Staff Distribution by Education

■ Tertiary ■ Non-tertiary



Labour and union relations

All Sembcorp employees have freedom of association within the confines of the legal and regulatory environment for each of the countries that we operate in. At the end of 2009, there were 787 unionised members working at Sembcorp, covering 27% of our workforce. Sembcorp employees were also covered under five separate collective bargaining agreements with our unions in Singapore and the UK.

Sembcorp maintains ongoing exchanges with employee unions. In 2009, we met the Union for Power and Gas Employees (UPAGE) for discussions regarding employee benefits for our Singapore Utilities staff, and renewed a three-year collective agreement. Sembcorp's Utilities business also worked closely with UPAGE in its membership drive and supported it in its implemention of the work skills qualification framework for the power and gas industry.

At Sembcorp UK, discussions with Unite, the UK's biggest union, are conducted in line with our collective agreement (the 'Together Agreement') applying agreed Partnership Principles. Over 91% of employees in this business unit are covered by the collective bargaining agreement.

In late 2009, Sembcorp Environment divested its conservancy services, commercial cleansing and car park management units in line with its strategy to focus its business on waste-to-energy products. The entire divestment process was undertaken in parallel with an engagement and consultation exercise with the Building Construction and Timber Industries Employees' Union (BATU) and the Deputy Executive Secretary and Principal Industrial Relations Officer of BATU were present at closed-door communication sessions held for affected staff. All employees affected by the divestment were offered continued employment under the new business owner based on the same terms and conditions of employment under Sembcorp. This carefully managed process ensured that 99% of employees were transferred to the new business. In appreciation of past service, the affected employees were offered an ex-gratia payment payable upon the completion of three months' service with the new business owner.

In addition, as an outcome of Sembcorp's regular dialogues with its respective unions, Sembcorp's Singapore operations supported an extended retirement policy with UPAGE and BATU, offering continuing employment to staff who are past the statutory retirement age of 62.

People development

As the success of a corporation is driven by the calibre and the performance of its employees at all levels, Sembcorp makes it a priority to continually develop its workforce. Through our career development, education, talent management and leadership programmes, we offer our employees a range of avenues for personal and professional development.

Competency building and succession planning

In 2009, the group continued to invest in competency building for our employees, spending S$5.54 million on training. Our learning and development programmes factor in issues such as succession planning and turnover rate of employees. With around 3% of the workforce due for retirement in the next five years, it is a priority to enhance the skills levels of our employees to ensure a smooth succession.

Our training and development programmes include:

■ **Professional training**
Working with local educational institutions, Sembcorp has developed and conducted specialised technical courses for the Utilities business.

Annual Employee Turnover *(%)*

	2008	2009
Group Annual Turnover	17	**12**

■ **Executive and leadership development**
Capable leaders are vital to the success of any corporation and our unique talent management and development system, called the 'Sembcorp Leadership Competencies' system, defines the qualities and performance expectations of a Sembcorp leader. This set of competencies details the ways in which Sembcorp leaders should act and respond to achieve extraordinary business success. We also send our managers on courses to enhance their presentation, negotiation, communication and coaching skills, as well as on courses on building and leading high-performance teams.

To continually develop our executives' leadership, strategy and management skills, our senior staff also attend executive education programmes at prestigious institutes such as the Harvard Business School, INSEAD and the Temasek Business Leadership Centre.

■ **Attachments and job rotations**
Job rotation and overseas postings are another way in which we offer employees vital experience in other cultural settings and exposure to practical operational issues first-hand in other Sembcorp business units. There are currently 38 employees posted to various overseas businesses. Internships also provide Sembcorp's scholars with practical experience and essential operational exposure during their studies.

■ **On-the-job training**
Sembcorp also runs on the job training for its employees. Examples of this include the National Skills Recognition Scheme certification courses undertaken by operations staff.

■ **e-Learning**
This year saw the launch of the health and safety e-learning initiative. The project was triggered by the need to provide an alternative platform for staff to participate in HSE learning and skill upgrading without

the need to spend time away from office or have prescribed periods for training. The e-learning initiative was led by the HSE team and has proved successful with 58 employees having undertaken the training to date.

- **Technical courses, seminars, conferences and symposiums**

Along with education and training opportunities, Sembcorp offers employees the opportunity to attend, present and participate in conferences on a local and international basis. As an industry leader in many sectors of our business, we encourage knowledge and best practice sharing through these platforms.

Performance management, rewards and recognition

Sembcorp's employee performance appraisal system includes a feedback process that identifies development areas and allows employees to comment on their own contribution throughout the year. It incorporates future objectives to ensure that all of our employees' outputs are aligned to the performance of the business. In addition, we apply 360-degree feedback in assessing mid-level and senior managers. Under this system, feedback from a range of superiors, colleagues and other partners are incorporated into managers' development plans, helping them build a profile of essential competencies needed to improve their professional performance and lead their teams successfully.

Benefits and rewards

Sembcorp offers competitive base pay packages that are based on country-specific conditions. Long-term employee performance incentives are linked to sector practices and benchmarks and rewards are based on the performance of the Group, company and individual. Rewards include annual salary increments, annual performance bonuses and longer-term incentives.

Share-based incentives remain a key component of the Group's pay structure to motivate staff and align longer term performance objectives. These are administered by a board nominated committee. Since 2007, no share options have been granted as these have been entirely replaced with Restricted Stocks of an equivalent fair value. The Restricted Stock Plan is used for directors and employees of Sembcorp Industries and our subsidiaries whereas the Performance Share Plan is aimed primarily at key executives of the Group.

All employees are eligible for comprehensive insurance coverage on a global basis. They can join our Private Medical Insurance Scheme where the Company meets the cost of employee membership and allows employees to include eligible dependants. Other insurance schemes provided include protection for life, travel, personal accident, workmen's compensation and hospitalisation and surgical requirements.

Employee health and welfare

Sembcorp has championed employee health and well being, both physical and mental, for many years and we promote a holistic and balanced lifestyle for our employees. The Sembcorp Recreation Club, set up in 2005, organises various employee recreation activities including health talks, family days, movie nights and healthy cooking demonstrations, many of which also include employees' family members. Sembcorp staff have also formed a number of fitness and sports groups which the company supports. In 2009, we spent around S$80,000 on wellness programmes for employees in Singapore.

Sembcorp adopts a practical approach to work-life balance. Examples of initiatives we have put in place include our UK operations' implementation of flexible working hours, limited working hours (e.g. part-time hours or specific hours to suit family and personal needs) and discretionary leave to support personal situations.

Sembcorp is also a member of the iCare Mental Health Alliance, which, since 2008, has promoted mental health of workers in Singapore. We also offer employees access to counselling and assistance programmes including retirement preparation and workplace accident-related trauma counselling.

Contractors

In order for contractors to commence work in our facilities, they have to comply with all requirements stated in a 'Permit to Work' application, which includes requirements for health and safety provisions. Contractors also have to submit proper paperwork to demonstrate that they have adequate workmen's compensation insurance coverage for their employees and relevant resident visas and / or work permits. Employees of contractors must also attend HSE training before any work is started.

Community investment and values

Sembcorp maintains an ongoing commitment to contribute to the local communities in which we operate through supporting social development and community investment projects.

In 2009, Sembcorp contributed approximately S$1 million in cash and in kind to its communities. Whilst the harsh economic climate may have made giving more difficult for many corporations, we nonetheless took part in many initiatives this year supporting children and education, sports and fitness and community assistance. We also provided management time and support for volunteer programmes.

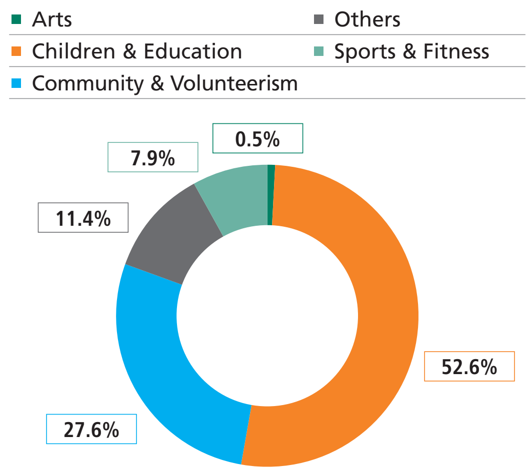
All contributions are given in Singapore dollars using prevailing exchange rates as at February 22, 2010.

Of the total amount contributed by Sembcorp, over half was in aid of children and education, which has been a long-standing area of commitment for the Group. This included over S$68,000 to support a social work programme for at-risk youth in Singapore by Wings Counselling Centre.

As part of a three-year commitment, Sembcorp continued to support the Assisi Hospice in 2009 with a contribution of S$66,000. Sembcorp employees also organised a Christmas celebration and dinner for patients, staff and friends of the hospice.

Outside of Singapore, we also contributed actively to the communities we operate in overseas. In 2009, our Industrial Parks business in Vietnam held its annual fundraising event involving tenants, workers, business partners and suppliers. This event raised a total of S$62,000 towards scholarships and the upgrading of schools in Binh Duong province, where our first and second Vietnam Singapore Industrial Park projects are located. Meanwhile, our UK operations contributed around S$111,000 to its local community, including contributions to local schools.

Community Investment



Sustainability Contact

For further information on sustainability at Sembcorp Industries, please visit our website at www.sembcorp.com. If you have any comments or wish to discuss any of the contents of this report or other sustainability issues, please contact:

Group Corporate Relations
Tel: +65 6723 3113
Fax: +65 6822 3240
Email: gcr@sembcorp.com

Sembcorp's wastewater treatment facility in Zhangjiagang, China.

Financial Statements

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:

			Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
Name of director and corporation in which interests held	Description of interests	Exercise period	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
Peter Seah Lim Huat								
Sembcorp Industries Ltd	Ordinary shares		168,000	225,697	225,697	–	–	–
	Options to subscribe for ordinary shares at							
	– S$0.99 per share	18/05/2005 to 17/05/2009	17,500	–	–	–	–	–
	– S$1.16 per share	23/11/2005 to 22/11/2009	35,000	–	–	–	–	–
	– S$2.37 per share	02/07/2006 to 01/07/2010	35,000	35,000	35,000	–	–	–
	– S$2.36 per share	22/11/2006 to 21/11/2010	52,500	52,500	52,500	–	–	–
	– S$2.52 per share	10/06/2007 to 09/06/2011	105,000	105,000	105,000	–	–	–

Directors' Interests *(cont'd)*

			Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
Name of director and corporation in which interests held	Description of interests	Exercise period	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
Peter Seah Lim Huat *(cont'd)*								
Sembcorp Industries Ltd	Conditional award of:							
	– 23,984 restricted stocks to be delivered after 2008 (Note 2b(i))		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							
	– S$0.99 per share	18/05/2005 to 17/05/2014	50,000	–	–	–	–	–
	– S$1.16 per share	23/11/2005 to 22/11/2014	50,000	–	–	–	–	–
	– S$2.37 per share	02/07/2006 to 01/07/2015	150,000	150,000	150,000	–	–	–
	– S$2.36 per share	22/11/2006 to 21/11/2015	150,000	150,000	150,000	–	–	–
	– S$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' 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: At beginning of the year	At end of the year	At 21/01/2010	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
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							
	– S$2.11 per share	12/08/2006 to 11/08/2010	7,000	7,000	7,000	–	–	–
	– S$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: At beginning of the year	At end of the year	At 21/01/2010	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
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							
	– S$0.99 per share	18/05/2005 to 17/05/2009	12,500	–	–	–	–	–
	– S$1.16 per share	23/11/2005 to 22/11/2009	12,500	–	–	–	–	–
	– S$2.37 per share	02/07/2006 to 01/07/2010	26,250	26,250	26,250	–	–	–
	– S$2.36 per share	22/11/2006 to 21/11/2010	26,250	26,250	26,250	–	–	–
	– S$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							
	– S$2.38 per share	03/10/2007 to 02/10/2011	196,000	196,000	196,000	–	–	–

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: At beginning of the year	At end of the year	At 21/01/2010	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
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							
	– S$0.99 per share	18/05/2005 to 17/05/2009	26,250	–	–	–	–	–
	– S$1.16 per share	23/11/2005 to 22/11/2009	26,250	–	–	–	–	–
	– S$2.37 per share	02/07/2006 to 01/07/2010	26,250	26,250	26,250	–	–	–
	– S$2.36 per share	22/11/2006 to 21/11/2010	35,000	35,000	35,000	–	–	–
	– S$2.52 per share	10/06/2007 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: At beginning of the year	At end of the year	At 21/01/2010	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
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							
	– S$0.99 per share	18/05/2005 to 17/05/2009	12,000	–	–	–	–	–
	– S$1.16 per share	23/11/2005 to 22/11/2009	12,000	–	–	–	–	–
	– S$2.37 per share	02/07/2006 to 01/07/2010	17,500	4,375	4,375	–	–	–
	– S$2.36 per share	22/11/2006 to 21/11/2010	17,500	4,375	4,375	–	–	–
	– S$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	–	–	–

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: At beginning of the year	At end of the year	At 21/01/2010	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
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.

a. Period from 2006 to 2008*
b. Period from 2007 to 2009
c. Period from 2008 to 2010
d. 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.

a. Period from 2006 to 2007*
b. 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.

^ i. 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.
ii. 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.
iii. 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.
iv. 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.
v. 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.
vi. 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.
vii. 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.
viii. 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.

a. Period from 2008 to 2009
b. 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.

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:

i. The exercise price of the options can be set at market price or a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. Market price is the volume-weighted average price for the shares on the Singapore Exchange Limited ("Singapore Exchange") over the three consecutive trading days prior to grant date of that option. For all options granted to date, the exercise prices are set at market price.

ii. After the first 12 months of lock-out period, the Group imposed a further vesting of 4 years for managers and above for retention purposes.

iii. 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 cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2009	Number of options holders / (including number of directors) at Dec 31, 2009	Exercise period
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**		

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 exercised*	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2008	Number of options holders / (including number of directors) at Dec 31, 2008	Exercise period
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 granted	Aggregate options 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**

1. Options lapsed due to replacement of 1999 options and expiry of earlier options.
2. Options not accepted due to civil service regulations.
3. 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.

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 at Jan 1, 2009	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2009	Options exercisable at Jan 1, 2009	Options exercisable at Dec 31, 2009	Exercise period
08/09/2000	S$0.50	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 at Jan 1, 2008	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2008	Options exercisable at Jan 1, 2008	Options exercisable at Dec 31, 2008	Exercise period
08/09/2000	S$0.50	198,870	(7,700)	–	191,170	198,870	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:

Performance shares participants	Conditional performance shares awarded during the year	Aggregate original conditional performance shares awarded	Aggregate additional 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.

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:

Restricted stocks participants	Conditional restricted stocks awarded during the year	Aggregate original conditional restricted stocks awarded	Aggregate additional conditional restricted stocks awarded due to modification	Aggregate conditional restricted stocks released	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted 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**

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:

Restricted stocks participants	Conditional restricted stocks awarded during the year	Aggregate original conditional restricted stocks awarded	Aggregate additional conditional restricted stocks awarded due to bonus issue	Aggregate conditional restricted stocks released	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted stocks 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)*

Restricted stocks participants	Conditional restricted stocks awarded during the year	Aggregate original conditional restricted stocks awarded	Aggregate additional conditional restricted stocks awarded due to bonus issue	Aggregate conditional restricted stocks released	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted stocks outstanding
2008						
Directors of the Company:						
Tang Kin Fei	12,000	25,500	5,400	–	–	30,900
Goh Geok Ling	22,000	44,000	8,800	–	–	52,800
Other participants	3,539,000	7,764,840	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.

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

Statement by Directors

Year Ended December 31, 2009

In our opinion:

a. the financial statements set out on pages 116 to 226 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2009, and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

b. at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Peter Seah Lim Huat
Chairman

Tang Kin Fei
Director

Singapore
February 25, 2010

Independent Auditors’ Report

Year Ended December 31, 2009

Independent Auditors’ Report
Members of the Company
Sembcorp Industries Ltd

We have audited the financial statements of Sembcorp Industries Ltd (the “Company”) and its subsidiaries (the “Group”), which comprise the balance sheets of the Group and of the Company as at December 31, 2009, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 116 to 226.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards. This responsibility includes:

a. devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

b. selecting and applying appropriate accounting policies; and

c. making accounting estimates that are reasonable in the circumstances.

Auditors’ responsibility

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

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

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

Opinion

In our opinion:

a. the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2009 and the results, changes in equity and cash flows of the Group for the year ended on that date; and

b. the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

KPMG LLP

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
February 25, 2010

Balance Sheets

As at December 31, 2009

		Group		Company	
		2009	2008	2009	2008
	Note	S$'000	S$'000	S$'000	S$'000
Equity attributable to shareholders of the Company:					
Share capital	3	**554,037**	554,037	**554,037**	554,037
Surplus / (Deficit) in other reserves	5	**203,569**	(42,381)	**(831)**	(12,111)
Accumulated profits		**2,562,352**	2,082,541	**1,026,088**	879,454
		3,319,958	2,594,197	**1,579,294**	1,421,380
Minority interests		**915,577**	670,660	**–**	–
Total equity		**4,235,535**	3,264,857	**1,579,294**	1,421,380
Non-current assets					
Property, plant and equipment	6	**2,694,076**	2,498,577	**482,675**	485,403
Investment properties	7	**26,603**	25,959	**–**	–
Investments in subsidiaries	8	**–**	–	**1,435,506**	1,486,570
Interests in associates	9	**618,829**	564,388	**–**	–
Interests in joint ventures	10	**311,721**	280,816	**–**	–
Other financial assets	11	**193,924**	146,080	**–**	–
Long-term receivables and prepayments	12	**349,554**	231,401	**821**	940
Intangible assets	16	**114,239**	114,771	**19,036**	19,036
Deferred tax assets	17	**27,525**	35,217	**–**	–
		4,336,471	3,897,209	**1,938,038**	1,991,949
Current assets					
Inventories and work-in-progress	18	**1,415,255**	949,846	**9,335**	9,353
Trade and other receivables	19	**980,483**	1,219,101	**251,840**	217,379
Assets held for sale	21	**657**	–	**–**	–
Cash and cash equivalents	22	**2,597,512**	2,400,954	**261,367**	45,541
		4,993,907	4,569,901	**522,542**	272,273
Current liabilities					
Trade and other payables	23	**2,444,545**	2,621,434	**153,129**	316,534
Excess of progress billings over work-in-progress	18	**717,409**	975,033	**–**	–
Provisions	27	**105,956**	63,753	**12,878**	12,675
Current tax payable		**380,598**	249,882	**–**	–
Interest-bearing borrowings	29	**284,372**	285,768	**83**	–
		3,932,880	4,195,870	**166,090**	329,209
Net current assets / (liabilities)		**1,061,027**	374,031	**356,452**	(56,936)
		5,397,498	4,271,240	**2,294,490**	1,935,013
Non-current liabilities					
Deferred tax liabilities	17	**315,505**	271,960	**56,848**	50,671
Provisions	27	**9,392**	10,254	**500**	500
Retirement benefit obligations	28	**12,516**	13,552	**–**	–
Interest-bearing borrowings	29	**595,417**	522,550	**339**	–
Other long-term liabilities	30	**229,133**	188,067	**657,509**	462,462
		1,161,963	1,006,383	**715,196**	513,633
		4,235,535	3,264,857	**1,579,294**	1,421,380

The accompanying notes form an integral part of these financial statements.

Consolidated Income Statement

Year Ended December 31, 2009

		Group	
		2009	2008
	Note	S$'000	S$'000
Turnover	32	**9,572,408**	9,928,413
Cost of sales		**(8,222,294)**	(8,896,422)
Gross profit		**1,350,114**	1,031,991
General and administrative expenses		**(295,063)**	(264,599)
Operating profit		**1,055,051**	767,392
Non-operating income (net)		**94,877**	12,864
Finance costs	33	**(41,186)**	(44,407)
Share of results (net of tax) of:			
– Associates		**43,629**	80,872
– Joint ventures		**65,913**	45,224
Profit before income tax		**1,218,284**	861,945
Income tax expense	34	**(202,981)**	(130,951)
Profit for the year	35	**1,015,303**	730,994
Attributable to:			
Shareholders of the Company		**682,664**	507,061
Minority interests		**332,639**	223,933
Profit for the year		**1,015,303**	730,994
Earnings per share (cents):	36		
Basic		**38.37**	28.50
Diluted		**38.10**	28.27

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

Year Ended December 31, 2009

		Group	
		2009	2008
	Note	S$'000	S$'000
Profit for the year		**1,015,303**	730,994
Foreign currency translation differences for foreign operations		**(10,562)**	(84,439)
Exchange differences on hedges of net investment in foreign operation		**(1,744)**	–
Exchange differences on monetary items forming part of net investment in foreign operation		**(2,145)**	–
Net change in fair value of cash flow hedges		**127,624**	(161,519)
Net change in fair value of cash flow hedges transferred to profit or loss		**21,396**	(16,270)
Net change in fair value of cash flow hedges transferred to initial carrying value of hedged items		**(22)**	–
Net change in fair value of available-for-sale financial assets		**20,534**	(452,965)
Net change in fair value of available-for-sale financial assets transferred to profit or loss		**13,210**	(725)
Share of other comprehensive income / (loss) of associates and joint ventures		**68,699**	(76,585)
Other comprehensive income / (loss) for the year (net of tax)	31	**236,990**	(792,503)
Total comprehensive income / (loss) for the year		**1,252,293**	(61,509)
Attributable to:			
Shareholders of the Company		**894,315**	(94,197)
Minority interests		**357,978**	32,688
Total comprehensive income / (loss) for the year		**1,252,293**	(61,509)

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year Ended December 31, 2009

	Attributable to shareholders of the Company							
Group	Share capital S$'000	Reserve for own shares S$'000	Other reserves S$'000	Currency translation reserve S$'000	Accumulated profits S$'000	Total S$'000	Minority interests S$'000	Total equity S$'000
At January 1, 2009	554,037	(34,731)	114,000	(121,650)	2,082,541	2,594,197	670,660	3,264,857
Total comprehensive income for the year								
Profit for the year	–	–	–	–	682,664	682,664	332,639	1,015,303
Other comprehensive income								
Foreign currency translation differences for foreign operations	–	–	–	5,569	–	5,569	(16,131)	(10,562)
Exchange differences on hedges of net investment in foreign operation	–	–	–	(1,744)	–	(1,744)	–	(1,744)
Exchange differences on monetary items forming part of net investment in foreign operation	–	–	–	(2,145)	–	(2,145)	–	(2,145)
Net change in fair value of cash flow hedges	–	–	102,300	–	–	102,300	25,324	127,624
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	18,323	–	–	18,323	3,073	21,396
Net change in fair value of cash flow hedges transferred to initial carrying value of hedged items	–	–	(22)	–	–	(22)	–	(22)
Net change in fair value of available-for-sale financial assets	–	–	12,042	–	–	12,042	8,492	20,534
Net change in fair value of available-for-sale financial assets transferred to profit or loss	–	–	8,657	–	–	8,657	4,553	13,210
Transfer of revenue reserve to capital reserve	–	–	6,891	–	(6,919)	(28)	28	–
Share of other comprehensive income / (loss) of associates and joint ventures	–	–	68,917	–	(218)	68,699	–	68,699
Total other comprehensive income / (loss) for the year	–	–	217,108	1,680	(7,137)	211,651	25,339	236,990
Total comprehensive income for the year	–	–	217,108	1,680	675,527	894,315	357,978	1,252,293

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year Ended December 31, 2009

	Attributable to shareholders of the Company							
Group	Share capital S$'000	Reserve for own shares S$'000	Other reserves S$'000	Currency translation reserve S$'000	Accumulated profits S$'000	Total S$'000	Minority interests S$'000	Total equity S$'000
Transactions with owners, recorded directly in equity								
Issue of shares to minority shareholders of subsidiaries	–	–	–	–	–	–	1,097	1,097
Share-based payments	–	–	17,573	–	–	17,573	5,928	23,501
Issue of treasury shares under Share Option Plan	–	8,843	–	–	–	8,843	–	8,843
Issue of treasury shares under Performance Share Plan	–	1,753	–	–	–	1,753	–	1,753
Issue of treasury shares under Restricted Stock Plan	–	2,899	–	–	–	2,899	–	2,899
Treasury shares transferred to employees	–	–	(9,667)	–	–	(9,667)	198	(9,469)
Treasury shares held by subsidiary	–	–	6,407	–	–	6,407	4,045	10,452
Realisation of reserve upon disposal of investments and changes in group structure	–	–	(506)	(140)	–	(646)	(14,056)	(14,702)
Final one-tier tax exempt dividend paid of 11.0 cents per share in respect of year 2008	–	–	–	–	(195,716)	(195,716)	–	(195,716)
Dividend paid to minority shareholders of subsidiaries	–	–	–	–	–	–	(110,273)	(110,273)
Total transactions with owners	–	13,495	13,807	(140)	(195,716)	(168,554)	(113,061)	(281,615)
At December 31, 2009	554,037	(21,236)	344,915	(120,110)	2,562,352	3,319,958	915,577	4,235,535

An analysis of the movements in each category within "Other reserves" is presented in Note 5(c).

