

DIRECTORS' REPORT

Year Ended December 31, 2011

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, 2011.

Directors

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

Ang Kong Hua
Tang Kin Fei
Goh Geok Ling
Evert Henkes
Bobby Chin Yoke Choong
Margaret Lui
Tan Sri Mohd Hassan Marican
Tham Kui Seng (appointed on June 1, 2011)

Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At beginning of the year / date of appointment			At beginning of the year / date of appointment		
			At end of the year 21/01/2012	At beginning of the year 21/01/2012	At end of the year 21/01/2012	At beginning of the year 21/01/2012	At end of the year 21/01/2012	At end of the year 21/01/2012
Ang Kong Hua								
Sembcorp Industries Ltd	Ordinary shares		–	20,300	20,300	–	–	–
	Conditional award of: – 20,300 restricted shares to be delivered in 2011 (Note 4)		20,300	–	–	–	–	–
Tang Kin Fei								
Sembcorp Industries Ltd	Ordinary shares		3,024,405	3,593,826	3,593,826	–	–	–
	Options to subscribe for ordinary shares at – S\$2.37 per share	02/07/2006 to 01/07/2015	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	–	–	–

Directors' Interests (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At beginning of the year / date of appointment			At beginning of the year / date of appointment		
			At end of the year 21/01/2012	At end of the year 21/01/2012	At end of the year 21/01/2012	At beginning of the year 21/01/2012	At end of the year 21/01/2012	At end of the year 21/01/2012
Tang Kin Fei (cont'd)								
Sembcorp Industries Ltd	Conditional award of: – 400,000 performance shares to be delivered after 2010 (Note 1a)		Up to 600,000	–	–	–	–	–
	– 400,000 performance shares to be delivered after 2011 (Note 1b)		Up to 600,000	Up to 600,000	Up to 600,000	–	–	–
	– 400,000 performance shares to be delivered after 2012 (Note 1c)		Up to 600,000	Up to 600,000	Up to 600,000	–	–	–
	– 400,000 performance shares to be delivered after 2013 (Note 1d)		–	Up to 600,000	Up to 600,000	–	–	–
	– 128,596 restricted shares to be delivered after 2008 (Note 2(i))		27,861	–	–	–	–	–
	– 126,000 restricted shares to be delivered after 2009 (Note 3a(i))		82,320	41,160	41,160	–	–	–
	– 126,000 restricted shares to be delivered after 2010 (Note 3b(i))		Up to 189,000	100,800	100,800	–	–	–
	– 126,000 restricted shares to be delivered after 2011 (Note 3c)		Up to 189,000	Up to 189,000	Up to 189,000	–	–	–
	– 126,000 restricted shares to be delivered after 2012 (Note 3d)		–	Up to 189,000	Up to 189,000	–	–	–

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Year Ended December 31, 2011

Directors' Interests (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At beginning of the year /			At		
			date of appointment	At end of the year	At 21/01/2012	beginning of the year	At end of the year	At 21/01/2012
Tang Kin Fei (cont'd)								
Sembcorp Marine Ltd	Ordinary shares		123,880	182,570	182,570	-	-	-
	Options to subscribe for ordinary shares at - S\$2.38 per share	03/10/2007 to 02/10/2011	24,500	-	-	-	-	-
	Conditional award of: - 18,900 restricted shares to be delivered after 2008 (Note 2(ii))		8,190	-	-	-	-	-
	- 12,000 restricted shares to be delivered after 2009 (Note 3a(ii))		12,000	6,000	6,000	-	-	-
	- 17,000 restricted shares to be delivered after 2010 (Note 3b(ii))		Up to 25,500	17,000	17,000	-	-	-
	- 11,500 restricted shares to be delivered in 2011 (Note 5)		11,500	-	-	-	-	-
Sembcorp Financial Services Pte Ltd	Fixed Rate Notes issued under the S\$1.5 Billion Multicurrency Medium Term Note Programme (Note 6)		Principal amount:	Principal amount:	Principal amount:			
	- Due 2014		S\$500,000	S\$500,000	S\$500,000	-	-	-
	- Due 2020		S\$500,000	S\$500,000	S\$500,000	-	-	-
Goh Geok Ling								
Sembcorp Industries Ltd	Ordinary shares		440,136	484,320	484,320	47,000	47,000	47,000
	Options to subscribe for ordinary shares at - S\$2.52 per share	10/06/2007 to 09/06/2011	17,500	-	-	-	-	-

