

STEERING THE WAY



STEERING THE WAY FORWARD

Since embarking on a group-wide business transformation in 2013, Sembcorp Marine has made steadfast progress by continuously enhancing our capabilities and production capacity. This has enabled us not only to deliver complex offshore projects, but also to stay ahead in a highly competitive industry.

As we steer forward in our ongoing journey of transformation, we remain on track with our ambition to move up the value chain, by building on our strengths to become a more complete global solutions provider. Guided by visionary leadership and a sustainable long-term strategy, we are ready to take on challenges and seize new opportunities in the recovering market.

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CORPORATE PROFILE

SEMBCORP MARINE provides innovative engineering solutions to the global offshore, marine and energy industries. Drawing upon more than 50 years of track record, an extensive network of facilities and in-depth expertise, the Group focuses on four key capabilities, namely: Rigs & Floaters; Repairs & Upgrades; Offshore Platforms; and Specialised Shipbuilding.

Our customers include major energy companies, drilling contractors, shipping companies as well as owners and operators of floating production units.

By delivering innovative solutions that often redefine the possibilities of offshore, marine and energy technologies, Sembcorp Marine achieves successful outcomes for its customers regardless of the scale, complexity and location of the projects.

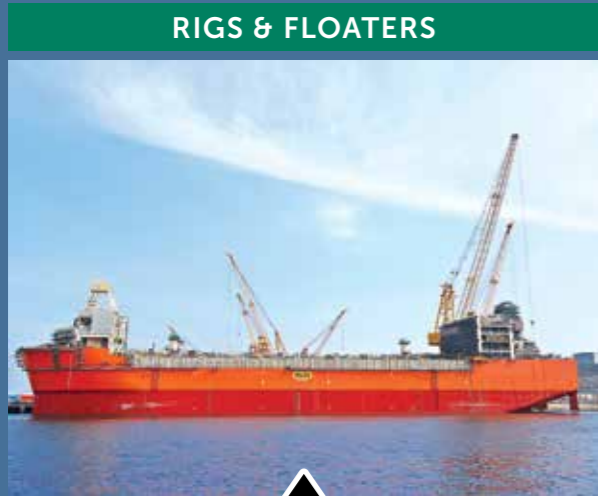


VISION

To be the partner of choice for the offshore, marine and energy industries.

MISSION

We are a global company providing innovative engineering solutions, products and services to the offshore, marine and energy industries.

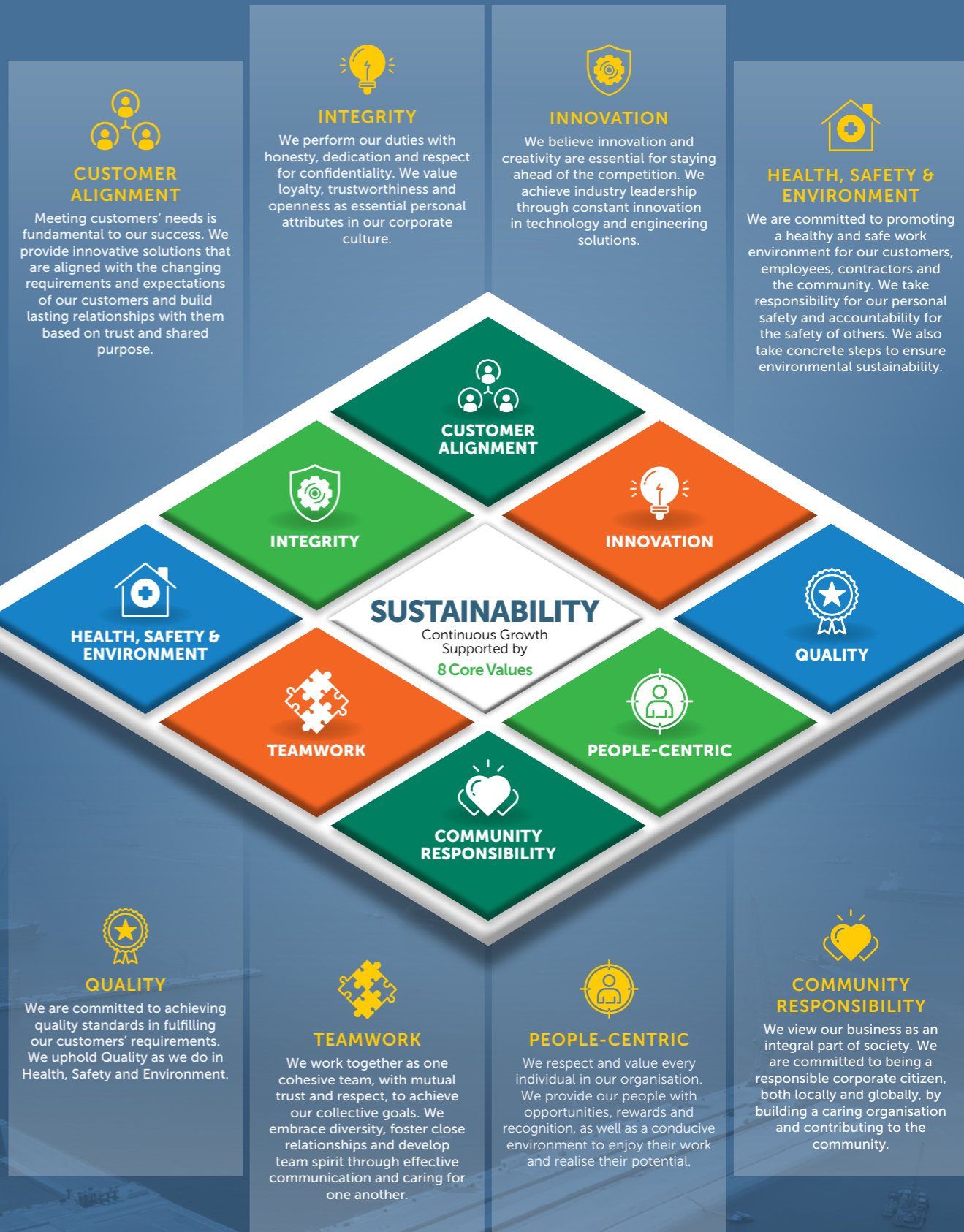


OUR SOLUTIONS, PRODUCTS AND SERVICES FOCUS ON
4 KEY CAPABILITIES



OFFSHORE PLATFORMS

SPECIALISED SHIPBUILDING





Sembcorp Marine's flagship Tuas Boulevard Yard



2018 HIGHLIGHTS

GROUP REVENUE

\$4.89
BILLION

EBITDA

\$143
MILLION

NEW ORDERS

\$1.18
BILLION

NET ORDER BOOK

\$6.21
BILLION

296

SHIP REPAIR AND
UPGRADE PROJECTS,
INCLUDING 41 LNG
CARRIERS AND 10
CRUISE SHIPS

58

VESSELS RETROFITTED WITH
BALLAST WATER MANAGEMENT
SYSTEMS AND GAS SCRUBBERS,
UNDER SEMBCORP MARINE'S
GREEN TECHNOLOGY
RETROFIT SOLUTIONS

OUR INTEGRATED GLOBAL PLATFORM

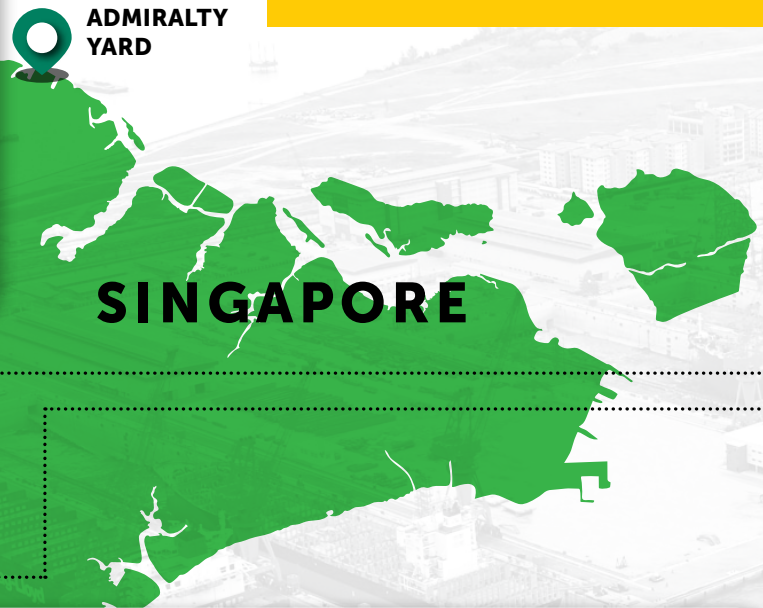
Sembcorp Marine – One integrated team operating in strategic locations to serve customers worldwide.

Sembcorp Marine conducts its global businesses through strategically located facilities in Singapore, Indonesia, the United Kingdom, Norway, USA and Brazil. Operating as pooled resources, these facilities are a critical component of the Group's global hub strategy, providing customers with timely, efficient and innovative engineering solutions worldwide.