The accompanying notes form an integral part of these financial statements.

	Attributable to shareholders of the Company							
Group	Share capital S$'000	Reserve for own shares S$'000	Other reserves S$'000	Currency translation reserve S$'000	Accumulated profits S$'000	Total S$'000	Minority interests S$'000	Total equity S$'000
At January 1, 2008	551,274	–	676,831	(37,383)	1,842,096	3,032,818	797,211	3,830,029
Total comprehensive income for the year								
Profit for the year	–	–	–	–	507,061	507,061	223,933	730,994
Other comprehensive income								
Foreign currency translation differences for foreign operations	–	–	–	(90,442)	–	(90,442)	6,003	(84,439)
Net change in fair value of cash flow hedges	–	–	(136,496)	–	–	(136,496)	(25,023)	(161,519)
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	(13,231)	–	–	(13,231)	(3,039)	(16,270)
Net change in fair value of available-for-sale financial assets	–	–	(278,803)	–	–	(278,803)	(174,162)	(452,965)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	–	–	(725)	–	–	(725)	–	(725)
Share of other comprehensive (loss) / income of associates and joint ventures	–	–	(89,022)	7,461	–	(81,561)	4,976	(76,585)
Total other comprehensive loss for the year	–	–	(518,277)	(82,981)	–	(601,258)	(191,245)	(792,503)
Total comprehensive (loss) / income for the year	–	–	(518,277)	(82,981)	507,061	(94,197)	32,688	(61,509)

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year Ended December 31, 2009

Group	Share capital S$'000	Reserve for own shares S$'000	Other reserves S$'000	Currency translation reserve S$'000	Accumulated profits S$'000	Total S$'000	Minority interests S$'000	Total equity S$'000
	Attributable to shareholders of the Company							
Transactions with owners recorded directly in equity								
Issue of shares under Share Option Plan	2,763	–	–	–	–	2,763	–	2,763
Issue of shares to minority shareholders of subsidiaries	–	–	–	–	–	–	10,778	10,778
Share-based payments	–	–	18,134	–	–	18,134	5,003	23,137
Purchase of treasury shares	–	(50,825)	–	–	–	(50,825)	–	(50,825)
Issue of treasury shares under Share Option Plan	–	9,285	–	–	–	9,285	–	9,285
Issue of treasury shares under Performance Share Plan	–	4,958	–	–	–	4,958	–	4,958
Issue of treasury shares under Restricted Stock Plan	–	1,851	–	–	–	1,851	–	1,851
Treasury shares transferred to employees	–	–	(12,087)	–	–	(12,087)	(10,874)	(22,961)
Treasury shares held by subsidiary	–	–	(50,982)	–	–	(50,982)	(21,476)	(72,458)
Realisation of reserve upon disposal of investments and changes in group structure	–	–	381	(1,286)	274	(631)	(12,702)	(13,333)
Final one-tier tax exempt dividend paid of 15.0 cents per share in respect of year 2007	–	–	–	–	(266,890)	(266,890)	–	(266,890)
Dividend paid to minority shareholders of subsidiaries	–	–	–	–	–	–	(129,968)	(129,968)
Total transaction with owners	2,763	(34,731)	(44,554)	(1,286)	(266,616)	(344,424)	(159,239)	(503,663)
At December 31, 2008	554,037	(34,731)	114,000	(121,650)	2,082,541	2,594,197	670,660	3,264,857

An analysis of the movements in each category within "Other reserves" is presented in Note 5(c).

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year Ended December 31, 2009

	Group 2009 S$'000	Group 2008 S$'000
Cash Flows from Operating Activities		
Profit for the year	**1,015,303**	730,994
Adjustments for:		
Dividend and interest income	**(42,353)**	(45,543)
Finance costs	**41,186**	44,407
Depreciation and amortisation	**199,703**	195,069
Share of results of associates and joint ventures	**(109,542)**	(126,096)
Gain on disposal of property, plant and equipment and investment properties	**(1,794)**	(18,393)
(Gain) / loss on disposal of other financial assets (net)	**(3,853)**	38,697
Allowance made for doubtful debts and bad debts written off (net)	**450**	1,528
Allowance made for stock obsolescence and inventories written off	**430**	2,465
Change in fair value of financial instruments	**(2,475)**	37,935
Share-based expenses	**27,996**	31,253
Allowance made for impairment in value of assets and assets written off (net)	**33,239**	10,883
Negative goodwill	**(298)**	–
Income tax expense (Note 34)	**202,981**	130,951
Operating profit before working capital changes	**1,360,973**	1,034,150
Changes in working capital:		
Inventories and work-in-progress	**(723,148)**	1,114,381
Receivables	**163,778**	6,803
Payables	**163,052**	195,370
	964,655	2,350,704
Net payment to banks for Unauthorised Transactions (Note 35(d))	**–**	(43,749)
Income taxes paid	**(31,882)**	(45,546)
Net cash inflow from operating activities	**932,773**	2,261,409

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year Ended December 31, 2009

	Group 2009 S$'000	Group 2008 S$'000
Cash Flows from Investing Activities		
Dividends and interests received	**98,871**	120,720
Cash flows on sale of subsidiaries, net of cash disposed of	**14**	2,124
Proceeds from sale of associates and joint ventures	**3,628**	1,818
Proceeds from sale of investments	**12,722**	8,892
Proceeds from sale of property, plant and equipment	**10,179**	93,279
Proceeds from sale of investment properties	**–**	317
Proceeds from sale of asset held for sale	**–**	26,682
Loans to associates	**(67,259)**	–
Additional interest in associates	**(111,885)**	–
Acquisition of minority interest	**(13,428)**	–
Acquisition of associates and joint ventures	**–**	(1,495)
Acquisition of other financial assets	**(32)**	–
Purchase of property, plant and equipment	**(407,423)**	(361,705)
Payment for intangible assets	**(18)**	(6,438)
Net cash outflow from investing activities	**(474,631)**	(115,806)
Cash Flows from Financing Activities		
Proceeds from share issue	**–**	2,763
Proceeds from share issue to minority shareholders of subsidiaries	**1,097**	10,778
Proceeds from ESOS exercised with issue of treasury shares	**3,434**	3,948
Proceeds from ESOS exercised with issue of treasury shares to minority shareholders of subsidiaries	**10,452**	10,915
Purchase of treasury shares	**–**	(50,825)
Purchase of treasury shares by subsidiary	**–**	(93,745)
Proceeds from borrowings	**827,820**	620,126
Repayment of borrowings	**(764,328)**	(1,059,198)
Net (decrease) / increase in other long-term liabilities	**(862)**	220
Dividends paid to shareholders of the Company	**(195,716)**	(266,890)
Dividends paid to minority shareholders of subsidiaries	**(110,273)**	(129,968)
Interest paid	**(38,334)**	(45,335)
Net cash outflow from financing activities	**(266,710)**	(997,211)
Net increase in cash and cash equivalents	**191,432**	1,148,392
Cash and cash equivalents at beginning of the year	**2,400,954**	1,296,003
Effect of exchange rate changes on balances held in foreign currency	**5,126**	(43,441)
Cash and cash equivalents at end of the year (Note 22)	**2,597,512**	2,400,954

The accompanying notes form an integral part of these financial statements.

Attributable net assets of subsidiaries divested during the year are as follows:

	Group 2009 S$'000	Group 2008 S$'000
Disposals		
Non-current assets	**246**	22,067
Net current assets / (liabilities)	**38**	(9,650)
Non-current liabilities	**–**	(2,044)
Minority interests	**(188)**	(8,257)
	96	2,116
Loss on disposal	**(14)**	(597)
Realisation of currency translation reserve	**–**	824
Total consideration received	**82**	2,343
Net cash at bank of subsidiaries disposed of	**(68)**	(219)
Cash inflow on divestment	**14**	2,124

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

Year Ended December 31, 2009

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on February 25, 2010.

1. Domicile and Activities

Sembcorp Industries Ltd (the "Company") is a company incorporated in the Republic of Singapore and has its registered office at 30 Hill Street #05-04, Singapore 179360.

The principal activities of the Company include:

a. investment holding, as well as the corporate headquarter, which gives strategic direction and provides management services to its subsidiaries; and

b. production and supply of utilities services, terminalling and storage of petroleum products and chemicals.

The principal activities of key subsidiaries are as follows:

i. Utilities
This business focuses on the provision of energy, water and on-site logistics and services to customers including companies in energy intensive industry clusters. It operates in Singapore, the United Kingdom, China, Vietnam, the United Arab Emirates and Oman.

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

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

iv. Industrial Parks
The business focuses principally on developing, marketing and managing integrated industrial parks and townships in Asia.

The consolidated financial statements relate to the Company and its subsidiaries (referred to as the "Group") and the Group's interests in associates and joint ventures.

2. Summary of Significant Accounting Policies

a. Basis of Preparation

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

The financial statements are presented in Singapore dollars and rounded to the nearest thousand ("S$'000"), unless otherwise indicated. They are prepared on the historical cost basis except where otherwise described in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2. Summary of Significant Accounting Policies *(cont'd)*

a. Basis of Preparation *(cont'd)*

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are discussed in Note 44.

With effect from January 1, 2009, the Group adopted the following new or amended FRS and Interpretations to FRS ("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	

i. Presentation of financial statements

The Group applies revised FRS 1 Presentation of Financial Statements (2008), which became effective as of January 1, 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

ii. Financial instruments: Disclosures

The Group applies the amendments to FRS 107 Financial Instruments: Disclosures, which became effective as of January 1, 2009. As a result, the Group discloses:

a. how the fair value of its financial instruments are measured using the "three-level hierarchy" and provides additional disclosures about the relative reliability of the fair value measurements; and

b. the maximum amount of issued financial guarantees in the earliest time period for which the guarantees could be called upon in the contractual maturity analysis. Previously, the Group disclosed the maximum amount of issued financial guarantees in the contractual maturity analysis only if the Group assessed that it is probable that the guarantee would be called upon.

FRS 107 does not require comparative information to be restated and therefore, the contractual maturity analysis for the comparative period has not been represented. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

iii. Determination and presentation of operating segments

As of January 1, 2009, the Group determines and presents operating segments based on the information that is provided to the Group President & Chief Executive Officer ("CEO"), who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 108 Operating Segments. Previously operating segments were determined and presented in accordance with FRS 14 Segment Reporting. The new accounting policy in respect of operating segment disclosures is presented as set out in Note 2(x).

The adoption of the above FRS and INT FRS did not result in substantial changes to the Group's accounting policies. The accounting policies set out below have been applied consistently by the Group. The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

2. Summary of Significant Accounting Policies *(cont'd)*

b. Consolidation

i. Business Combinations

Business combinations are accounted for using the purchase method with effect from January 1, 2004 upon the adoption of FRS 103. Prior to January 1, 2004, business combinations were accounted for either by the purchase method, or if they were between entities under common control, by the historical cost method similar to the pooling-of-interest method.

Under the purchase method, the cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the income statement in the period of the acquisition.

ii. Subsidiaries

Subsidiaries are those entities that are controlled by the Group.

Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

iii. Acquisitions from Entities under Common Control

Business combinations that involve entities under common control are excluded from the scope of FRS 103. Such combinations are accounted at historical cost in a manner similar to the pooling-of-interest method, in the preparation of the consolidated financial statements. Under this method of accounting, the difference between the value of the share capital issued and the value of shares received is taken to the merger reserve.

iv. Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has significant influence over another entity.

Associates are accounted for using the equity method of accounting from the day that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate (including any other unsecured receivables, that in substance, form part of the Group's net investment in the associate), recognition of further losses is discontinued unless the Group has incurred obligations or made payments on its behalf to satisfy obligations of the associate that the Group has guaranteed or otherwise committed on behalf of.

2. Summary of Significant Accounting Policies *(cont'd)*

b. Consolidation *(cont'd)*

iv. Associates (cont'd)

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the income statement in the period of the acquisition. Where the audited financial statements are not available, the share of results is arrived at from unaudited management financial statements made up mainly to the end of the accounting year to December 31.

The results of the associates are included in the Company's income statement to the extent of dividends received and receivable, provided the Company's right to receive the dividend is established before the balance sheet date.

v. Joint Ventures

Joint ventures are those entities whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has joint control over the entity.

For incorporated joint ventures, the Group accounts for the joint ventures using the equity method of accounting from the date joint control commences until the day that the joint control ceases.

For unincorporated joint ventures, the proportionate share in the unincorporated joint ventures' individual income, expenses, assets and liabilities are included in financial statements of the Group with items of a similar nature on a line-by-line basis.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the income statement in the period of the acquisition. Where the audited financial statements are not available, the share of results is arrived at from unaudited management financial statements made up mainly to the end of the accounting year to December 31.

The results of the joint ventures are included in the Company's income statement to the extent of dividends received and receivable, provided the Company's right to receive the dividend is established before the balance sheet date.

vi. Transactions Eliminated on Consolidation

All significant intra-group balances, transactions, and unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

vii. Accounting for Subsidiaries, Associates and Joint Ventures

Investments in subsidiaries, associates and joint ventures are stated in the Company's balance sheet at cost less accumulated impairment losses.

2. Summary of Significant Accounting Policies *(cont'd)*

c. Foreign Currencies

i. Functional and Presentation Currency

Items included in the financial statements of each company in the Group are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The consolidated financial statements are presented in Singapore dollars, which is the Company's functional and presentation currency.

ii. Foreign Currency Transactions and Balances

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at foreign exchange rates at the dates of the transactions. At each balance sheet date:

- Foreign currency monetary items are translated into the functional currency using foreign exchange rates ruling at that date.
- Non-monetary assets and liabilities measured at historical cost in foreign currencies are translated into the functional currency using foreign exchange rates at the dates of the transactions.
- Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Foreign exchange differences arising from the settlement or from translation of monetary items are recognised in the income statement.

Foreign exchange differences arising from non-monetary items are recognised directly in other comprehensive income when non-monetary items' gains or losses are recognised directly in other comprehensive income. Conversely, when non-monetary items' gains or losses are recognised directly in the income statement, foreign exchange differences arising from these items are recognised directly in the income statement.

iii. Foreign Operations

The results and financial positions of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at foreign exchange rates ruling at the date of the balance sheet.
- Revenues and expenses are translated at average foreign exchange rates.
- All resulting foreign exchange differences are taken to the currency translation reserve in the other comprehensive income.

Goodwill (except those relating to acquisitions of foreign operations prior to January 1, 2004) and fair value adjustments arising from the acquisition of foreign operations are translated to the presentation currency for consolidation at the rates of exchange ruling at the balance sheet date. Goodwill arising from the acquisition of foreign operations prior to January 1, 2004 are translated at foreign exchange rates ruling at the dates of the transactions.

On disposal, accumulated currency translation differences are recognised in the consolidated income statement as part of the gain or loss on disposal.

2. Summary of Significant Accounting Policies *(cont'd)*

c. Foreign Currencies *(cont'd)*

iv. Net Investment in a Foreign Operation

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's income statement. Such exchange differences are reclassified to the foreign currency translation reserve in the consolidated statement of comprehensive income and are released to the consolidated income statement upon disposal of the investment as part of the gain or loss on disposal.

d. Property, Plant and Equipment

i. Owned Assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

ii. Revaluation Surplus

Any increase in revaluation is credited to the revaluation reserve unless it offsets a previous decrease in value recognised in the income statement. A decrease in value is recognised in the income statement where it exceeds the increase previously recognised in the revaluation surplus of the same asset.

iii. Subsequent Expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Certain items of property, plant and equipment are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the costs of the next overhaul and are separately depreciated in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to the income statement.

iv. Disposals

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

2. Summary of Significant Accounting Policies *(cont'd)*

d. Property, Plant and Equipment *(cont'd)*

v. Finance Lease Assets

Finance leases are those leasing agreements that give rights approximating to ownership. Property, plant and equipment acquired by way of such leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to the income statement.

Capitalised leased assets are depreciated over the shorter of the economic useful life of the asset and the lease term.

vi. Provision for Restoration Costs

A provision is recognised for the costs expected to be incurred to dismantle, remove and restore the asset upon expiry of the lease agreement. The estimated costs form part of the cost of the property, plant and equipment and are depreciated over the useful life of the asset.

vii. Depreciation

Depreciation is calculated using the straight-line method to allocate the cost less its residual value so as to write off items of property, plant and equipment over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of an item is depreciated separately. The estimated useful lives are as follows:

Leasehold land and wet berthage	20 to 60 years or remaining period of lease
Land improvements	20 to 60 years or remaining period of lease
Buildings	10 to 50 years or remaining period of lease
Improvements to premises	3 to 30 years
Quays and dry docks	60 years or remaining period of lease
Floating docks	20 years
Plant and machinery	3 to 30 years
Marine vessels	3 to 20 years
Furniture, fittings and office equipment	1 to 10 years
Tools and workshop equipment	3 to 10 years
Motor vehicles	2 to 10 years

The assets' depreciation method, useful lives and residual values are reviewed, if not insignificant, annually, and adjusted as appropriate.

No depreciation is provided on freehold land and capital work-in-progress.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

2. Summary of Significant Accounting Policies *(cont'd)*

e. Investment Properties

Investment properties comprise significant portions of office buildings and freehold land that are held for long-term rental yields or for capital appreciation, or both.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives ranging from 20 to 50 years. The assets' depreciation methods, useful lives and residual values are reviewed, if not insignificant, annually, and adjusted if appropriate. No depreciation is provided on the freehold land.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as additions and the carrying amounts of the replaced components are written off to the income statement. The cost of maintenance, repairs and minor improvements is charged to the income statement when incurred.

On disposal of an investment property, the difference between the estimated net disposal proceeds and the carrying amount of the asset is recognised in the income statement.

f. Intangible Assets

i. Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is stated at cost less accumulated impairment losses. Negative goodwill is recognised immediately in the income statement. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures, respectively.

Goodwill arising from the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Goodwill is tested for impairment on an annual basis in accordance with Note 2(m).

ii. Goodwill / Negative Goodwill Previously Written Off Against Reserves

Goodwill that has previously been taken to reserves is not taken to the income statement when (i) the business is disposed of or discontinued or (ii) the goodwill is impaired. Similarly, negative goodwill that has previously been taken to reserves is not taken to the income statement when the business is disposed of or discontinued.

iii. Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of 10 years.

2. Summary of Significant Accounting Policies *(cont'd)*

f. Intangible Assets *(cont'd)*

iv. Other Intangible Assets

Other intangible assets with a finite life are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill is recognised in the income statement as an expense as incurred. Other intangible assets are amortised on a straight-line basis from the date the asset is available for use and over its estimated useful lives ranging from 3 to 30 years.

Intangible assets of indefinite life or not yet available for use are stated at cost less accumulated impairment losses. Such intangible assets are tested for impairment annually in accordance with Note 2(m).

v. Subsequent Expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

g. Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; held to maturity investments; loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. The designation of financial assets at fair value through profit or loss is irrevocable.

i. Financial Assets at Fair Value Through Profit or Loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit and loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit and loss.

ii. Held to Maturity Investments

Where the Group has the positive intent and ability to hold investments to maturity, they are stated at amortised cost using the effective interest method less impairment losses. During the year, the Group did not hold any investments in this category.

iii. Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date for which they are classified as non-current assets. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Receivables with a short duration are not discounted. Loans and receivables are included in trade and other receivables in the balance sheet (Note 2(k)).

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand. Bank overdrafts are shown within interest-bearing borrowings in current liabilities on the balance sheet.

2. Summary of Significant Accounting Policies *(cont'd)*

g. Financial Assets *(cont'd)*

iv. Available-for-Sale Financial Assets

Other financial assets held by the Group that are either designated in this category or not classified in any other category, are classified as being available-for-sale. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. They are stated at fair value, with any resultant gain or loss being recognised directly in other comprehensive income. The exceptions are impairment losses and foreign exchange gains and losses on monetary items such as debt securities, which are recognised in the income statement. When these investments are derecognised, the cumulative gain or loss previously recognised directly in other comprehensive income, or part thereof, is recognised in the income statement. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the income statement.

Financial assets classified as held-for-trading or available-for-sale are recognised by the Group on the date it receives the financial asset, and derecognised on the date it delivers the financial asset. Other financial assets are recognised on the date that they are originated and derecognised when the rights to receive cash flows from the investments have expired or all risks and rewards of ownership have been substantially transferred.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss, which are recognised at fair value.

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income is recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement is the excess of acquisition cost less any impairment loss on that financial asset previously recognised in the income statement, over its current fair value.

The recoverable amount of the Group's investments in held-to-maturity securities is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets).

Reversals of Impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss once recognised in the income statement in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the income statement. Any subsequent increase in fair value of such assets is recognised directly in other comprehensive income. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss shall be reversed, with the amount of the reversal recognised in the income statement.

2. Summary of Significant Accounting Policies *(cont'd)*

h. Derivatives

Derivative financial instruments are used to manage exposures to foreign exchange, interest rate and commodity price risks arising from operational, financing and investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged as described in Note 2(i).

i. Hedging Activities

i. Fair Value Hedges

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss recognised in the income statement.

ii. Cash Flow Hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. The ineffective part of any gain or loss is recognised immediately in the income statement. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains and losses that were recognised directly in other comprehensive income are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, then hedge accounting is discontinued prospectively. The cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

iii. Hedge of Monetary Assets and Liabilities

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

iv. Hedge of Net Investment in a Foreign Operation

The gain or loss on a financial instrument used to hedge a net investment in a foreign operation is recognised in the Company's income statement. On consolidation, only the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is reclassified to other comprehensive income. This amount is recognised in the consolidated income statement on disposal of the foreign operation.

v. Separable Embedded Derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in the income statement.

2. Summary of Significant Accounting Policies *(cont'd)*

j. Inventories

i. Finished Goods and Components

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Costs of inventories also include the transfer from other comprehensive income, if any, of gains / losses on qualifying cash flow hedges relating to purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

ii. Long-term Contracts

The accounting policy for recognition of contract revenue is set out in Note 2(u)(ii).

Long-term contracts-in-progress at the balance sheet date are recorded in the balance sheet at cost plus attributable profit less recognised losses, net of progress claims and allowance for foreseeable losses, and are presented in the balance sheet as "Work-in-progress" (as an asset) or "Excess of progress claims over work-in-progress" (as a liability), as applicable. Long-term contract costs include the cost of direct materials, direct labour and costs incurred in connection with the project. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Progress claims not yet paid by the customer are included in the balance sheet under "Trade receivables". Amounts received before progress claims are included in the balance sheet, as a liability, as "Advance payments from customers".

iii. Properties Held for Sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost includes the cost of real estate purchased, construction cost, finance cost and other direct expenditure and related overheads incurred during construction. Net realisable value represents the estimated selling price less the anticipated cost of disposal.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and if carrying values exceed these recoverable amounts, the assets are written down.

k. Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognised in the income statement.

2. Summary of Significant Accounting Policies *(cont'd)*

l. Government Grants

i. Deferred Asset Grants

Asset related grants are credited to a deferred asset grants account and are released to the income statement on the straight-line basis over the estimated useful lives of the relevant assets.

Non-monetary government grants and assets received are valued at fair value or nominal amounts.

Income-related grants are credited to the income statement in the period to which they relate.

ii. Jobs Credit Schemes

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised upon receipt. Such grants are provided to defray the wage costs incurred by the Group and are offset against staff costs in the financial statements.

m. Impairment – Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and as and when indicators of impairment occur.

i. Calculation of Recoverable Amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

ii. Reversals of Impairment

An impairment loss in respect of goodwill is not reversed, even if it relates to an impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or balance sheet date. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. Summary of Significant Accounting Policies *(cont'd)*

n. Liabilities and Interest-Bearing Liabilities

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

o. Deferred Income

When the Group receives advance payments from customers in respect of connection and capacity charges for the supply and delivery of gas and utilities, the Group recognises the deferred income to the income statement on a straight-line basis over the period stipulated in the respective customer contract commencing from the date of supply and delivery of gas and utilities.