Directors' Interests (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At beginning of the year /			At		
			date of appointment	At end of the year	At 21/01/2012	beginning of the year	At end of the year	At 21/01/2012
Goh Geok Ling (cont'd)								
Sembcorp Industries Ltd	Conditional award of: - 13,982 restricted shares to be delivered after 2008 (Note 2(iii))		3,028	-	-	-	-	-
	- 13,700 restricted shares to be delivered after 2009 (Note 3a(iii))		8,950	4,474	4,474	-	-	-
	- 13,700 restricted shares to be delivered after 2010 (Note 3b(iii))		Up to 20,550	10,960	10,960	-	-	-
	- 13,700 restricted shares to be delivered in 2011 (Note 4)		13,700	-	-	-	-	-
Sembcorp Marine Ltd	Ordinary shares		127,694	293,040	293,040	-	-	-
	Options to subscribe for ordinary shares at - S\$2.38 per share	03/10/2007 to 02/10/2011	106,000	-	-	-	-	-
	Conditional award of: - 30,800 restricted shares to be delivered after 2008 (Note 2(iv))		13,346	-	-	-	-	-
	- 22,000 restricted shares to be delivered after 2009 (Note 3a(iv))		22,000	11,000	11,000	-	-	-
	- 29,000 restricted shares to be delivered after 2010 (Note 3b(iv))		Up to 43,500	29,000	29,000	-	-	-
	- 20,500 restricted shares to be delivered in 2011 (Note 5)		20,500	-	-	-	-	-

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Year Ended December 31, 2011

Directors' Interests (cont'd)

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
			At beginning of the year / date of appointment			At end of the year		
			At beginning of the year	At end of the year	21/01/2012	At beginning of the year	At end of the year	21/01/2012
Evert Henkes								
Sembcorp Industries Ltd	Ordinary shares		99,383	113,018	113,018	-	-	-
	Conditional award of:							
	- 7,144 restricted shares to be delivered after 2008 (Note 2(v))		1,548	-	-	-	-	-
	- 7,000 restricted shares to be delivered after 2009 (Note 3a(v))		4,573	2,286	2,286	-	-	-
	- 7,000 restricted shares to be delivered after 2010 (Note 3b(v))		Up to 10,500	5,600	5,600	-	-	-
	- 7,000 restricted shares to be delivered in 2011 (Note 4)		7,000	-	-	-	-	-
Bobby Chin Yoke Choong								
Sembcorp Industries Ltd	Ordinary shares		-	15,400	15,400	-	-	-
	Conditional award of:							
	- 11,000 restricted shares to be delivered after 2010 (Note 3b(vi))		Up to 16,500	8,800	8,800	-	-	-
	- 11,000 restricted shares to be delivered in 2011 (Note 4)		11,000	-	-	-	-	-
Margaret Lui								
			-	-	-	-	-	-
Tan Sri Mohd Hassan Marican								
			-	-	-	-	-	-
Tham Kui Seng								
			-	-	-	-	-	-

Directors' Interests (cont'd)

Note 1: The actual number to be delivered will depend on the achievement of set targets over a 3-year period as indicated below. Achievement of targets below threshold level will mean no performance shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional performance shares awarded could be delivered.

- Period from 2008 to 2010*
- Period from 2009 to 2011
- Period from 2010 to 2012
- Period from 2011 to 2013

* For this period, 300,000 Sembcorp Industries Ltd (SCI) shares were released to Tang Kin Fei on March 23, 2011. 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 from 2007 to 2008. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 130% will mean up to 1.3 times the number of conditional restricted shares awarded could be delivered.

- For this period, 27,861 SCI shares (the final release of the 1/3 of the 83,587 shares) were vested under the award to Tang Kin Fei on March 23, 2011. The 1st and 2nd release of 27,863 shares each have been vested in 2009 and 2010 respectively.
- For this period, 8,190 Sembcorp Marine Ltd (SCM) shares (the final release of the 1/3 of the 24,570 shares) were vested under the award to Tang Kin Fei on March 15, 2011. The 1st and 2nd release of 8,190 shares each have been vested in 2009 and 2010 respectively.
- For this period, 3,028 SCI shares (the final release of the 1/3 of the 9,088 shares) were vested under the award to Goh Geok Ling on March 23, 2011. The 1st and 2nd release of 3,030 shares each have been vested in 2009 and 2010 respectively.
- For this period, 13,346 SCM shares (the final release of the 1/3 of the 40,040 shares) were vested under the award to Goh Geok Ling on March 15, 2011. The 1st and 2nd release of 13,347 shares each have been vested in 2009 and 2010 respectively.
- For this period, 1,548 SCI shares (the final release of the 1/3 of the 4,644 shares) were vested under the award to Evert Henkes on March 23, 2011. The 1st and 2nd release of 1,548 shares each have been vested in 2009 and 2010 respectively.