ADMIRALTY YARD

Cert No. 2322-2020-01-01 SCP-UKAS
 Cert No. 2322-2020-01-01 SCP-UKAS
 Cert No. 2322-2020-10-01 SCP-UKAS



TUAS BOULEVARD YARD

Cert No. 2322-2020-01-01 SCP-UKAS
 Cert No. 2322-2020-01-01 SCP-UKAS
 Cert No. 2322-2020-10-01 SCP-UKAS



● **PANDAN YARD / TUAS CRESCENT YARD**



● **TANJONG KLING YARD**



CHAIRMAN AND CEO'S REPORT



“While global exploration and production capex is improving, the offshore and marine sector is impacted by geopolitical conflicts and oil price volatility. Competition remains intense.

In 2018, Sembcorp Marine secured \$1.2 billion of new orders. We continue to respond actively to enquiries and tenders for innovative engineering solutions, amidst these challenging market conditions.”

TAN SRI MOHD HASSAN MARICAN
CHAIRMAN

**TAN SRI MOHD
HASSAN MARICAN**
CHAIRMAN

WONG WENG SUN
PRESIDENT & CEO

Dear Shareholders,

We would first like to thank all our shareholders and stakeholders for their patience, support and faith in the Board and Management as we continue to steer the Group through the difficult and protracted downturn in the offshore oil and gas industry, and build a sustainable global business for the future.

2018 was another challenging year. The current downcycle stands among the longest in the history of the offshore and marine industry. Oil prices remain volatile, driven by geopolitics and the imbalance in supply and demand. OPEC and its partners continue to implement production cuts to stabilise oil prices. Some success has been achieved, with prices firming between US\$60 and US\$65 per barrel.

In 2019, oil prices will be driven by a number of factors: the overall high global output particularly from the US; market concerns about the future drop in demand from a slowdown in global economic growth; and geopolitics.

With some stability in the price outlook, we see some light at the end of the tunnel. Offshore rigs utilisation and day rates for most segments have continued to stabilise or improve, underpinned by more drilling activities. Offshore capex is also rising with more production projects moving towards final investment decision (FID) stage.

While the overall industry outlook is brightening, significant time and effort for project co-development with potential customers are required before we secure new orders. We also expect competition to remain intense.

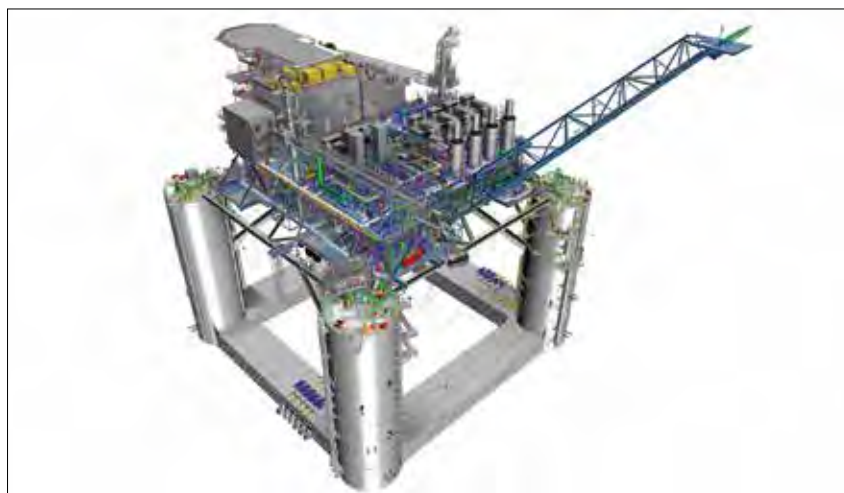
In 2018, we replenished our order book with about \$1.2 billion in new orders, including two new Floating Production, Storage and Offloading (FPSO) newbuilding contracts and two green energy-related projects.

In the face of tough competition from globally renowned shipbuilding and offshore shipyards, the Group secured a contract from TechnipFMC to undertake the engineering, procurement and construction of the hull and living quarters for a newbuild FPSO. The FPSO's hull is approximately 227m long and 50m wide, with a total oil storage capacity of 800,000 barrels and gas production of 8 billion cubic metres (bcm) per annum. When completed in the fourth quarter of 2020, the FPSO will be deployed at the Energean-operated Karish deepwater field development in the Eastern Mediterranean, approximately 90km off Israel's shore.



Sembcorp Marine Rigs & Floaters won the TechnipFMC contract to build a new FPSO, to be deployed at the Karish field offshore Israel

Shell Offshore Inc. awarded Sembcorp Marine a contract to construct and integrate the hull, topsides and living quarters of the Vito newbuild semi-submersible Floating Production Unit (FPU). This contract includes installation of Shell-furnished equipment. Supported by the Vito FPU's 4-column semi-submersible hull, the topsides weigh 9,200 tonnes and are designed to produce 100,000 barrels per day (bpd) of oil and 100 million standard cubic feet per day (MMSCFD) of gas. Vito will be Shell's 11th deep-water production facility in the Gulf of Mexico, and is located about 150 miles southeast of New Orleans.



Sembcorp Marine Rigs & Floaters secured the Vito newbuild semi-submersible FPU project from Shell Offshore Inc.

These two offshore production newbuild projects came on the heels of Equinor's Johan Castberg newbuild FPSO hull and living quarters contract, which the Group won in December 2017.

The award of three sizeable contracts over a period of just six months is testament to our customers' firm belief in our capability and reliability in executing such projects safely, on time, and in keeping with Sembcorp Marine's

benchmark quality and efficiency standards. Work commenced on these prestigious projects at our state-of-the-art Tuas Boulevard Yard (TBV) in Singapore. Those shareholders who were able to join us at our yard tours last year saw

CHAIRMAN AND CEO'S REPORT

first-hand how our investments in building and shaping our capabilities and facilities have reaped sizeable contract awards for highly sophisticated engineering solutions.

Besides the projects secured, the Group is actively bidding for a growing list of global offshore production projects which have reached, or are nearing, FID.

Growth remains on track

A key part of Sembcorp Marine's ongoing Transformation strategy is to diversify into new product segments and provide innovative solutions across the offshore, marine, and energy value chains. We continue to make good progress in commercialising our proprietary Gravifloat technologies for a variety of nearshore LNG terminal and gas infrastructure applications.

To grow our order book, we are proactively pursuing leads, responding to, and tendering for projects in the floaters, production platforms, gas and renewable energy solutions as well as specialised shipbuilding segments. We are optimistic that we can secure several of these projects over the next three to five years.

Over the decades, our steadfast strategic efforts – investments in new capabilities, technologies and facilities; our training, nurturing and valuing a core talent pool; and our focus on building close alliances with key customers – have imbued a strong culture of partnership, innovation and resilience in the organisation. This has and continues to serve us well in the current cyclical downturn.

As we forge ahead to grow and leverage our capabilities in the green technology and renewable energy solutions segment, we are pleased

to have clinched the two earlier mentioned contracts from new customers late last year.

Optimus Wind Limited, a subsidiary of Ørsted Wind Power, awarded us a contract for engineering, procurement, construction, hook-up and commissioning works on two wind farm substation topsides, to be deployed at the Hornsea 2 Offshore Wind Farm in the UK North Sea. With a combined weight of approximately 8,700 tonnes, the two substation topsides will be delivered in the first quarter of 2021. The 1.4-gigawatt (GW) capacity Hornsea 2 Offshore Wind Farm – the world's largest when operational in 2022 – is located 89km north-east of Grimsby, and will be capable of supplying green electricity to over 1.3 million UK households.

We also secured our first design-and-construct ropax passenger ferry project. Three identical plug-in ropax ferries will be built to a proprietary design from Sembcorp Marine subsidiary LMG Marin, for delivery to Norled AS in the fourth quarter of 2020. The 82.4-metre long multi-deck, double-ended ferries can each carry up to 300 passengers and crew, as well as 80 cars. Highly energy-efficient, they will operate on zero-emission battery power at a service speed of 10 knots. The Norled ropax ferries will use lithium-ion batteries for propulsion, complemented by energy-efficient solutions throughout the vessels' design as well as shore-side charging points.

As our Transformation journey continues, we remain focused on broadening our capabilities and refining our competitive edge and performance in the energy, offshore oil and gas, and marine engineering businesses.

In 2018, we expanded and up-scaled our design and engineering solutions platform by acquiring interests and titles to all of Sevan Marine ASA's intellectual property, as well as a 100% stake in Sevan subsidiary HiLoad LNG AS. This provided us the unique opportunity to own and market Sevan's cylindrical hull design and design applications, and to consolidate them with those patented by our subsidiary, Sembmarine SSP.

We strengthened our leading position in the Repairs & Upgrades segment by acquiring five groups of Semb-Eco core patents for the development of offshore and marine solutions in ballast water treatment, exhaust gas cleaning as well as biofouling and corrosion control.

Moving into 2019, Sembcorp Marine remains cautiously optimistic as we position ourselves to respond strategically and seize opportunities in the evolving business landscape.

FINANCIAL PERFORMANCE

We are pleased that the Group remained profitable at the EBITDA (earnings before interest, tax, depreciation and amortisation) level.

