



**SEMBCORP INDUSTRIES LTD & ITS SUBSIDIARIES**  
**Registration Number: 199802418D**

**FULL YEAR 2005 FINANCIAL STATEMENT & DIVIDEND ANNOUNCEMENT**

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## SEMBCORP INDUSTRIES LTD & ITS SUBSIDIARIES

### UNAUDITED RESULTS FOR THE FULL YEAR ENDED DECEMBER 31, 2005

The Board of Directors of SembCorp Industries Ltd wishes to announce the unaudited results of the Group for the full year ended December 31, 2005.

#### 1. GROUP PROFIT AND LOSS STATEMENT

	FY05 \$'000	FY04 \$'000 (Restated)	+ / (-) %
<b>Turnover</b>	<b>7,409,217</b>	<b>5,943,962</b>	<b>24.7</b>
Cost of sales	(6,769,618)	(5,358,663)	26.3
Gross profit	639,599	585,299	9.3
General & administrative expenses	(324,741)	(320,517)	1.3
Non-operating income (net)	124,998	85,475	46.2
Finance costs	(53,861)	(75,007)	(28.2)
Share of results of:			
- Associates *	45,289	101,575	(55.4)
- Joint ventures	33,022	25,368	30.2
<b>Profit before income tax expense and exceptional items</b>	<b>464,306</b>	<b>402,193</b>	<b>15.4</b>
Exceptional items (See note 1b)	43,350	579,333	(92.5)
<b>Profit before income tax expense</b>	<b>507,656</b>	<b>981,526</b>	<b>(48.3)</b>
Income tax expense	(92,430)	(64,631)	43.0
<b>Profit for the year</b>	<b>415,226</b>	<b>916,895</b>	<b>(54.7)</b>
<b>Attributable to:</b>			
Equity holders of the Parent			
Net profit before exceptional items	278,475	227,673	22.3
Exceptional items	24,820	163,815	(84.8)
	<b>303,295</b>	<b>391,488</b>	<b>(22.5)</b>
Minority interests	111,931	525,407	(78.7)
	<b>415,226</b>	<b>916,895</b>	<b>(54.7)</b>
<b>Earnings per ordinary shares (cents)</b>			
<b>Before exceptional items</b>			
-basic	15.74	12.49	26.0
-diluted	15.58	12.46	25.0
<b>After exceptional items</b>			
-basic	17.14	21.47	(20.2)
-diluted	16.96	21.43	(20.9)
<b>Return on equity (%)</b>	15.3%	21.3%	(28.1)
<b>Economic value added (\$'000)</b>	251,010	305,688	(17.9)

Restated for the change in accounting policies in 2005 (refer to paragraph 8). Certain comparative figures have also been adjusted to conform to the current period's presentation.

NM – Not Meaningful

\* Prior period numbers include results from Kuehne & Nagel (KNI) which was disposed in October 2004.

**Notes to Group Profit and Loss Statement:**

**1a. Profit before income tax expense and exceptional items is arrived at after (charging)/crediting the following significant items:**

	<b>GROUP</b>	
	<b>FY05</b>	<b>FY04</b>
	<b>\$'000</b>	<b>\$'000</b>
		(Restated)
Depreciation and amortisation	(184,379)	(182,189)
Allowance made for doubtful debts & bad debts written off	(13,939)	(10,840)
Allowance made for stock obsolescence & inventories written off	(5,797)	(8)
Allowance (made) / written back for impairment in value of assets	(289)	17,227
Allowance made for impairment in value of property, plant and equipment ("PPE") & PPE written off	(8,537)	(2,850)
Share based payment expenses	(10,144)	(6,672)
Interest income	32,751	23,665
Other income	64,984	51,188
Profit on sale of property, plant & equipment	11,357	13,343
Gain on disposal of investments	2,571	3,910
Foreign exchange gain / (loss)	12,977	(712)
	<u>12,977</u>	<u>(712)</u>

**1b. Exceptional items comprise of:**

Gain on disposals of associates and other investments	56,119	1,080,664
Write back of provision for loans and other recoverable	24,203	-
Unrealised foreign exchange loss relating to an amount accumulated in connection with the Solitaire arbitration	(30,758)	-
Provision for net exposure arising from legal claims	-	(415,000)
Work-in-progress write-off	-	(86,331)
Allowance for impairment loss for interests in associates	(6,214)	-
	<u>43,350</u>	<u>579,333</u>
Less: Tax and Minority Interests	<u>(18,530)</u>	<u>(415,518)</u>
Net exceptional items	<u>24,820</u>	<u>163,815</u>

**1c. Taxation**

The Group's tax charge for FY05 included Group Tax Relief of \$28,251,000 (FY04: \$19,625,000); write-back of provision for deferred tax of Nil (FY04: \$7,911,000 mainly due to reduction in Singapore corporate tax rate from 22% to 20%); and under provision of tax in respect of prior years of \$2,131,000 (FY04: \$358,000).

**1d. Note to Group Profit and Loss Statement**

The increase in non-operating income is attributed for higher foreign exchange gain, interest income and rental income.

**Notes to Group Profit and Loss Statement (Cont'd):**

**1d. Earnings per ordinary share**

Earnings per ordinary share of the Group based on net profit attributable to the shareholders of the Company:	FY05	FY04	+ / (-)
		(Restated)	%
(i) Based on the weighted average number of shares (in cents)			
(a) Before exceptional items	15.74	12.49	26.0
(b) After exceptional items	17.14	21.47	(20.2)
- Weighted average number of shares (in million)	1,769.6	1,823.2	(2.9)
(ii) On a fully diluted basis (in cents)			
(a) Before exceptional items	15.58	12.46	25.0
(b) After exceptional items	16.96	21.43	(20.9)
- Adjusted weighted average number of shares (in million)	1,788.0	1,826.8	(2.1)

**1e. Breakdown of sales**

	GROUP		+ / (-)
	FY05 \$'000	FY04 \$'000	%
		(Restated)	
<b><u>First Half Year</u></b>			
(i) Sales reported	3,540,412	2,880,411	23%
(ii) Operating profit / loss after tax before deducting minority interests reported	201,815	156,581	29%
<b><u>Second Half Year</u></b>			
(iii) Sales reported	3,868,805	3,063,551	26%
(iv) Operating profit / loss after tax before deducting minority interests reported	213,411	760,314	-72%