When the Group receives a deferred income and a financial asset as consideration for providing construction services in a service concession arrangement, the Group recognises the deferred income as the difference between the fair value of the construction services provided and the fair value of the financial asset received. The fair value of the construction services provided is estimated as the value of construction services at an arm's length transaction between willing parties. The fair value of the financial asset received is estimated as the present value of the minimum guaranteed sum receivable from the grantor of the service concession which is discounted at the imputed rate of interest i.e. the prevailing rate of interest for a similar instrument of the grantor. Subsequent to initial recognition, the deferred income is measured at cost less accumulated amortisation.

p. Employee Benefits

i. Defined Contribution Plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

ii. Defined Benefit Plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each defined benefit plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on high quality bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary on a regular basis using a relevant actuarial method. In the intervening years the calculation is updated based on information received from the actuary.

When the benefits of a plan change, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Actuarial gains and losses arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and what has actually occurred. They are recognised in the income statement, over the expected average remaining working lives of the employees participating in the plan, only to the extent that their cumulative amount exceeds 10% of the greater of the present value of the obligation and of the fair value of plan assets. Unrecognised actuarial gains and losses are reflected in the balance sheet.

2. Summary of Significant Accounting Policies *(cont'd)*

p. Employee Benefits *(cont'd)*

ii. Defined Benefit Plans (cont'd)

For defined benefit plans, the actuarial cost charged to the income statement consists of current service cost, interest cost, expected return on plan assets and past service cost as well as actuarial gains or losses to the extent that they are recognised. The past service cost for the enhancement of pension benefits is accounted for when such benefit vests or becomes a constructive obligation.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

iii. Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related employment service is provided.

The amount expected to be paid is accrued when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

iv. Staff Retirement Benefits

Retirement benefits payable to certain categories of employees upon their retirement are provided for in the financial statements based on their entitlement under the staff retirement benefit plan or, in respect of unionised employees of a subsidiary who joined on or before December 31, 1988, based on an agreement with the union.

The Group's net obligation in respect of retirement benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected future salary increase and is discounted to its present value and the fair value of any related assets is deducted.

v. Equity and Equity-Related Compensation Benefits

Share Option Plan

The share option programme allows the Group's employees to acquire shares of the Group companies. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to reserve for own shares when the options are exercised and treasury shares are issued, or credited to share capital when new shares are issued.

2. Summary of Significant Accounting Policies *(cont'd)*

p. Employee Benefits *(cont'd)*

v. Equity and Equity-Related Compensation Benefits (cont'd)

Performance Share Plan

The fair value of equity-related compensation is measured using the Monte Carlo simulation method as at the date of the grant. The method involves projecting future outcomes using statistical distributions of key random variables including share prices and volatility of returns.

In estimating the fair value of the compensation cost, market-based performance conditions are taken into account. Therefore, for performance share grants with market-based performance conditions, the compensation cost is charged to the income statement with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates, irrespective of whether this performance condition is satisfied.

Restricted Stock Plan

Similar to the Performance Share Plan, the fair value of equity-related compensation is measured using the Monte Carlo simulation method as at the date of the grant. The method involves projecting future outcomes using statistical distributions of key random variables including the share price and the volatility of returns. This model takes into the account the probability of achieving the performance conditions in the future.

The fair value of the compensation cost is measured at grant date and spread over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. The compensation cost is charged to the income statement with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue irrespective of whether this performance condition is satisfied.

At the balance sheet date, the Company revises its estimates of the number of performance-based restricted stocks that the employees are expected to receive based on the achievement of non-market performance conditions and the number of shares ultimately given. It recognises the impact of the revision of the original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

In the Company's separate financial statements, the fair value of options, performance shares and restricted stocks granted to employees of its subsidiaries is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase in equity over the vesting period.

vi. Cash-Related Compensation Benefits

Sembcorp Challenge Bonus

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the share price of the Company. The Group recognises a provision when contractually obliged to pay or where there is a past practice that has created a constructive obligation to pay.

The compensation cost is measured at the fair value of the liability at each balance sheet date and spread over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the bonus. The liability takes into account the probability of achieving the performance conditions in the future.

Until the liability is settled, the Group will re-measure the fair value of the liability at each balance sheet date and at the date of settlement, with any changes in fair value recognised in the income statement for the period.

2. Summary of Significant Accounting Policies *(cont'd)*

q. Provisions

A provision is recognised in the balance sheet when there is a legal or constructive obligation as a result of a past event, the obligation can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

r. Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity, or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and joint ventures to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

s. Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new ordinary shares and share options are deducted against the share capital account, net of any tax effects.

Where the Company's ordinary shares are repurchased (treasury shares), the consideration paid, excluding any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders and presented as "reserve for own shares" within equity, until they are cancelled, sold or reissued.

When treasury shares are cancelled, the cost of treasury shares is deducted against the share capital account, if the shares are purchased out of capital of the Company, or against the accumulated profits of the Company, if the shares are purchased out of profits of the Company.

2. Summary of Significant Accounting Policies *(cont'd)*

s. Share Capital *(cont'd)*

When treasury shares are subsequently sold or reissued pursuant to the Share-based Incentive Plans, the cost of the treasury shares is reversed from the reserve for own shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised as a change in equity of the Company. No gain or loss is recognised in the income statement.

Preference shares are classified as equity if it is non-redeemable. Preference shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders.

t. Dividend

Dividends on redeemable convertible preference share capital are recognised as a liability on an accrual basis. Other dividends are recognised as a liability in the period in which they are declared.

Dividends on redeemable convertible preference share capital classified as a liability are accounted for as finance costs. Dividends on ordinary shares and redeemable convertible preference share capital classified as equity are accounted for as movements in revenue reserve.

u. Revenue Recognition

i. Income on Goods Sold and Services Rendered

Revenue on goods sold is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from the provision of consultancy services is recognised using the percentage of completion method. The percentage of completion is measured by reference to the percentage of cost incurred to-date to the estimated total costs for each project. Revenue on other service work is recognised when the work is completed. Revenue excludes goods and services or other sales taxes and is after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

ii. Contract Revenue

Revenue from repair work, engineering, overhaul, service work and marine and civil construction contracts is recognised based on percentage of completion. The percentage of completion is assessed by reference to surveys of work performed, or by reference to the ratio of costs incurred to-date to the estimated total costs for each contract, with due consideration given to the inclusion of only those costs that reflect work performed.

When the outcome of a long-term contract can be estimated reliably, contract revenue and costs are recognised as income and expense respectively using the percentage of completion method. When the outcome of a long-term contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that can probably be recovered and contract costs are recognised as an expense in the period in which they are incurred.

iii. Sale of Electricity and Gases

Revenue from the sale of electricity, utilities and gases is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when electricity, utilities and gases are delivered based on contractual terms stipulated in respective agreements with customers.

2. Summary of Significant Accounting Policies *(cont'd)*

u. Revenue Recognition *(cont'd)*

iv. Service Concession Arrangement

Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contracts. Operation or service revenue is recognised in the period in which the services are provided by the Group. When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered.

v. Dividend and Interest Income

Dividend income is recognised in the income statement when the right to receive payment is established.

Interest income is recognised as it accrues, using the effective interest method.

vi. Rental Income

Rental income receivable under operating leases is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of total rental income, over the term of the lease.

v. Leases

i. Operating Lease

When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made.

When entities within the Group are lessors of an operating lease

Assets subject to operating leases are included in investment properties and are stated at cost less accumulated depreciation and impairment losses. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

ii. Finance Lease

When entities within the Group are lessors of a finance lease

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

w. Finance Costs

Interest expense and similar charges are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale. The interest component of finance lease payments is recognised in the income statement using the effective interest rate method.

2. Summary of Significant Accounting Policies *(cont'd)*

x. Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group President & CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

y. Assets (or Disposal Groups) Held For Sale

Non-current assets (or disposal groups) are classified as assets held for sale and measured at the lower of carrying amount and fair value less costs to sell if they are expected to be recovered principally through a sale transaction rather than through continuing use.

Any impairment losses on initial classification and subsequent measurement are recognised in the income statement. Subsequent increases in fair value less costs to sell are recognised in the income statement (not exceeding the accumulated impairment loss that has been previously recognised).

z. Financial Guarantee Contracts

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Company will be required to make a payment under the guarantee. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

3. Share Capital

	Group and Company	
	No. of ordinary shares	
	2009	2008
Issued and fully paid:		
At the beginning of the year	**1,785,351,540**	1,783,782,546
Exercise of share options	**–**	1,568,994
At the end of the year	**1,785,351,540**	1,785,351,540

a. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

b. As at December 31, 2009, there were 7,717,411 (2008: 10,533,580) unissued ordinary shares granted under the Company's Share Option Plan.

c. Movements of the share capital account during the year are set out in the Consolidated Statement of Changes in Equity.

4. 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 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.

4. Share-based Incentive Plans *(cont'd)*

Other information regarding Share Plans is as follows:

a. Share Option Plan

Under the rules of the Share Option Plan, participants who ceased to be employed by the Group or the associated company by reason of ill health, injury or disability, redundancy, retirement at or after the legal retirement age, retirement before the legal retirement age, death, etc., or any other event approved by the Committee, may be allowed by the Committee to retain their unexercised options. The Committee may determine the number of shares comprised in that option which may be exercised and the period during which such option shall be exercisable, being a period not later than the expiry of the exercise period in respect of that option. Such option may be exercised at any time notwithstanding that the date of exercise of such option falls on a date prior to the first day of the exercise period in respect of such option.

Other information regarding the Share Option Plan is as follows:

i. The exercise price of the options can be set at market price or a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. Market price is the volume-weighted average price for the shares on the Singapore Exchange Limited ("Singapore Exchange") over the three consecutive trading days prior to grant date of that option. For all options granted to date, the exercise prices are set at market price.

ii. After the first 12 months of lock-out period, the Group imposed a further vesting of 4 years for managers and above for retention purposes.

iii. In 2009, all options were settled by the issuance of treasury shares.

iv. The options granted expire after 5 years for non-executive directors and associated company's employees, and 10 years for the employees of the Group.

4. Share-based Incentive Plans *(cont'd)*

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

At the end of the 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 cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2009	Options exercisable at Jan 1, 2009	Options exercisable at Dec 31, 2009	Proceeds on options exercised during the year credited to share capital S$'000	Exercise period
26/06/2000	S$1.63	225,323	–	(36,600)	188,723	225,323	188,723	–	27/06/2001 to 26/06/2010
24/07/2000	S$1.90	175,175	(27,870)	(147,305)	–	175,175	–	–	20/05/2001 to 19/05/2009
24/07/2000	S$1.76	34,065	(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	169,350	122,750	–	20/04/2002 to 19/04/2011
07/05/2002	S$1.23	222,125	(21,000)	(12,000)	189,125	222,125	189,125	–	08/05/2003 to 07/05/2012
17/10/2002	S$0.62	95,875	(1,625)	(3,000)	91,250	95,875	91,250	–	18/10/2003 to 17/10/2012
02/06/2003	S$0.78	116,100	(10,875)	–	105,225	116,100	105,225	–	03/06/2004 to 02/06/2013
18/11/2003	S$0.93	157,750	(27,625)	–	130,125	157,750	130,125	–	19/11/2004 to 18/11/2013
17/05/2004	S$0.99	68,750	(68,250)	(500)	–	68,750	–	–	18/05/2005 to 17/05/2009
17/05/2004	S$0.99	611,650	(319,375)	–	292,275	611,650	292,275	–	18/05/2005 to 17/05/2014
22/11/2004	S$1.16	88,250	(85,750)	(2,500)	–	88,250	–	–	23/11/2005 to 22/11/2009
22/11/2004	S$1.16	851,900	(473,625)	(2,000)	376,275	851,900	376,275	–	23/11/2005 to 22/11/2014
01/07/2005	S$2.37	105,000	(13,125)	–	91,875	65,625	91,875	–	02/07/2006 to 01/07/2010
01/07/2005	S$2.37	1,683,197	(271,495)	(94,750)	1,316,952	929,572	1,316,952	–	02/07/2006 to 01/07/2015
21/11/2005	S$2.36	148,750	(13,125)	–	135,625	100,625	135,625	–	22/11/2006 to 21/11/2010
21/11/2005	S$2.36	1,998,870	(325,419)	(123,375)	1,550,076	1,224,870	1,550,076	–	22/11/2006 to 21/11/2015
09/06/2006	S$2.52	402,500	(17,500)	–	385,000	175,000	271,250	–	10/06/2007 to 09/06/2011
09/06/2006	S$2.52	3,378,950	(414,315)	(222,500)	2,742,135	1,481,700	1,955,385	–	10/06/2007 to 09/06/2016
		10,533,580	**(2,133,039)**	**(683,130)**	**7,717,411**	**6,793,705**	**6,816,911**	**–**	

4. Share-based Incentive Plans *(cont'd)*

a. 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 exercised*	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2008	Options exercisable at Jan 1, 2008	Options exercisable at Dec 31, 2008	Proceeds on options exercised during the year credited to share capital S$'000	Exercise period
26/06/2000	S$1.63	305,953	(3,030)	(77,600)	225,323	305,953	225,323	–	27/06/2001 to 26/06/2010
24/07/2000	S$1.90	350,948	(115,750)	(60,023)	175,175	350,948	175,175	84	20/05/2001 to 19/05/2009
24/07/2000	S$1.76	39,064	–	(4,999)	34,065	39,064	34,065	–	16/09/2001 to 15/09/2009
19/04/2001	S$1.19	230,650	(6,000)	(55,300)	169,350	230,650	169,350	4	20/04/2002 to 19/04/2011
07/05/2002	S$1.23	294,250	(7,875)	(64,250)	222,125	294,250	222,125	10	08/05/2003 to 07/05/2012
17/10/2002	S$0.62	150,625	(12,375)	(42,375)	95,875	150,625	95,875	5	18/10/2003 to 17/10/2012
02/06/2003	S$0.78	36,750	(23,750)	(13,000)	–	36,750	–	–	03/06/2004 to 02/06/2008
02/06/2003	S$0.78	376,350	(185,375)	(74,875)	116,100	376,350	116,100	65	03/06/2004 to 02/06/2013
18/11/2003	S$0.93	63,000	(56,250)	(6,750)	–	63,000	–	8	19/11/2004 to 18/11/2008
18/11/2003	S$0.93	608,875	(373,500)	(77,625)	157,750	608,875	157,750	198	19/11/2004 to 18/11/2013
17/05/2004	S$0.99	79,000	(10,250)	–	68,750	32,750	68,750	107	18/05/2005 to 17/05/2009
17/05/2004	S$0.99	1,181,427	(469,652)	(100,125)	611,650	464,552	611,650	–	18/05/2005 to 17/05/2014
22/11/2004	S$1.16	107,250	(19,000)	–	88,250	60,500	88,250	303	23/11/2005 to 22/11/2009
22/11/2004	S$1.16	1,494,400	(463,875)	(178,625)	851,900	774,525	851,900	10	23/11/2005 to 22/11/2014
01/07/2005	S$2.37	122,500	(17,500)	–	105,000	26,250	65,625	–	02/07/2006 to 01/07/2010
01/07/2005	S$2.37	2,371,647	(577,450)	(111,000)	1,683,197	736,897	929,572	589	02/07/2006 to 01/07/2015
21/11/2005	S$2.36	183,750	(35,000)	–	148,750	70,000	100,625	21	22/11/2006 to 21/11/2010
21/11/2005	S$2.36	2,742,320	(600,325)	(143,125)	1,998,870	1,057,820	1,224,870	966	22/11/2006 to 21/11/2015
09/06/2006	S$2.52	472,500	(70,000)	–	402,500	78,750	175,000	–	10/06/2007 to 09/06/2011
09/06/2006	S$2.52	4,299,470	(729,020)	(191,500)	3,378,950	1,233,095	1,481,700	393	10/06/2007 to 09/06/2016
		15,510,729	**(3,775,977)**	**(1,201,172)**	**10,533,580**	**6,991,604**	**6,793,705**	**2,763**	

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

4. Share-based Incentive Plans *(cont'd)*

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

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 at Jan 1, 2009	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2009	Options exercisable at Jan 1, 2009	Options exercisable at Dec 31, 2009	Exercise period
08/09/2000	S$0.50	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 at Jan 1, 2008	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2008	Options exercisable at Jan 1, 2008	Options exercisable at Dec 31, 2008	Exercise period
08/09/2000	S$0.50	198,870	(7,700)	–	191,170	198,870	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**	

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

4. Share-based Incentive Plans *(cont'd)*

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

Sembcorp Industries Ltd's options exercised in 2009 were all settled by way of issuance of treasury shares. Out of the options exercised in 2008, 1,568,994 ordinary shares were issued at a weighted average share price of S$1.76 per ordinary share. Sembcorp Industries Ltd's options were exercised on a regular basis throughout the year. The weighted average share price during the year was S$3.02 (2008: S$3.88).

Sembcorp Marine Ltd's options exercised in 2009 resulted in 5,364,666 (2008: 8,742,155) ordinary shares being issued at a weighted average share price of S$1.87 (2008: S$1.34) per ordinary share. Sembcorp Marine Ltd's options were exercised on a regular basis throughout the year. The weighted average share price during the year was S$2.67 (2008: S$3.33).

Fair Value of Share Options

The fair value of services received is measured by reference to the fair value of share options granted.

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.

In 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.

4. Share-based Incentive Plans *(cont'd)*

b. Performance Share Plan *(cont'd)*

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:

Performance shares participants	Conditional performance shares awarded during the year	Aggregate original conditional performance shares awarded	Aggregate additional 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.

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.

4. Share-based Incentive Plans *(cont'd)*

b. Performance Share Plan *(cont'd)*

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	**6,560,500**	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.

Fair value of performance shares

The fair values of the performance shares are estimated using a Monte Carlo simulation methodology at the grant dates.

The fair values of performance shares granted during the year are as follows:

	Fair value of Sembcorp Industries Ltd performance shares granted on April 9, 2009	Fair value of Sembcorp Industries Ltd performance shares granted on April 7, 2008	Fair value of Sembcorp Marine Ltd performance shares granted on April 13, 2009	Fair value of Sembcorp Marine Ltd performance shares granted on April 7, 2008
Fair value at measurement date	S$2.14	S$2.08	S$2.28	S$2.65
Assumptions under the Monte Carlo model				
Share price	S$2.67	S$4.26	S$2.26	S$3.77
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	39.9%	32.4%	50.3%	30.9%
Morgan Stanley Capital International ("MSCI")				
AC Asia Pacific excluding Japan Industrials Index	33.9%	21.9%	33.9%	21.9%
Correlation with MSCI	77.5%	60.6%	76.2%	61.3%
Risk-free interest rate	0.7%	1.1%	0.7%	1.1%
Expected dividend	5.8%	4.7%	5.3%	5.0%

4. Share-based Incentive Plans *(cont'd)*

b. Performance Share Plan *(cont'd)*

Fair value of performance shares *(cont'd)*

The expected volatility is based on the historical volatility over the most recent period that is close to the expected life of the performance shares.

During the year, the Group charged S$4,284,000 (2008: S$5,981,000) to the income statement based on the fair value of the performance shares at the grant date being expensed over the vesting period.

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.

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.

4. Share-based Incentive Plans *(cont'd)*

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

i. Sembcorp Industries Ltd Restricted Stocks

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

Restricted stocks participants	Conditional restricted stocks awarded during the year	Aggregate original conditional restricted stocks awarded	Aggregate additional conditional restricted stocks awarded due to modification	Aggregate conditional restricted stocks released	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted 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**

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.

4. Share-based Incentive Plans *(cont'd)*

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

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

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:

Restricted stocks participants	Conditional restricted stocks awarded during the year	Aggregate original conditional restricted stocks awarded	Aggregate additional conditional restricted stocks awarded due to bonus issue	Aggregate conditional restricted stocks released	Aggregate conditional restricted stocks lapsed	Aggregate conditional restricted stocks 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**
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.

4. Share-based Incentive Plans *(cont'd)*

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

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

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 of 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).

Fair value of restricted stocks

The fair values of the restricted stocks are estimated using a Monte Carlo simulation methodology at the grant dates.

The fair values of restricted stocks granted during the year are as follows:

	Fair value of Sembcorp Industries Ltd restricted stocks granted on April 9, 2009	Fair value of Sembcorp Industries Ltd restricted stocks granted on April 7, 2008 and August 1, 2008	Fair value of Sembcorp Marine Ltd restricted stocks granted on April 13, 2009	Fair value of Sembcorp Marine Ltd restricted stocks granted on April 7, 2008
Fair value at measurement date	S$2.28	S$3.07	S$1.98	S$3.06
Assumptions under the Monte Carlo model				
Share price	S$2.67	S$4.26	S$2.26	S$3.77
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	39.9%	32.4%	50.3%	30.9%
Straits Times Index ("STI")	NA	15.9%	NA	15.9%
Correlation with STI	NA	69.7%	NA	47.6%
Risk-free interest rate	0.4%–1.0%	0.9%–1.3%	0.4%–1.0%	0.9%–1.3%
Expected dividend	5.8%	4.7%	5.3%	5.0%

4. Share-based Incentive Plans *(cont'd)*

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

Fair value of restricted stocks *(cont'd)*

The expected volatility is based on the historical volatility over the most recent period that is close to the expected life of the restricted stocks.

During the year, the Group charged S$18,200,000 (2008: S$14,293,000) to the income statement based on the fair value of restricted stocks at the grant date being expensed over the vesting period.

Fair value of Sembcorp Challenge Bonus

During the year, the Group charged S$4,491,000 (2008: S$7,820,000) to the income statement based on the market values of the shares at the balance sheet date. The fair value of the compensation cost is based on the notional number of restricted stocks awarded for Sembcorp Challenge Bonus and the market price at the vesting date.

5. Surplus / (Deficit) in Other Reserves

	Note	Group 2009 S$'000	Group 2008 S$'000	Company 2009 S$'000	Company 2008 S$'000
Reserve for own shares	(a)	**(21,236)**	(34,731)	**(21,236)**	(34,731)
Currency translation reserve	(b)	**(120,110)**	(121,650)	**–**	–
Other reserves	(c)	**344,915**	114,000	**20,405**	22,620
		203,569	(42,381)	**(831)**	(12,111)

a. Reserve for Own Shares

At December 31, 2009, the Company held 5,122,674 (2008: 8,377,867) of its own uncancelled shares as treasury shares.

b. Currency Translation Reserve

The currency translation reserve comprises:

i. foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group;

ii. exchange differences on monetary items which form part of the Group's net investment in foreign operations; and

iii. gains or losses on instruments used to hedge the Company's net investment in foreign operations that are determined to be effective hedges.