Group revenue increased to \$4.89 billion for the year ended December 31, 2018, from \$3.03 billion in FY2017. The higher revenue was led by stronger contributions from the **Rigs & Floaters** segment, while all other segments saw a year-on-year revenue decline.

Revenue for Rigs & Floaters increased to \$4.15 billion, compared with \$1.72 billion in FY2017. This is due to: revenue recognition on the delivery of seven jack-up rigs to Borr Drilling and one to BOT Lease; the sale of the West Rigel semi-submersible rig; and

GROUP
REVENUE

\$4.89
BILLION

higher percentage recognition for ongoing drillships and newly secured offshore production projects in FY2018. **Offshore Platforms** revenue declined year-on-year, from \$732 million to \$184 million, on fewer projects; while revenue from **Repairs & Upgrades** slipped from \$499 million in FY2017 to \$476 million in FY2018. Even though fewer vessels called at our yards last year, average spend per vessel was more on higher value works secured. In FY2018, Rigs & Floaters continued to account for the largest share of revenue at 85%; Offshore Platforms contributed 4%; Repairs and Upgrades 10%; and other activities, the remaining 1%.

The Group reported EBITDA of \$143 million in FY2018. We incurred a net loss of \$74 million, compared with \$260 million net profits in FY2017 (restated for SFRS (I)). This was mainly due to lower contributions from projects, and less turnover resulting in lower recovery of fixed and variable overhead costs. The Group generated operating cash flow before working capital changes of \$157 million last year.

Yard Capacity Management

Our Transformation journey includes the eventual relocation of operations from older yards in Singapore to TBY.

As we prepare to return the Tanjong Kling Yard to the Government in

EBITDA

\$143
MILLION

2019 – four years ahead of schedule – depreciation of the yard's lease and certain fixed assets, which amounts to about \$60 million, will be accelerated over 15 months starting from the fourth quarter of 2018. This is likely to impact our operating and net profits, although EBITDA will remain mostly intact. After the move, the Group expects to realise about \$48 million of cost-savings annually.

Dividend

The Group's dividend payment remains guided by its earnings performance. We seek to reward shareholders with a sustainable and consistent dividend, while taking into consideration the need to reinvest for long-term sustainable growth.

Due to the significant losses incurred in FY2018 and the need to preserve cash, the Sembcorp Marine Board has proposed that no dividend be paid for the year.

Sete Brasil Drillships

In November 2018, Sete Brasil's judicial recovery plan was approved by its creditors. According to media reports, the plan includes the sale of four drilling rigs being built at two Singapore-owned yards in Brazil. We continue to monitor these developments and will respond accordingly. Meanwhile, the \$329 million provisions made by the Group in FY2015 for the Sete Brasil

OPERATING CASH FLOW
GENERATED BEFORE WORKING
CAPITAL CHANGES

\$157
MILLION

contracts remain adequate under the current circumstances.

Safe Delivery of 9 Jack-up Rigs to Borr Drilling

On Oct 9, 2017, we announced that Sembcorp Marine had successfully sold nine jack-up rigs to Borr Drilling for around US\$1.3 billion. Following a US\$500 million upfront payment, Borr Drilling has to date taken delivery of all nine rigs on a progressive basis. The balance of US\$800 million will be paid within five years from the respective delivery date of each rig. Interest payments on the outstanding amounts have been received.

Sale of West Rigel

On May 10, 2018, we announced that the Group had completed the sale of the West Rigel semi-submersible rig for US\$500 million. The rig's buyers, Transocean and its partners, had made a 50% upfront payment. Following the completion of reactivation works in February 2019, Transocean made a further payment of US\$150 million. The balance US\$100m will be collected within the next 12 months.

Cash Flow and Liquidity Management

Financial prudence and discipline remain key considerations as we rebuild and strengthen the Group's financial position in the face of

CHAIRMAN AND CEO'S REPORT

a prolonged cyclical downturn. Growing our order book, maintaining a strong balance sheet and ensuring healthy cash flow are key priorities.

While we have successfully monetised our entire 10-rigs inventory, significant improvement in our liquidity will only occur over the next five years as we collect the balance ~\$1.2 billion of deferred payment for the rigs. The rigs inventory (previously recorded as Current Assets) are now recorded as Non-current Assets (Trade Receivables), which explains our reducing Net Current Assets balance.

Capex for FY2018 was about \$343 million, which included installation of certain new facilities and completion of our corporate headquarters at TBY. We expect capex in the foreseeable future to be moderate, as we defer non-essential spend and proceed with only those needed for executing secured contracts, realising cost-savings or enhancing our project execution capabilities.

In FY2018, operating cash flow generated before working capital changes was \$157 million. Net gearing was 1.44 times, compared with 1.37 times as at 3Q2018 and 1.13 times as at end December 2017.

While the majority of our ongoing contracts and new orders are on progressive payment terms, future new orders may increase working capital needs as the industry adjusts to changing business models and constrained capital availability.

We continue to manage our gearing and cash flows prudently to ensure sustainable development and growth.

“Financial prudence and discipline remain key considerations as we rebuild and strengthen the Group’s financial position in the face of a prolonged cyclical downturn. Growing our order book, maintaining a strong balance sheet and ensuring healthy cash flow are key priorities.”

WONG WENG SUN
PRESIDENT & CEO

REVIEW OF BUSINESS OPERATIONS

New contracts in offshore production, green and renewable energy segments lift order book

The Group started out on a strong note in the first half of 2018 with two FPSO contracts, followed by two green and renewable energy contracts later in the year. As at 31 December 2018, the Group’s net order book totalled \$6.21 billion. Excluding the Sete Brasil drillships, our order book was \$3.09 billion. We remain upbeat on the offshore production market, as some large projects in both newbuilds and converted floating production units are reaching FIDs in 2019.

Rigs and Floaters

Sembcorp Marine continued to strengthen our reputation for innovative offshore and marine engineering with the successful delivery of the newbuild FSO Ailsa to MODEC Systems (Singapore) Pte. Ltd., a subsidiary of MODEC, Inc. This was the Group’s first full turnkey FSO newbuild project that included engineering, procurement, construction and commissioning (EPCC) works.

NET ORDER BOOK
AS AT 31 DECEMBER 2018

\$6.21
BILLION
(\$3.09 billion excluding
Sete Brasil drillships)

Completed in May 2018 with a hull designed to have twice the average hull fatigue lifespan of other newbuild FSOs, Ailsa has a 430,000-barrel condensate storage capacity. The vessel boasts a 25-year continuous operability without dry-docking and full compliance with strict UK safety regulations for harsh-environment operations in the Culzean field.

To date, we have delivered all nine Pacific Class 400 jack-up drilling rigs to Borr Drilling. One of them set a record for being the first drilling rig to be awarded a Cybersecurity-



FSO Ailsa was delivered to MODEC in 2Q2018 for deployment at the TOTAL-operated Culzean field in the UK North Sea



Proprietary design Pacific Class 400 jack-up rigs (from left to right): Groa (delivered Jul 2018), Gyne (delivered Sep 2018), Natt (delivered Oct 2018), and Njord (delivered Jan 2019)

Ready (CS-Ready) Notation by the American Bureau of Shipping (ABS). We are proud to have facilitated this first-of-a-kind certification and to help our customers achieve an enhanced degree of cybersecurity for their assets.

Other key deliveries in 2018 included the conversion of Kaombo Norte FPSO and Kaombo Sul FPSO, both for Saipem.

Projects in progress

Our ongoing projects in the Rigs & Floaters segment continue

to progress well. These include engineering and construction of Sleipnir, the world's largest semi-submersible crane vessel (SSCV) for Heerema, and the construction of two high-specification ultra-deepwater drillships for Transocean.

CHAIRMAN AND CEO'S REPORT



FPSO Kaombo Norte (delivered Mar 2018)



FPSO Kaombo Sul (delivered Dec 2018)

Engineering and construction works have also commenced for three key offshore production contracts secured in late 2017 and in 2018. These comprise:

- Turnkey engineering, procurement and construction of newbuild FPSO hull and living quarters for Equinor, to be deployed at the Johan Castberg field development in the Barents Sea;
- Construction and integration of hull, topsides and living quarters for Shell's Vito semi-submersible FPU; and
- Engineering, procurement, construction and integration of a newbuild FPSO hull, living quarters, topside modules and owner-furnished equipment for TechnipFMC.



Heerema's Sleipnir, the world's largest semi-submersible crane vessel (SSCV), undergoing commissioning

At our Estaleiro Jurong Aracruz (EJA) facility in Brazil, work is progressing on the hull carry-over works and topside modules construction and integration for the FPSO P-68, as well as topside modules construction for FPSO P-71. Both these vessels will be deployed at the Tupi Project.