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 shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

- Period from 2008 to 2009**
- Period from 2009 to 2010*
- Period from 2010 to 2011
- Period from 2011 to 2012

** For this period, 41,160 SCI shares (2nd release of the 1/3 of the 123,480 shares) were vested under the award to Tang Kin Fei on March 23, 2011 and the remaining 41,160 shares will be vested in year 2012. The 1st release of 41,160 shares has been vested on March 10, 2010.

- For this period, 6,000 SCM shares (2nd release of the 1/3 of the 18,000 shares) were vested under the award to Tang Kin Fei on March 15, 2011 and the remaining 6,000 shares will be vested in year 2012. The 1st release of 6,000 shares has been vested on March 12, 2010.
- For this period, 4,476 SCI shares (2nd release of the 1/3 of the 13,426 shares) were vested under the award to Goh Geok Ling on March 23, 2011 and the remaining 4,474 shares will be vested in year 2012. The 1st release of 4,476 shares has been vested on March 10, 2010.
- For this period, 11,000 SCM shares (2nd release of the 1/3 of the 33,000 shares) were vested under the award to Goh Geok Ling on March 15, 2011 and the remaining 11,000 shares will be vested in year 2012. The 1st release of 11,000 shares has been vested on March 12, 2010.
- For this period, 2,287 SCI shares (2nd release of the 1/3 of the 6,860 shares) were vested under the award to Evert Henkes on March 23, 2011 and the remaining 2,286 shares will be vested in year 2012. The 1st release of 2,287 shares has been vested on March 10, 2010.

* For this period, 50,400 SCI shares (1/3 of the 151,200 shares) were vested under the award to Tang Kin Fei on March 23, 2011 and the remaining 100,800 shares will be vested in year 2012/2013.

- For this period, 8,500 SCM shares (1/3 of the 25,500 shares) were vested under the award to Tang Kin Fei on March 15, 2011 and the remaining 17,000 shares will be vested in year 2012/2013.
- For this period, 5,480 SCI shares (1/3 of the 16,440 shares) were vested under the award to Goh Geok Ling on March 23, 2011 and the remaining 10,960 shares will be vested in year 2012/2013.
- For this period, 14,500 SCM shares (1/3 of the 43,500 shares) were vested under the award to Goh Geok Ling on March 15, 2011 and the remaining 29,000 shares will be vested in year 2012/2013.
- For this period, 2,800 SCI shares (1/3 of the 8,400 shares) were vested under the award to Evert Henkes on March 23, 2011 and the remaining 5,600 shares will be vested in year 2012/2013.
- For this period, 4,400 SCI shares (1/3 of the 13,200 shares) were vested under the award to Bobby Chin Yoke Choong on March 23, 2011 and the remaining 8,800 shares will be vested in year 2012/2013.

Note 4: Shares were fully vested and released under the award on April 8, 2011.

Note 5: Shares were fully vested and released under the award on April 19, 2011.

Note 6: Fixed Rate Notes issued under the S\$1.5 Billion Multicurrency Medium Term Note Programme of Sembcorp Financial Services Pte Ltd, a related company of Sembcorp Industries Group.

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Directors' Interests (cont'd)

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, 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 40 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share-based Incentive Plans

The Company's Performance Share Plan (SCI PSP 2010) and Restricted Share Plan (SCI RSP 2010) (collectively, the "2010 Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on April 22, 2010. The 2010 Share Plans replaced the Share Plans which were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on June 5, 2000 and expired in 2010.

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:

Ang Kong Hua (Chairman)
Goh Geok Ling
Margaret Lui

The SCI RSP 2010 is the incentive scheme for directors and employees of the Group whereas the SCI PSP 2010 is aimed primarily at key executives of the Group.

The 2010 Share Plans are intended to increase the Company's flexibility and effectiveness in its continuing efforts 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 2010 Share Plans will strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives.