## 2. BALANCE SHEETS

	GROUP		COMPANY	
	As at 31/12/2005 \$000	As at 31/12/2004 \$000 (Restated)	As at 31/12/2005 \$000	As at 31/12/2004 \$000 (Restated)
<b>Equity attributable to shareholders of the Company:-</b>				
Share Capital	436,603	456,623	436,603	456,623
Other reserves	419,286	399,345	316,062	297,156
Accumulated profits	1,143,729	1,102,377	542,643	744,987
	<u>1,999,618</u>	<u>1,958,345</u>	<u>1,295,308</u>	<u>1,498,766</u>
Minority interests	845,041	843,232	-	-
Total equity	<u>2,844,659</u>	<u>2,801,577</u>	<u>1,295,308</u>	<u>1,498,766</u>
<b>Non-current assets</b>				
Property, plant & equipment	2,627,380	2,491,845	997	819
Investments in subsidiaries	-	-	2,275,587	2,791,110
Interests in associates	294,755	289,646	-	-
Interests in joint ventures	431,711	387,997	-	-
Other financial assets	121,373	178,694	-	-
Long term receivables and prepayments	146,152	198,143	-	-
Intangible assets	150,765	146,416	90	90
Deferred tax assets	26,285	19,092	-	-
	<u>3,798,421</u>	<u>3,711,833</u>	<u>2,276,674</u>	<u>2,792,019</u>
<b>Current assets</b>				
Inventories and work-in-progress	863,612	734,425	-	-
Trade and other receivables	1,373,647	1,418,803	84,808	571,927
Asset held for sale	52,230	53,192	-	-
Bank balances, fixed deposits and cash	1,231,281	2,099,962	10,503	23,264
	<u>3,520,770</u>	<u>4,306,382</u>	<u>95,311</u>	<u>595,191</u>
<b>Current liabilities</b>				
Trade and other payables	1,926,504	2,087,990	924,454	1,484,952
Excess of progress billings over work-in-progress	389,837	247,347	-	-
Provisions	639,900	661,826	-	-
Employee benefits	6,089	6,284	2,028	2,544
Current tax payable	104,683	89,516	-	-
Interest-bearing borrowings	149,383	968,444	-	250,000
	<u>3,216,396</u>	<u>4,061,407</u>	<u>926,482</u>	<u>1,737,496</u>
<b>Net current assets/(liabilities)</b>	<u>304,374</u>	<u>244,975</u>	<u>(831,171)</u>	<u>(1,142,305)</u>
	<u>4,102,795</u>	<u>3,956,808</u>	<u>1,445,503</u>	<u>1,649,714</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	220,095	150,648	195	195
Provisions	8,977	18,607	-	-
Employee benefits	42,035	52,598	-	753
Interest-bearing borrowings	908,686	820,927	150,000	150,000
Other long-term liabilities	78,343	112,451	-	-
	<u>1,258,136</u>	<u>1,155,231</u>	<u>150,195</u>	<u>150,948</u>
	<u>2,844,659</u>	<u>2,801,577</u>	<u>1,295,308</u>	<u>1,498,766</u>

Restated for the change in accounting policies in 2005 (refer to paragraph 8). Certain comparative figures have also been adjusted to confirm to the current period's presentation.

## Notes to Group Balance Sheets:

### **2a. Group's borrowings and debt securities**

	As at 31/12/2005 \$'000	As at 31/12/2004 \$'000
(i) <u>Amount repayable in one year or less, or on demand</u>		
Secured	44,238	155,977
Unsecured	140,838	876,780
	<u>185,076</u>	<u>1,032,757</u>
(ii) <u>Amount repayable after one year</u>		
Secured	393,568	459,466
Unsecured	526,994	413,035
	<u>920,562</u>	<u>872,501</u>
Total	<u>1,105,638</u>	<u>1,905,258</u>

(iii) Details of any collaterals

The Group's borrowings are secured by various assets: mainly property, plant and equipment, with carrying values amounting to \$1,006 million (31/12/2004: \$1,038 million).

### **2b. Net asset value**

	Group		Company	
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
Net asset value per ordinary share based on issued share capital at the end of the financial year (in \$)	1.14	1.07	0.74	0.82
Net tangible asset value per ordinary share based on issued share capital at the end of the financial year (in \$)	1.06	0.99	0.74	0.82

### **2c. Notes to Balance Sheet**

Group total assets decreased from \$8.0 billion as at December 31, 2004 to \$7.3 billion as at December 31, 2005. The decrease in bank balances, fixed deposits, and cash was due to payments made by the Company and its subsidiary, SembCorp Logistics, for the special interim dividends, capital reduction exercises and payment of final dividend in respect of financial year 2004.

Property, plant and equipment were higher due to the capital work-in-progress for Utilities and Marine businesses.

Interests in Associates and Joint Ventures were higher because of increased investments in Cosco Shipyard and Footwork Express and the Group's share of profits made by the associates and joint ventures during the period, offset by dividend received from associates and joint ventures.

Inventories and work-in-progress, and Excess of progress billings over work-in-progress increased as more projects were undertaken by Marine and other business units.

With strong dividend income and operating cashflows, the Group reduced its interest bearing borrowings.