Artist's impression of Transocean Jurong Espadon 3T; two drillships under construction



Artist's impression of Johan Castberg FPSO



Artist's impression of Karish FPSO



Artist's impression of Shell Vito Floating Production Unit (FPU)



Johan Castberg FPSO structural blocks



Karish FPSO hull fabrication



Shell Vito FPU column assembly

Repairs and Upgrades

In FY2018, we carried out a total of 296 dry-dockings, repairs and upgrades. Total revenue was \$476 million, compared with \$499 million in FY2017. Revenue per vessel was higher than FY2017 on higher value works and improved vessel mix.

In 2018, Sembcorp Marine again emerged as the world's top LNG vessel repair yard (for the sixth time) with a total of 41 LNG ships serviced and upgraded in 2018. We expect this strong performance to continue into 2019, having already secured a significant number of LNG shiprepair and upgrading orders year to date.

Major offshore repairs and upgrading completed in 2018 included the upgrading of FPSO Pyrenees Venture for MODEC as well as repair and demucking works for Chevron Thailand's Benchamas FSO.

In the cruise ship market, we cemented our position as Asia's

top cruise ship repair and upgrade solutions provider in 2018 with the completion of 10 cruise vessel projects, including one for our new customer, Norwegian Cruise Line.

Green Technology Solutions – Ballast Water Management System and Gas Scrubber Installations

Sembcorp Marine completed a number of ballast water management system (BWMS) retrofit projects in 2018, including three for Princess Cruise Lines. We also completed scrubber installation projects on a cruise ship and two tankers.

In FY2018, we achieved \$160 million new orders for retrofitting BWMS and gas scrubbers on 58 vessels. These included a major green technology retrofit contract from Greek owner Maran Tankers for the installation of 13 marine scrubbers and four BWMS. The contracts attest to our expertise and experience in green technology solutions.

Going forward, we expect orders for BWMS and scrubber retrofits to remain strong.

Offshore Platforms

Sembcorp Marine Offshore Platforms delivered the Maersk Oil Culzean topsides project in May 2018. Comprising Well Head, Utilities & Living Quarters as well as Central Processing Facility, the approximately 30,000-tonne integrated topsides were constructed at Sembcorp Marine Admiralty Yard over 32 months. These topsides can handle up to 500 MMSCFD of gas and 25,000 bpd of condensate. In addition, a power generation module and two interconnecting bridges, which formed part of the integrated topsides, were separately completed at our subsidiary Sembmarine SLP in Lowestoft, UK, and delivered in June last year. The topsides comply fully with UK safety regulations for harsh-environment operations in the Culzean field.

CHAIRMAN AND CEO'S REPORT

The Culzean topsides strengthen our track record of satisfying the world's most demanding oil and gas field requirements, including high-pressure/high-temperature (HP/HT) operating conditions. Along with FSO Ailsa and high-specification jack-up rig Maersk Highlander, they form an integrated suite of Sembcorp Marine engineering solutions for the Culzean gas field.

SUSTAINABILITY AND GROWTH

Sustainability is a core focus for Sembcorp Marine in driving growth and delivering long-term value to our stakeholders. We are committed to: operating ethically and responsibly by ensuring good corporate governance; maintaining workplace safety and health excellence; mitigating environmental impact; optimising resources and energy; as well as promoting community care and engagement. We actively encourage our employees, customers, contractors, suppliers, partners and other stakeholders to advance shared goals for sustainable progress.

Cleaner operations

As part of our new-generation, smart and sustainable yard programme at TBY, Sembcorp Marine will design and construct a series of up to 12 LNG hybrid-powered tugs which will progressively replace our existing diesel-powered tug fleet by 2025. The replacement of our fleet with LNG hybrid-powered tugs is part of our commitment towards greener operations and compliance with IMO emission targets.

The Group's collaboration with the Singapore Power Group to



Fixed platform topsides for the Culzean field, delivered in May 2018

develop a new digital system for harnessing solar energy at TBY is currently in its final phase of development. This system is set to be the largest single solar rooftop at a shipyard in Southeast Asia, capable of producing and managing sufficient solar energy to reduce 30 per cent of grid-supplied electricity consumption at the yard's steel fabrication facility during peak load. The digital energy management system is equipped with energy storage capabilities, energy sensors and a real-time digital platform to track, evaluate and optimise energy utilisation in the yard.

Due for completion in 2019, the solar rooftop will generate approximately 5,380MWh of green energy each year – equivalent to powering about 1,120 four-room flats and reducing up to 2,500 tonnes of carbon emissions annually.

Workplace safety and health

Workplace safety and health (WSH) continues to be of foremost priority as we design, develop and execute our engineering solutions.

We continue to pursue our Vision Zero incidence goal through a multi-stakeholder approach involving employees, customers, subcontractors and vendors to jointly strengthen Health, Safety and Environment (HSE) capabilities and safeguards, as well as build a robust WSH culture. Sembcorp Marine's commitment towards HSE, and specifically our proactive Stop-Work Authority Programme, won the Safety Initiative Award at the Seatrade Maritime Awards Asia in April 2018. In addition, the continuous efforts of our stakeholders, coupled with stringent HSE systems at our yards, helped the Group win 15 accolades at the 2018 WSH Awards.

To learn and exchange HSE best practices, we also participated in several knowledge-sharing platforms with customers and contractors in 2018.

Human resources

Workforce optimisation, right-sizing, cost-control and productivity enhancement measures remain in place at Sembcorp Marine, ensuring operational efficiency and prudent resource allocation.

Employee training, re-skilling and up-skilling are ongoing to gear our workforce with the appropriate skill sets and core competencies to successfully execute turnkey EPC newbuild projects and gas value chain solutions.

As the Group aspires to grow new business segments and move further up the value chain, we will continue our training and development efforts as well as selective recruitment of staff with specialised skills.

Continuous Research & Development

Given the growing relevance of LNG as a more environmentally-friendly fuel, Sembcorp Marine is expanding our technologies and capabilities in the gas sector. In 2018, we signed a Memorandum of Understanding (MOU) with ABS and A*STAR's Institute of High Performance Computing (IHPC) to develop new technologies, applications and capabilities that advance the adoption of LNG as a globally preferred fuel.

Research areas include: small-scale LNG applications such as LNG-battery hybrid tugs, LNG bunker vessels and LNG terminals; offshore LNG processing, fuel transfer and containment; and new LNG uses, especially in offshore applications. The collaboration further seeks to enhance local knowledge and skill sets in LNG technology by developing training capabilities and conducting technical workshops.

Specific to TBY's renewal of its tugboat fleet with LNG hybrid vessels, Sembcorp Marine is also teaming up with ABS to enhance and optimise the design and energy efficiency of our replacement tugboats.

In our ongoing research projects, we have been working with DNV GL, A*STAR's Singapore Institute of Manufacturing Technology (SIMTech) and the National Additive Manufacturing Innovation Cluster (NAMIC) on various initiatives: developing smart technologies and innovative engineering solutions; test-bedding and integrating automation and artificial intelligence; as well as incubating and verifying disruptive applications. Examples include drone-based ship inspections, digital twin, and 3D printing of ship repair parts as well as bigger structures for offshore constructions.



Tuas Boulevard Yard boasts Southeast Asia's largest single solar rooftop in a shipyard

CHAIRMAN AND CEO'S REPORT

Supporting the community

Giving back to the community is an important part of Sembcorp Marine's corporate social responsibility. In 2018, we contributed \$1.68 million to support causes in youth and education, environmental care, community care, active lifestyle and culture as well as industry development. The Group's employees also volunteered more than 6,680 hours at community events.

INSIGHT Programme

Sembcorp Marine's INSIGHT programme aims to spark students' interest and passion in offshore and marine engineering by providing them with hands-on guidance and direct industry experience. During the year, several groups of students and lecturers visited our yards to witness key project construction milestones, such as topside mega-structures load-out for the Culzean offshore platforms project as well as the launch and construction of a high-specification newbuild jack-up rig.

ITE Financial Assistance Grant

Under the Sembcorp Marine-sponsored Institute of Technical Education (ITE) Financial Assistance Grant scheme, ITE engineering students requiring financial support receive monthly allowances of \$600. This corporate financial assistance programme, valued at \$576,000, is implemented over two years and benefited 40 students in 2018.

SchoolBAG

Since 2001, the Sembcorp Marine School Book Assistance Grant (SchoolBAG) has been providing financial help to students from low-income families. In 2018, \$203,800 in bursaries were awarded to 1,002 primary, secondary and junior college students. This brings



A SchoolBAG 2018 recipient from the Secondary School Level with Education Minister Mr Ong Ye Kung

the programme's cumulative contributions over the years to more than \$4.2 million.

Green Wave

Sembcorp Marine's Green Wave Environmental Care Competition is a major platform for promoting environmental protection and sustainability among students. Launched in 2003, the annual competition attracts participants from primary and secondary schools, junior colleges, ITEs and tertiary institutions. The 2018 Green Wave competition saw 843 local and regional students teaming up to develop 234 innovative projects for environmental improvement. We hope this platform will continue to inspire creativity among students and serve as a springboard for future sustainability innovations.

CSR in overseas yards and offices

Beyond Singapore, Sembcorp Marine's overseas yards and offices actively champion community engagement and social development in their respective countries.