The SCI RSP 2010 is intended to apply to a broad base of senior executives as well as to the non-executive directors, while the SCI PSP 2010 is intended to apply to a select group of key senior management. Generally, it is envisaged that the range of performance targets to be set under the SCI RSP 2010 and the SCI PSP 2010 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

The 2010 Share Plans will provide incentives to high performing key senior management and senior executives to excel in their performance and encourage greater dedication and loyalty to the Company. Through the 2010 Share Plans, the Company will be able to motivate key senior management and senior executives to continue to strive for the Group's long-term shareholder value. In addition, the 2010 Share Plans aim to foster a greater ownership culture within the Group which align the interests of participants with the interests of shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment.

Share-based Incentive Plans (cont'd)

The 2010 Share Plans use methods fairly common among major local and multinational companies to incentivise and motivate key senior management and senior executives to achieve pre-determined targets which create and enhance economic value for shareholders. The Company believes that the 2010 Share Plans will be effective tools in motivating key senior management and senior executives to strive to deliver long-term shareholder value.

While the 2010 Share Plans cater principally to Group executives, it is recognised that there are other persons who can make significant contributions to the Group through their close working relationship with the Group. Such persons include employees of associated companies over which the Company has operational control.

A participant's awards under the 2010 Share Plans will be determined at the sole discretion of the Committee. In considering an award to be granted to a participant, the Committee may take into account, *inter alia*, the participant's performance during the relevant period, and his capability, entrepreneurship, scope of responsibility and skill set.

Other information regarding the 2010 Share Plans and expired 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 Plans 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 Securities Trading Limited (SGX-ST) 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 2011 and 2010, 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. There are no outstanding share options for non-executive directors.

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Year Ended December 31, 2011

Share-based Incentive Plans (cont'd)

a. Share Option Plan (cont'd)

v. Sembcorp Industries Ltd Share Option Plan

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

Sembcorp Industries Ltd Ordinary shares 2011

Date of grant of options	Exercise price per share	Options outstanding		Options cancelled / lapsed / not accepted		Options outstanding		Options exercisable		Exercise period
		at Jan 1, 2011	at exercised	at exercised	at not accepted	at Dec 31, 2011	at Jan 1, 2011	at Dec 31, 2011		
19/04/2001	S\$1.19	111,100	(81,100)	(30,000)	–	111,100	–	20/04/2002 to 19/04/2011		
07/05/2002	S\$1.23	160,750	(3,500)	–	157,250	160,750	157,250	08/05/2003 to 07/05/2012		
17/10/2002	S\$0.62	87,000	(34,500)	–	52,500	87,000	52,500	18/10/2003 to 17/10/2012		
02/06/2003	S\$0.78	97,600	(65,475)	(1,125)	31,000	97,600	31,000	03/06/2004 to 02/06/2013		
18/11/2003	S\$0.93	111,375	(37,375)	(2,000)	72,000	111,375	72,000	19/11/2004 to 18/11/2013		
17/05/2004	S\$0.99	206,750	(29,000)	(3,500)	174,250	206,750	174,250	18/05/2005 to 17/05/2014		
22/11/2004	S\$1.16	225,000	(44,250)	(2,125)	178,625	225,000	178,625	23/11/2005 to 22/11/2014		
01/07/2005	S\$2.37	792,700	(391,175)	(17,875)	383,650	792,700	383,650	02/07/2006 to 01/07/2015		
21/11/2005	S\$2.36	891,474	(222,349)	(23,125)	646,000	891,474	646,000	22/11/2006 to 21/11/2015		
09/06/2006	S\$2.52	175,000	(175,000)	–	–	175,000	–	10/06/2007 to 09/06/2011		
09/06/2006	S\$2.52	1,735,790	(519,376)	(25,750)	1,190,664	1,735,790	1,190,664	10/06/2007 to 09/06/2016		
		4,594,539	(1,603,100)	(105,500)	2,885,939	4,594,539	2,885,939			