5. Surplus / (Deficit) in Other Reserves *(cont'd)*

c. Other Reserves

	Group						Company
	Capital reserve S$'000	Merger reserve S$'000	Share-based payments reserve S$'000	Fair value reserve S$'000	Hedging reserve S$'000	Total S$'000	Share-based payments reserve S$'000
At January 1, 2009	307,880	29,201	27,086	13,952	(264,119)	114,000	22,620
Share-based payments	–	–	17,573	–	–	17,573	7,502
Treasury shares transferred to employees	–	–	(9,667)	–	–	(9,667)	(9,717)
Treasury shares held by a subsidiary	18,638	–	(12,231)	–	–	6,407	–
Realisation of reserve upon disposal of investments and changes in group structure	(421)	–	(85)	–	–	(506)	–
Net changes in fair value of cash flow hedges	–	–	–	–	102,300	102,300	–
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	18,323	18,323	–
Net change in fair value of cash flow hedges transferred to initial carrying value of hedged items	–	–	–	–	(22)	(22)	–
Net change in fair value of available-for-sale financial assets	–	–	–	12,042	–	12,042	–
Net change in fair value of available-for-sale financial assets transferred to profit or loss	–	–	–	8,657	–	8,657	–
Transfer of revenue reserve to capital reserve	6,891	–	–	–	–	6,891	–
Share of other comprehensive income of associates and joint ventures	–	–	–	–	68,917	68,917	–
At December 31, 2009	332,988	29,201	22,676	34,651	(74,601)	344,915	20,405

5. Surplus / (Deficit) in Other Reserves *(cont'd)*

c. Other Reserves *(cont'd)*

	Group						Company
	Capital reserve S$'000	Merger reserve S$'000	Share-based payments reserve S$'000	Fair value reserve S$'000	Hedging reserve S$'000	Total S$'000	Share-based payments reserve S$'000
At January 1, 2008	342,252	29,201	37,525	293,223	(25,370)	676,831	23,699
Share-based payments	–	–	18,134	–	–	18,134	11,008
Treasury shares transferred to employees	–	–	(12,087)	–	–	(12,087)	(12,087)
Treasury shares held by subsidiary	(34,379)	–	(16,603)	–	–	(50,982)	–
Realisation of reserve upon disposal of investments and changes in group structure	7	–	117	257	–	381	–
Net change in fair value of cash flow hedges	–	–	–	–	(136,496)	(136,496)	–
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	(13,231)	(13,231)	–
Net change in fair value of available-for-sale financial assets	–	–	–	(278,803)	–	(278,803)	–
Net change in fair value of available-for-sale financial assets transferred to profit or loss	–	–	–	(725)	–	(725)	–
Share of other comprehensive loss of associates and joint ventures	–	–	–	–	(89,022)	(89,022)	–
At December 31, 2008	307,880	29,201	27,086	13,952	(264,119)	114,000	22,620

Other reserves include:

i. Capital reserve comprises capitalisation of accumulated profits for the issue of bonus shares, capital reserve (net of goodwill) on consolidation and equity accounting, capital redemption reserve, convertible loan stock reserve and transfer from revenue reserve in accordance with the regulations of the foreign jurisdiction in which the Group's subsidiaries, associates and joint ventures operate.

ii. Merger reserve represents the difference between the value of shares issued by the Company in exchange for the value of shares acquired in respect of the acquisition of subsidiaries accounted for under the pooling-of-interest method.

5. Surplus / (Deficit) in Other Reserves *(cont'd)*

c. Other Reserves *(cont'd)*

iii. Share-based payments reserve comprises the cumulative value of services received from employees recorded on grant of equity-settled share options, performance shares and performance based restricted stocks. The expense for service received is recognised over the performance period and / or vesting period. The amount in the share-based payments reserve is retained when the option is exercised or expires.

iv. Fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised.

v. Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

6. Property, Plant and Equipment

	Note	Leasehold and freehold land, buildings and wet berthage S$'000	Improvements to premises S$'000	Quays and dry docks S$'000	Plant and machinery S$'000	Marine vessels S$'000	Tools and workshop equipment S$'000	Furniture, fittings and office equipment S$'000	Motor vehicles S$'000	Capital work-in-progress S$'000	Total S$'000
Group											
Cost / Valuation											
Balance at January 1, 2009		727,479	39,152	328,479	2,343,186	15,856	39,612	112,136	56,412	291,594	3,953,906
Translation adjustments		(1,875)	(4)	(8)	33,367	–	(18)	(241)	92	295	31,608
Additions		13,490	193	26	38,068	414	2,121	5,704	4,923	342,484	407,423
Reclassification		54,702	8	1,369	235,397	–	144	3,931	433	(295,984)	–
Transfer to investment properties	7	(1,450)	–	–	–	–	–	(3)	–	–	(1,453)
Transfer to assets held for sale	21	(731)	–	–	–	–	–	–	–	–	(731)
Disposals / Write-offs		(4,259)	(380)	(72)	(35,251)	(51)	(5,477)	(9,194)	(7,201)	(2,008)	(63,893)
Disposal of subsidiaries		–	–	–	–	–	(148)	(16)	(260)	–	(424)
Balance at December 31, 2009		787,356	38,969	329,794	2,614,767	16,219	36,234	112,317	54,399	336,381	4,326,436
Accumulated Depreciation and Impairment Losses											
Balance at January 1, 2009		241,088	21,276	139,636	879,397	7,934	31,173	92,378	42,447	–	1,455,329
Translation adjustments		(708)	(1)	(4)	7,332	–	(18)	(307)	83	(132)	6,245
Depreciation for the year	35(b)	28,800	1,726	8,717	140,659	760	3,550	9,844	4,448	–	198,504
Reclassification		(20)	1	686	1,640	–	(1,390)	68	(985)	–	–
Transfer to investment properties	7	(639)	–	–	–	–	–	(3)	–	–	(642)
Transfer to assets held for sale	21	(134)	–	–	–	–	–	–	–	–	(134)
Disposals / Write-offs		(1,528)	(263)	(71)	(21,363)	(20)	(4,434)	(8,608)	(4,382)	–	(40,669)
Disposal of subsidiaries		–	–	–	–	–	(84)	(8)	(81)	–	(173)
Allowance made for impairment – net	35(b)	5,650	226	–	5,002	–	–	21	(3)	3,004	13,900
Balance at December 31, 2009		272,509	22,965	148,964	1,012,667	8,674	28,797	93,385	41,527	2,872	1,632,360
Carrying Amount											
At December 31, 2009		514,847	16,004	180,830	1,602,100	7,545	7,437	18,932	12,872	333,509	2,694,076

6. Property, Plant and Equipment *(cont'd)*

	Note	Leasehold and freehold land, buildings and wet berthage S$'000	Improvements to premises S$'000	Quays and dry docks S$'000	Plant and machinery S$'000	Marine vessels S$'000	Tools and workshop equipment S$'000	Furniture, fittings and office equipment S$'000	Motor vehicles S$'000	Capital work-in-progress S$'000	Total S$'000
Group											
Cost / Valuation											
Balance at January 1, 2008		668,125	39,500	327,595	2,431,107	8,042	39,052	107,591	56,130	296,764	3,973,906
Translation adjustments		(9,836)	(589)	–	(174,904)	–	–	(9)	(711)	(37,943)	(223,992)
Additions		61,063	263	–	53,018	7,814	1,916	8,769	3,775	225,087	361,705
Reclassification		27,505	240	884	156,874	345	–	2,392	160	(188,400)	–
Disposals / Write-offs		(5,333)	(262)	–	(100,098)	(345)	(1,356)	(6,467)	(2,661)	(87)	(116,609)
Disposal of subsidiaries		(14,045)	–	–	(22,811)	–	–	(140)	(281)	(3,827)	(41,104)
Balance at December 31, 2008		727,479	39,152	328,479	2,343,186	15,856	39,612	112,136	56,412	291,594	3,953,906
Accumulated Depreciation and Impairment Losses											
Balance at January 1, 2008		231,858	19,427	131,989	822,694	7,354	28,664	87,132	43,079	–	1,372,197
Translation adjustments		(1,590)	(301)	2	(44,876)	–	14	89	(532)	–	(47,194)
Depreciation for the year	35(b)	22,147	2,125	7,592	144,676	583	3,836	9,720	3,177	–	193,856
Reclassification		(2,752)	90	53	1,220	185	–	1,726	(522)	–	–
Disposals / Write-offs		(4,946)	(65)	–	(37,263)	(188)	(1,341)	(6,205)	(2,571)	–	(52,579)
Disposal of subsidiaries		(3,629)	–	–	(14,861)	–	–	(84)	(184)	–	(18,758)
Allowance made for impairment – net	35(b)	–	–	–	7,807	–	–	–	–	–	7,807
Balance at December 31, 2008		241,088	21,276	139,636	879,397	7,934	31,173	92,378	42,447	–	1,455,329
Carrying Amount											
At December 31, 2008		486,391	17,876	188,843	1,463,789	7,922	8,439	19,758	13,965	291,594	2,498,577

6. Property, Plant and Equipment *(cont'd)*

	Leasehold and freehold land, buildings and wet berthage S$'000	Improvements to premises S$'000	Quays and dry docks S$'000	Plant and machinery S$'000	Furniture, fittings and office equipment S$'000	Motor vehicles S$'000	Capital work-in-progress S$'000	Total S$'000
Company								
Cost								
Balance at January 1, 2009	17,142	2,111	8,280	417,755	8,320	348	66,755	520,711
Additions	2,793	67	–	1,106	604	527	25,774	30,871
Reclassification	–	15	–	74,478	900	54	(75,447)	–
Disposals / Write-offs	(103)	–	–	(465)	(47)	–	(115)	(730)
Balance at December 31, 2009	19,832	2,193	8,280	492,874	9,777	929	16,967	550,852
Accumulated Depreciation and Impairment Losses								
Balance at January 1, 2009	883	2,043	407	26,130	5,686	159	–	35,308
Depreciation for the year	920	56	407	29,696	1,776	121	–	32,976
Disposals / Write-offs	(2)	–	–	(58)	(47)	–	–	(107)
Balance at December 31, 2009	1,801	2,099	814	55,768	7,415	280	–	68,177
Carrying Amount								
At December 31, 2009	18,031	94	7,466	437,106	2,362	649	16,967	482,675
Company								
Cost								
Balance at January 1, 2008	312	2,019	–	–	6,134	324	–	8,789
Additions	–	92	–	11,455	1,414	–	54,105	67,066
Reclassification	–	–	–	23,982	–	–	(23,982)	–
Disposals / Write-offs	(1)	–	–	(2,097)	(302)	–	–	(2,400)
Acquisition	16,831	–	8,280	384,415	1,074	24	36,632	447,256
Balance at December 31, 2008	17,142	2,111	8,280	417,755	8,320	348	66,755	520,711
Accumulated Depreciation and Impairment Losses								
Balance at January 1, 2008	15	1,534	–	–	3,748	70	–	5,367
Depreciation for the year	868	509	407	26,130	2,059	89	–	30,062
Disposals / Write-offs	–	–	–	–	(121)	–	–	(121)
Balance at December 31, 2008	883	2,043	407	26,130	5,686	159	–	35,308
Carrying Amount								
At December 31, 2008	16,259	68	7,873	391,625	2,634	189	66,755	485,403

6. Property, Plant and Equipment *(cont'd)*

Group

i. Property, plant and equipment with the following net book values have been pledged to secure loan facilities granted to subsidiaries:

	Group	
	2009	2008
	S$'000	S$'000
Freehold land and buildings	**27,758**	25,111
Leasehold land and buildings	**106,617**	11,737
Plant and machinery	**854,385**	756,964
Capital work-in-progress	**43,378**	121,181
Other assets	**1,992**	736
	1,034,130	915,729

ii. Assets with net book value of S$1,383,000 (2008: S$1,587,000) were acquired under finance lease.

iii. Included in the cost of leasehold land and buildings, quays and dry docks and plant and machinery are amounts of S$120,866,000, S$100,900,000 and S$667,000 respectively which were stated at valuation and determined by firms of professional valuers. Also included in the cost of quays and dry docks is an amount of S$25,152,000 which was stated at Directors' valuation. These revaluations were done on a one-off basis prior to January 1, 1997.

iv. During the year, interest and direct staff costs amounting to S$1,037,000 (2008: S$1,076,000) and S$982,000 (2008: S$1,849,000), respectively were capitalised as capital work-in-progress.

v. **Change in estimates**
During the year ended December 31, 2009, the Group revised its estimates for the useful lives of certain assets within leasehold and freehold land, buildings and wet berthage, quays and dry docks and marine vessels after conducting an operational review of their useful lives. As a result, there was a change in the expected useful lives of these assets. The effect of these changes on depreciation expense in current and future periods on assets currently held is as follows:

	2009	2010	2011	2012	2013	Later
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
(Decrease) / increase in depreciation expense and (increase) / decrease in profit before tax	(1,240)	7,031	7,189	8,772	9,116	(31,220)

7. Investment Properties

		Group	
		2009	2008
	Note	S$'000	S$'000
Cost			
Balance at January 1		**44,408**	48,664
Translation adjustments		**842**	(3,939)
Transfer from property, plant and equipment	6	**1,453**	–
Disposals		**–**	(317)
Balance at December 31		**46,703**	44,408
Accumulated Depreciation and Impairment Losses			
Balance at January 1		**18,449**	17,373
Transfer from property, plant and equipment	6	**642**	–
Depreciation for the year	35(b)	**1,009**	1,007
Allowance made for impairment – net	35(b)	**–**	69
Balance at December 31		**20,100**	18,449
Carrying Amount			
At December 31		**26,603**	25,959

Investment properties with net book value of S$10,293,000 (2008: S$9,451,000) have been pledged to secure loan facilities granted to a subsidiary.

The fair value of the investment properties as at the balance sheet date is S$56,212,000 (2008: S$51,900,000). The fair value, determined by independent professional valuers, is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the fair values are determined by considering the aggregate of the estimated cash flow expected to be received from renting out the properties. A yield that reflects the specific risks inherent in the cash flows then is applied to the net annual cash flows to obtain the fair values.

8. Investments in Subsidiaries

	Company	
	2009	2008
	S$'000	S$'000
At cost and carrying value:		
Quoted equity shares	**713,048**	713,048
Unquoted equity shares	**453,912**	503,951
Preference shares	**257,500**	257,500
Share-based payments reserve	**11,046**	12,071
	1,435,506	1,486,570

The fair value of the equity interest of the listed subsidiary with carrying amount of S$713,048,000 (2008: S$713,048,000), amounts to S$4,681,871,827 (2008: S$2,125,822,884) based on the last transacted market price as at December 31, 2009 (December 31, 2008).

Details of subsidiaries are set out in Note 48 to the financial statements.

9. Interests in Associates

	Group 2009 S$'000	Group 2008 S$'000
Interests in associates	**618,829**	564,388

The carrying value as at year end includes goodwill on acquisition as follows:

	Group 2009 S$'000	Group 2008 S$'000
Balance at beginning and end of the year	**55**	55

The fair value of the equity interest of a listed associate, with a carrying amount of S$201,689,000 (2008: S$204,426,000), amounts to S$181,773,000 (2008: S$69,247,000) based on the last transacted market price as at December 31, 2009 (December 31, 2008).

Summarised financial information of associates is as follows:

	Group 2009 S$'000	Group 2008 S$'000
Combined results		
Turnover	**3,781,982**	3,340,714
Profit for the year	**177,972**	362,736
Combined assets and liabilities		
Total assets	**10,093,670**	10,293,602
Total liabilities	**7,216,412**	8,067,968

The summarised financial information relating to associates disclosed above is not adjusted for the percentage of ownership held by the Group.

The Group's interest in an associate has been pledged to banks to secure credit facilities granted to the associate.

In 2008, as the Group had provided guarantees to the banks in respect of the bank loans taken up by the associate, the Group had accordingly taken up its share of the net liability of the associate to the extent of the Group's legal obligation of S$139.6 million (Note 26). The bank loans were subsequently settled by the Group during the financial year.

Details of the significant associates are set out in Note 49 to the financial statements.

10. Interests in Joint Ventures

	Group 2009 S$'000	Group 2008 S$'000
Interests in joint ventures	**311,721**	280,816

The carrying value as at year end includes goodwill on acquisition as follows:

	Group 2009 S$'000	Group 2008 S$'000
Balance at beginning of the year	**1,919**	2,074
Translation during the year	**(64)**	(155)
Balance at end of the year	**1,855**	1,919

Summarised financial information of joint ventures, representing the Group's share, is as follows:

	Group's share 2009 S$'000	Group's share 2008 S$'000
Combined results		
Turnover	**346,182**	330,568
Expenses	**(275,145)**	(281,350)
Profit before income tax	**71,037**	49,218
Income tax expense	**(5,124)**	(3,994)
Profit for the year	**65,913**	45,224
Combined assets and liabilities		
Non-current assets	**419,666**	456,958
Current assets	**285,516**	327,449
Current liabilities	**(140,186)**	(210,825)
Non-current liabilities	**(269,570)**	(310,525)
Minority interest	**(1,120)**	(836)
Net assets	**294,306**	262,221
Capital commitments	**4,932**	12,394

The Group's interest in a joint venture with a carrying amount of S$54,015,000 (2008: S$50,088,000) as at the balance sheet date has been pledged to banks to secure credit facilities granted to the joint venture entity.

Details of significant joint ventures are set out in Note 49 to the financial statements.

11. Other Financial Assets

	Note	Group 2009 S$'000	Group 2008 S$'000
a. Non-current Assets			
Available-for-sale financial assets:			
– Equity shares		**170,420**	143,169
– Unit trusts and funds		**1,528**	2,878
		171,948	146,047
Financial assets at fair value through profit or loss:			
– Forward foreign exchange contracts		**110**	–
– Equity shares		**35**	33
Cash flow hedges:			
– Forward foreign exchange contracts		**71**	–
– Interest rate swaps		**20,279**	–
– Fuel oil swaps		**1,481**	–
		193,924	146,080
b. Current Assets			
Financial assets at fair value through profit or loss:			
– Forward foreign exchange contracts		**1,707**	52
– Foreign exchange swap contracts		**655**	2,386
– Others		**–**	1
Cash flow hedges:			
– Interest rate swaps		**629**	–
– Forward foreign exchange contracts		**1,416**	1,823
– Fuel oil swaps		**20,874**	–
– Forward electricity sale		**1,647**	25,507
	19	**26,928**	29,769

12. Long-Term Receivables and Prepayments

	Note	Group 2009 S$'000	Group 2008 S$'000	Company 2009 S$'000	Company 2008 S$'000
Long-term trade receivables	13	**196**	1,968	**–**	–
Service concession receivables	(a)	**231,481**	167,146	**–**	–
Finance lease receivables due after 12 months	14	**14,505**	18,025	**–**	–
Amount due from related parties	15	**79,807**	21,099	**–**	–
Prepayments	(b)	**23,358**	22,922	**821**	940
Staff loans		**199**	233	**–**	–
Recoverables		**8**	8	**–**	–
		349,554	231,401	**821**	940

12. Long-Term Receivables and Prepayments *(cont'd)*

a. Service concession receivables

This relates to a 25-year agreement between a subsidiary and PUB (grantor) to design, build and operate a NEWater plant. The construction of the new plant started in April 2008 of which the plant will treat and convert feedwater to NEWater starting from May 2010. At the end of the concession period, the subsidiary will transfer the plant to the grantor. This arrangement falls within the scope of INT FRS 112.

Under the terms of the agreement, the subsidiary will receive a minimum guaranteed sum from the grantor in exchange for services performed. The subsidiary recognised this service concession receivable as it has a contractual right under the concession arrangement. The financial receivable is measured on initial recognition at its fair value.

b. Prepayments

Prepayments relate primarily to:

Group

i. Connection fees prepaid under the Generation Connection and Use of System Agreement for the use of the transmission lines; and

ii. Service fees prepaid under the Gasoil Supply and Storage Agreement for the usage of the tank.

Company

i. Prepayments relate to connection and capacity charges prepaid for the use of pipelines and piperacks.

ii. Prepayments are charged to the income statement on a straight-line basis over the period of prepayments.

13. Trade Receivables

	Note	Group 2009 S$'000	Group 2008 S$'000	Company 2009 S$'000	Company 2008 S$'000
Trade receivables including work completed but unbilled		**327,005**	596,024	**26,489**	15,280
Allowance for doubtful receivables		**(16,442)**	(16,740)	**–**	–
		310,563	579,284	**26,489**	15,280
Trade receivables due within 1 year	19	**(310,367)**	(577,316)	**(26,489)**	(15,280)
	12	**196**	1,968	**–**	–

In 2008, included in trade receivables of the Group were retention monies on contracts amounting to S$755,000. The retention monies were fully recovered by the Group during the financial year.

14. Finance Lease Receivables

	Note	Minimum lease payment S$'000	Estimated residual value S$'000	Total gross investment in lease S$'000	Unearned interest income S$'000	Net value of lease receivables S$'000
Group						
2009						
Within 1 year		4,218	–	4,218	(698)	3,520
After 1 year but within 5 years		12,657	3,000	15,657	(1,152)	14,505
		16,875	3,000	19,875	(1,850)	18,025
Amount due within 1 year	19	(4,218)	–	(4,218)	698	(3,520)
	12	12,657	3,000	15,657	(1,152)	14,505
2008						
Within 1 year		4,218	–	4,218	(844)	3,374
After 1 year but within 5 years		16,875	3,000	19,875	(1,850)	18,025
		21,093	3,000	24,093	(2,694)	21,399
Amount due within 1 year	19	(4,218)	–	(4,218)	844	(3,374)
	12	16,875	3,000	19,875	(1,850)	18,025

Under the terms of the lease agreements, no contingent rents are recognised. These lease receivables relate mainly to leases of marine vessels, whereby the lessees have the option to purchase the marine vessels during the term of the leases.

15. Amounts Due from Related Parties

	Note	Associates 2009 S$'000	Associates 2008 S$'000	Joint ventures 2009 S$'000	Joint ventures 2008 S$'000	Related companies 2009 S$'000	Related companies 2008 S$'000	Minority shareholders of subsidiaries 2009 S$'000	Minority shareholders of subsidiaries 2008 S$'000	Total 2009 S$'000	Total 2008 S$'000
Group											
Amounts due from:											
Trade		**6,063**	9,124	**1,540**	1,685	**1**	–	**43**	–	**7,647**	10,809
Non-trade		**3,135**	2,811	**15,900**	13,927	**–**	–	**–**	–	**19,035**	16,738
Loans		**64,678**	5,887	**20,560**	20,816	**–**	–	**–**	–	**85,238**	26,703
		73,876	17,822	**38,000**	36,428	**1**	–	**43**	–	**111,920**	54,250
Allowance for doubtful receivables		**(10,491)**	(13,827)	**(13,219)**	(13,219)	**–**	–	**–**	–	**(23,710)**	(27,046)
		63,385	3,995	**24,781**	23,209	**1**	–	**43**	–	**88,210**	27,204
Amount due within 1 year	19	**(4,138)**	(3,712)	**(4,221)**	(2,393)	**(1)**	–	**(43)**	–	**(8,403)**	(6,105)
	12	**59,247**	283	**20,560**	20,816	**–**	–	**–**	–	**79,807**	21,099

The long-term loans to associates and joint ventures are unsecured and not expected to be repaid in the next 12 months.

15. Amounts Due from Related Parties *(cont'd)*

		Subsidiaries		Associates		Joint ventures		Total	
		2009	2008	2009	2008	2009	2008	2009	2008
	Note	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Company									
Amounts due from related parties		**30,818**	8,333	**627**	190	**107**	581	**31,552**	9,104
Allowance for doubtful receivables		**–**	(187)	**–**	–	**–**	–	**–**	(187)
	19	**30,818**	8,146	**627**	190	**107**	581	**31,552**	8,917

The amounts due from subsidiaries are unsecured, repayable on demand and interest-free, except for an amount of S$178,000 in 2008 which bore an effective interest rate of 2.17% per annum.

16. Intangible Assets

		Goodwill	Others	Total
	Note	S$'000	S$'000	S$'000
Group				
Cost				
Balance at January 1, 2009		110,060	8,290	118,350
Translation adjustments		(54)	(131)	(185)
Additions		–	18	18
Disposal of subsidiaries		(110)	–	(110)
Disposals		–	(165)	(165)
Transfer to assets held for sale	21	–	(60)	(60)
Write-offs	35(b)	–	(42)	(42)
Balance at December 31, 2009		109,896	7,910	117,806
Accumulated Amortisation and Impairment Losses				
Balance at January 1, 2009		110	3,469	3,579
Translation adjustments		–	(34)	(34)
Amortisation charge for the year	35(b)	–	199	199
Disposal of subsidiaries		(110)	–	(110)
Disposals		–	(67)	(67)
Balance at December 31, 2009		–	3,567	3,567
Carrying Amount				
At December 31, 2009		109,896	4,343	114,239

16. Intangible Assets *(cont'd)*

		Goodwill	Others	Total
	Note	S$'000	S$'000	S$'000
Group				
Cost				
Balance at January 1, 2008		105,440	8,163	113,603
Translation adjustments		47	213	260
Additions		4,573	1,865	6,438
Disposal of subsidiaries		–	(1,668)	(1,668)
Write-offs	35(b)	–	(283)	(283)
Balance at December 31, 2008		110,060	8,290	118,350
Accumulated Amortisation and Impairment Losses				
Balance at January 1, 2008		110	3,983	4,093
Translation adjustments		–	47	47
Amortisation charge for the year	35(b)	–	102	102
Disposal of subsidiaries		–	(480)	(480)
Write-offs	35(b)	–	(183)	(183)
Balance at December 31, 2008		110	3,469	3,579
Carrying Amount				
At December 31, 2008		109,950	4,821	114,771

	Goodwill	Corporate club membership	Total
	S$'000	S$'000	S$'000
Company			
Balance at January 1, 2008	–	90	90
Acquisition	18,946	–	18,946
Balance at December 31, 2008 and December 31, 2009	18,946	90	19,036

The Company's goodwill related to goodwill of SUT on the acquisition of the SUT Division in 2008.