In Indonesia, P.T. SMOE and P.T. Karimun Sembawang Shipyard have several corporate social responsibility initiatives in place to support local communities. These include: conducting technical training and skills enhancement for locals; providing free healthcare services; organising donation drives; and supporting community organisations in their renovation and infrastructure upgrading projects.

EJA, the Group's Brazil yard, promotes social responsibility and environmental sustainability through a host of initiatives, including its Notice for Project Support Programme where charities and non-profit organisations can apply for project funding. In 2018, the yard also held charity campaigns to raise funds for the elderly and participated in an ecological tour to promote environmental awareness.

EJA also advances skills training and employment creation for locals through its ongoing Joint Education Programme and Apprenticeship Programme.

In recognition of its commitment to corporate social responsibility, EJA received two sustainability awards from the Brazilian Association of Human Resources in 2018 for contributing to local training and development as well as empowering women in the community.

In the UK, our subsidiary yard Sembmarine SLP supported various social causes and charities in 2018.

OUTLOOK AND PROSPECTS

Global capex for offshore exploration and production (E&P) is expected to improve further. While offshore drilling activities have increased, offshore rig orders will take some time to recover as the market remains over-supplied.

Offshore production units are expected to dominate the order pipeline and Sembcorp Marine is responding to increasing enquiries and tenders for innovative engineering solutions.

The shiprepairs and upgrades segment remains intensely competitive although the market is expected to improve with a higher work volume from the new IMO regulations requiring the installation of BWMS and gas scrubbers on vessels.

Overall business volumes and activities for the Group, while stabilising, are expected to remain relatively low. We will continue to manage our costs, cash flows and gearing prudently to address our balance sheet and to capitalise on new business opportunities.

APPRECIATION

On behalf of the Board, we would like to extend a warm welcome to Mr Patrick Daniel and Mr Tan Wah Yeow, who were both appointed as non-executive, independent directors of the Group in April and December 2018 respectively.

We thank the Board of Directors for their wise counsel and stewardship. We also thank our management team, employees and union for their contributions and subcontractor partners, bankers and bond holders for their support in the past year.

A heartfelt thank-you also goes to our customers for their continued trust and confidence in Sembcorp Marine.

Finally and once again, we thank our valued shareholders for their steadfast support, as we steer the Group into a more promising year ahead.



**TAN SRI MOHD HASSAN
MARICAN**
Chairman



WONG WENG SUN
President & CEO

4 March 2019

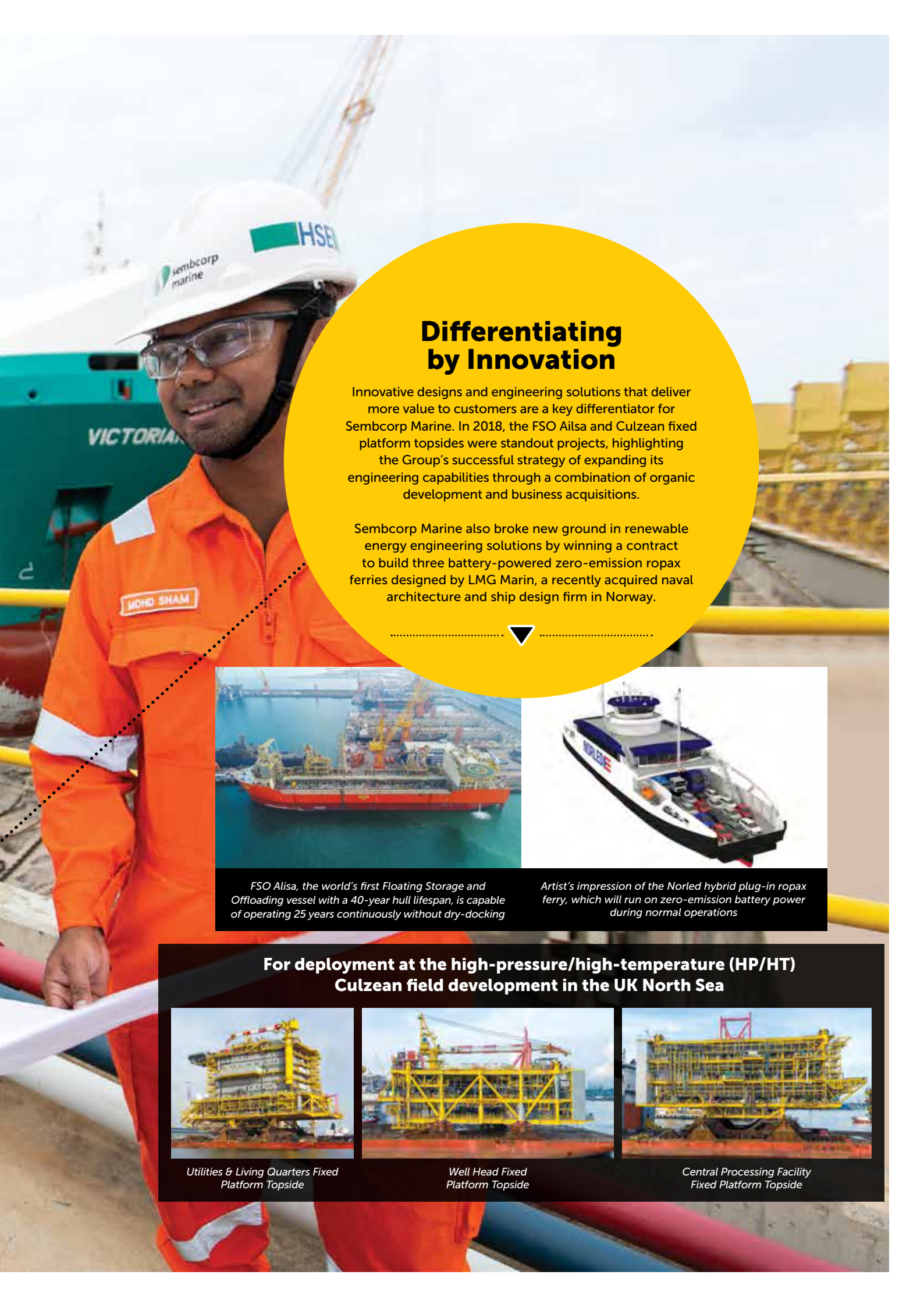


OUR

SOLUTIONS

**DESIGNING AND
BUILDING PRODUCTS
THAT DELIVER
EXTENDED VALUE TO
CUSTOMERS**





Differentiating by Innovation

Innovative designs and engineering solutions that deliver more value to customers are a key differentiator for Sembcorp Marine. In 2018, the FSO Ailsa and Culzean fixed platform topsides were standout projects, highlighting the Group's successful strategy of expanding its engineering capabilities through a combination of organic development and business acquisitions.

Sembcorp Marine also broke new ground in renewable energy engineering solutions by winning a contract to build three battery-powered zero-emission ropax ferries designed by LMG Marin, a recently acquired naval architecture and ship design firm in Norway.



FSO Alisa, the world's first Floating Storage and Offloading vessel with a 40-year hull lifespan, is capable of operating 25 years continuously without dry-docking



Artist's impression of the Norled hybrid plug-in ropax ferry, which will run on zero-emission battery power during normal operations

For deployment at the high-pressure/high-temperature (HP/HT) Culzean field development in the UK North Sea



Utilities & Living Quarters Fixed Platform Topside



Well Head Fixed Platform Topside



Central Processing Facility Fixed Platform Topside

SIGNIFICANT EVENTS

JAN

4 Jan

Following the sale of nine Pacific Class 400 jack-up drilling rigs to Borr Drilling in Oct 2017, PPL Shipyard has delivered four rigs – respectively on Nov 15, 2017, and on Jan 4, Feb 23 and Apr 13 in 2018

31 Jan

PPL Shipyard successfully delivers the Hakuryu 14 to BOT Lease

Blessing ceremony for FPSO Kaombo Norte upon project completion



Semcorp Marine team celebrating the project completion for Kaombo Norte

FEB



Environment and Water Resources Minister Mr Masagos Zulkifli with the Green Wave winning team from the Primary Level

2 Feb

Semcorp Marine promotes environmental sustainability to students through the Green Wave Environmental Care Competition, showcasing projects from primary, secondary, junior college, ITE and tertiary students

MAR



Artist's impression of the Karish FPSO

28 Mar

Semcorp Marine secures TechnipFMC contract to undertake the Engineering, Procurement and Construction of Hull and Living Quarters for a newbuild Floating Production, Storage and Offloading vessel (FPSO)

APR/MAY

30 Apr – 3 May

Sembcorp Marine participates in Offshore Technology Conference (OTC), a key offshore and marine event in Houston, Texas, USA



Sembcorp Marine hosting its annual dinner reception in Houston for customers and business associates

MAY

9 May

Completion of FSO Ailsa, the world's first Floating Storage and Offloading vessel with a 40-year hull lifespan



FSO Ailsa sailaway

10 May

Sembcorp Marine holds a dinner reception in Tokyo for Japanese customers and business associates



Sembcorp Marine Chairman Tan Sri Mohd Hassan Marican giving a welcome speech

21 May

Sembcorp Marine secures contract for the Construction and Integration of Vito Floating Production Unit's Hull, Topsides and Living Quarters