Sembcorp Industries Ltd Ordinary shares 2010

Date of grant of options	Exercise price per share	Options outstanding		Options cancelled / lapsed / not accepted		Options outstanding		Options exercisable		Exercise period
		at Jan 1, 2010	at exercised	at exercised	at not accepted	at Dec 31, 2010	at Jan 1, 2010	at Dec 31, 2010		
26/06/2000	S\$1.63	188,723	(127,523)	(61,200)	–	188,723	–	27/06/2001 to 26/06/2010		
19/04/2001	S\$1.19	122,750	(11,650)	–	111,100	122,750	111,100	20/04/2002 to 19/04/2011		
07/05/2002	S\$1.23	189,125	(28,375)	–	160,750	189,125	160,750	08/05/2003 to 07/05/2012		
17/10/2002	S\$0.62	91,250	(4,250)	–	87,000	91,250	87,000	18/10/2003 to 17/10/2012		
02/06/2003	S\$0.78	105,225	(6,625)	(1,000)	97,600	105,225	97,600	03/06/2004 to 02/06/2013		
18/11/2003	S\$0.93	130,125	(18,750)	–	111,375	130,125	111,375	19/11/2004 to 18/11/2013		
17/05/2004	S\$0.99	292,275	(84,525)	(1,000)	206,750	292,275	206,750	18/05/2005 to 17/05/2014		
22/11/2004	S\$1.16	376,275	(148,275)	(3,000)	225,000	376,275	225,000	23/11/2005 to 22/11/2014		
01/07/2005	S\$2.37	91,875	(91,875)	–	–	91,875	–	02/07/2006 to 01/07/2010		
01/07/2005	S\$2.37	1,316,952	(513,752)	(10,500)	792,700	1,316,952	792,700	02/07/2006 to 01/07/2015		
21/11/2005	S\$2.36	135,625	(135,625)	–	–	135,625	–	22/11/2006 to 21/11/2010		
21/11/2005	S\$2.36	1,550,076	(645,602)	(13,000)	891,474	1,550,076	891,474	22/11/2006 to 21/11/2015		
09/06/2006	S\$2.52	385,000	(210,000)	–	175,000	271,250	175,000	10/06/2007 to 09/06/2011		
09/06/2006	S\$2.52	2,742,135	(974,595)	(31,750)	1,735,790	1,955,385	1,735,790	10/06/2007 to 09/06/2016		
		7,717,411	(3,001,422)	(121,450)	4,594,539	6,816,911	4,594,539			

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, 2011 are as follows:

Option participants	Aggregate options			
	Aggregate options granted	cancelled / lapsed / not accepted	Aggregate options exercised	Aggregate options outstanding
Directors				
Ang Kong Hua	–	–	–	–
Tang Kin Fei	3,444,052	(607,759) ¹	(2,386,293)	450,000
Goh Geok Ling	370,000	–	(370,000)	–
Evert Henkes	94,000	–	(94,000)	–
Bobby Chin Yoke Choong	–	–	–	–
Margaret Lui	–	–	–	–
Tan Sri Mohd Hassan Marican	–	–	–	–
Tham Kui Seng	–	–	–	–
Other executives				
Group	149,771,742	(69,253,288)	(78,088,515)	2,429,939
Associated company	748,600	(215,100)	(533,500)	–
Parent Group ²	378,500	(107,000)	(265,500)	6,000
Former directors of the Company	10,641,578	(2,383,328)	(8,258,250)	–
Total	165,448,472	(72,566,475)	(89,996,058)	2,885,939

- Options lapsed due to replacement of 1999 options and expiry of earlier options.
- 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.

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Year Ended December 31, 2011

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 2011

Date of grant of options	Exercise price per share	Options outstanding		Options cancelled / lapsed / not accepted		Options outstanding exercisable		Options outstanding exercisable		Exercise period
		at Jan 1, 2011	Options exercised	at Dec 31, 2011	at Jan 1, 2011	at Dec 31, 2011	at Dec 31, 2011			
27/09/2001	S\$0.47	54,810	(21,210)	(33,600)	–	54,810	–	28/09/2002 to 27/09/2011		
07/11/2002	S\$0.64	161,700	(31,500)	(4,550)	125,650	161,700	125,650	08/11/2003 to 07/11/2012		
08/08/2003	S\$0.71	216,470	(132,200)	(10,850)	73,420	216,470	73,420	09/08/2004 to 08/08/2013		
10/08/2004	S\$0.74	1,723,958	(1,427,648)	(55,300)	241,010	1,723,958	241,010	11/08/2005 to 10/08/2014		
11/08/2005	S\$2.11	4,213,877	(2,617,027)	(93,100)	1,503,750	4,213,877	1,503,750	12/08/2006 to 11/08/2015		
02/10/2006	S\$2.38	191,750	(191,750)	–	–	191,750	–	03/10/2007 to 02/10/2011*		
02/10/2006	S\$2.38	4,918,409	(3,046,002)	(15,925)	1,856,482	4,918,409	1,856,482	03/10/2007 to 02/10/2016		
		11,480,974	(7,467,337)	(213,325)	3,800,312	11,480,974	3,800,312			

* Applicable to non-executive directors of the Company only.