### 3. GROUP CONSOLIDATED CASH FLOW STATEMENT

	GROUP	
	FY05 \$'000	FY04 \$'000 Restated
<b>Cash flows from Operating Activities</b>		
Profit before tax and minority interests	507,656	981,526
Adjustment for :		
Dividend and interest income	(36,498)	(25,080)
Finance costs	53,861	75,007
Depreciation and amortisation	184,379	182,189
Share of results of associated companies and joint ventures	(78,311)	(126,943)
Profit on sale of property, plant and equipment	(11,357)	(13,343)
Gain on disposal of investments	(58,689)	(1,084,574)
Allowance made / (write-back) for doubtful debts (net)	(5,715)	(10,840)
Changes in fair value of financial instruments and hedge items	10,488	-
Share based payment expenses	10,144	6,672
Provisions for net exposure arising from legal claims	-	415,000
Allowance made / (written-back) for impairment in value of asset	15,040	(14,337)
Work-in-progress written off	5,797	86,339
Operating profit before working capital changes	596,795	471,616
Changes in working capital:		
Inventories and work-in-progress	(147,264)	(146,459)
Receivables	82,344	(134,609)
Payables	340,518	337,713
	872,393	528,261
Income tax paid	(44,982)	(33,744)
Net cash inflow from operating activities	827,411	494,517
<b>Cash flows from Investing Activities</b>		
Dividend and interest received	75,749	88,071
Proceeds from disposal of subsidiaries, net of cash disposed	33,186	(1,341)
Proceeds from disposal of associates and joint ventures	65,275	1,314,967
Proceeds from disposals of investments	121,831	64,492
Proceeds from disposal of property, plant and equipment	35,737	72,356
Acquisition / additional interest in subsidiaries, net of cash acquired	(26,097)	(1,652)
Payment for the acquisition of a subsidiary	(6,559)	-
Acquisition / additional investments in associates and joint ventures	(48,733)	(94,834)
Acquisition of other long term investments	-	(95,568)
Purchase of property, plant and equipment	(365,848)	(226,644)
Long term receivables & prepayments	20,867	91,916
Payment for intangible assets	(5,261)	(1,098)
Net cash (outflow) / inflow from investing activities	(99,853)	1,210,665
<b>Cash flows from Financing Activities</b>		
Proceeds from share issue	46,538	5,193
Proceeds from share issue to minority shareholders of subsidiaries	37,665	48,203
Net decrease in bank borrowings	(791,202)	(130,675)
Net increase / (decrease) in other long term liabilities	3,836	(8,494)
Capital reduction paid to shareholder of the Company	(214,797)	-
Capital reduction paid to minority shareholders of a subsidiary	(98,882)	-
Dividend paid to shareholders of the Company	(164,701)	(72,903)
Dividends paid to minority shareholders of subsidiaries	(351,441)	(55,047)
Fixed deposits discharged as security with a bank for banking facilities	-	55,716
Interest paid	(58,843)	(75,913)
Net cash outflow from financing activities	(1,591,827)	(233,920)
<b>Net (decrease) / increase in cash and cash equivalents</b>	(864,269)	1,471,262
<b>Cash and cash equivalents at beginning of the year</b>	2,099,962	623,188
Effects of exchange rate changes on cash and equivalents	(4,412)	5,512
<b>Cash and cash equivalents at end of year</b>	1,231,281	2,099,962

Restated for the change in accounting policies in 2005. Certain comparative figures have also been adjusted to conform to the current period's presentation.

#### 4. STATEMENTS OF CHANGES IN EQUITY

##### 4a. Statements of Changes in Equity for the Group

	Share Capital	Share Premium	Merger Reserve	Other Reserves	Currency Translation Reserve	Accumu- lated Profits	Total	Minority Interests	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>FY05</b>									
At January 1, 2005, as previously reported	456,623	296,628	29,201	37,521	30,196	1,108,176	1,958,345	843,232	2,801,577
Retrospective adjustments arising from change in accounting policies	-	-	-	4,532	1,267	(5,799)	-	-	-
At January 1, 2005, restated	456,623	296,628	29,201	42,053	31,463	1,102,377	1,958,345	843,232	2,801,577
Prospective adjustments arising from change in accounting policies	-	-	-	6,921	-	(17,508)	(10,587)	9,263	(1,324)
	456,623	296,628	29,201	48,974	31,463	1,084,869	1,947,758	852,495	2,800,253
Translation adjustments	-	-	-	-	(11,340)	-	(11,340)	1,407	(9,933)
Net fair value changes on available for sale financial assets, net of deferred taxes	-	-	-	25,634	-	-	25,634	12,725	38,359
Net fair value changes on cash flow hedges	-	-	-	(19,353)	-	-	(19,353)	(910)	(20,263)
Share of reserve of associates and joint venture companies	-	-	-	3,450	-	-	3,450	2,083	5,533
Realisation of reserve upon disposal of investments and changes in group structure	-	-	-	(7,719)	(5,931)	(2,359)	(16,009)	735	(15,274)
Net gain recognised directly in equity	456,623	296,628	29,201	50,986	14,192	1,082,510	1,930,140	868,535	2,798,675
Profit for the year	-	-	-	-	-	303,295	303,295	111,931	415,226
Total gain recognised for the year	456,623	296,628	29,201	50,986	14,192	1,385,805	2,233,435	980,466	3,213,901
Issue of shares under Share Option Plan	7,518	39,020	-	-	-	-	46,538	-	46,538
Issue of shares to minority shareholders of subsidiaries	-	-	-	-	-	-	-	37,665	37,665
Capital reduction paid to shareholders of the Company	(27,538)	(22,030)	-	-	-	(165,229)	(214,797)	-	(214,797)
Capital reduction paid to minority shareholders of subsidiary	-	-	-	-	-	-	-	(98,882)	(98,882)
Share based payment	-	-	-	7,821	-	-	7,821	2,053	9,874
Transfer of revenue reserves to statutory reserve by associated companies of a subsidiary	-	-	-	3,468	-	(3,468)	-	(2,083)	(2,083)
Final dividend paid of 5.0 cents per share less tax at 20% in respect of year 2004	-	-	-	-	-	(73,379)	(73,379)	-	(73,379)
Dividend paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	(74,178)	(74,178)
At December 31, 2005	<b>436,603</b>	<b>313,618</b>	<b>29,201</b>	<b>62,275</b>	<b>14,192</b>	<b>1,143,729</b>	<b>1,999,618</b>	<b>845,041</b>	<b>2,844,659</b>
<b>FY04</b>									
At January 1, 2004, as previously reported	455,429	292,629	29,201	35,900	67,278	869,075	1,749,512	668,017	2,417,529
Retrospective adjustments arising from change in accounting policies	-	-	-	747	1,046	(1,793)	-	-	-
At January 1, 2004, restated	455,429	292,629	29,201	36,647	68,324	867,282	1,749,512	668,017	2,417,529
Translation adjustments	-	-	-	-	(566)	-	(566)	(6,483)	(7,049)
Realisation of reserve upon disposal of investments and changes in group structure	-	-	-	1,621	(36,295)	7,832	(26,842)	(42,547)	(69,389)
Net gain recognised directly in equity	455,429	292,629	29,201	38,268	31,463	875,114	1,722,104	618,987	2,341,091
Profit for the year	-	-	-	-	-	391,488	391,488	525,407	916,895
Total gain recognised for the year	455,429	292,629	29,201	38,268	31,463	1,266,602	2,113,592	1,144,394	3,257,986
Issue of shares under Share Option Plan	1,194	3,999	-	-	-	-	5,193	-	5,193
Issue of shares to minority shareholders of subsidiaries	-	-	-	-	-	-	-	48,203	48,203
Share based payment	-	-	-	3,785	-	-	3,785	1,338	5,123
Final dividend paid of 5.0 cents per share less tax at 20% in respect of year 2003	-	-	-	-	-	(72,903)	(72,903)	-	(72,903)
Special interim dividend paid of 6.25 cents per share less tax at 20% in respect of year 2004	-	-	-	-	-	(91,322)	(91,322)	-	(91,322)
Dividend paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	(350,703)	(350,703)
At December 31, 2004	<b>456,623</b>	<b>296,628</b>	<b>29,201</b>	<b>42,053</b>	<b>31,463</b>	<b>1,102,377</b>	<b>1,958,345</b>	<b>843,232</b>	<b>2,801,577</b>