Artist's impression of Shell Vito FPU

22 May

Sembcorp Marine completes integrated fixed platform topsides for high-pressure/high-temperature (HP/HT) Culzean gas field in the UK North Sea



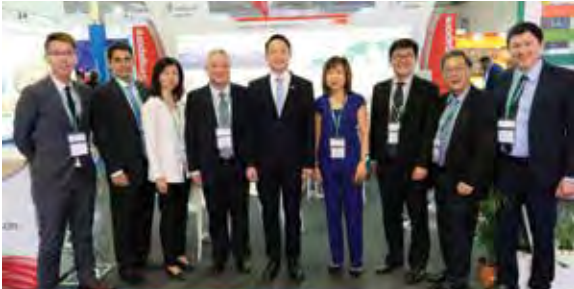
Sembcorp Marine and TOTAL senior management celebrating the sailaway of integrated fixed platform topsides for Culzean gas field

SIGNIFICANT EVENTS

JUN

4 Jun – 8 Jun

Sembcorp Marine showcases its key capabilities and yard facilities at Posidonia in Athens, Greece



Sembcorp Marine representatives at Posidonia 2018

12 Jun

Sembcorp Marine subsidiary LMG Marin secures its first polar expedition cruise ship design contract. The vessel will be built for Quark Expeditions®, a specialist in organising expeditions to the Arctic and Antarctic aboard purpose-built expedition vessels



Artist's impression of Quark Expeditions® new polar expedition cruise ship

14 Jun

Strike steel ceremony for the Vito Floating Production Unit (FPU), attended by over 100 staff from Sembcorp Marine and Shell project teams



Sembcorp Marine President & CEO Mr Wong Weng Sun and Shell Construction Manager Mr Keith Smith at the Vito FPU strike steel ceremony

21 Jun

Sembcorp Marine President & CEO Mr Wong Weng Sun officiates "Topping-Up" Ceremony for the Group's new corporate office building at Tuas Boulevard Yard



Sembcorp Marine senior management and contractor representatives at the topping-up ceremony

The Johan Castberg Hull and Living Quarters strike steel ceremony at the Tuas Boulevard Yard Steel Fabrication Workshop



Sembcorp Marine Head of Singapore Yard Operations Mr Wang Zijian and Johan Castberg FPSO Project Manager Mr Thomas Bernt initiating the first steel cut

AUG

16 Aug

Sembcorp Marine celebrates Singapore's 53 years of independence at the National Day Observance Ceremony (NDOC)



Guest-of-honour Dr Koh Poh Koon, Deputy Secretary-General, NTUC and Senior Minister of State, Ministry of Trade & Industry, addressing the attendees at NDOC 2018

25 Aug

Successful sailaway of FPSO Pyrenees Venture from Tuas Boulevard Yard, with a safety record of 500,000 man-hours without any Lost Time Injuries (LTI)

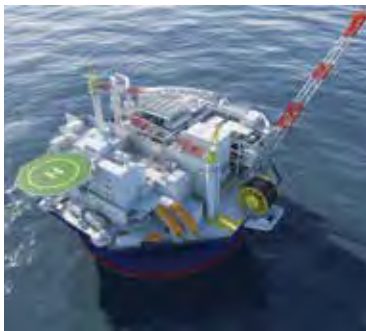


FPSO Pyrenees Venture Project team

SEP

5 Sep

Sembcorp Marine acquires Sevan Marine's intellectual property rights, strengthening the Group's knowledge and ability to execute leading-edge design and engineering solutions for the global offshore and marine sectors



Sevan circular hull, a cost-effective alternative to traditional ship-shaped, turret moored designs

6 Sep

Sembcorp Marine secures Maran Tankers contract for installing marine scrubbers and ballast water management systems on 13 ships

9 Sep – 12 Sep

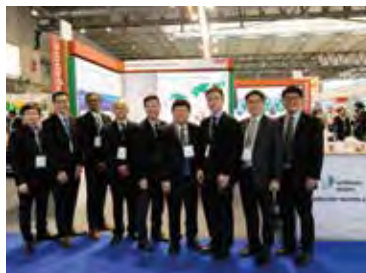
Sembcorp Marine Repairs & Upgrades participates at the biennial Shipbuilding, Machinery, Marine Technology exhibition (SMM) in Hamburg



Sembcorp Marine representatives at SMM 2018

17 Sep – 20 Sep

Sembcorp Marine participates at Gastech 2018, one of the world's largest gas, LNG and energy exhibitions, in Barcelona, Spain



Sembcorp Marine representatives at Gastech 2018

19 Sep

Sembcorp Marine, ABS (American Bureau of Shipping) and A*STAR's Institute of High Performance Computing (IHPC) sign a Memorandum of Understanding (MOU) to develop new technologies, applications and capabilities in the offshore, marine and energy sectors that will advance the adoption of LNG as a globally preferred fuel



Sembcorp Marine, ABS and IHPC at the MOU signing

SIGNIFICANT EVENTS

OCT

22 Oct

Sembcorp Marine signs agreement with Teekay Offshore for Modification, Repair and Life Extension works on Petrojarl Varg FPSO



Petrojarl Varg FPSO

29 Oct

Sembcorp Marine wins its first design-and-construction roll on/roll off passenger (ropax) ship project comprising three identical plug-in ropax ferries. These vessels will be built to a proprietary design from Sembcorp Marine subsidiary LMG Marin



Artist's impression of the Norled hybrid plug-in ropax ferry, which will run on zero-emissions battery power during normal operations

NOV

9 Nov

Sembcorp Marine School Book Assistance Grant (SchoolBAG) marks 18 years of supporting needy students. Over 18,000 students have benefited from SchoolBAG's cumulative contributions of \$4.2 million since 2001



Sembcorp Marine SchoolBAG 2018 recipients with Guest-of-Honour Mr Ong Ye Kung, Minister of Education, and other dignitaries

21 Nov

Blessing ceremony for the successful completion of the second of two Saipem-awarded FPSO conversion projects, FPSO Kaombo Sul



Kaombo Sul project management team celebrating the successful completion of the FPSO conversion

DEC

17 Dec

Sembcorp Marine reprises its role as Asia's top cruise ship repair and upgrade solutions provider with 10 projects delivered in 2018



Costa Fortuna, the Group's 10th and final cruise ship project for 2018

AWARDS AND ACCOLADES



SAFETY INITIATIVE AWARD

Sembcorp Marine wins Safety Initiative Award at 2018 Seatrade Maritime Awards Asia



WSH AWARDS 2018

Sembcorp Marine wins recognition for high standards of workplace safety and health. The awards are presented by the WSH Council, with support from the Ministry of Manpower



DORMITORY AWARDS

Sembcorp Marine's Tuas Lodge and Cassia at Penjuru win awards for excellence in catering to the social, recreational and emotional needs of foreign worker residents. They are awarded by the Ministry of Manpower, in partnership with the Dormitory Association of Singapore Ltd and the Migrant Workers' Centre

Workplace Safety and Health Performance Award (WSHPA)

Sembcorp Marine Tanjong Kling Yard & Sembcorp Marine Tuas Boulevard Yard
Silver

Sembcorp Marine Pandan Yard
Silver

WSH Innovation Award

Sembcorp Marine Tuas Boulevard Yard
JE Dynamite – SAT Tuas Workstation (SMCL Department)

Workplace Safety and Health Award Recognition for Projects (SHARP)

Sembcorp Marine Tuas Boulevard Yard

- Sleipnir
- Sleipnir Land Fabrication
- FPSO EWT Libra
- FSO Ailsa
- Floating Dry Dock
- Q7000
- Sevilla Knutsen
- JE3T
- P-68

Sembcorp Marine Admiralty Yard

- Gina Krog FSO Conversion
- Kaombo (Block 32) Development Project - Kaombo Norte FPSO Conversion

WSH Supervisor Award

Sembcorp Marine Tuas Boulevard Yard
Mr Selvaraj Karthikeyan (SMCL Department)



ASMI INNOVATION AWARDS



Gold Award

Awarded to Team Awesome from Sembcorp Marine Tuas Boulevard Yard for their WSH Innovation Project: Eye Pad Arrangement System (EPAS)



Silver Award

Awarded to FEU Two from Sembcorp Marine Tanjong Kling Yard for their WSH Innovation Project: MagClamp

Awarded to Spot from Sembcorp Marine Tuas Boulevard Yard for their WSH Innovation Project: Smart Shield



Bronze Award

Awarded to Dynamic Achiever from Sembcorp Marine Admiralty Yard for their WSH Innovation Project: El-Claw



COMMUNITY CHEST AWARDS 2018

The Community Chest presented the Charity Silver Award to Sembcorp Marine for its significant contributions to the Community Chest through outright donations, funds raised from events and through the SHARE programme. Sembcorp Marine Vice President for HR Operations, Ms Koh Guat Siew, received the Charity Silver Award on behalf of the Group



40

AWARDS RECEIVED
(FOR 2018)