Impairment Testing for Goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

		Group	
		2009	2008
	Note	S$'000	S$'000
Cash-Generating Unit ("CGU")			
SUT Division	(a)	**18,946**	18,946
Sembcorp Cogen Pte Ltd	(b)	**26,378**	26,378
Sembcorp Gas Pte Ltd	(c)	**41,986**	41,986
SembRamky Environmental Management Private Limited	(d)	**4,394**	4,394
Multiple units of insignificant goodwill		**18,192**	18,246
		109,896	109,950

16. Intangible Assets *(cont'd)*

Impairment Testing for Goodwill *(cont'd)*

The recoverable amounts are determined based on calculations of the value-in-use. These calculations use cash flow projections from years 2010 to 2018, of which the first five years are based on financial budgets / forecasts approved by management and that for the remaining years are based on the same cash flows since 2014. Management has applied past experience in operating the business to forecast the performance and believes that this cash flow projection period was justified in consideration of the long-term nature of CGUs' businesses. Zero terminal value is assumed and discount rates ranging from 5.44% to 6.00% have been used. At the balance sheet date, based on the following key assumptions, management believes that the recoverable amounts exceed their carrying amounts.

a. **SUT Division**

i. Market demand and supply for industrial utilities and services are updated for changes during the year; and

ii. Cash flows beyond the budget period are estimated based on the long-term offtake contracts with its existing customers in the captive market in which it operates.

b. **Sembcorp Cogen Pte Ltd**

i. Demand and supply for electricity and electricity margin are updated for changes in market conditions;

ii. Required plant maintenance and its associated maintenance costs have been accounted for in the forecast of the plant's gross profit margin;

iii. Expected capital expenditure for replenishment of parts has also been accounted for in the forecast in accordance with plant maintenance programme; and

iv. Cash flows beyond the budget period are estimated based on plant availability and load factors as well as changes in operating costs due to normal wear and tear, maintenance cycles and inflation.

c. **Sembcorp Gas Pte Ltd**

i. Appreciating USD / SGD exchange rate and High Sulphur Fuel Oil ("HSFO") prices compared to the current financial year;

ii. Gross profit margin is expected to remain stable as the pricing of both customer and supplier contracts are pegged to HSFO prices;

iii. Expected capital expenditure for plant refurbishment has been included in the forecast in accordance with plant maintenance programme; and

iv. Cash flows beyond the budget period are estimated based on the contracted sale and purchase quantities of gas over the remaining period of the existing contracts with major customers and gas supplier.

d. **SembRamky Environmental Management Private Limited**

These calculations use cash flow projections based on management's 5-year financial forecast of the company. The forecasted revenue and operating expenses are based on past performance and its expectation of market development.

17. Deferred Tax Assets and Liabilities

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

	At Jan 1, 2009 S$'000	Recognised in income statement (Note 34) S$'000	Recognised in equity S$'000	Translation adjustments S$'000	At Dec 31, 2009 S$'000
Group					
2009					
Deferred tax liabilities					
Property, plant and equipment	275,958	13,990	–	6,810	296,758
Interest in associates	6,054	(3,566)	–	–	2,488
Other financial assets	52,299	–	18,048	637	70,984
Trade and other receivables	337	31	–	–	368
Trade and other payables	–	295	–	69	364
Other items	6,921	350	–	480	7,751
Total	341,569	11,100	18,048	7,996	378,713
Deferred tax assets					
Property, plant and equipment	(321)	84	–	–	(237)
Inventories	(22)	22	–	–	–
Trade receivables	(1,599)	1,600	–	(1)	–
Trade and other payables	(653)	243	(487)	–	(897)
Tax losses	(647)	497	–	–	(150)
Provisions	(13,083)	(1,183)	–	(771)	(15,037)
Other items	(88,501)	(20)	14,308	(199)	(74,412)
Total	(104,826)	1,243	13,821	(971)	(90,733)

	At Jan 1, 2008 S$'000	Recognised in income statement (Note 34) S$'000	Recognised in equity S$'000	Translation adjustments S$'000	At Dec 31, 2008 S$'000
Group					
2008					
Deferred tax liabilities					
Property, plant and equipment	260,322	48,094	–	(32,458)	275,958
Interest in associates	5,091	963	–	–	6,054
Other financial assets	116,439	625	(62,843)	(1,922)	52,299
Trade and other receivables	277	60	–	–	337
Other items	7,723	1,304	–	(2,106)	6,921
Total	389,852	51,046	(62,843)	(36,486)	341,569
Deferred tax assets					
Property, plant and equipment	(3,508)	157	–	3,030	(321)
Inventories	(22)	–	–	–	(22)
Trade receivables	(282)	(1,317)	–	–	(1,599)
Trade and other payables	(528)	(125)	–	–	(653)
Tax losses	(1,162)	555	–	(40)	(647)
Provisions	(15,318)	(2,860)	–	5,095	(13,083)
Other items	(21,288)	1,345	(68,343)	(215)	(88,501)
Total	(42,108)	(2,245)	(68,343)	7,870	(104,826)

17. Deferred Tax Assets and Liabilities *(cont'd)*

	At Jan 1, 2008	Recognised in income statement	Acquisition	At Dec 31, 2008	Recognised in income statement	At Dec 31, 2009
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Company						
2008 & 2009						
Deferred tax liabilities						
Property, plant and equipment	195	5,809	44,667	50,671	6,177	56,848

Deferred tax liabilities and assets are set off when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting included in the balance sheet are as follows:

	Group		Company	
	2009	2008	2009	2008
	S$'000	S$'000	S$'000	S$'000
Deferred tax liabilities	**315,505**	271,960	**56,848**	50,671
Deferred tax assets	**(27,525)**	(35,217)	**–**	–
	287,980	236,743	**56,848**	50,671

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2009	2008
	S$'000	S$'000
Deductible temporary differences	**17,404**	33,715
Tax losses	**38,920**	35,874
Capital allowances	**26,110**	27,368
	82,434	96,957

Of the above tax losses, tax losses of the Group amounting to S$13,697,000 (2008: S$12,439,000) will expire between 2010 and 2014 (2008: 2009 and 2013). The deductible temporary differences and capital allowances do not expire under current tax legislation.

Deferred tax assets have not been recognised under the following circumstances:

a. Where they are qualified for offset against the tax liabilities of member companies within the Group under the Loss Transfer System of Group Relief but the terms of the transfer have not been ascertained as at year end; and

b. Where it is uncertain that future taxable profit will be available against which the Group can utilise the benefits.

18. Inventories and Work-In-Progress

	Note	Group 2009	Group 2008	Company 2009	Company 2008
		S$'000	S$'000	S$'000	S$'000
Raw materials		**104,352**	97,768	**4,330**	4,582
Finished goods		**83,570**	69,488	**5,005**	4,771
		187,922	167,256	**9,335**	9,353
Allowance for inventory obsolescence		**(9,005)**	(8,370)	**–**	–
		178,917	158,886	**9,335**	9,353
Work-in-progress	(a)	**1,236,338**	790,960	**–**	–
		1,415,255	949,846	**9,335**	9,353
a. Work-in-progress:					
Costs and attributable profits		**5,274,160**	3,651,155	**1,343**	1,343
Allowance for foreseeable losses		**(300)**	(4,254)	**–**	–
		5,273,860	3,646,901	**1,343**	1,343
Progress billings		**(4,754,931)**	(3,830,974)	**(1,343)**	(1,343)
		518,929	(184,073)	**–**	–
Comprising:					
Work-in-progress		**1,236,338**	790,960	**–**	–
Excess of progress billings over work-in-progress		**(717,409)**	(975,033)	**–**	–
		518,929	(184,073)	**–**	–

19. Trade and Other Receivables

	Note	Group 2009	Group 2008	Company 2009	Company 2008
		S$'000	S$'000	S$'000	S$'000
Trade receivables	13	**310,367**	577,316	**26,489**	15,280
Current portion of finance lease	14	**3,520**	3,374	**–**	–
Amount due from related parties	15	**8,403**	6,105	**31,552**	8,917
Other receivables, deposits and prepayments	20	**630,694**	595,385	**193,799**	193,182
Other financial assets	11	**26,928**	29,769	**–**	–
Advance to suppliers		**571**	7,152	**–**	–
		980,483	1,219,101	**251,840**	217,379

20. Other Receivables, Deposits and Prepayments

		Group		Company	
		2009	2008	2009	2008
	Note	S$'000	S$'000	S$'000	S$'000
Deposits		**6,247**	7,356	**1,106**	1,124
Prepayments		**48,632**	34,196	**6,185**	2,391
Tax recoverable		**229,756**	259,896	**152,645**	175,394
Sundry receivables		**60,803**	81,761	**800**	467
Unbilled receivables		**283,645**	207,593	**31,192**	13,294
Loan receivables		**4,281**	7,234	**–**	–
Recoverable		**3,170**	6,300	**2,192**	572
Interest receivable		**311**	601	**–**	–
		636,845	604,937	**194,120**	193,242
Allowance for doubtful receivables		**(6,151)**	(9,552)	**(321)**	(60)
	19	**630,694**	595,385	**193,799**	193,182

Unbilled receivables represent revenue accrued for sale of utilities services, electricity, gas and other related products.

21. Assets Held For Sale

		Group	
		2009	2008
	Note	S$'000	S$'000
Property, plant and equipment	6	**597**	–
Other intangible asset	16	**60**	–
		657	–

22. Cash and Cash Equivalents

	Group		Company	
	2009	2008	2009	2008
	S$'000	S$'000	S$'000	S$'000
Cash and cash equivalents in the consolidated statement of cash flows	**2,597,512**	2,400,954	**261,367**	45,541

Included in the Group's cash and cash equivalents at the balance sheet date are amounts of S$4.7 million (2008: S$7.5 million) held in countries with foreign exchange control restrictions.

Included in the Company's cash and cash equivalents at the balance sheet date are amounts of S$255.5 million (2008: S$43 million) placed with a bank via a subsidiary.

23. Trade and Other Payables

		Group		Company	
		2009	2008	2009	2008
	Note	S$'000	S$'000	S$'000	S$'000
Trade payables		**1,594,791**	1,500,869	**5,859**	3,264
Advance payments from customers		**25,617**	36,673	**305**	555
Other financial liabilities	24	**30,069**	166,738	**–**	–
Amount due to related parties	25	**18,011**	10,248	**45,873**	232,086
Other payables and accrued charges	26	**776,057**	906,906	**101,092**	80,629
		2,444,545	2,621,434	**153,129**	316,534

24. Other Financial Liabilities

		Group	
		2009	2008
	Note	S$'000	S$'000
a. Current Liabilities			
Financial liabilities at fair value through profit or loss:			
– Interest rate swaps		**–**	1,001
– Forward foreign exchange contracts		**25**	127
– Foreign exchange swap contracts		**1,054**	2,454
– Commodity contracts		**–**	44
Cash flow hedges:			
– Interest rate swaps		**5,148**	6,703
– Forward foreign exchange contracts		**23,842**	72,530
– Foreign exchange swap contracts		**–**	1,261
– Fuel oil swaps		**–**	82,618
	23	**30,069**	166,738
b. Non-current Liabilities			
Financial liabilities at fair value through profit or loss:			
– Interest rate swaps		**527**	–
Cash flow hedges:			
– Interest rate swaps		**10,373**	10,913
– Forward foreign exchange contracts		**19,548**	50,506
– Fuel oil swaps		**–**	3,669
	30	**30,448**	65,088

25. Amounts Due to Related Parties

	Note	Associates 2009 S$'000	Associates 2008 S$'000	Joint ventures 2009 S$'000	Joint ventures 2008 S$'000	Minority shareholders of subsidiaries 2009 S$'000	Minority shareholders of subsidiaries 2008 S$'000	Total 2009 S$'000	Total 2008 S$'000
Group									
Amounts due to:									
Trade		**3,328**	–	**2,107**	2,034	**11,391**	312	**16,826**	2,346
Non-trade		**775**	1,604	**2,835**	5,364	**–**	–	**3,610**	6,968
Loans		**–**	–	**–**	–	**86,593**	8,585	**86,593**	8,585
		4,103	1,604	**4,942**	7,398	**97,984**	8,897	**107,029**	17,899
Amounts due after 1 year	30	**(3,328)**	–	**–**	–	**(85,690)**	(7,651)	**(89,018)**	(7,651)
	23	**775**	1,604	**4,942**	7,398	**12,294**	1,246	**18,011**	10,248

Loans from minority shareholders of subsidiaries of S$85,690,000 (2008: S$7,651,000) bear interest at rates ranging from 3.53% to 8.35% (2008: 3.53% to 7.02%) per annum, are unsecured and repayable from 2013 onwards.

The remaining non-trade amounts and loans due to related parties are unsecured, interest-free and repayable on demand.

	Note	Subsidiaries 2009 S$'000	Subsidiaries 2008 S$'000	Joint ventures 2009 S$'000	Joint ventures 2008 S$'000	Total 2009 S$'000	Total 2008 S$'000
Company							
Amounts due to related parties	(i)	**45,870**	25,888	**3**	–	**45,873**	25,888
Loans from a related party	(ii)	**646,700**	664,932	**–**	–	**646,700**	664,932
		692,570	690,820	**3**	–	**692,573**	690,820
Amounts due after 1 year	30	**(646,700)**	(458,734)	**–**	–	**(646,700)**	(458,734)
	23	**45,870**	232,086	**3**	–	**45,873**	232,086

i. The amounts due to related parties are unsecured, interest-free and repayable on demand.

ii. The loans from a related party comprise:

a. S$206,000,000 in 2008 which were unsecured, repayable on demand and bore an effective interest rate of 1.23% per annum.

b. S$646,700,000 (2008: S$458,700,000) which are unsecured, repayable on December 31, 2013 and bear an effective interest rate of 3.31% (2008: 2.48%) per annum.

26. Other Payables and Accrued Charges

	Note	Group 2009 S$'000	Group 2008 S$'000	Company 2009 S$'000	Company 2008 S$'000
Accrued operating expenses		**699,206**	675,400	**91,003**	75,366
Deposits		**14,594**	14,204	**–**	–
Accrued interest payable		**6,759**	5,374	**–**	–
Other payables		**55,498**	72,348	**10,089**	5,263
Share of net liability of an associate	9	**–**	139,580	**–**	–
	23	**776,057**	906,906	**101,092**	80,629

27. Provisions

	Loan undertakings S$'000	Obligations relating to disposal of business S$'000	Claims S$'000	Onerous contracts S$'000	Restoration costs S$'000	Warranty S$'000	Others S$'000	Total S$'000
Group								
Balance at beginning of the year	9,739	11,454	1,222	7,180	6,507	37,721	184	74,007
Translation adjustments	–	–	–	–	(29)	(239)	–	(268)
Provisions made during the year, net	5,009	–	15,072	–	15	22,687	–	42,783
Provisions utilised during the year	–	–	(945)	–	–	(45)	–	(990)
Disposal of subsidiaries	–	–	–	–	–	–	(184)	(184)
Balance at end of the year	14,748	11,454	15,349	7,180	6,493	60,124	–	115,348
Provisions due:								
– within 1 year	14,748	11,454	15,349	4,281	–	60,124	–	105,956
– after 1 year	–	–	–	2,899	6,493	–	–	9,392
	14,748	11,454	15,349	7,180	6,493	60,124	–	115,348

	Obligations relating to disposal of business S$'000	Claims S$'000	Restoration costs S$'000	Total S$'000
Company				
Balance at beginning of the year	11,454	1,221	500	13,175
Provisions made during the year, net	–	1,148	–	1,148
Provisions utilised during the year	–	(945)	–	(945)
Balance at end of the year	11,454	1,424	500	13,378
Provisions due:				
– within 1 year	11,454	1,424	–	12,878
– after 1 year	–	–	500	500
	11,454	1,424	500	13,378

27. Provisions *(cont'd)*

Loan Undertakings
This relates to the Group's share of loan undertakings of associates and subsidiaries.

Obligations Relating to Disposal of Business
This mainly relates to the disposal of a business in which the Group and the Company retains certain obligations in respect of contracts pursuant to the Sale and Purchase Agreement.

Claims
This provision relates to the obligations arising from contractual and commercial arrangements in the Group's and the Company's operations, based on the best estimate of the possible outflow considering both contractual and commercial factors. These claims are expected to be settled within the next 12 months.

Onerous Contracts
The provision for onerous contracts relates to the Group's exposure to the unavoidable cost of meeting its obligations under the contracts, which exceeds the expected benefits to be derived by the Group. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contracts.

Restoration Costs
Restoration costs relating to cost of dismantling and removing assets and restoring the premises to its original condition as stipulated in the operating lease agreements. The subsidiaries expect to incur the liability upon termination of the lease.

Warranty
The provision for warranty is based on estimates made from historical warranty data associated with similar projects.

28. Retirement Benefit Obligations

		Group	
		2009	2008
	Note	S$'000	S$'000
Provision for retirement gratuities	(a)	**1,500**	1,932
Defined benefit obligations	(b)	**11,016**	11,620
		12,516	13,552
Non-current		**12,516**	13,552

a. Provision for Retirement Gratuities

	Group	
	2009	2008
	S$'000	S$'000
Balance at beginning of the year	**1,932**	2,809
Provision utilised during the year	**(36)**	(407)
Less: Amount due within 12 months	**(396)**	(470)
Balance at end of the year	**1,500**	1,932

28. Retirement Benefit Obligations *(cont'd)*

b. Defined Benefit Obligations

A subsidiary provides pension arrangements to its full time employees through a defined benefit plan and the related costs are assessed in accordance with the advice of professionally qualified actuaries. The pension scheme is closed to new entrants and is funded by the payment of contributions to separately administrated trust funds.

The numbers shown below have been based on calculations carried out by a qualified independent actuary to take into account of the requirements of FRS19 in order to assess the liabilities of the scheme at December 31, 2009. The scheme's assets are stated at their market values at December 31, 2009.

The present values of the funded defined benefit obligations, the related current service cost and, where applicable, past service cost were measured using the projected unit credit method. Details of the scheme are as follows:

	Group	
	2009	2008
	S$'000	S$'000
Present value of funded defined benefit obligations	**209,474**	151,053
Fair value of plan assets	**(187,686)**	(158,761)
Deficit / (surplus) in scheme	**21,788**	(7,708)
Unrecognised actuarial (losses) / gains	**(10,772)**	19,328
Net liability recognised in the balance sheet	**11,016**	11,620

The proportion of fair value of plan assets at the balance sheet is analysed as follows:

	Group	
	2009	2008
	%	%
Equity instruments	**38.03**	40.08
Debt instruments	**53.56**	53.45
Other assets	**8.41**	6.47
	100.00	100.00

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by the Group.

28. Retirement Benefit Obligations *(cont'd)*

b. Defined Benefit Obligations *(cont'd)*

Changes in the present value of defined benefit obligations are as follows:

	Group	
	2009	2008
	S$'000	S$'000
Opening defined benefit obligations	151,053	244,774
Translation adjustment	13,175	(65,871)
Current service cost	2,483	3,302
Interest cost	9,985	12,465
Actuarial losses / (gains)	44,268	(36,223)
Benefits paid	(11,695)	(7,630)
Employee contributions	205	236
	209,474	151,053

Changes in the fair value of plan assets are as follows:

	Group	
	2009	2008
	S$'000	S$'000
Opening fair value of plan assets	158,761	253,504
Translation adjustment	14,345	(69,135)
Expected return on plan assets	9,617	14,268
Actuarial gains / (losses)	12,656	(38,322)
Contributions by employer	3,797	5,840
Benefits paid	(11,695)	(7,630)
Employee contributions	205	236
	187,686	158,761

Expenses recognised in the income statement are as follows:

	Group	
	2009	2008
	S$'000	S$'000
Current service cost	2,483	3,302
Interest cost	9,985	12,465
Expected return on plan assets	(9,617)	(14,268)
Net actuarial gains recognised in year	(418)	(320)
	2,433	1,179

28. Retirement Benefit Obligations *(cont'd)*

b. Defined Benefit Obligations *(cont'd)*

The expense is recognised in the following line items in the income statement:

	Group	
	2009	2008
	S$'000	S$'000
Cost of sales	1,987	2,642
Administrative expenses	496	660
Other expenses	(50)	(2,123)
	2,433	1,179
Actual return / (loss) in value of plan assets	22,273	(24,054)

Principal actuarial assumptions

The main financial assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 19 were as follows:

	Group	
	2009	2008
	%	%
Discount rate at December 31	5.7	6.2
Expected return on plan assets at December 31	6.1	5.6
Future rate of annual salary increases	5.1	4.3
Future rate of pension increases	2.8	2.4

Past service cost and net actuarial results are amortised over the estimated service life of the employees under plan benefits. The estimated service life for pension plans is 9 years (2008: 9 years).

Assumptions regarding future mortality are based on published statistics and mortality tables. The expected life expectancy of an individual retiring at age 65 is 21 (2008: 21) for male and 23 (2008: 23) for female.

The overall expected long-term rate of return on assets is 6.1% (2008: 5.6%). The expected rate of return on plan assets is a weighted average of the individual expected rate of return on each asset class.

The history of existing plans as of December 31 is as follows:

	2009	2008	2007	2006	2005
	S$'000	S$'000	S$'000	S$'000	S$'000
Group					
Present value of funded defined benefit obligations	209,474	151,053	244,774	259,498	259,598
Fair value of plan assets	(187,686)	(158,761)	(253,504)	(239,537)	(201,898)
Deficit / (surplus) in scheme	21,788	(7,708)	(8,730)	19,961	57,700

The Group expects to pay S$3.1 million in contributions to defined benefit plans in 2010.

29. Interest-Bearing Borrowings

		Group		Company	
		2009	2008	2009	2008
	Note	S$'000	S$'000	S$'000	S$'000
Current liabilities					
Secured term loans	(a)	**56,554**	81,750	**–**	–
Unsecured term loans	(b)	**227,565**	202,613	**–**	–
Finance lease liabilities	(c)	**253**	1,405	**83**	–
		284,372	285,768	**83**	–
Non-current liabilities					
Secured term loans	(a)	**259,523**	319,740	**–**	–
Unsecured term loans	(b)	**335,388**	200,000	**–**	–
Finance lease liabilities	(c)	**506**	2,810	**339**	–
		595,417	522,550	**339**	–
		879,789	808,318	**422**	–

Maturity of liabilities (excluding finance lease liabilities)

	Group		Company	
	2009	2008	2009	2008
	S$'000	S$'000	S$'000	S$'000
Within 1 year	**284,119**	284,363	**–**	–
After 1 year but within 5 years	**542,281**	432,164	**–**	–
After 5 years	**52,630**	87,576	**–**	–
Total borrowings	**879,030**	804,103	**–**	–

a. Secured Term Loans
The secured loans are collaterised by the following assets:

	Group Net Book Value	
	2009	2008
	S$'000	S$'000
Property, plant and equipment and investment property	**1,044,423**	925,180

29. Interest-Bearing Borrowings *(cont'd)*

b. Unsecured Term Loans
Included in the unsecured term loans are medium term notes of the Group as follows:

- In 2004, a wholly-owned subsidiary of the Company, Sembcorp Financial Services Pte Ltd ("SFS"), established a S$1.5 billion Multicurrency Multi-Issuer Debt Issuance Programme (the "Programme"). Pursuant to this, the Company, together with SFS and other certain subsidiaries of the Company (the "Issuing Subsidiaries"), may from time to time issue debt under the Programme subject to availability of funds from the market. The obligations of the Issuing Subsidiaries under the notes will be fully guaranteed by the Company.

  During the year, SFS issued an inaugural S$200 million 5-year note under the Programme. The principal amount of the notes bears an interest rate of 5.00% per annum and is due by April, 2014.