#### 4b. Statements of Changes in Equity of the Company

	Share Capital	Share Premium	Other Reserves	Accumu- lated Profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>FY05</b>					
At January 1, 2005, as previously reported	456,623	296,628	-	745,515	1,498,766
Retrospective adjustments arising from change in accounting policies	-	-	528	(528)	-
At January 1, 2005, restated	456,623	296,628	528	744,987	1,498,766
Profit for the year	-	-	-	36,264	36,264
Total gain recognised for the year	456,623	296,628	528	781,251	1,535,030
Issue of shares under Share Option Plan	7,518	39,020	-	-	46,538
Share based payment	-	-	1,916	-	1,916
Capital reduction paid to shareholders of the Company	(27,538)	(22,030)	-	(165,229)	(214,797)
Final dividend paid of 5.0 cents per share less tax at 20% in respect of year 2004	-	-	-	(73,379)	(73,379)
At December 31, 2005	<b>436,603</b>	<b>313,618</b>	<b>2,444</b>	<b>542,643</b>	<b>1,295,308</b>
<b>FY04</b>					
At January 1, 2004, as previously reported	455,429	292,629	-	491,098	1,239,156
Retrospective adjustments arising from change in accounting policies	-	-	82	(82)	-
At January 1, 2004, restated	455,429	292,629	82	491,016	1,239,156
Profit for the year	-	-	-	418,196	418,196
Total gain recognised for the year	455,429	292,629	82	909,212	1,657,352
Issue of shares under Share Option Plan	1,194	3,999	-	-	5,193
Share based payment	-	-	446	-	446
Final dividend paid of 5.0 cents per share less tax at 20% in respect of year 2003	-	-	-	(72,903)	(72,903)
Special interim dividend paid of 6.25 cents per share less tax at 20% in respect of year 2004	-	-	-	(91,322)	(91,322)
At December 31, 2004	<b>456,623</b>	<b>296,628</b>	<b>528</b>	<b>744,987</b>	<b>1,498,766</b>

#### 4c. Changes in the Company's share capital

During the year, the Company issued 30,074,945 ordinary shares of \$0.25 each for cash upon the exercise of the options under the Company's Share Option Plan.

In addition, the Company cancelled 110,152,452 ordinary shares of \$0.25 each at the price of \$1.95 per share pursuant to a capital reduction.

As at December 31, 2005, the Company's issued and paid up capital comprises 1,746,411,878 (December 31, 2004: 1,826,489,385) ordinary shares of \$0.25 each and there were 49,746,772 (December 31, 2004: 67,865,202) unissued ordinary shares of \$0.25 each under options granted to eligible employees and directors under the Company's Share Option Plan.

#### 5. AUDIT

Our auditors have performed certain procedures and enquiries. These procedures are substantially less in scope than an audit or a review in accordance with Singapore Standard on Review Engagements (SSRE) 2400.

## 6. AUDITORS' REPORT

Not applicable.

## 7. ACCOUNTING POLICIES

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at December 31, 2004 except as disclosed in paragraph 8.

## 8. CHANGES IN ACCOUNTING POLICIES

With effect from January 1, 2005, the Group adopted new Financial Reporting Standards (FRS) and revisions to various existing FRS which were issued by the Council on Corporate Disclosure and Governance (CCDG).

The impact of the changes in accounting policies is as follows:

### FRS 39 – Financial Instruments: Recognition and Measurement

Financial assets and liabilities, including derivative financial instruments are classified and measured in accordance with the requirements under FRS 39. This change in accounting policy has been accounted for prospectively in accordance with the transitional provisions. The adoption of FRS 39 has resulted in an increase of \$6.9 million in Other Reserves and a decrease of \$17.5 million in Accumulated Profits as at January 1, 2005, net of the related deferred taxes.

### FRS 102 - Share-based Payment

In compliance with FRS 102, share options to employees are measured at fair value at the date of grant and recognised as expense over the vesting period. Previously, share options to employees were not charged to the profit and loss account. This change in accounting policy has been accounted for retrospectively and resulted in the following:

- a) There was no impact on the total equity of the Group and of the Company as at January 1, 2005 and January 1, 2004. However, Accumulated Profits of the Group and of the Company as at January 1, 2004 were decreased by \$0.7 million and \$0.1 million respectively; and likewise, the Other Reserves of the Group and of the Company were increased by the same amount,
- b) Net profit of the Group and of the Company for FY04 decreased by \$3.8 million and \$0.5 million respectively, and the basic and diluted EPS for FY04 were reduced by 0.22 cents.