AWARDS AND ACCOLADES



ASSOCIATION OF SINGAPORE MARINE INDUSTRIES (ASMI) CERTIFIED MARINE SUPERVISOR AWARDS AND ASMI MERITORIOUS AWARDS

15 Sembcorp Marine employees were honoured for their outstanding workplace performance and contributions to the marine industry at the 50th Association of Singapore Maritime Industries (ASMI) Anniversary Dinner



ABS AWARDS CYBERSECURITY-READY NOTATION TO SEMBCORP MARINE-BUILT JACK-UP DRILLING RIG

ABS (American Bureau of Shipping) awarded the Cybersecurity-Ready (CSR) Notation to Njord, a Sembcorp Marine jack-up drilling rig that was built to the Group's proprietary Pacific Class 400 design



GROUP FINANCIAL REVIEW

TURNOVER

Sembcorp Marine posted Group turnover of \$4.89 billion for 2018, an increase of 61%, mainly due to higher revenue recognition for rigs & floaters upon the delivery of 7 jack-up rigs to Borr Drilling, 1 jack-up rig to BOTL, sale of a semi-submersible rig and revenue recognition for newly secured projects. Excluding the effects of the deliveries to Borr Drilling and BOTL, sale of the semi-submersible rig in 2018; and revenue adjustment in 2017 due to termination of five rig contracts with customers, Group revenue would have been \$2.53 billion, largely unchanged from the \$2.55 billion in 2017.

EARNINGS

The Group posted a net loss for 2018 of \$74 million. This was mainly due to loss upon the sale of a semi-submersible rig and continued low overall business volume which impacted the absorption of overhead costs, offset by margin recognition from newly secured production floater projects and delivery of rigs. The 2017 accounts recorded the net positive effect of contract terminations which arose mainly from the entitlement to the down payments on termination of five rig contracts and a one-off gain on disposal of Cosco Shipyard Group Co., Ltd.

FINANCIAL POSITION

The Group's total assets of \$8.58 billion as at 31 December 2018 were 12% lower as compared with \$9.69 billion as at 31 December 2017. This was mainly due to a decrease in contract costs, resulting from recognition of cost of sales upon the delivery and sale of rigs, as well as lower cash and cash equivalents mainly due to capital expenditures and working capital spent on ongoing projects.

The Group's total liabilities of \$6.23 billion as at 31 December 2018 were 14% lower as compared with \$7.21 billion as at 31 December 2017.

Total capital employed of \$2.35 billion comprised shareholders' funds of \$2.31 billion and non-controlling interests of \$37 million.

CASH FLOW AND LIQUIDITY

The Group's total cash and cash equivalents stood at \$838 million as at 31 December 2018.

Cash flows generated from operating activities before changes in working capital were \$157 million in 2018.

Net cash used in operating activities for 2018 at \$170 million was mainly working capital for ongoing projects, offset by receipts from ongoing and completed projects.

Net cash used in investing activities for 2018 was \$382 million, mainly for the purchase of property, plant and equipment for Sembcorp Marine Tuas Boulevard Yard, acquisition of subsidiary and intellectual property rights. This was offset by proceeds from disposal of equity investments at fair value through other comprehensive income and proceeds from sale of property, plant and equipment.

Net cash generated from financing activities for 2018 was \$89 million. This relates mainly to net proceeds from borrowings, offset by dividends paid.

SHAREHOLDER RETURNS

The Group recorded a return on equity of -3.1% in 2018.

For the financial year 2018, Sembcorp Marine adopted the Singapore Financial Reporting Standards (International) ("SFRS(I)") and International Financial Reporting Standards ("IFRS") frameworks, as well as the new accounting standards that are effective on 1 January 2018. Comparative 2017 financial figures presented here are in accordance with SFRS(I) and IFRS.

GROUP FINANCIAL REVIEW

Group Financial Highlights

	2018 \$'000	2017# \$'000	Change (%)
Group Income Statement			
Turnover	4,887,866	3,034,767	61
Earnings before interest, tax, depreciation and amortisation (EBITDA)	143,123	498,626	(71)
Operating (loss) / profit	(52,323)	305,710	n.m.
(Loss) / profit before tax	(100,897)	280,872	n.m.
Net (loss) / profit	(74,131)	260,183	n.m.
Group Balance Sheet			
Total assets	8,577,261	9,691,825	(12)
Total liabilities	6,228,826	7,211,650	(14)
Net tangible assets	2,102,750	2,259,775	(7)
Equity attributable to owners of the Company	2,311,684	2,438,976	(5)
Non-controlling interests	36,751	41,199	(11)
Total equity	2,348,435	2,480,175	(5)
Cash and cash equivalents	837,724	1,301,000	(36)
Interest-bearing borrowings	4,229,430	4,100,123	3
Net debt	3,391,706	2,799,123	21
Economic Value Added (EVA)*			
Net operating (loss) / profit after tax (NOPAT)	(25,253)	56,225	n.m.
Capital charge	405,508	476,912	(15)
EVA	(430,761)	(420,687)	2
EVA attributable to owners of the Company	(422,021)	(411,598)	3
Financial Ratios			
Earnings per share (EPS)			
Basic (cents)	(3.55)	12.45	n.m.
Diluted (cents)	(3.55)	12.45	n.m.
Dividend per share			
One-tier tax-exempt (cents)	–	2.00	n.m.
Net asset value per share (cents)	110.68	116.81	(5)
Net tangible assets per share (cents)	100.68	108.23	(7)
Return on turnover (%)	(1.52)	8.57	n.m.
Return on total assets (%)	0.25	3.65	(93)
Return on equity (%)	(3.12)	11.06	n.m.

For the financial year 2018, Sembcorp Marine has adopted the Singapore Financial Reporting Standards (International) ("SFRS(I)") and International Financial Reporting Standards ("IFRS") frameworks, as well as the new accounting standards that are effective on 1 January 2018. SFRS(I) and IFRS are issued by the Accounting Standards Council and the International Accounting Standards Board respectively. SFRS(I) comprises standards and interpretations that are equivalent to IFRS. In our report, all references to SFRS(I) and IFRS are referred to as SFRS(I) unless otherwise specified. In addition, 2017 financial figures presented in accordance with SFRS(I) are used to compare against 2018 financial figures, and are marked **2017*** in the tables and charts.

* 2017 Economic value added is not adjusted for the adoption of SFRS(I).

Group Quarterly Performance

	2018				
\$'000	1Q	2Q	3Q	4Q	Total
Turnover	1,180,348	1,627,169	1,167,175	913,174	4,887,866
Operating profit / (loss)	19,537	(52,573)	(21,336)	2,049	(52,323)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	65,562	(3,747)	22,194	59,114	143,123
Profit / (loss) before tax	6,126	(66,445)	(35,024)	(5,554)	(100,897)
Net profit / (loss)	5,315	(55,620)	(29,756)	5,930	(74,131)
Earnings per share (cents)					
Year-to-date	0.25	(2.41)	(3.83)	(3.55)	
In-quarter	0.25	(2.66)	(1.42)	0.28	

	2017#				
\$'000	1Q	2Q	3Q	4Q	Total
Turnover	745,582	648,853	728,765	911,567	3,034,767
Operating profit	8,846	25,164	136,274	135,426	305,710
Earnings before interest, tax, depreciation and amortisation (EBITDA)	55,821	73,403	185,914	183,488	498,626
Profit before tax	33,787	2,941	116,306	127,838	280,872
Net profit	37,043	5,117	100,716	117,307	260,183
Earnings per share (cents)					
Year-to-date	1.77	2.02	6.84	12.45	
In-quarter	1.77	0.24	4.82	5.61	

Note: Comparative 2017 financial figures presented in accordance with SFRS(I) are marked as **2017#**. See page 30 for more details.