Sembcorp Marine Ltd Ordinary shares 2010

Date of grant of options	Exercise price per share	Options outstanding		Options cancelled / lapsed / not accepted		Options outstanding exercisable		Options outstanding exercisable		Exercise period
		at Jan 1, 2010	Options exercised	at Dec 31, 2010	at Jan 1, 2010	at Dec 31, 2010	at Dec 31, 2010			
08/09/2000	S\$0.50	191,170	(53,890)	(137,280)	–	191,170	–	08/09/2001 to 07/09/2010		
27/09/2001	S\$0.47	99,610	(42,000)	(2,800)	54,810	99,610	54,810	28/09/2002 to 27/09/2011		
07/11/2002	S\$0.64	308,450	(142,550)	(4,200)	161,700	308,450	161,700	08/11/2003 to 07/11/2012		
08/08/2003	S\$0.71	878,220	(661,550)	(200)	216,470	878,220	216,470	09/08/2004 to 08/08/2013		
10/08/2004	S\$0.74	2,598,278	(868,920)	(5,400)	1,723,958	2,598,278	1,723,958	11/08/2005 to 10/08/2014		
11/08/2005	S\$2.11	203,000	(203,000)	–	–	203,000	–	12/08/2006 to 11/08/2010*		
11/08/2005	S\$2.11	7,035,787	(2,790,560)	(31,350)	4,213,877	7,035,787	4,213,877	12/08/2006 to 11/08/2015		
02/10/2006	S\$2.38	588,000	(396,250)	–	191,750	453,250	191,750	03/10/2007 to 02/10/2011*		
02/10/2006	S\$2.38	8,335,653	(3,311,179)	(106,065)	4,918,409	5,774,379	4,918,409	03/10/2007 to 02/10/2016		
		20,238,168	(8,469,899)	(287,295)	11,480,974	17,542,144	11,480,974			

* Applicable to non-executive directors of the Company only.

Share-based Incentive Plans (cont'd)

b. Performance Share Plan

Under the Performance Share Plan (SCI PSP 2010), 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.

To create alignment between senior management and other employees at the time of vesting, SCI PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2011 to 2013 will be vested to the senior management participants only if the restricted shares for the performance period 2012 to 2013 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 the movement of the 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	Movements during the year			At Dec 31
	Conditional performance shares awarded	Conditional performance shares released	Conditional performance shares lapsed	
2011				
Director of the Company:				
Tang Kin Fei	1,200,000	400,000	(300,000)	1,200,000
Key executives of the Group	1,411,665	420,000	(292,500)	1,433,333
	2,611,665	820,000	(592,500)	2,633,333
2010				
Director of the Company:				
Tang Kin Fei	1,208,240	400,000	(142,884)	1,200,000
Key executives of the Group	1,432,622	600,000	(124,735)	1,411,665
	2,640,862	1,000,000	(267,619)	2,611,665

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2008 to 2010 (2010: performance period 2007 to 2009), a total of 592,500 (2010: 267,619) performance shares were released via the issuance of treasury shares.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2011, was 2,633,333 (2010: 2,611,665). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,950,000 (2010: 3,917,498) performance shares.

DIRECTORS' REPORT

Year Ended December 31, 2011

Share-based Incentive Plans (cont'd)

b. Performance Share Plan (cont'd)

ii. Performance shares of a listed subsidiary

The details of the movement of the performance shares of Sembcorp Marine Ltd awarded during the year are as follows:

	2011	2010
At January 1	1,970,000	2,315,000
Conditional performance shares awarded	585,000	635,000
Conditional performance shares lapsed	(242,916)	–
Additional performance shares awarded arising from targets met	385,000	235,200
Conditional performance shares released	(932,084)	(1,215,200)
At December 31	1,765,000	1,970,000

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

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2008 to 2010 (2010: performance period 2007 to 2009), a total of 932,084 (2010: 1,215,200) performance shares were released via the issuance of treasury shares.