- In 2004, a subsidiary, Sembcorp Marine Ltd ("SCM") established a S$500 million Multicurrency Multi-Issuer Debt Issuance Programme (the "Programme") pursuant to which SCM with its subsidiaries, Jurong Shipyard Pte Ltd and Sembawang Shipyard Pte Ltd ("Issuing SCM Subsidiaries"), may from time to time issue the notes subject to availability of funds from the market. The obligations of Issuing SCM Subsidiaries under the notes will be fully guaranteed by SCM. Subsequent to the year ended December 31, 2009, SCM increased its current MTN from S$500 million to S$2 billion with the inclusion of SMOE Pte Ltd as one of the Issuing SCM Subsidiaries.

  Under the Programme, SCM or any of the Issuing SCM Subsidiaries may from time to time issue notes in series or tranches in Singapore Dollars and / or any other currency. Such notes are listed on the Singapore Exchange Securities Trading Limited and are cleared through the Central Depository (Pte) Ltd.

  In 2008, the principal amount of the notes issued by SCM amounted to S$150 million and bore an interest rate of 3.00% per annum. The medium term notes were repaid by SCM in 2009.

c. Finance Lease Liabilities
The Group has obligations under finance leases that are payable as follows:

	2009			2008		
	Payments	Interest	Principal	Payments	Interest	Principal
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group						
Within 1 year	**294**	**41**	**253**	1,574	169	1,405
After 1 year but within 5 years	**559**	**53**	**506**	3,178	368	2,810
Total	**853**	**94**	**759**	4,752	537	4,215

Under the terms of the lease agreements, no contingent rents are payable. The interest rates range from 2.50% to 7.42% (2008: 2.50% to 7.42%) per annum.

29. Interest-Bearing Borrowings *(cont'd)*

c. Finance Lease Liabilities *(cont'd)*

The Company has obligations under finance leases that are payable as follows:

	2009			2008		
	Payments	Interest	Principal	Payments	Interest	Principal
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Company						
Within 1 year	**107**	**24**	**83**	–	–	–
After 1 year but within 5 years	**377**	**38**	**339**	–	–	–
Total	**484**	**62**	**422**	–	–	–

Under the terms of the lease agreements, no contingent rents are payable. The effective interest rate is 6.09% (2008: nil) per annum.

30. Other Long-Term Liabilities

		Group		Company	
	Note	2009 S$'000	2008 S$'000	2009 S$'000	2008 S$'000
Deferred income	(a)	**103,508**	91,342	**10,809**	3,728
Deferred grants	(b)	**2,171**	17,815	–	–
Other long-term payables	(c)	**3,988**	6,171	–	–
Other financial liabilities	24	**30,448**	65,088	–	–
Amount due to related parties	25	**89,018**	7,651	**646,700**	458,734
		229,133	188,067	**657,509**	462,462

a. Deferred income relates mainly to advance payments received from customers in respect of connection and capacity charges for the supply and delivery of gas and utilities, the difference between the fair value of the construction services provided and the fair value of the financial asset receivable.

b. Deferred grants relate to government grants for capital assets.

c. Other long-term payables relate primarily to retention monies of subsidiaries.

31. Other Comprehensive Income

Tax effects relating to each component of other comprehensive income

	2009			2008		
	Before tax	Tax expense	Net of tax	Before tax	Tax benefit	Net of tax
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Foreign currency translation differences for foreign operations	**(10,562)**	**–**	**(10,562)**	(84,439)	–	(84,439)
Exchange differences on hedge of net investment in a foreign operation	**(1,744)**	**–**	**(1,744)**	–	–	–
Exchange differences on monetary items forming part of net investment in a foreign operation	**(2,145)**	**–**	**(2,145)**	–	–	–
Share of other comprehensive income / (loss) of associates and joint ventures	**68,699**	**–**	**68,699**	(76,585)	–	(76,585)
Cash flow hedges: net movement in hedging reserves	**175,620**	**(26,622)**	**148,998**	(212,849)	35,060	(177,789)
Available-for-sale financial assets: net movement in fair value reserve	**38,993**	**(5,249)**	**33,744**	(551,643)	97,953	(453,690)
Other comprehensive income / (loss)	**268,861**	**(31,871)**	**236,990**	(925,516)	133,013	(792,503)

	2009 S$'000	2008 S$'000
Cash flow hedges:		
Net change in fair value of hedging instruments	**149,743**	(192,342)
Less: amount transferred to initial carrying amount of hedged items	**(26)**	–
Less: amount transferred to profit or loss	**25,903**	(20,507)
Income tax	**(26,622)**	35,060
Net movement in the hedging reserve during the year recognised in other comprehensive income	**148,998**	(177,789)
Available-for-sale financial assets:		
Changes in fair value	**25,783**	(550,918)
Less: amount transferred to profit or loss	**13,210**	(725)
Income tax	**(5,249)**	97,953
Net change in fair value during the year recognised in other comprehensive income	**33,744**	(453,690)

32. Turnover

	Group 2009 S$'000	Group 2008 S$'000
Sale of gas, water, electricity and related services	**3,265,774**	4,197,760
Ship and rig repair, building, conversion and related services	**5,683,941**	4,989,922
Construction and engineering related activities	**131,240**	131,957
Environment management and related services	**185,044**	213,685
Service concession revenue	**184,295**	129,964
Others	**122,114**	265,125
	9,572,408	9,928,413

33. Finance Costs

	Group 2009 S$'000	Group 2008 S$'000
Interest paid and payable to:		
– banks and others	**39,925**	43,764
Amortisation of capitalised transaction costs and transactions costs written off	**1,467**	1,099
Interest rate swap		
– fair value through profit or loss	**(206)**	(456)
	41,186	44,407

34. Income Tax Expense

	Group 2009 S$'000	Group 2008 S$'000
Current tax expense		
Current year	**190,410**	125,311
Under / (over) provided in prior years	**228**	(43,161)
	190,638	82,150
Deferred tax expense		
Movements in temporary differences	**19,168**	29,040
Under provided in prior years	**1,856**	19,761
Change in tax rate	**(8,681)**	–
	12,343	48,801
Income tax expense	**202,981**	130,951

34. Income Tax Expense *(cont'd)*

Reconciliation of effective tax rate

	Group 2009 S$'000	Group 2008 S$'000
Profit for the year	**1,015,303**	730,994
Total income tax expense	**202,981**	130,951
Share of results of associates and joint ventures	**(109,542)**	(126,096)
Profit before share of results of associates and joint ventures, and income tax expense	**1,108,742**	735,849
Income tax using Singapore tax rate of 17% (2008: 18%)	**188,486**	132,453
Effect of reduction in tax rates	**(8,681)**	–
Effect of different tax rates in foreign jurisdictions	**8,363**	13,013
Tax incentives and income not subject to tax	**(11,504)**	(27,924)
Expenses not deductible for tax purposes	**21,318**	38,433
Utilisation of deferred tax benefits not previously recognised	**(3,239)**	(6,118)
Under / (over) provided in prior years	**2,084**	(23,400)
Deferred tax benefits not recognised	**4,081**	8,241
Others	**2,073**	(3,747)
Income tax expense	**202,981**	130,951

On January 22, 2009, the Minister for Finance announced in his Budget speech that the corporate income tax rate will be reduced from 18% to 17% from the year of assessment 2010. The financial effect of the reduction in tax rate is reflected in the current financial year.

35. Profit For The Year

The following items have been included in arriving at profit for the year:

	Group 2009 S$'000	Group 2008 S$'000
a. **Staff costs**		
Staff costs	**723,880**	698,409
Included in staff costs are:		
Share-based payments	**27,996**	31,253
Contributions to:		
– defined benefit plan	**2,483**	3,302
– defined contribution plan	**31,608**	28,593
Jobs Credit Scheme, offset against staff costs	**(17,987)**	–

35. Profit For The Year *(cont'd)*

	Note	Group 2009 S$'000	Group 2008 S$'000
b. Other expenses			
Allowance made / (written back) for impairment losses			
– property, plant and equipment	6	**13,900**	7,807
– interests in other investments		**13,206**	486
– receivables		**(53)**	1,291
– investment properties	7	**–**	69
– inventory obsolescence		**393**	2,465
– foreseeable losses on construction contracts		**(1,034)**	2,957
Amortisation of intangible assets	16	**199**	102
Audit fees paid / payable			
– auditors of the Company		**1,367**	1,421
– other auditors		**572**	614
Non-audit fees paid / payable			
– auditors of the Company		**143**	119
– other auditors		**207**	307
Depreciation			
– property, plant and equipment	6	**198,504**	193,856
– investment properties	7	**1,009**	1,007
Professional fee paid to directors or a firm in which a director is a member		**127**	97
Operating lease expenses		**21,094**	18,623
Property, plant and equipment written off		**6,091**	3,203
Inventory written off		**37**	–
Intangible assets written off	16	**42**	100
Bad debts written off		**503**	237
c. Non-operating income / (expenses) (net)			
Net exchange loss		**(2,494)**	(19,564)
Net change in fair value of derivative instruments		**2,475**	(37,935)
Grants received			
– income related		**830**	83
Gross dividend income		**8,379**	9,771
Gain / (Loss) from disposal of			
– property, plant and equipment (net)		**1,794**	18,393
– subsidiaries		**(14)**	–
– associates		**637**	–
– joint ventures		**(145)**	35
– other financial assets		**3,375**	(38,135)
Interest income			
– associates and joint ventures		**2,456**	94
– banks and others		**31,518**	35,678

35. Profit For The Year *(cont'd)*

	Note	Group 2009 S$'000	Group 2008 S$'000
d. Material and unusual items included in:			
Non-operating income (net)			
Foreign exchange losses arising from Unauthorised Transactions			
in a wholly-owned subsidiary of Sembcorp Marine Ltd	(i)	**–**	(43,749)
Less: Minority interests		**–**	16,821
		–	(26,928)

i. Arising from the various unauthorised foreign exchange transactions entered into previously by an employee of a subsidiary of the Company, Sembcorp Marine Ltd ("SCM"), for the account of a subsidiary, Jurong Shipyard Pte Ltd ("JSPL"), S$43.7 million had been charged to the income statement following the full and final amicable settlement of BNP Paribas's claim of S$73.1 million in 2008, strictly on a commercial basis.

Going forward, JSPL intends to recover the S$289.9 million paid to Societe Generale (SG) in 2007 as JSPL's position is that the underlying transactions with SG are not valid and binding. If JSPL succeeds in doing so, there will be an inflow of funds to be recognised in the financial statements at that relevant point in time.

36. Earnings Per Share

	Group 2009 S$'000	Group 2008 S$'000
a. Basic earnings per share		
Basic earnings per share is based on:		
i. Profit attributable to shareholders of the Company	**682,664**	507,061
	No. of shares '000	**No. of shares '000**
ii. Weighted average number of ordinary shares:		
Issued ordinary shares at beginning of the year	**1,776,974**	1,783,783
Effect of share options exercised	**2,158**	2,767
Effect of own shares held	**–**	(7,635)
Weighted average number of ordinary shares at the end of the year	**1,779,132**	1,778,915
b. Diluted earnings per share		
Diluted earnings per share is based on:		
i. Profit attributable to shareholders of the Company	**682,664**	507,061

36. Earnings Per Share *(cont'd)*

b. Diluted earnings per share *(cont'd)*

The weighted average number of ordinary shares adjusted for the unissued ordinary shares under the Share Option Plan was arrived at as follows:

	2009 No. of shares '000	2008 No. of shares '000
ii. Weighted average number of shares issued used in the calculation of basic earnings per share	**1,779,132**	1,778,915
Weighted average number of unissued ordinary shares from:		
– share options	**8,808**	12,363
– performance shares	**3,668**	3,774
– restricted stocks	**6,335**	5,576
Number of shares that would have been issued at fair value	**(6,350)**	(6,741)
Weighted average number of ordinary shares	**1,791,593**	1,793,887

For the purpose of calculating diluted earnings per ordinary share, the weighted average numbers of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: share options, performance shares and restricted stocks.

For share options, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than the fair value (average share price during the year). The difference between the weighted average number of shares to be issued at the exercise prices under the options and the weighted average number of shares that would have been issued at the fair value based on assumed proceeds from the issue of these shares are treated as ordinary shares issued for no consideration. The number of such shares issued for no consideration is added to the number of ordinary shares outstanding in the computation of diluted earnings per share. No adjustment is made to the profit attributable to shareholders of the Company.

For performance shares and restricted stocks, the weighted average number of ordinary shares in issue is adjusted as if all dilutive performance shares and restricted stocks are released. No adjustment is made to the profit attributable to shareholders of the Company.

37. Dividends

Subject to the approval by the shareholders at the next Annual General Meeting, the directors have proposed a final ordinary one-tier tax exempt dividend of 15.0 cents (2008: one-tier tax exempt dividend of 11.0 cents) per share amounting to an estimated net dividend of S$267,034,000 (2008: S$195,467,000) in respect of the year ended December 31, 2009, based on the share capital as at that date.

The proposed dividend of 15.0 (2008: 11.0) cents per share has not been included as a liability in the financial statements.

38. Significant Acquisitions and Disposals

There have been no significant acquisitions and disposals of subsidiaries in 2008 and 2009.

39. Related Parties

Group

a. Related party transactions

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

	Group 2009 S$'000	Group 2008 S$'000
Related Corporations		
Sales	**452**	165
Purchases including rental	**25,609**	2,470
Associates and Joint Ventures		
Sales	**47,894**	41,251
Purchases including rental	**4,054**	21,542

b. Compensation of key management personnel

The Group considers the directors of the Company (including the Group President & CEO of the Company), the President & CEO of Sembcorp Marine Ltd, the Executive Chairman of Sembcorp Industrial Parks Ltd, the Executive Vice President of Sembcorp Utilities (UK) Limited, the Group Chief Financial Officer and the Executive Vice President of Group Business & Strategic Development to be key management personnel in accordance with FRS 24 Related Party Disclosures. These persons have the authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation is as follows:

	Group 2009 S$'000	Group 2008 S$'000
Directors' fees and remuneration	**5,787**	5,663
Other key management personnel remuneration	**6,543**	6,797
	12,330	12,460
Fair value of share-based compensation	**3,912**	5,408

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

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

The Group adopts an incentive compensation plan, which is tied to the creation of Economic Value Added ("EVA"), as well as to attainment of individual and Group performance goals for its key executives. A "bonus bank" is used to hold incentive compensation credited in any year. Typically, one-third of the available balance is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank in future will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the bonus bank.

The fair value of share-based compensation relates to share options, performance shares and restricted stocks granted that were charged to the income statement.

39. Related Parties *(cont'd)*

Company

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

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

b. The Company has provided financial guarantees for the indebtedness of other companies within the Group; the Company considers these to be insurance arrangements and treats them as contingent liabilities. Details of the guarantees are set out in Note 41 to the financial statements.

40. Financial Instruments

Financial risk management objectives and policies

The Group's activities expose it to market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk.

As part of the Group's Enterprise Risk Management framework, Group treasury policies and financial authority limits are documented and reviewed periodically. The policies set out the parameters for management of Group liquidity, counterparty risk, foreign exchange and derivative transactions and financing.

The Group utilises foreign exchange contracts, foreign exchange swaps, interest rate swaps, interest rate options, zero cost collars, contracts for difference and various financial instruments to manage exposures to interest rate, foreign exchange and commodity price risks arising from operating, financing and investment activities. Exposures to foreign currency risks are also hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount where possible. All such transactions must involve underlying assets or liabilities and no speculative transactions are allowed.

The financial authority limits seek to limit and mitigate transactional risks by setting out the threshold of approvals required for the entry into contractual obligations and investments.

a. Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and reduce market risk exposures within acceptable parameters.

i. Interest rate risk

The Group's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts and long-term and short-term borrowings.

The Group enters into interest rate swaps to reduce its exposure to interest rate volatility. In accordance with the Group's policy, the duration of such interest rate swaps must not exceed the tenor of the underlying debt.

40. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

i. Interest rate risk *(cont'd)*

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates effective interest rates at balance sheet date and the periods in which they are repriced:

				Fixed Interest Rate Repricing			
	Note	Effective interest rate %	Floating Interest S$'000	Within 1 year S$'000	Between 1 to 5 years S$'000	After 5 years S$'000	Total S$'000
Group							
2009							
Financial assets							
Finance lease receivables	14	4.25	–	3,520	14,505	–	18,025
Balances with related parties		1.52	59,342	–	–	–	59,342
Loan receivables		5.25	–	65	–	–	65
Other receivables		3.21	1	931	195	–	1,127
Fixed deposits and bank balances		2.33	570,110	1,444,332	–	–	2,014,442
			629,453	1,448,848	14,700	–	2,093,001
Financial liabilities							
Secured term loans:							
– Floating rate loans		4.18	(320,765)	–	–	–	(320,765)
– Effect of interest rate swaps		1.02	259,243	(113,709)	(111,934)	(33,600)	–
Total secured term loans			(61,522)	(113,709)	(111,934)	(33,600)	(320,765)
Unsecured term loans:							
– Floating rate loans		1.79	(330,203)	–	–	–	(330,203)
– Effect of interest rate swaps		1.65	307,275	(200,000)	(107,275)	–	–
			(22,928)	(200,000)	(107,275)	–	(330,203)
– Fixed rate loans		4.31	–	(25,628)	(8,000)	–	(33,628)
Bonds & notes		5.00	–	–	(199,122)	–	(199,122)
Total unsecured term loans	29		(22,928)	(225,628)	(314,397)	–	(562,953)
Lease liabilities	29	4.29	–	(253)	(506)	–	(759)
Balances with related parties		8.15	–	–	(85,690)	–	(85,690)
			(84,450)	(339,590)	(512,527)	(33,600)	(970,167)

40. Financial Instruments *(cont'd)*
a. Market risk *(cont'd)*
i. Interest rate risk *(cont'd)*

	Note	Effective interest rate %	Floating Interest S$'000	Within 1 year S$'000	Between 1 to 5 years S$'000	After 5 years S$'000	Total S$'000
			Fixed Interest Rate Repricing				
Group							
2008							
Financial assets							
Finance lease receivables	14	4.25	–	3,374	18,025	–	21,399
Balances with related parties		0.01	–	4,111	–	–	4,111
Loan receivables		2.74	1,652	93	–	–	1,745
Other receivables		4.39	–	19,226	–	–	19,226
Fixed deposits and bank balances		3.17	188,516	1,738,265	–	–	1,926,781
			190,168	1,765,069	18,025	–	1,973,262
Financial liabilities							
Secured term loans:							
– Floating rate loans		4.76	(406,582)	–	–	–	(406,582)
– Effect of interest rate swaps		(0.24)	308,300	–	(231,699)	(76,601)	–
Total secured term loans			(98,282)	–	(231,699)	(76,601)	(406,582)
Unsecured term loans:							
– Floating rate loans		2.13	(202,905)	–	–	–	(202,905)
– Effect of interest rate swaps		1.00	200,000	(200,000)	–	–	–
			(2,905)	(200,000)	–	–	(202,905)
– Fixed rate loans		2.48	–	(49,763)	–	–	(49,763)
Medium-term notes		3.10	–	(149,945)	–	–	(149,945)
Total unsecured term loans	29		(2,905)	(399,708)	–	–	(402,613)
Lease liabilities	29	5.20	–	(1,405)	(2,810)	–	(4,215)
Balances with related parties		5.39	–	–	(7,651)	–	(7,651)
			(101,187)	(401,113)	(242,160)	(76,601)	(821,061)

Sensitivity analysis

It is estimated that a one percentage point change in interest rate at the reporting date would increase / (decrease) equity and profit before income tax by the following amounts. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

40. Financial Instruments *(cont'd)*
a. Market risk *(cont'd)*
i. Interest rate risk *(cont'd)*

	Profit before income tax 100 bp Increase S$'000	Profit before income tax 100 bp Decrease S$'000	Equity 100 bp Increase S$'000	Equity 100 bp Decrease S$'000
Group				
December 31, 2009				
Variable rate financial instruments	5,978	(5,978)	62,173	(62,173)
December 31, 2008				
Variable rate financial instruments	1,401	(1,401)	17,659	(17,659)

Notional Amount

At December 31, 2009, the Group had interest rate swaps with an aggregate notional amount of S$1,377,901,000 (2008: S$544,030,000) of which S$738,564,000 are interest rate swaps with forward starting date. The Group receives a variable interest rate and pays a fixed rate interest ranging from 2.57% to 6.1% (2008: 2.65% to 6.0%) per annum on the notional amount. The Company classifies these interest rate swaps as cash flow hedges.

	Note	Effective interest rate %	Floating Interest S$'000	Within 1 year S$'000	Between 1 to 5 years S$'000	After 5 years S$'000	Total S$'000
			Fixed Interest Rate Repricing				
Company							
2009							
Financial assets							
Fixed deposits and bank balances		0.20	261,367	–	–	–	261,367
Financial liabilities							
Lease liabilities	29	6.09	–	(83)	(339)	–	(422)
Balances with related parties		3.17	(229,100)	–	(417,600)	–	(646,700)
			(229,100)	(83)	(417,939)	–	(647,122)
2008							
Financial assets							
Balances with related parties		2.17	178	–	–	–	178
Fixed deposits and bank balances		0.66	45,541	–	–	–	45,541
			45,719	–	–	–	45,719
Financial liabilities							
Balances with related parties		2.12	(441,332)	–	(223,600)	–	(664,932)

40. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

i. Interest rate risk *(cont'd)*

	Profit before income tax		Equity	
	100 bp Increase S$'000	100 bp Decrease S$'000	100 bp Increase S$'000	100 bp Decrease S$'000
Company				
December 31, 2009				
Variable rate financial instruments	323	(323)	–	–
December 31, 2008				
Variable rate financial instruments	(3,956)	3,956	–	–

ii. Foreign currency risk

The Group operates globally and is exposed to foreign currency exchange rate volatility primarily for United States dollars ("USD"), euros ("EURO"), pounds sterling ("GBP"), Australian dollars ("AUD") and Chinese renminbi ("RMB") on sales and purchases of assets and liabilities, which arise from the daily course of operations. Such risks are hedged either by forward foreign exchange contracts in respect of actual or forecasted currency exposures which are reasonably certain or hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount.

The Group's exposure to foreign currencies is as follows:

	SGD S$'000	USD S$'000	EURO S$'000	GBP S$'000	Others S$'000
Group					
2009					
Financial assets					
Cash and cash equivalents	81,042	180,920	159,355	8,454	4,227
Trade and other receivables	20,783	86,237	69	337	2,698
Other financial assets	–	72,238	–	–	28,438
	101,825	339,395	159,424	8,791	35,363
Financial liabilities					
Trade and other payables	190,224	446,982	114,796	3,173	7,204
Interest-bearing borrowings	140	70,198	–	–	–
	190,364	517,180	114,796	3,173	7,204
Net financial (liabilities) / assets	(88,539)	(177,785)	44,628	5,618	28,159

40. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

ii. Foreign currency risk *(cont'd)*

	SGD S$'000	USD S$'000	EURO S$'000	GBP S$'000	Others S$'000
Group					
2008					
Financial assets					
Cash and cash equivalents	98,220	928,866	71,687	98	12,088
Trade and other receivables	14,239	339,173	27,535	5,205	10,964
Other financial assets	–	2,365	(23)	–	1,990
	112,459	1,270,404	99,199	5,303	25,042
Financial liabilities					
Trade and other payables*	101,965	273,561	44,655	3,875	8,881
Interest-bearing borrowings	–	139,235	–	1,912	1,937
	101,965	412,796	44,655	5,787	10,818
Net financial assets / (liabilities)	10,494	857,608	54,544	(484)	14,224

* Excludes share of net liability of an associate

Company

The Company's financial assets and liabilities are predominantly denominated in Singapore dollars at balance sheet dates.

Notional Amount

At the balance sheet date, the Group had foreign exchange contracts with the following notional amounts:

	Group	
	2009 Notional amount S$'000	2008 Notional amount S$'000
Foreign exchange forward contracts	**2,191,713**	2,980,835
Foreign exchange swap agreements	**266,774**	175,811
	2,458,487	3,156,646

Sensitivity analysis

A 10% strengthening of the following currencies against the functional currencies of the Company and its subsidiaries at the balance sheet date would have increased / (decreased) equity and profit before income tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

40. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

ii. Foreign currency risk *(cont'd)*

	Group	
	Equity S$'000	Profit before income tax S$'000
2009		
SGD	(13,854)	(525)
USD	105,561	3,092
EURO	16,779	4,971
Others	2,354	613
2008		
SGD	6,106	63,485
USD	202,810	44,577
EURO	517	5,858
Others	(198)	1,192

A 10% weakening of the above currencies against the functional currencies of the Company and its subsidiaries at the balance sheet date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

iii. Price risk

Equity securities price risk

The Group is exposed to equity securities price risk because of the investments held by the Group which are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss.