### FRS 21 – The Effect Of Changes In Foreign Exchange Rates

Under revised FRS 21, exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation, where that monetary item is neither denominated in the functional currency of the parent nor subsidiary, are to be recognised in the profit and loss account, instead of the Currency Translation Reserve, as previously allowed.

In January 2006, CCDG issued FRS 21 Amendment 2006 which is effective for financial period beginning January 1, 2006, and early adoption is encouraged. FRS 21 Amendment 2006 now allows the exchange differences arising from a monetary items that forms part of the company's net investment in a foreign operation to be recognized in equity in the consolidated financial statements even if functional currency of the loan is not denominated in either the functional currency of the company or the borrowing foreign operation. The Group has early adopted FRS 21 Amendment 2006 and accordingly, all exchange differences arising from quasi equity loans shall be recognized in equity in the consolidated financial statements.

The adoption of FRS 21 Amendment 2006 resulted in the following:

- a) Accumulated Profits as at January 1, 2004 for the Group decreased by \$1.1 million; and Currency Translation Reserve increased by \$1.1 million; and
- b) Net profit for FY04 decreased by \$0.2 million.

## 9. REVIEW OF GROUP PERFORMANCE

### Group Overview

The Group achieved a 25% growth in turnover to \$7.4 billion in FY05. The Group's profit attributable to shareholders of the Company (PATMI) before EI in FY05 was \$278.5m compared to \$227.7 million in FY04, which represents 22% growth.

PATMI excluding the profit contribution from Kuehne & Nagel (KNI) and exceptional items in FY05 was 45% higher as compared to last year.

The Group also generated strong Economic Value Added of \$251.0 million on the back of strong operating performances by the business units and gains on disposal of investments.

### Turnover

	<u>FY05</u>	<u>FY04</u>	<u>Growth</u>	
	<u>\$'m</u>	<u>\$'m</u>	<u>\$'m</u>	<u>%</u>
Utilities	3,262	2,909	353	12
Marine Engineering (Marine)	2,102	1,351	751	56
Logistics	542	500	42	8
Environmental Engineering (Enviro)	217	200	17	9
Engineering & Construction (E&C)	1,096	823	273	33
Others	185	153	32	21
Corporate	5	8	(3)	(38)
	<u>7,409</u>	<u>5,944</u>	<u>1,465</u>	<u>25</u>

Utilities and Marine together contributed 72% of the Group's turnover of \$7.4 billion.

Utilities turnover increased by 12% to \$3.3 billion. Its Singapore and UK operations continued to do well as power prices continue to remain high. However, turnover in its offshore engineering unit declined with the completion of some of its projects.

Marine's turnover increased by 56% to \$2.1 billion. This was due to growth across all its business segments, in particular the offshore conversion and the rig buildings segments.

Logistics' growth in FY05 was mainly attributed to its supply chain management business in North Asia, South East Asia and South Asia.

Turnover for E&C's was higher as compared to last year due to the recognition of a specific project in FY05. The increase in turnover for Others segment was attributed to the completion of the en-bloc sales of the Cairnhill properties.

## 9. REVIEW OF GROUP PERFORMANCE (Cont'd)

	<b>FY05</b>	<b>FY04</b>	<b>Growth</b>	
	<b>\$'m</b>	<b>\$'m</b>	<b>\$'m</b>	<b>%</b>
		(Restated)		
Utilities	147.1	108.4	38.7	36
Marine Engineering (Marine)	73.4	60.3	13.1	22
Logistics (excl KNI)	32.7	28.1	4.6	16
Environmental Engineering (Enviro)	4.7	14.4	(9.7)	(67)
Engineering & Construction (E&C)	0.8	0.4	0.4	100
Others	21.7	19.1	2.6	14
Corporate	(1.9)	(38.3)	36.4	95
<b>PATMI (before EI &amp; KNI)</b>	<b>278.5</b>	<b>192.4</b>	<b>86.1</b>	<b>45</b>
KNI	-	35.3	(35.3)	NM
<b>PATMI (before EI)</b>	<b>278.5</b>	<b>227.7</b>	<b>50.8</b>	<b>22</b>
Exceptional items (EI)	24.8	163.8	(139.0)	(85)
<b>PATMI</b>	<b>303.3</b>	<b>391.5</b>	<b>(88.2)</b>	<b>(23)</b>

Note: EI = Exceptional items

### **Profit attributable to shareholders of the Company ("PATMI")**

Group's PATMI (before EI) in FY05 rose by 22% over last year. The strong growth was mainly contributed by Utilities and Marine business units.

Utilities' PATMI in FY05 was higher by 36% over last year. Strong growth continued to come from its business in UK and joint venture in Vietnam, while Singapore operation delivered stable performance over last year. Losses from its offshore engineering unit also reduced.

Growth in Group's share of PATMI from its Marine business unit was due to better overall operating profits and contribution from the associated company acquired during the year.

Higher earnings in Logistics came from supply chain management operations in North Asia and South East Asia.

The weaker performance by Enviro was mainly due to write off of an amount due from a customer on settlement. In addition, its results were also affected by disposal costs at construction and demolition premises, impact of higher fuel costs, and start-up costs for new overseas operations.

The business environment in which E&C operates continues to be difficult and competitive.

The improvement in Corporate was mainly attributed to lower professional fees incurred in respect of Solitaire.

The Group also recorded an EI gain of \$24.8 million for FY05. EI comprised of mainly gains on disposals of associates and investments, write back of provision on loans and other recoverable, offset by an unrealised foreign exchange loss relating to an amount accumulated in connection with the Solitaire arbitration.

**9. REVIEW OF GROUP PERFORMANCE (Cont'd)**

Solitaire

Based on continuous evaluation of the Owner's claims in the course of the Solitaire arbitration and on the advice of Sembawang's London solicitors, the Board deems it adequate to maintain the current provisions.

The hearing on the Owner's claims were completed in 2005. The Tribunal is expected to make an award on the Principal sums in 2006.

**10. VARIANCE FROM PROSPECT STATEMENT**

There has been no significant variance in the operating performance of the Group as compared to previous statements.