In 2011, there were additional 385,000 (2010: 235,200) performance shares awarded for over-achievement of the performance targets for the performance period 2008 to 2010 (2010: performance period 2007 to 2009).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at December 31, 2011, was 1,765,000 (2010: 1,970,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 2,647,500 (2010: 2,955,000) performance shares.

c. Restricted Share Plan

Under the Restricted Share Plan (SCI RSP 2010), 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 shares are calibrated based on Return on Total Assets (excluding Sembcorp Marine Ltd) and Group Profit from Operations (excluding Sembcorp Marine Ltd) for awards granted in 2011.

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 shares to be delivered will range from 0% to 150% of the conditional restricted shares awarded.

The managerial participants of the Group will be awarded restricted shares under SCI RSP 2010, while the non-managerial participants of the Group will receive their awards in an equivalent cash value. This cash-settled notional restricted shares award for non-managerial participants is known as the Sembcorp Challenge Bonus.

A specific number of restricted shares 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.

Share-based Incentive Plans (cont'd)

c. Restricted Share Plan (cont'd)

Senior management participants are required to hold a minimum percentage of the shares released to them under the Restricted 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.

For the year 2010, the awards granted under the SCI RSP 2010 to non-executive directors were time-based shares which vest 1 year from the date of grant.

To align the interests of the non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the SCI RSP 2010.

For year 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Mr Tang Kin Fei, who is the Group President & CEO, and who does not receive any directors' fees). The awards granted will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days immediately following the date of the Annual General Meeting (AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

i. Sembcorp Industries Ltd Restricted Shares

The details of the movement of the restricted shares of Sembcorp Industries Ltd awarded during the year are as follows:

Restricted shares participants	Movements during the year					At Dec 31
	At Jan 1	Additional restricted				
		Conditional restricted shares awarded	shares awarded arising from targets met	Conditional restricted shares released	Conditional restricted shares lapsed	
2011						
Directors of the Company:						
Ang Kong Hua	20,300	–	–	(20,300)	–	–
Tang Kin Fei	362,181	126,000	25,200	(119,421)	–	393,960
Goh Geok Ling	39,378	–	2,740	(26,684)	–	15,434
Evert Henkes	20,121	–	1,400	(13,635)	–	7,886
Bobby Chin Yoke Choong	22,000	–	2,200	(15,400)	–	8,800
Margaret Lui	–	–	–	–	–	–
Tan Sri Mohd Hassan Marican	–	–	–	–	–	–
Tham Kui Seng	–	–	–	–	–	–
Former directors of the Company	88,242	–	6,140	(94,382)	–	–
Other executives of the Group	4,963,224	2,179,800	361,880	(1,492,987)	(267,668)	5,744,249
	5,515,446	2,305,800	399,560	(1,782,809)	(267,668)	6,170,329

DIRECTORS' REPORT

Year Ended December 31, 2011

Share-based Incentive Plans (cont'd)

c. Restricted Share Plan (cont'd)

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

Restricted shares participants	At Jan 1	Movements during the year				At Dec 31
		Additional restricted				
		Conditional shares awarded	shares awarded arising from targets met	Conditional shares released	Conditional shares lapsed	
2010						
Directors of the Company:						
Ang Kong Hua	-	20,300	-	-	-	20,300
Tang Kin Fei	338,138	126,000	-	(99,437)	(2,520)	362,181
Goh Geok Ling	33,458	13,700	-	(7,506)	(274)	39,378
Richard Hale, OBE	41,518	17,000	-	(9,314)	(340)	48,864
Evert Henkes	17,096	7,000	-	(3,835)	(140)	20,121
Lee Suet Fern	33,458	13,700	-	(7,506)	(274)	39,378
Bobby Chin Yoke Choong	11,000	11,000	-	-	-	22,000
Margaret Lui	-	-	-	-	-	-
Tan Sri Mohd Hassan Marican	-	-	-	-	-	-
Former director of the Company	57,393	13,725	-	(70,648)	(470)	-
Other executives of the Group	4,506,785	2,046,075	-	(1,263,026)	(326,610)	4,963,224
	5,038,846	2,268,500	-	(1,461,272)	(330,628)	5,515,446

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2009 to 2010, a total of 872,309 restricted shares were released in 2011. For awards in relation to the performance period 2008 to 2009, a total of 548,312 (2010: 736,370) restricted shares were released in 2011. For awards in relation to the performance period 2007 to 2008, a total of 279,488 (2010: 359,706) restricted shares were released in 2011. For awards in relation to the performance period 2006 to 2007, nil (2010: 311,950) restricted shares were released in 2011. In 2011, there were 82,700 shares released to non-executive directors. In 2010, there were additional 53,246 restricted shares released to employees upon retirement. The restricted shares were released via the issuance of treasury shares.