Sensitivity analysis

If prices for equity securities increase by 10% with all other variables held constant, the increase in equity and profit before income tax will be:

	Group	
	2009 S$'000	2008 S$'000
Equity	**17,195**	14,605
Profit before income tax	**4**	3

A 10% decrease in the underlying equity prices would have had the equal but opposite effect to the amounts shown above. The analysis is performed on the same basis for 2008 and assumes that all other variables remain constant.

40. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

iii. Price risk *(cont'd)*

Commodity risk

The Group hedges against fluctuations in commodity prices that affect revenue and cost. Exposures are managed via swaps, options, contracts for difference, fixed price and forward contracts.

Contracts for differences are entered into with a counterparty at a strike price, with or without fixing the quantity upfront, to hedge against adverse price movements on the sale of electricity. Naphtha swaps are entered into for fixed quantity to hedge revenue indexed to naphtha. Exposure to price fluctuations arising on the purchase of fuel is managed via fuel oil swaps where the price of fuel is indexed to a benchmark fuel price index, for example Singapore High Sulphur Fuel Oil ("HSFO") 180 CST fuel oil.

Sensitivity analysis

If prices for commodities increase by 10% with all other variables held constant, the increase in equity and profit before income tax will be:

	Group	
	2009 S$'000	2008 S$'000
Equity	**18,584**	4,637
Profit before income tax	**–**	–

A 10% decrease in the prices for commodities would have had the equal but opposite effect to the amounts shown above. The analysis is performed on the same basis for 2008 and assumes that all other variables remain constant.

Notional amount

At the balance sheet date, the Group had financial instruments with the following notional contract amounts:

	Group	
	2009 Notional amount S$'000	2008 Notional amount S$'000
Fuel oil swap agreements	**188,785**	199,483
Power swap contracts	**7,072**	116,053
	195,857	315,536

40. Financial Instruments *(cont'd)*

b. Credit risk

The Group monitors its exposure to credit risks arising from sales to trade customers on an on-going basis, and credit evaluations are done on customers that require credit. The credit quality of customers is assessed after taking into account its financial position and past experience with the customers.

The Group only deals with pre-approved customers and financial institutions with good credit rating. To minimise the Group's counterparty risk, the Group enters into derivative transactions only with creditworthy institutions. Cash and fixed deposits are placed in banks and financial institutions with good credit rating.

As the Group and the Company does not hold any collateral, the maximum exposure to credit risk is the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

The Group's and the Company's maximum exposure to credit risk for loans and receivables at the balance sheet date is as follows:

	Group		Company	
	2009	2008	2009	2008
	S$'000	S$'000	S$'000	S$'000
By business activity				
Utilities	**715,958**	527,117	**93,936**	38,381
Marine	**313,772**	575,379	**–**	–
Environment	**28,903**	36,524	**–**	–
Industrial parks	**6,435**	5,150	**–**	–
Others	**31,161**	32,149	**6,401**	4,791
	1,096,229	1,176,319	**100,337**	43,172

The age analysis of current trade and other receivables is as follows:

	Gross 2009 S$'000	Impairment 2009 S$'000	Gross 2008 S$'000	Impairment 2008 S$'000
Group				
Not past due	**554,307**	**5,007**	752,178	8,343
Past due 0 to 3 months	**97,517**	**1,740**	79,483	2,840
Past due 3 to 6 months	**9,614**	**5,295**	17,779	2,582
Past due 6 to 12 months	**8,021**	**918**	9,128	1,009
More than 1 year	**26,995**	**18,725**	53,842	23,904
	696,454	**31,685**	912,410	38,678
Company				
Not past due	**86,690**	**–**	32,457	–
Past due 0 to 3 months	**2,435**	**–**	3,054	–
Past due 3 to 6 months	**35**	**–**	1,292	–
Past due 6 to 12 months	**64**	**–**	606	–
More than 1 year	**726**	**321**	691	247
	89,950	**321**	38,100	247

40. Financial Instruments *(cont'd)*

b. Credit risk *(cont'd)*

Movements in the allowance for impairment of current and non-current trade and other receivables are as follows:

	Group		Company	
	2009	2008	2009	2008
	S$'000	S$'000	S$'000	S$'000
Balance at beginning of the year	**53,338**	57,985	**247**	60
Currency translation difference	**(148)**	(686)	**–**	–
Allowance made	**7,103**	11,546	**74**	187
Allowance utilised	**(6,834)**	(4,355)	**–**	–
Allowance written back	**(7,156)**	(10,255)	**–**	–
Disposal of subsidiaries	**–**	(897)	**–**	–
Balance at end of the year	**46,303**	53,338	**321**	247

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written against the carrying amount of the impaired financial asset.

c. Liquidity risk

The Group manages its liquidity risk with the view to maintaining a healthy level of cash and cash equivalents appropriate to the operating environment and expected cash flows of the Group. Liquidity requirements are maintained within the credit facilities established and are adequate and available to the Group to meet its obligations.

The table below analyses the maturity profile of the Group's and the Company's financial liabilities (including derivative financial liabilities) based on expected contractual undiscounted cash inflows / (outflows), including interest payments and excluding the impact of netting agreements:

	Carrying amount S$'000	Cash Flows: Contractual cash flow S$'000	Cash Flows: Less than 1 year S$'000	Cash Flows: Between 1 and 5 years S$'000	Cash Flows: Over 5 years S$'000
Group					
2009					
Derivatives					
Derivative financial liabilities	60,517				
– inflow		2,170,340	1,440,736	729,166	438
– outflow		(2,262,825)	(1,490,098)	(767,368)	(5,359)
Derivative financial assets	(6,235)				
– inflow		288,835	283,430	5,405	–
– outflow		(277,804)	(272,580)	(5,224)	–
Non-derivative financial liabilities					
Trade and other payables*	2,460,032	(2,460,535)	(2,370,354)	(90,181)	–
Issued financial guarantee	–	(31,450)	(31,450)	–	–
Interest–bearing borrowings	879,789	(980,445)	(314,152)	(607,806)	(58,487)
	3,394,103	(3,553,884)	(2,754,468)	(736,008)	(63,408)

40. Financial Instruments *(cont'd)*

c. Liquidity risk *(cont'd)*

	Carrying amount S$'000	Cash Flows: Contractual cash flow S$'000	Less than 1 year S$'000	Between 1 and 5 years S$'000	Over 5 years S$'000
Group					
2008					
Derivatives					
Derivative financial liabilities	231,826				
– inflow		2,958,465	2,246,599	711,866	–
– outflow		(3,188,897)	(2,417,282)	(771,202)	(413)
Derivative financial assets	(4,261)				
– inflow		156,629	156,629	–	–
– outflow		(152,368)	(152,368)	–	–
Non-derivative financial liabilities					
Trade and other payables*	2,272,217	(2,273,268)	(2,260,683)	(12,585)	–
Interest–bearing borrowings	808,318	(840,870)	(301,407)	(450,008)	(89,455)
	3,308,100	(3,340,309)	(2,728,512)	(521,929)	(89,868)

	Carrying amount S$'000	Cash Flows: Contractual cash flow S$'000	Less than 1 year S$'000	Between 1 and 5 years S$'000
Company				
2009				
Trade and other payables*	795,971	881,659	169,892	711,767
Intra-group financial guarantee	–	1,639,622	1,639,622	–
Interest-bearing borrowings	422	484	107	377
	796,393	2,521,765	1,809,621	712,144
2008				
Trade and other payables*	774,713	(834,605)	(327,976)	(506,629)
Intra-group financial guarantee	–	1,239,063	1,239,063	–
	774,713	404,458	911,087	(506,629)

* Excludes deposits, advance payments from customers, accrued interest and share of net liability of an associate.

40. Financial Instruments *(cont'd)*

c. Liquidity risk *(cont'd)*

The following table indicates the periods in which the cash flow associated with derivatives that are cash flow hedges are expected to impact the income statement.

	Carrying amount S$'000	Cash Flows: Contractual cash flow S$'000	Less than 1 year S$'000	Between 1 and 5 years S$'000	Over 5 years S$'000
Group					
2009					
Derivative financial liabilities	58,911				
– inflow		1,971,349	1,241,745	729,166	438
– outflow		(2,062,228)	(1,289,501)	(767,368)	(5,359)
Derivative financial assets	(46,397)				
– inflow		197,026	172,781	3,966	20,279
– outflow		(145,833)	(143,419)	(2,414)	–
	12,514	(39,686)	(18,394)	(36,650)	15,358
2008					
Derivative financial liabilities	228,200				
– inflow		2,849,920	2,138,054	711,866	–
– outflow		(3,076,726)	(2,305,111)	(771,202)	(413)
Derivative financial assets	(27,330)				
– inflow		94,605	94,605	–	–
– outflow		(67,275)	(67,275)	–	–
	200,870	(199,476)	(139,727)	(59,336)	(413)

40. Financial Instruments *(cont'd)*

d. Estimation of fair values

As discussed in Note 2, effective January 1, 2009, the Group adopted FRS 107 Financial Instruments: Disclosures. FRS 107 establishes a fair value hierarchy that prioritises the inputs used to measure fair value. The three levels of the fair value input hierarchy defined by FRS 107 are as follows:

- Level 1 – Fair values are measured based on quoted prices (unadjusted) from active markets for identical financial instruments.
- Level 2 – Fair values are measured using inputs, other than those used for Level 1, that are observable for the financial instruments either directly (prices) or indirectly (derived from prices).
- Level 3 – Fair values are measured using inputs which are not based on observable market data (unobservable input).

Securities

The fair value of financial assets at fair value through profit or loss, and available-for-sale financial assets, is based on quoted market prices (bid price) at the balance sheet date without any deduction for transaction costs. If the market for a quoted financial asset is not active, and for unquoted financial assets, the Group establishes fair value by using valuation techniques.

Derivatives

Forward exchange contracts are either marked to market using listed market prices at the balance sheet date or, if a listed market price is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current spot rate.

The fair value of interest rate swaps, based on current interest rates curves, is the estimated amount that the Group is expected to receive or pay to terminate the swap with the swap counterparties at the balance sheet date.

The fair value of fuel oil swaps contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward fuel oil price.

Contracts for differences are accounted for based on the difference between the contracted price entered into with the counterparty and the reference price. The fair value of contracts for differences cannot be reliably measured as the financial instrument does not have quoted market prices in an active market. The gains and losses for contracts for differences are taken to the income statement upon settlement.

The electricity forward sale with option to buyback contracts is entered into with a single counterparty for a fixed volume and its fair value is determined based on forward sale and forecasted spot purchase prices quoted in the market as at balance sheet date.

Non-derivative financial liabilities

Fair values are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

40. Financial Instruments *(cont'd)*

d. Estimation of fair values *(cont'd)*

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market-related data at the balance sheet date.

e. Fair value hierarchy

The following table sets forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for fair value on a recurring basis as of December 31, 2009. These financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgement, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

	Fair value measurement at December 31, 2009 using:			
	Level 1	Level 2	Level 3	Total
	S$'000	S$'000	S$'000	S$'000
Group				
At December 31, 2009				
Available-for-sale financial assets	163,997	6,542	–	170,539
Financial assets at fair value through profit or loss	35	–	–	35
Derivative financial assets	–	48,869	–	48,869
	164,032	55,411	–	219,443
Derivative financial liabilities	–	(60,517)	–	(60,517)
	164,032	(5,106)	–	158,926

f. Capital management

The Group aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders. The Group monitors Economic Value Added attributable to shareholders, which the Group defines as net operating profit after tax less capital charge excluding minority interests. Management also monitors the level of dividends to ordinary shareholders.

The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group records a net cash position as at December 31, 2009 (2008: net cash position).

41. Contingent Liabilities (Unsecured)

Group

	Group	
	2009	2008
	S$'000	S$'000
Guarantees given to banks to secure banking facilities provided to:		
– Associates and joint ventures	**31,450**	–
– Others	**7,238**	7,441
Performance guarantees granted for contracts awarded to the Group	**34,037**	238,596

a. A Wayleave Agreement was entered into between SembGas and the Government of Singapore with respect to certain pipelines where SembGas would indemnify the Government of Singapore against all claims, actions, demands, proceedings, liabilities, damages, costs and expenses arising out of or in connection with any occurrence during the use, maintenance or operations of these pipelines. No such claim has arisen to date.

b. A subsidiary, Sembcorp Air Products (Hyco) Pte Ltd's ("SembAP") Synthesis Gas and Hydrogen Plant had an unplanned shutdown from June 26, 2008 to August 4, 2008 which gave rise to a claim by its main customer for termination based on non-supply of synthesis gas and hydrogen during this period. SembAP is disputing the claim on the basis that the shutdown was an event of force majeure and accordingly no provision has been made in the subsidiary's books for the claim pending resolution of the dispute.

Company

a. The Company has provided guarantees to banks to secure banking facilities provided to a wholly-owned subsidiary, Sembcorp Financial Services Pte Ltd. These financial guarantee contracts are accounted for as insurance contracts.

The principal risk to which the Company is exposed is credit risk in connection with the guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

Estimates of the Company's obligation arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions made may well vary from actual experience so that the actual liability may vary considerably from the best estimates. As of balance sheet date, there is no provision made in respect of the obligations.

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to S$1,640 million (2008: S$1,239 million), of which S$200 million was drawn down as at balance sheet date. The periods in which the financial guarantees expire are as follows:

	Company	
	2009	2008
	S$'000	S$'000
Less than 1 year	**1,639,622**	1,239,063

41. Contingent Liabilities (Unsecured) *(cont'd)*

Company *(cont'd)*

b. The Company has provided a corporate guarantee to a subsidiary, SembCogen which entered into a long-term contract ("End User Agreement") with a fellow subsidiary, SembGas to purchase natural gas over the period of 22 years with effect from 1999.

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

42. Commitments

	Group	
	2009	2008
	S$'000	S$'000
Commitments not provided for in the financial statements are as follows:		
Capital expenditure for:		
– Commitments in respect of contracts placed	**1,348,777**	56,502
– Amounts approved by directors but not contracted	**168,882**	121,988
– Uncalled capital and commitments to subscribe for additional shares in investments	**146,348**	137,870
	1,664,007	316,360

At the balance sheet date, commitments in respect of payments for non-cancellable operating leases with a term of more than one year are as follows:

	Group		Company	
	2009	2008	2009	2008
	S$'000	S$'000	S$'000	S$'000
Lease payments due:				
Within 1 year	**21,538**	24,447	**6,092**	6,213
Between 1 and 5 years	**48,089**	40,696	**14,118**	18,019
After 5 years	**289,410**	79,629	**31,947**	36,260
	359,037	144,772	**52,157**	60,492

i. On January 15, 1999, SembGas entered into a long-term Gas Sales Agreement to purchase natural gas over a period of 22 years. SembGas also entered into agreements with certain customers for the on-sale of this gas, which agreements incorporated provisions, which specifically deal with, inter-alia, SembGas' liability for shortfalls in deliveries of gas and relief from such liability in certain circumstances.

ii. On April 15, 2008, SembGas entered into another agreement to import natural gas over a period of 15 years, with first delivery of gas targeted to take place in 2011.

42. Commitments *(cont'd)*

ii. The Group leases out its investment properties. Non-cancellable operating lease rentals are receivable as follows:

	Group 2009 S$'000	Group 2008 S$'000
Lease receivable:		
Within 1 year	**2,625**	3,097
Between 1 and 5 years	**3,375**	4,848
	6,000	7,945

43. Segment Reporting

a. Operating Segments

For management purposes, the Group is organised into business units based on their products and services, and has five reportable operating segments as follows:

i. The Utilities segment's principal activities are in the provision of energy, water and on-site logistics and services to customers including companies in energy intensive industry clusters. It operates in Singapore, the United Kingdom, China, Vietnam, the United Arab Emirates and Oman.

ii. The Marine segment focuses on repair, building and conversion of ships and rigs, and on offshore engineering.

iii. The Environment segment provides integrated waste management services and undertakes waste-to-resource businesses in the Asia Pacific region.

iv. The Industrial Parks segment owns, develops, markets and manages integrated industrial parks and townships in Asia.

v. Others / Corporate segment comprises businesses relating to minting, design and construction activities, offshore engineering and the corporate companies.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Information regarding the results of each reportable segment is included in the table below. Segment performance is evaluated based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group President & CEO.

Inter-segment pricing is determined on mutually agreed terms. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

b. Geographical Segments

The Group operates in three principal geographical areas, Singapore, Europe and the Rest of Asia. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and total assets are based on the geographical location of the assets.

43. Segment Reporting *(cont'd)*

a. Operating Segments

	Utilities S$'000	Marine S$'000	Environment S$'000	Industrial Parks S$'000	Others / Corporate S$'000	Elimination S$'000	Total S$'000
2009							
Turnover							
External sales	3,495,412	5,723,061	185,044	14,971	153,920	–	9,572,408
Inter-segment sales	31,701	1,681	2,615	3,504	37,977	(77,478)	–
Total	3,527,113	5,724,742	187,659	18,475	191,897	(77,478)	9,572,408
Results							
Segment results	247,405	858,331	(739)	11,383	(426)	–	1,115,954
Interest income	4,602	28,806	220	777	27,499	(27,930)	33,974
Interest expense	(36,800)	(5,329)	(1,067)	–	(25,920)	27,930	(41,186)
	215,207	881,808	(1,586)	12,160	1,153	–	1,108,742
Share of results of associates	10,601	12,078	15,937	5,013	–	–	43,629
Share of results of joint ventures	34,170	7,218	–	17,658	6,867	–	65,913
	259,978	901,104	14,351	34,831	8,020	–	1,218,284
Income tax (expense) / credit	(46,798)	(144,276)	1,217	(2,477)	(10,647)	–	(202,981)
Minority interests	(1,899)	(326,654)	(113)	(4,022)	49	–	(332,639)
Profit for the year	211,281	430,174	15,455	28,332	(2,578)	–	682,664
Assets							
Segment assets	3,567,887	4,421,099	141,154	187,587	1,219,278	(1,394,458)	8,142,547
Interests in associates	–	240,033	80,523	298,273	–	–	618,829
Interests in joint ventures	119,919	43,627	–	86,661	61,514	–	311,721
Tax assets	25,670	1,752	8,703	1,560	219,596	–	257,281
Total assets	3,713,476	4,706,511	230,380	574,081	1,500,388	(1,394,458)	9,330,378
Liabilities							
Segment liabilities	2,183,293	2,402,539	72,464	31,092	1,103,810	(1,394,458)	4,398,740
Tax liabilities	267,753	323,575	9,148	13,127	82,500	–	696,103
Total liabilities	2,451,046	2,726,114	81,612	44,219	1,186,310	(1,394,458)	5,094,843
Capital expenditure	330,036	66,994	7,173	362	2,876	–	407,441
Significant non-cash items							
Depreciation and amortisation	105,888	75,621	10,432	2,166	5,596	–	199,703
Other non-cash items (including provisions, loss on disposal and exchange differences)	21,741	63,584	740	2,388	276	–	88,729

43. Segment Reporting *(cont'd)*

a. *Operating Segments (cont'd)*

	Utilities S$'000	Marine S$'000	Environment S$'000	Industrial Parks S$'000	Others / Corporate S$'000	Elimination S$'000	Total S$'000
2008							
Turnover							
External sales	4,477,509	5,061,032	213,762	16,233	159,877	–	9,928,413
Inter-segment sales	38,912	2,916	3,038	2,618	26,177	(73,661)	–
Total	4,516,421	5,063,948	216,800	18,851	186,054	(73,661)	9,928,413
Results							
Segment results	289,866	467,031	(9,819)	7,575	(10,169)	–	744,484
Interest income	10,263	25,130	221	1,329	28,670	(29,841)	35,772
Interest expense	(40,725)	(11,370)	(2,366)	609	(20,396)	29,841	(44,407)
	259,404	480,791	(11,964)	9,513	(1,895)	–	735,849
Share of results of associates	568	55,304	16,590	8,410	–	–	80,872
Share of results of joint ventures	15,920	8,174	–	18,753	2,377	–	45,224
	275,892	544,269	4,626	36,676	482	–	861,945
Income tax (expense) / credit	(46,655)	(91,937)	(877)	(460)	8,978	–	(130,951)
Minority interests	(28,925)	(188,641)	(1,618)	(4,667)	(82)	–	(223,933)
Profit for the year	200,312	263,691	2,131	31,549	9,378	–	507,061
Assets							
Segment assets	2,865,194	4,331,584	162,884	195,780	941,664	(1,170,313)	7,326,793
Interests in associates	5	249,086	43,139	272,158	–	–	564,388
Interests in joint ventures	110,387	36,409	1,097	74,854	58,069	–	280,816
Tax assets	24,504	14,129	4,730	14,809	236,941	–	295,113
Total assets	3,000,090	4,631,208	211,850	557,601	1,236,674	(1,170,313)	8,467,110
Liabilities							
Segment liabilities	1,824,956	3,018,813	80,586	33,641	892,728	(1,170,313)	4,680,411
Tax liabilities	218,466	232,510	6,880	14,537	49,449	–	521,842
Total liabilities	2,043,422	3,251,323	87,466	48,178	942,177	(1,170,313)	5,202,253
Capital expenditure	251,870	104,097	7,345	849	3,982	–	368,143
Significant non-cash items							
Depreciation and amortisation	106,742	71,578	9,554	1,962	5,233	–	195,069
Other non-cash items (including provisions, loss on disposal and exchange differences)	8,158	97,531	462	4,681	793	–	111,625

43. Segment Reporting *(cont'd)*

b. *Geographical Segments*

	Singapore S$'000	Rest of Asia S$'000	Europe S$'000	Others S$'000	Consolidated S$'000
2009					
Revenue from external customers	3,915,779	1,353,896	2,553,376	1,749,357	9,572,408
Total assets	7,059,045	1,020,742	686,999	563,592	9,330,378
Segment assets	6,550,654	368,937	674,908	548,048	8,142,547
Capital expenditure	92,002	38,453	23,046	253,940	407,441
2008					
Revenue from external customers	5,415,489	1,691,070	2,194,717	627,137	9,928,413
Total assets	6,843,700	959,358	633,638	30,414	8,467,110
Segment assets	6,335,017	338,649	622,713	30,414	7,326,793
Capital expenditure	187,166	118,328	62,465	184	368,143

44. Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Information on other significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

a. Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Information about the assumptions and their risk factors relating to goodwill impairment are disclosed in Note 16.

44. Significant Accounting Estimates and Judgements *(cont'd)*

b. Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income taxes and deferred tax provisions in the period in which such determination is made.

c. Pension assumptions

The Group has decided on certain principal actuarial assumptions, as detailed in Note 28, in estimating its pension liability as at the balance sheet date. If there were adverse changes to these actuarial assumptions, then the Group's unrecognised actuarial losses would increase with the risk that they would fall outside the corridor and would need to be recognised in the income statement.

d. Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 60 years. The carrying amount of the Group's property, plant and equipment are set out in Note 6. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

e. Provisions and contingent liabilities

Estimates of the Group's obligations arising from contracts exist as at balance sheet date may be affected by future events, which cannot be predicted with any certainty. The assumptions and estimates are made based on the management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

a. Revenue recognition

The Group has recognised revenue on construction contract, ship and rig repair, building and conversion based on the percentage of completion method in proportion to the stage of completion. The percentage of completion is assessed by reference to surveys of work performed. Significant judgement is required in determining the appropriate stage of completion and estimating a reasonable contribution margin for revenue and costs recognition.

44. Significant Accounting Estimates and Judgements *(cont'd)*

Critical accounting judgements in applying the Group's accounting policies *(cont'd)*

b. Impairment of investments and financial assets

The Group follows the guidance of FRS 39 Financial Instruments: Recognition and Measurement on determining when an investment or financial asset is other than temporarily impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment and financial asset is less than its cost; and the financial health of and near-term business outlook for the investment of financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

45. Subsequent Event

A subsidiary of the Company, Jurong Shipyard Pte Ltd ("JSPL") through Estaleiro Jurong Aracruz Ltda, a Brazilian incorporated subsidiary of JSPL, acquired a freehold land in the State of Espirito Santo in Brazil to develop into a shipyard. Jurong do Brasil Prestacao de Services Ltda, another Brazilian incorporated subsidiary of JSPL will undertake marine and offshore services in Brazil.