**11(A) SUBSEQUENT EVENTS**

- (a) On January 12, 2006, a subsidiary, SembCorp Marine Ltd announced that the company has signed an agreement to increase the registered capital of its associated company, Cosco Shipyard Group (CSG) by RMB 750 million or approximately \$45.4 million. This capital injection into the registered capital of CSG shall be made progressively over a two-year period starting 2006 to 2007, payable in three installments. The increase is subject to the People's Republic of China's regulatory approval.
- (b) On January 26, 2006, the Company announced that a subsidiary, SembCorp Utilities Ltd (SembUtilities) has been short listed and ranked first of two short listed bidders for the privatization of an independent Water and Power Plant in Fujairah, UAE by the Abu Dhabi Water and Electricity Authority (ADWEA). ADWEA will own 60% of the project and if successful in its bid, SembUtilities will own 40% of the project and will further be responsible for plant operation and maintenance as well as management of the project company. Final decision on the bid outcome is expected to be taken by ADWEA's executive council in the first quarter of 2006.

## 11(B) PROSPECTS

### Utilities

Underpinned by long-term contracts, its Singapore operations will continue to generate stable earnings.

High oil prices led to significant increases in UK energy prices during 2005, and this has helped to enhance the profitability of its operations in the UK. This strong performance is expected to be maintained in 2006.

Our operation in Vietnam is expected to continue to perform well.

China projects are still in the early phase and are not expected to contribute significantly to the 2006 performance.

The operating result of its offshore engineering unit is expected to improve in the current year.

Overall, Utilities is expected to achieve better operating profits in 2006 compared to 2005.

### Marine

Total outstanding order book, excluding ship repair stands at \$5.9 billion. Based on the scheduled completion of projects, Marine expects its 2006 overall performance to be stronger than 2005.

The market outlook for the ship repair sector is expected to be strong amid competitive environment. For ship conversion and offshore sector, market fundamentals for Floating Production Storage Offloading (FPSO) vessels and Floating Storage Offloading (FSO) vessels will continue to be strong, driven mainly by high oil prices and exploration and production activities. Rig Building demand is also expected to be strong attributed mainly to worldwide high utilization and unprecedented high charter rates.

Overall, the market outlook for all sectors in the marine and offshore industry is expected to remain strong.

### Logistics

Logistics will continue to grow its supply chain business. The North Asia region is increasingly an important market for Logistics and has good potential for further growth. In the area of Oil and Gas Logistics, Logistics will expand into other Asian countries. Logistics expects to continue to perform well in 2006.

### Enviro

Enviro is expected to perform better in 2006.

### E&C

E&C is not expected to contribute significantly to the Group's PATMI. Notwithstanding a better outlook for construction of petrochemical projects, E&C expects keen competition to continue and will continue to pursue process engineering projects. The outstanding contracts value as at December 31, 2005 stands at \$2.3 billion.

### SCI Group

Barring unforeseen circumstances, the Group's overall performance for 2006 is expected to be better than that of 2005.

*This release contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, availability and cost of fuel and materials, cost of capital and capital availability, competition from other companies, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy, directives and changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events and impact on the Group.*

## 12. DIVIDEND

### (a) Current Financial Year Reported On

Name of Dividend	Proposed Final	Total
Dividend Type	Cash	Cash
Gross Dividend Amount (cents per share)	6.5	6.5
Dividend Rate (in %)	26%	26%
Par value of shares	\$0.25	\$0.25
Tax Rate	20%	20%

### (b) Corresponding Year of the Immediately Preceding Financial Year

Name of Dividend	Proposed Final	Special Interim	Total
Dividend Type	Cash	Cash	Cash
Gross Dividend Amount (cents per share)	5.00	6.25	11.25
Dividend Rate (in %)	20%	25%	45%
Par value of shares	\$0.25	\$0.25	\$0.25
Tax Rate	20%	20%	20%

### (c) Date payable

The proposed final gross dividend of 6.5 cents per ordinary share, if approved at the AGM to be held on April 27, 2006, will be paid on May 19, 2006.

### (d) Books closure date

Notice is hereby given that the Register of Transfer and Register of Members will be closed on May 5, 2006.

Registrable transfers received by the Company's Registrar, M&C Services Private Limited at 138 Robinson Road #17-00 The Corporate Office, Singapore 068906, up to 5.00 p.m. on May 4, 2006 will be registered before entitlement to the dividend is determined.

### (e) Total Annual Dividend (in dollar value)

	FY05 \$'000	FY04 \$'000
Special dividend	-	91,322
Ordinary final dividend*	90,813	73,379
Total	90,813	164,701

\*FY05 final dividend is estimated based on the share capital of 1,746,411,878 at the end of the financial year.

The Company has also returned shareholders \$214.8 million via capital reduction in June 2005.