In 2011, additional 399,560 (2010: nil) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2009 to 2010 (2010: performance period 2008 to 2009).

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2011, was 6,170,329 (2010: 5,515,446). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 4,244,200 (2010: 4,097,300). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 6,366,300 (2010: 6,145,950) restricted shares.

Share-based Incentive Plans (cont'd)

c. Restricted Share Plan (cont'd)

i. Sembcorp Industries Ltd Restricted Shares (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 2009 to 2010 (2010: performance period 2008 to 2009), a total of S\$2,661,000, equivalent to 494,042 (2010: S\$1,511,000, equivalent to 358,784) notional restricted shares, were paid. A total of 600,000 (2010: 600,000) notional restricted shares of Sembcorp Industries Ltd's shares were awarded in 2011 for the Sembcorp Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at end 2011, was 1,200,000 (2010: 1,200,000). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 1,800,000 (2010: 1,800,000).

ii. Restricted shares of a listed subsidiary

The details of the movement of the restricted shares of Sembcorp Marine Ltd awarded during the year are as follows:

Restricted shares participants	At Jan 1	Movements during the year				At Dec 31
		Additional conditional restricted				
		Conditional shares awarded	shares awarded arising from targets met	Conditional shares released	Conditional shares lapsed	
2011						
Directors of the Company:						
Tang Kin Fei	48,690	-	8,500	(34,190)	-	23,000
Goh Geok Ling	84,846	-	14,500	(59,346)	-	40,000
Former director of the Company	36,700	-	11,000	(25,700)	-	22,000
Other participants	11,210,067	3,085,800	1,607,205	(4,923,035)	(914,752)	10,065,285
	11,380,303	3,085,800	1,641,205	(5,042,271)	(914,752)	10,150,285
2010						
Directors of the Company:						
Tang Kin Fei	45,380	11,500	6,000	(14,190)	-	48,690
Goh Geok Ling	77,693	20,500	11,000	(24,347)	-	84,846
Richard Hale, OBE	22,000	14,700	-	-	-	36,700
Other participants	10,261,889	3,447,500	1,658,250	(3,890,418)	(267,154)	11,210,067
	10,406,962	3,494,200	1,675,250	(3,928,955)	(267,154)	11,380,303

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2009 to 2010, a total of 1,888,581 restricted shares were released in 2011. For awards in relation to the performance period 2008 to 2009, a total of 1,531,500 (2010: 1,791,238) restricted shares were released in 2011. For awards in relation to the performance period 2007 to 2008, a total of 1,502,177 (2010: 1,561,953) restricted shares were released in 2011. For awards in relation to the performance period 2006 to 2007, a total of 16,413 (2010: 575,764) restricted shares were released in 2011. In 2011, there were 103,600 restricted shares released to non-executive directors. The restricted shares were either released via the issuance of treasury shares or the issuance of new shares.

DIRECTORS' REPORT

Year Ended December 31, 2011

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

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

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

In 2011, additional 1,641,205 (2010: 1,675,250) Sembcorp Marine Ltd's restricted shares were awarded for the over-achievement of the performance targets for the performance period 2009 to 2010 (2010: performance period 2008 to 2009).

The total number of Sembcorp Marine Ltd's restricted shares outstanding, including awards achieved but not released, as at December 31, 2011, was 10,150,285 (2010: 11,380,303). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 6,242,400 (2010: 6,615,930). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 9,363,600 (2010: 9,923,895) restricted shares.

Challenge Bonus of a listed subsidiary

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2009 to 2010 (2010: performance period 2008 to 2009), a total of S\$7,336,725 (2010: S\$3,785,714), equivalent to 1,373,250 (2010: 1,030,600) notional restricted shares, were paid.

A total of 1,122,200 (2010: 1,234,400) notional restricted shares were awarded on July 15, 2011 (2010: April 19, 2010) for the Sembcorp Marine Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Marine Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at December 31, 2011, was 2,167,200 (2010: 2,149,950). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 3,250,800 (2010: 3,224,925).

d. Maximum Number of Shares Issuable

The maximum number of performance shares and restricted shares 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:

Bobby Chin Yoke Choong *(Chairman)*
Tan Sri Mohd Hassan Marican
Evert Henkes

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).

Audit Committee *(cont'd)*

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



Ang Kong Hua
Chairman



Tang Kin Fei
Director

Singapore
February 27, 2012