46. Comparative Information

Certain comparatives in the financial statements have been changed from the previous year to be consistent with the current year's presentation.

47. New or Revised Accounting Standards and Interpretations

The Group has not applied the following accounting standards (including their consequential amendments) and interpretations that have been issued as of the balance sheet date but are not yet effective:

FRS 27 (revised)	Consolidated and Separate Financial Statements
FRS 103 (revised)	Business Combinations
INT FRS 117	Distributions of Non-cash Assets to Owners
Improvements to FRSs 2009	
Amendment to FRS 32 Financial Instruments: Presentation – Classification of Rights Issue	
Amendment to FRS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items	
Amendment to FRS 102 Share-based Payment – Group Cash-settled Share-based Payment Transactions	

FRS 103 (revised) and FRS 27 (revised) will become effective for the Group's financial statements for the year ending December 31, 2010. FRS 103 (revised) introduces significant changes to the accounting for business combinations both at the acquisition date and post acquisition, and requires greater use of fair values. The revised FRS 103 will be applied prospectively and therefore there will be no impact on prior periods in the Group's financial statements for the year ending December 31, 2010. FRS 27 (revised) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in the income statement. The Group is in the process of assessing the impact of these amendments.

INT FRS 117 will become effective for the Group's financial statements for the year ending December 31, 2010.

INT FRS 117 provides guidance when an entity distributes assets other than cash as dividends to its owners acting in their capacity as owners, or when the distributions give owners a choice of receiving either non-cash assets or cash alternative. The interpretation requires that an entity should recognise such distributions as dividend payable when it is appropriately authorised and is no longer at the discretion of the entity. The dividend payable should be measured at the fair value of the non-cash assets to be distributed. The Group is in the process of assessing the impact of these amendments.

47. New or Revised Accounting Standards and Interpretations *(cont'd)*

Improvements to FRSs 2009 will become effective for the Group's financial statements for the year ending December 31, 2010 for amendments relating to:

- FRS 102 Share-based payment
- FRS 38 Intangible assets
- INT FRS 109 Reassessment of embedded derivatives
- INT FRS 116 Hedges of a net investment in a foreign operation

Improvements to FRSs 2009 will become effective for the Group's financial statements for the year ending December 31, 2011 for amendments relating to:

- FRS 1 Presentation of financial statements
- FRS 7 Statement of cash flows
- FRS 17 Leases
- FRS 36 Impairment of assets
- FRS 39 Financial Instruments: Recognition and measurement
- FRS 105 Non-current assets held for sale and discontinued operations
- FRS 108 Operating segments

Improvements to FRSs 2009 contain amendments to numerous accounting standards that result in accounting changes for presentation, recognition or measurement and disclosure purposes. The Group is in the process of assessing the impact of these amendments.

The amendment to FRS 32 on classification of rights issues will become effective for the Group's financial statements for the year ending December 31, 2010. This amendment addresses the accounting for rights issues (rights, options and warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. The amendment requires that rights issues to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This is regardless of the currency in which the exercise price is denominated. The Group is in the process of assessing the impact of this amendment.

The amendments to FRS 39 on eligible hedged items will become effective for the Group's financial statements for the year ending December 31, 2010. The amendments clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in two particular situations: (i) the designation of a one-sided risk in a hedged item; and (ii) the designation of inflation in particular situations. The Group is in the process of assessing the impact of these amendments.

The amendments to FRS 102 on group cash-settled share-based payment transactions will become effective for the Group's financial statements for the year ending December 31, 2010. The amendments require an entity receiving goods or services in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements. The Group is in the process of assessing the impact of these amendments.

The initial application of these standards (including their consequential amendments) and interpretations is not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.

48. Subsidiaries

Details of significant subsidiaries are as follows:

Name of significant subsidiaries	Country of incorporation	Effective equity held by the Group 2009 %	Effective equity held by the Group 2008 %
Utilities			
Sembcorp Utilities Pte Ltd	Singapore	**100**	100
Sembcorp Cogen Pte Ltd	Singapore	**100**	100
Sembcorp Gas Pte Ltd	Singapore	**70**	70
Sembcorp Air Products (Hyco) Pte Ltd	Singapore	**60**	60
Sembcorp Utilities (UK) Limited	The United Kingdom	**100**	100
Marine			
Sembcorp Marine Ltd	Singapore	**61.30**	61.55
Jurong Shipyard Pte Ltd	Singapore	**61.30**	61.55
PPL Shipyard Pte Ltd	Singapore	**52.11**	52.32
Sembawang Shipyard Pte Ltd	Singapore	**61.30**	61.55
SMOE Pte Ltd	Singapore	**61.30**	61.55
Environment			
Sembcorp Environment Pte. Ltd.	Singapore	**100**	100
SembWaste Pte Ltd	Singapore	**100**	100
Industrial Parks			
Sembcorp Industrial Parks Ltd	Singapore	**100**	100
Others			
Sembcorp Design and Construction Pte Ltd	Singapore	**100**	100
Sembcorp Financial Services Pte Ltd	Singapore	**100**	100
Singapore Precision Industries Pte Ltd	Singapore	**100**	100

KPMG LLP is the auditor of the significant Singapore incorporated subsidiaries and other member firms of KPMG International are auditors of the significant foreign incorporated subsidiaries.

49. Associates and Joint Ventures

Details of significant associates and joint ventures are as follows:

			Effective equity held by the Group	
			2009	2008
	Name of significant associates and joint ventures	Country of incorporation	%	%
	Utilities			
^	Phu My 3 BOT Power Company Ltd	Vietnam	**33.33**	33.33
#	Shanghai Cao Jing Cogeneration Co. Ltd	People's Republic of China	**30.00**	30.00
@	Shenzhen Chiwan Sembawang Engineering Co Ltd	People's Republic of China	**32.00**	32.00
*	Emirates Sembcorp Water & Power Company P.J.S.C	United Arab Emirates	**40.00**	40.00
	Marine			
@@	COSCO Shipyard Group	People's Republic of China	**18.39**	18.47
	Environment			
^^	SembSITA Pacific Pte Ltd	Singapore	**40.00**	40.00
	Industrial Parks			
**	Gallant Venture Ltd	Singapore	**23.92**	23.92
##	Vietnam Singapore Industrial Park JV Co Ltd	Vietnam	**40.44**	40.44
^^^	Wuxi Singapore Industrial Park Development Co. Ltd	People's Republic of China	**45.36**	45.36

The auditors of significant associates and joint ventures are as follows:

^ Audited by Ernst & Young Vietnam Limited
# Audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company
@ Audited by BDO Shenzhen Dahua Tiancheng Certified Public Accountants
* Audited by Ernst & Young, Abu Dhabi
@@ Audited by Zhongrui Yuehua Certified Public Accountants Co., Ltd
^^ Audited by Ernst & Young LLP
** The consolidated financial statements of Gallant Venture Ltd, a company listed on Singapore Exchange, and its subsidiaries are audited by Foo, Kon & Tan Grant Thornton
Audited by KPMG Limited, Vietnam
^^^ Audited by KPMG Huazhen Shanghai Branch

Supplementary Information

Year Ended December 31, 2009

(Under SGX-ST Listing Manual Requirements)

A. Directors' and Key Executives' Remuneration Earned for the Year

Summary compensation table for the year ended December 31, 2009

Name of Director	Salary[1] S$	Bonus Earned[2] S$	Fair value of share-based compensation granted for the year[4] S$	Directors' fees[6] S$	Brought Forward Bonus Bank[3] S$
Payable by Company					
Peter Seah Lim Huat	–	–	53,526	175,000	–
Tang Kin Fei	862,398	2,796,040	1,144,190	–	6,928,272
Goh Geok Ling	–	–	31,204	105,000	–
Richard Hale, OBE	–	–	38,721	133,000	–
Yong Ying-I[5]	–	–	–	103,000	–
Evert Henkes	–	–	15,944	95,000	–
Lee Suet Fern	–	–	31,204	102,000	–
Bobby Chin Yoke Choong	–	–	25,055	89,000	–
Payable by Subsidiaries					
Goh Geok Ling	–	–	57,420	289,250	–
Richard Hale, OBE	–	–	43,560	145,000	–
Tang Kin Fei[6]	–	–	33,660	255,000	–

Name of Key Executive	Salary[1] S$	Bonus Earned[2] S$	Fair value of share-based compensation granted for the year[4] S$	Directors' fees[6] S$	Brought Forward Bonus Bank[3] S$
Low Sin Leng	528,420	375,185	291,019	–	2,264,088
Tan Cheng Guan[6]	530,043	749,220	291,019	31,333	109,355
Ngiam Joke Mui[6]	495,420	676,263	308,839	169,000	1,813,455
Wong Weng Sun	600,300	8,369,750	490,500	–	2,771,230
	GBP	GBP	S$	S$	GBP
Paul Gavens	182,554	122,264	243,188	–	168,669

Notes:

1. The amount shown is inclusive of basic salary, fixed allowances, AWS and other emoluments.
2. With effect from this financial year ending December 31, 2009, rather than disclosing the bonus paid in the year for the previous year's performance, the Bonus Earned during the financial year is shown.
3. The Brought Forward Bonus Bank is the outstanding balance of Bonus as at December 31, 2009 (excluding the Bonus earned during the financial year). Typically, one-third of the accumulated Bonus comprising Bonus Earned in the financial year and the Brought Forward Bonus is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank in future will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the bonus bank.
4. Previously taxable income from share-based compensation is shown. With effect from this financial year ending December 31, 2009, the fair value of the share plans granted for the year is disclosed. The shares granted are contingent upon meeting performance measures. If these performance measures are not met, the key executive will not be vested with any shares.
5. Fee for public sector director is payable to a government agency.
6. Directors' fees from subsidiaries for Mr Tang Kin Fei, Mr Tan Cheng Guan and Ms Ngiam Joke Mui are payable to SCI.

Details on the share options, performance shares and restricted stocks granted to the directors are set out in the Share-based Incentive Plans of the Directors' Report.

(Under SGX-ST Listing Manual Requirements)

B. Interested Person Transactions

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

	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than S$100,000) 2009 S$'000
Sale of goods and services	
Temasek Holdings (Private) Limited and its Associates	
– PSA International Pte Ltd and its Associates	24,212
– Mapletree Investments Pte Ltd and its Associates	15,852
– MediaCorp Pte Ltd and its Associates	8,207
– PowerSeraya Limited	5,903
– Temasek Capital (Private) Limited and its Associates	3,429
– Singapore Power Limited and its Associates	1,753
– Singapore Technologies Telemedia Pte Ltd and its Associates	795
– National University Hospital (S) Pte Ltd	273
– Certis CISCO Security Pte Ltd	167
	60,591
SMRT Corporation Ltd and its Associates	61,602
Starhub Ltd and its Associates	10,816
Singapore Technologies Engineering Ltd and its Associates	1,444
STATS ChipPAC Ltd	318
Singapore Airport Terminal Services Ltd and its Associates	183
Singapore Airlines Limited and its Associates	177
	135,131
Purchase of goods and services	
Temasek Holdings (Private) Limited and its Associates	
– Temasek Capital (Private) Limited and its Associates[1]	610,878
– Singapore Power Limited and its Associates	11,400
	622,278
Singapore Technologies Engineering Ltd and its Associates	902
	623,180
Sub-total	758,311

(Under SGX-ST Listing Manual Requirements)

B. Interested Person Transactions *(cont'd)*

	Aggregate value of all interested person transactions (excluding transactions less than S$100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual) 2009 S$'000
Establishment of joint venture	
Temasek Holdings (Private) Limited and its Associates	
– Surbana Corporation Pte Ltd and its Associates	43,777
Divestment of investment	
– Singapore Technologies Engineering Ltd and its Associates	1,736
Sub-total	45,513
Total interested person transactions	**803,824**

Note:

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

EVA Statement

Year Ended December 31, 2009

	Note	2009 S$'000	2008 S$'000
Net operating profit before income tax expense		**1,108,742**	735,849
Adjust for:			
Share of associates' and joint ventures' profits		**136,412**	139,846
Interest expense	1	**44,538**	47,521
Others	2	**20,020**	5,199
Adjusted profit before interest and tax		**1,309,712**	928,415
Cash operating taxes	3	**(216,663)**	(104,536)
Net operating profit after tax (NOPAT)		**1,093,049**	823,879
Average capital employed	4	**5,376,210**	5,419,183
Weighted average cost of capital	5	**6.0%**	5.8%
Capital charge		**322,573**	313,221
Economic Value Added (EVA)		**770,476**	510,658
Minority share of EVA		**(284,850)**	(174,888)
EVA attributable to shareholders		**485,626**	335,770
Less: Unusual Items (UI) Gains	6	**2,101**	9,810
EVA attributable to shareholders (exclude UI)		**483,525**	325,960

Notes:

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.

	2009 S$'000	2008 S$'000
Major Capital Components:		
Fixed assets	**2,680,567**	2,757,086
Investments	**1,143,646**	1,116,191
Other long-term assets	**451,564**	803,711
Net working capital and long-term liabilities	**1,100,433**	742,195
Average capital employed	**5,376,210**	5,419,183

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.

Shareholders' Information

Statistics of Shareholders as of March 3, 2010

Issued and fully paid-up capital	: S$554,036,964.88
Number of issued shares	: 1,785,351,540
Number of shareholders	: 29,106
Class of shares	: Ordinary shares with equal voting rights@

Shareholdings Held by the Public

Based on information available to the company as of March 3, 2010, 50.36%* of the issued ordinary shares of the company is held by the public and therefore, the company has complied with Rule 723 of the SGX-ST Listing Manual.

Substantial Shareholders	Direct Interest	Indirect Interest	Total	%*
Temasek Holdings (Private) Limited	871,200,328	12,718,760**	883,919,088	49.64

Top 20 Shareholders as of March 3, 2010

No.	Name	No. of Ordinary Shares Held	%*
1	Temasek Holdings (Private) Limited	871,200,328	48.93
2	Citibank Nominees Singapore Pte Ltd	191,461,191	10.75
3	DBS Nominees Pte Ltd	191,202,704	10.74
4	DBSN Services Pte Ltd	133,241,734	7.48
5	HSBC (Singapore) Nominees Pte Ltd	91,549,452	5.14
6	United Overseas Bank Nominees Pte Ltd	49,138,993	2.76
7	Raffles Nominees (Pte) Ltd	20,121,827	1.13
8	Startree Investments Pte Ltd	9,400,000	0.53
9	OCBC Nominees Singapore Pte Ltd	7,004,876	0.39
10	DBS Vickers Securities (Singapore) Pte Ltd	3,982,695	0.22
11	Merrill Lynch (Singapore) Pte Ltd	3,917,494	0.22
12	Phillip Securities Pte Ltd	3,456,952	0.19
13	BNP Paribas Securities Services Singapore	3,119,775	0.18
14	BNP Paribas Nominees Singapore Pte Ltd	3,002,194	0.17
15	Tang Kin Fei	2,782,084	0.16
16	DB Nominees (S) Pte Ltd	2,701,753	0.15
17	Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,338,654	0.13
18	UOB Kay Hian Pte Ltd	2,302,235	0.13
19	TM Asia Life Singapore Ltd-Par Fund	1,800,000	0.10
20	OCBC Securities Private Ltd	1,528,909	0.09
		1,595,253,850	89.59

@ Ordinary shares purchased and held as treasury shares by the company will have no voting rights.

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the company as of March 3, 2010 excluding 4,691,549 ordinary shares held as treasury shares as at that date.

** Temasek is deemed to be interested in the 12,718,760 shares in which its subsidiaries and / or associated companies have or are deemed to have an interest pursuant to Section 7 of the Companies Act.

Analysis of Shareholdings as of March 3, 2010

Range of Shareholdings	No. of Ordinary Shareholders	%	No. of Ordinary Shares Held	%
1 – 999	2,898	9.96	1,596,310	0.09
1,000 – 10,000	23,190	79.67	77,864,908	4.36
10,001– 1,000,000	2,994	10.29	102,569,809	5.75
1,000,001 – and above	24	0.08	1,603,320,513	89.80
	29,106	100.00	1,785,351,540	100.00

Corporate Information

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

Board of Directors
Peter Seah Lim Huat
Chairman

Tang Kin Fei
Group President & CEO

Goh Geok Ling
Richard Hale, OBE
Yong Ying-I
Evert Henkes
Lee Suet Fern
Bobby Chin Yoke Choong
Ang Kong Hua

Executive Committee
Peter Seah Lim Huat
Chairman

Goh Geok Ling
Tang Kin Fei
Ang Kong Hua

Audit Committee
Richard Hale, OBE
Chairman

Lee Suet Fern
Yong Ying-I
Bobby Chin Yoke Choong

Executive Resource & Compensation Committee
Peter Seah Lim Huat
Chairman

Goh Geok Ling
Ang Kong Hua

Nominating Committee
Peter Seah Lim Huat
Chairman

Goh Geok Ling
Ang Kong Hua

Risk Committee
Richard Hale, OBE
Chairman

Lee Suet Fern
Yong Ying-I

Company Secretary
Kwong Sook May

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

Principal Bankers
DBS Bank
6 Shenton Way
DBS Building, Tower One
Singapore 068809

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

Oversea-Chinese Banking Corporation
65 Chulia Street #10-00
OCBC Centre
Singapore 049513

Standard Chartered Bank
6 Battery Road #23-00
Singapore 049909

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

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

The Hongkong and Shanghai Banking Corporation
21 Collyer Quay, Level 3
HSBC Building
Singapore 049320

United Overseas Bank
80 Raffles Place
UOB Plaza
Singapore 048624

Natixis
50 Raffles Place #41-01
Singapore Land Tower
Singapore 048623

Maybank
2 Battery Road, 16th Floor
Maybank Tower
Singapore 049907

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

Partner-in-Charge: Yap Chee Meng
(Appointed during the financial year ended December 31, 2008)

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Notice of Annual General Meeting

Notice is hereby given that the Twelfth Annual General Meeting of the Company will be held at The Auditorium, NTUC Centre, Level 7, One Marina Boulevard, Singapore 018989 on Thursday, April 22, 2010 at 11.00 am for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended December 31, 2009 and the Auditors' Report thereon. **Resolution 1**

2. To declare a final ordinary tax exempt 1-tier dividend of 15 cents per ordinary share for the year ended December 31, 2009. **Resolution 2**

3. To re-elect the following Directors, each of whom will retire by rotation pursuant to Article 93 of the Company's Articles of Association and who, being eligible, will offer themselves for re-election:

   a. Goh Geok Ling **Resolution 3**
   b. Evert Henkes **Resolution 4**

   Yong Ying-I is also due to retire by rotation under Article 93 of the Company's Articles of Association, but will not be offering herself for re-election.

4. To re-elect Ang Kong Hua, a Director retiring pursuant to Article 99 of the Company's Articles of Association and who, being eligible, will offer himself for re-election. **Resolution 5**

5. To re-appoint Richard Hale, OBE (*Independent Chairman of Audit Committee*), a Director retiring under Section 153(6) of the Companies Act, Chapter 50 of Singapore, to hold office from the date of this Annual General Meeting until the next Annual General Meeting. **Resolution 6**

6. To approve Directors' Fees of S$802,000 for the year ended December 31, 2009 (2008: S$801,250). **Resolution 7**

7. To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 8**

Special Business

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

8. That authority be and is hereby given to the Directors to: **Resolution 9**

   a. i. issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and / or

      ii. make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

b. (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution):

(A) by way of renounceable rights issues on a *pro rata* basis to shareholders of the Company ("**Renounceable Rights Issues**") shall not exceed 100% of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with paragraph (3) below); and

(B) otherwise than by way of Renounceable Rights Issues ("**Other Share Issues**") shall not exceed 50% of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with paragraph (3) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company shall not exceed 5% of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with paragraph (3) below);

(2) the Renounceable Rights Issues and Other Share Issues shall not, in aggregate, exceed 100% of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with paragraph (3) below);

(3) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**")) for the purpose of determining the aggregate number of shares that may be issued under paragraphs (1)(A) and (1)(B) above, the percentage of issued shares shall be based on the total number of issued shares in the capital of the Company excluding treasury shares at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue or consolidation or subdivision of shares;

(4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(5) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

9. To transact any other business.

By Order of the Board

Kwong Sook May
Company Secretary
March 26, 2010

Explanatory Notes:

Resolutions 3 to 6 – Detailed information on these Directors can be found under the Board of Directors and Corporate Governance Report sections in the Annual Report 2009.

If re-appointed, Richard Hale, OBE will remain as the Chairman of the Audit Committee. Mr Hale is an independent Director.

Notice of Annual General Meeting

Statement Pursuant to Article 55 of the Articles of Association of the Company:

Resolution 9 – is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding (i) 100% for Renounceable Rights Issues and (ii) 50% for Other Share Issues, of which up to 5% may be issued other than on a *pro rata* basis to shareholders, **provided that** the total number of shares which may be issued pursuant to (i) and (ii) shall not exceed 100% of the issued shares in the capital of the Company excluding treasury shares. The aggregate number of shares which may be issued shall be based on the total number of issued shares in the capital of the Company excluding treasury shares at the time that Resolution 9 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 9 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

Notes:

1. *A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.*
2. *The instrument appointing a proxy must be lodged at the office of the Company's Registrar, M&C Services Private Limited, 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906 not later than 48 hours before the time appointed for the Annual General Meeting.*

Notice of Books Closure and Dividend Payment Date

NOTICE IS HEREBY GIVEN that the Register of Members and Share Transfer Books of the Company will be closed on April 29, 2010 to determine the shareholders' entitlements to the proposed dividend. Duly completed transfers of shares received by the Company's Share Registrar, M&C Services Private Limited at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, up to 5.00 pm on April 28, 2010 (the "**Book Closure Date**") will be registered to determine shareholders' entitlements to the proposed dividend. Subject as aforesaid, shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 pm on the Book Closure Date will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Annual General Meeting, will be paid on May 12, 2010.

Glue and seal along the edge

Proxy Form

IMPORTANT

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

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

Twelfth Annual General Meeting

I / We, ______________________(Name), __________ (NRIC / Passport No.)

of ______________________________________ (Address)

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

Name	Address	NRIC / Passport No.	% of Shareholdings

and / or (delete as appropriate)

Name	Address	NRIC / Passport No.	% of Shareholdings

as my / our proxy / proxies to attend and vote for me / us on my / our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held on Thursday, April 22, 2010 at 11.00 am at The Auditorium, NTUC Centre, Level 7, One Marina Boulevard, Singapore 018989 and at any adjournment thereof.

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

	Resolutions	For	Against
	ORDINARY BUSINESS		
1.	To adopt the Directors' Report and Accounts		
2.	To declare a final dividend		
3.	To re-elect Goh Geok Ling		
4.	To re-elect Evert Henkes		
5.	To re-elect Ang Kong Hua		
6.	To re-appoint Richard Hale, OBE		
7.	To approve Directors' fees for financial year ended December 31, 2009		
8.	To re-appoint KPMG LLP as Auditors and to fix their remuneration		
	SPECIAL BUSINESS		
9.	To approve the renewal of Share Issue Mandate		

Total Number of Shares Held

______________________ Signature(s) or Common Seal of Member(s)

__________ Date

Glue and seal along the edge

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Registrar, M&C Services Private Limited, 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906 not less than 48 hours before the time appointed for the Annual General Meeting.

1st FOLD

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

2nd FOLD

sembcorp

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BUSINESS REPLY SERVICE PERMIT
NO. 06735

The Company Secretary
Sembcorp Industries Ltd
c/o M&C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

3rd FOLD

Sembcorp Industries Financial Calendar 2010

April 22, 2010	12th Annual General Meeting
April 26, 2010	Ex-dividend date for 2009 final dividend
May 8, 2010*	Announcement of first quarter results for the period ending March 31, 2010
May 12, 2010	Payment of 2009 dividend
August 12, 2010*	Announcement of first half results for the period ending June 30, 2010
November 8, 2010*	Announcement of nine months results for the period ending September 30, 2010
February 2011*	Announcement of full year results for the period ending December 31, 2010

* *Provisional. Updates will be posted at www.sembcorp.com*

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RECYCLED CONTENT

FOREST MANAGEMENT

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Sembcorp Industries Ltd
30 Hill Street #05-04
Singapore 179360
Tel: (65) 6723 3113
Fax: (65) 6822 3254
www.sembcorp.com
Co Regn No. 199802418D