## 13. SEGMENTAL REPORTING

### Full Year ended December 31, 2005

(i) <u>Business segments</u>	Utilities	Marine	Logistics	Enviro	E&C	Others	Corporate	Elimina- tion	Total
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
<b>Turnover</b>									
External sales	3,261.9	2,102.2	542.1	216.6	1,096.5	185.3	4.6	-	7,409.2
Inter-segment sales	18.6	17.1	0.3	2.1	0.0	3.9	17.1	(59.1)	-
<b>Total</b>	<b>3,280.5</b>	<b>2,119.3</b>	<b>542.4</b>	<b>218.7</b>	<b>1,096.5</b>	<b>189.2</b>	<b>21.7</b>	<b>(59.1)</b>	<b>7,409.2</b>
<b>Results</b>									
Segment results	223.0	127.1	52.8	(2.1)	0.4	41.6	5.5	-	448.3
Interest income	7.2	15.6	8.5	0.1	1.1	7.3	20.5	(25.4)	34.9
Interest expense	(41.5)	(4.8)	(2.3)	(1.0)	(0.7)	(0.5)	(28.5)	25.4	(53.9)
	<b>188.7</b>	<b>137.9</b>	<b>59.0</b>	<b>(3.0)</b>	<b>0.8</b>	<b>48.4</b>	<b>(2.5)</b>	<b>-</b>	<b>429.3</b>
Share of results of associates	0.7	16.0	14.3	8.3	1.3	4.7	-	-	45.3
Share of results of joint ventures	18.8	1.0	9.7	-	-	3.5	-	-	33.0
	<b>208.2</b>	<b>154.9</b>	<b>83.0</b>	<b>5.3</b>	<b>2.1</b>	<b>56.6</b>	<b>(2.5)</b>	<b>-</b>	<b>507.6</b>
Taxation	(38.4)	(31.4)	(12.6)	(0.2)	(1.2)	(1.5)	(7.1)	-	(92.4)
Minority interest	(13.8)	(49.1)	(33.0)	(0.4)	(0.1)	(15.5)	-	-	(111.9)
<b>Net profit for the period</b>	<b>156.0</b>	<b>74.4</b>	<b>37.4</b>	<b>4.7</b>	<b>0.8</b>	<b>39.6</b>	<b>(9.6)</b>	<b>-</b>	<b>303.3</b>
Comprising:									
Net profit before exceptional items	147.1	73.3	32.7	4.7	0.8	21.8	(1.9)	-	278.5
Exceptional items	8.9	1.1	4.7	-	-	17.8	(7.7)	-	24.8
	<b>156.0</b>	<b>74.4</b>	<b>37.4</b>	<b>4.7</b>	<b>0.8</b>	<b>39.6</b>	<b>(9.6)</b>	<b>-</b>	<b>303.3</b>
<b>Assets</b>									
Segment assets	2,471.6	2,212.6	611.7	158.9	509.0	876.6	526.9	(922.1)	6,445.2
Investment in associates	-	104.7	75.8	56.3	2.3	55.7	-	-	294.8
Investment in joint venture	149.0	19.0	67.6	-	-	196.1	-	-	431.7
Tax assets	26.4	1.4	10.5	4.1	14.6	1.1	89.4	-	147.5
<b>Total assets</b>	<b>2,647.0</b>	<b>2,337.7</b>	<b>765.6</b>	<b>219.3</b>	<b>525.9</b>	<b>1,129.5</b>	<b>616.3</b>	<b>(922.1)</b>	<b>7,319.2</b>
<b>Liabilities</b>									
Segment liabilities	1,665.1	1,107.6	272.7	58.3	461.7	237.2	1,269.2	(922.1)	4,149.7
Tax liabilities	149.7	101.7	12.7	3.9	7.5	14.1	35.2	-	324.8
<b>Total liabilities</b>	<b>1,814.8</b>	<b>1,209.3</b>	<b>285.4</b>	<b>62.2</b>	<b>469.2</b>	<b>251.3</b>	<b>1,304.4</b>	<b>(922.1)</b>	<b>4,474.5</b>
<b>Capital expenditure</b>	<b>160.6</b>	<b>139.6</b>	<b>19.1</b>	<b>6.4</b>	<b>8.1</b>	<b>36.7</b>	<b>0.8</b>	<b>-</b>	<b>371.3</b>
<b>Significant non-cash items</b>									
Depreciation and amortisation	89.9	39.5	12.7	8.8	9.8	15.2	8.5	-	184.4
Other non-cash items (including provisions, loss on disposal and exchange differences)	14.2	13.1	8.1	5.3	21.4	4.5	3.5	-	70.1
<b>(ii) <u>Geographical segments</u></b>									
	<b>Revenue</b>	<b>Segment Assets</b>		<b>Capital Expenditure</b>					
	<b>\$'m</b>	<b>\$'m</b>		<b>\$'m</b>					
Singapore	3,450.4	4,858.0		219.7					
Rest of Asia	1,498.6	683.4		75.5					
Europe	2,053.0	705.3		69.5					
Others	407.2	198.5		6.6					
<b>Total</b>	<b>7,409.2</b>	<b>6,445.2</b>		<b>371.3</b>					

### 13. SEGMENTAL REPORTING (Cont'd)

#### Full Year ended December 31, 2004

<u>(i) Business segments</u>	Utilities	Marine	Logistics	Enviro	E&C	Others	Corporate	Elimination	Total
	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m	\$'m
<b>Turnover</b>									
External sales	2,908.7	1,350.9	500.6	200.2	822.8	152.8	8.0	-	5,944.0
Inter-segment sales	18.9	11.8	0.1	2.3	1.4	1.6	16.9	(53.0)	-
<b>Total</b>	<b>2,927.6</b>	<b>1,362.7</b>	<b>500.7</b>	<b>202.5</b>	<b>824.2</b>	<b>154.4</b>	<b>24.9</b>	<b>(53.0)</b>	<b>5,944.0</b>
<b>Results</b>									
Segment results	204.5	90.3	1,118.2	7.3	3.4	15.4	(533.2)	-	905.9
Interest income	4.3	11.6	6.2	0.1	0.5	1.4	16.2	(16.7)	23.6
Interest expense	(48.1)	(2.7)	(7.0)	(0.3)	(0.6)	(4.0)	(29.0)	16.7	(75.0)
	<b>160.7</b>	<b>99.2</b>	<b>1,117.4</b>	<b>7.1</b>	<b>3.3</b>	<b>12.8</b>	<b>(546.0)</b>	-	<b>854.5</b>
Share of results of associates	6.4	10.6	68.3	8.8	0.0	7.5	-	-	101.6
Share of results of joint ventures	11.2	1.1	5.0	-	-	8.1	-	-	25.4
	<b>178.3</b>	<b>110.9</b>	<b>1,190.7</b>	<b>15.9</b>	<b>3.3</b>	<b>28.4</b>	<b>(546.0)</b>	-	<b>981.5</b>
Taxation	(40.0)	(13.2)	(11.9)	(0.9)	(2.2)	(2.7)	6.3	-	(64.6)
Minority interests	(13.6)	(37.4)	(466.6)	(0.6)	(0.7)	(6.6)	0.1	-	(525.4)
Net profit for the period	<b>124.7</b>	<b>60.3</b>	<b>712.2</b>	<b>14.4</b>	<b>0.4</b>	<b>19.1</b>	<b>(539.6)</b>	-	<b>391.5</b>
Comprising:									
Net profit before exceptional items	108.4	60.3	63.4	14.4	0.4	19.1	(38.3)	-	227.7
Exceptional items	16.3	-	648.8	-	-	-	(501.3)	-	163.8
	<b>124.7</b>	<b>60.3</b>	<b>712.2</b>	<b>14.4</b>	<b>0.4</b>	<b>19.1</b>	<b>(539.6)</b>	-	<b>391.5</b>
<b>Assets</b>									
Segment assets	2,357.9	1,835.8	1,722.0	161.0	546.4	868.7	1,110.8	(1,387.6)	7,215.0
Investment in associates	24.4	47.4	76.8	65.6	5.7	66.7	3.0	-	289.6
Investment in joint ventures	138.6	9.5	56.2	-	-	84.7	99.0	-	388.0
Tax assets	20.2	1.6	10.0	3.6	14.0	1.5	74.7	-	125.6
Total assets	<b>2,541.1</b>	<b>1,894.3</b>	<b>1,865.0</b>	<b>230.2</b>	<b>566.1</b>	<b>1,021.6</b>	<b>1,287.5</b>	<b>(1,387.6)</b>	<b>8,018.2</b>
<b>Liabilities</b>									
Segment liabilities	1,747.4	795.7	1,097.6	65.2	497.8	653.8	1,506.6	(1,387.6)	4,976.5
Tax liabilities	99.2	70.9	12.0	5.0	8.8	9.7	34.5	-	240.1
Total liabilities	<b>1,846.6</b>	<b>866.6</b>	<b>1,109.6</b>	<b>70.2</b>	<b>506.6</b>	<b>663.5</b>	<b>1,541.1</b>	<b>(1,387.6)</b>	<b>5,216.6</b>
<b>Capital expenditure</b>									
	85.0	88.8	23.1	17.3	4.5	20.5	1.7	-	240.9
<b>Significant non-cash items</b>									
Depreciation and amortisation	84.7	39.0	13.9	8.1	11.6	15.6	9.3	-	182.2
Other non-cash items (including provisions, loss on disposal and exchange differences)	29.3	21.1	12.7	0.3	15.9	2.7	444.5	-	526.5
<b>(ii) Geographical segments</b>									
	<b>Revenue</b>	<b>Segment Assets</b>	<b>Capital Expenditure</b>						
	\$'m	\$'m	\$'m						
Singapore	3,117.0	5,725.3	135.4						
Rest of Asia	955.2	724.9	51.7						
Europe	1,357.8	586.9	51.7						
Others	514.0	177.9	2.1						
<b>Total</b>	<b>5,944.0</b>	<b>7,215.0</b>	<b>240.9</b>						

Restated for the change in accounting policies in 2005. Certain comparative figures have also been adjusted to conform to the current period's presentation.

## **Notes To Segmental Analysis**

### 13a. Business Segments

The Group comprises the following main business segments:

Utilities segments offer a range of fully integrated industrial site services, including power, gas, centralised utilities to clusters of chemical multinational corporations in Singapore and United Kingdom. It also invests in, manages and operates cogeneration, power and water treatment plants in Singapore and in the region. It is also involved in engineering, construction and fabrication of offshore platforms, modules and floating production systems for oil and gas companies.

Marine Engineering segment focuses on repair, building and conversion of ships, rig construction and offshore engineering.

Logistics segment provides one-stop logistics management services, parts and components management, automated warehouse operations, preservation and packaging technologies and hazardous goods management.

Environmental Engineering segment provides integrated waste management services in the Asia Pacific region.

Engineering and Construction segment is engaged in turnkey construction, design consultancy, infrastructure development and project management.

Others segment comprises businesses relating to internet services provider, minting, hotels, properties, resorts and industrial parks.

### 13b. Geographical Segments

The Group operates in three principal geographical areas, Singapore, Europe and Rest of Asia. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

### 13c. Review of segment performance

Please refer to Paragraph 9 for analysis by business segments.

## 14. INTERESTED PERSON TRANSACTIONS

Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000)

	FY05 \$'000
<b>Sale of Goods and Services</b>	
Temasek Holdings (Private) Limited and its Associates	
- Tuas Power Ltd/PowerSeraya Limited <sup>1</sup>	488,406
- Temasek Capital (Private) Limited and its Associates	5,793
- PSA International Pte Ltd and its Associates	2,517
- Wildlife Reserves Singapore Pte Ltd and its Associates	1,491
- Singapore Technologies Telemedia Pte Ltd and its Associates	1,097
- MediaCorp Pte Ltd and its Associates	879
- Singapore Power Ltd and its Associates	665
- National University Hospital (S) Pte Ltd and its Associates	510
- Singapore Technologies Pte Ltd and its Associates	180
	<hr/>
	501,538
Singapore Technologies Engineering Ltd and its Associates	19,385
Singapore Petroleum Co Ltd and its Associates	4,547
Singapore Post Limited and its Associates	2,605
Starhub Ltd and its Associates	2,563
SNP Corporation Ltd and its Associates	648
Singapore Airlines Limited and its Associates	453
Singapore Food Industries Ltd and its Associates	304
	<hr/>
	532,043
	<hr/>
<b>Purchases of Goods and Services</b>	
Temasek Holdings (Private) Limited and its Associates	
- Temasek Capital (Private) Limited and its Associates <sup>2</sup>	460,439
- Singapore Power Ltd and its Associates	3,550
	<hr/>
	463,989
Singapore Technologies Engineering Ltd and its Associates	748
	<hr/>
	464,737
	<hr/>
<b>Treasury</b>	
<b>Placement of funds</b>	
Singapore Technologies Pte Ltd and its Associates	10,838
	<hr/>
<b>Total Interested Person Transactions</b>	<b><u>1,007,618</u></b>

### Note

<sup>1</sup> This relates mainly to the sale of gas by SembCorp Gas Pte Ltd to Tuas Power and PowerSeraya for the generation of electricity.

<sup>2</sup> This relates mainly to the purchase of gas by SembCorp Cogen Pte Ltd from SembCorp Gas Pte Ltd for the generation of electricity.

There are no transactions which are not conducted under the shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual during the period 1 Jan 2005 to 31 Dec 2005.

## BY ORDER OF THE BOARD

**Kwong Sook May (Ms)**  
**Company Secretary**  
February 28, 2005