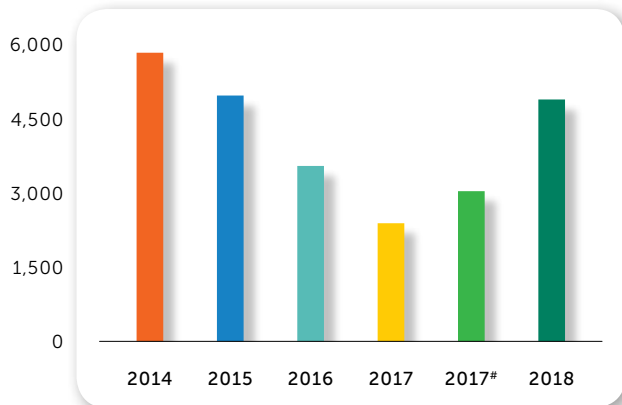
GROUP FINANCIAL REVIEW

Group Five-Year Financial Summary

	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2017# \$'000	2018 \$'000
For the Year						
Turnover	5,832,595	4,968,132	3,544,816	2,387,354	3,034,767	4,887,866
Operating profit / (loss)	707,025	(149,991)	225,306	20,453	305,710	(52,323)
Profit / (loss) before tax	707,004	(377,603)	90,520	(15,644)	280,872	(100,897)
Net profit / (loss)	560,128	(289,672)	78,777	14,076	260,183	(74,131)
Dividend - Interim	104,459	83,563	31,345	20,897	20,897	–
Dividend - Final	167,102	41,795	20,897	20,888	20,888	–
Dividend - Total	271,561	125,358	52,242	41,785	41,785	–
At Year End						
Property, plant and equipment	3,008,909	3,540,555	3,986,667	3,995,019	3,995,019	4,179,257
Associates and joint ventures	470,277	312,056	74,816	67,965	67,965	66,533
Other financial assets	90,443	107,263	67,783	46,150	46,150	2,881
Other non-current assets	101,673	124,212	267,262	353,830	490,259	1,368,281
Current assets	4,567,118	5,117,036	5,018,305	4,688,484	5,092,432	2,960,309
Current liabilities	(3,448,597)	(3,897,046)	(3,748,282)	(3,142,611)	(3,646,688)	(2,762,731)
Non-current liabilities	(1,657,796)	(2,639,797)	(3,058,930)	(3,489,465)	(3,564,962)	(3,466,095)
	3,132,027	2,664,279	2,607,621	2,519,372	2,480,175	2,348,435
Share capital	484,288	484,288	484,288	484,288	484,288	484,288
Capital, foreign currency translation and other reserves	(76,625)	9,770	54,905	(25,724)	(30,704)	(51,027)
Revenue reserve	2,557,455	2,017,147	2,022,796	2,019,609	1,985,392	1,878,423
Non-controlling interests	166,909	153,074	45,632	41,199	41,199	36,751
	3,132,027	2,664,279	2,607,621	2,519,372	2,480,175	2,348,435
Per Share						
EPS - basic (cents)	26.83	(13.87)	3.77	0.67	12.45	(3.55)
EPS - diluted (cents)	26.82	(13.87)	3.77	0.67	12.45	(3.55)
Net tangible assets (cents)	139.40	118.00	112.95	110.11	108.23	100.68
Net asset value (cents)	141.92	120.24	122.62	118.69	116.81	110.68
Financial Ratios						
Return on equity (%)	19.86	(10.58)	3.11	0.56	11.06	(3.12)
Return on total assets (%)	8.00	(2.90)	1.76	1.14	3.65	0.25
Operating profit (loss) / equity (%)	25.06	(5.48)	8.88	0.81	13.00	(2.20)
Current ratio (times)	1.32	1.31	1.34	1.49	1.40	1.07
Net gearing (times)	0.21	1.03	1.13	1.11	1.13	1.44
Dividend cover (times)	2.06	n.a.	1.51	0.34	6.23	n.a.

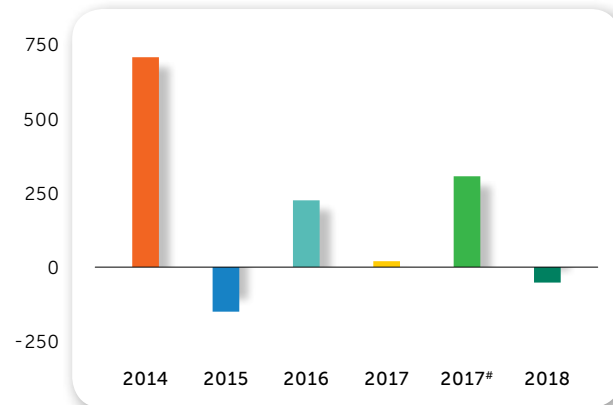
Note: Comparative 2017 financial figures presented in accordance with SFRS(I) are marked as 2017#. See page 30 for more details.

Turnover \$ Million



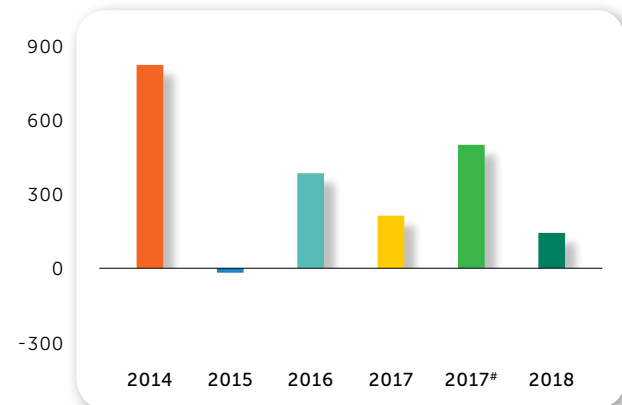
Turnover	5,833	4,968	3,545	2,387	3,035	4,888
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Operating Profit \$ Million



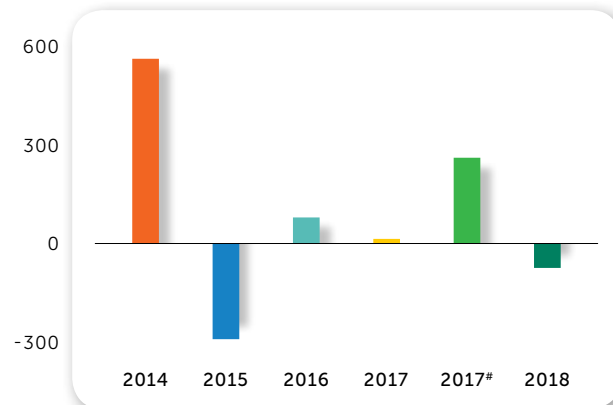
Operating profit / (loss)	707	(150)	225	20	306	(52)
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EBITDA \$ Million



EBITDA	822	(18)	384	213	499	143
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Net Profit \$ Million

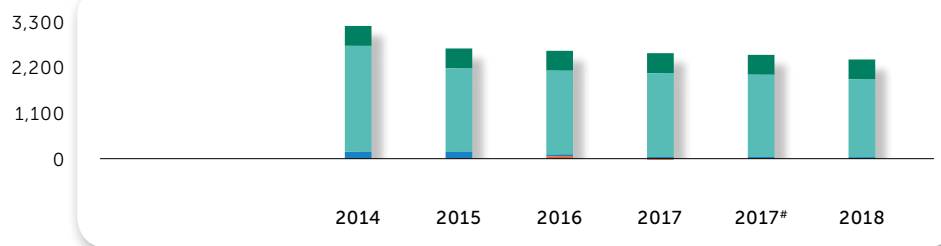


Net profit / (loss)	560	(290)	79	14	260	(74)
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Note: Comparative 2017 financial figures presented in accordance with SFRS(I) are marked as **2017#**. See page 30 for more details.

GROUP FINANCIAL REVIEW

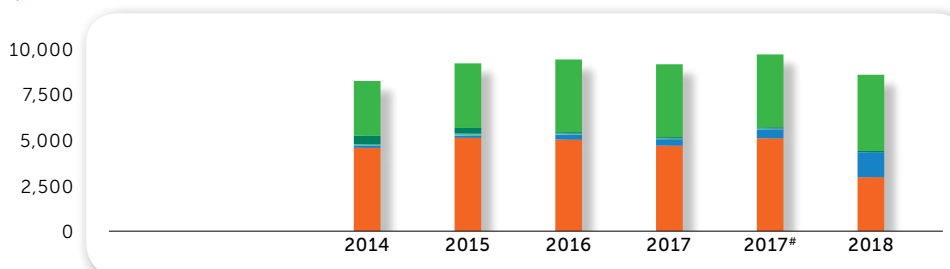
Total Equity \$ Million



Share capital	484	484	484	484	484	484
Capital, foreign currency translation and other reserves	(77)	10	55	(26)	(31)	(51)
Revenue reserve	2,557	2,017	2,023	2,020	1,985	1,878
Non-controlling interests	167	153	46	41	41	37
Total	3,132	2,664	2,608	2,519	2,480	2,348

- SHARE CAPITAL
- REVENUE RESERVE
- NON-CONTROLLING INTERESTS
- CAPITAL, FOREIGN CURRENCY TRANSLATION AND OTHER RESERVES

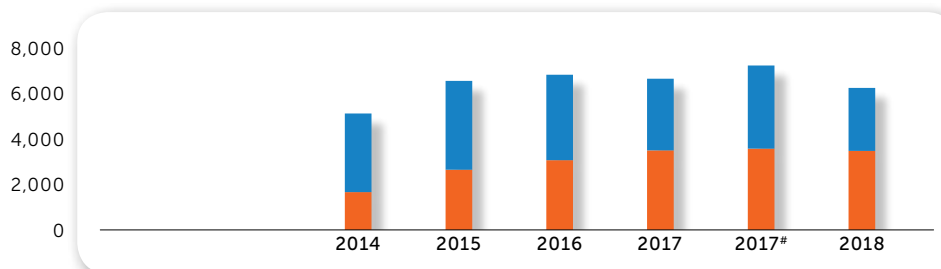
Assets \$ Million



Property, plant and equipment	3,009	3,541	3,987	3,995	3,995	4,179
Associates and joint ventures	470	312	75	68	68	67
Other financial assets	90	107	68	46	46	3
Other non-current assets	102	124	267	354	490	1,368
Current assets	4,567	5,117	5,018	4,688	5,092	2,960
Total	8,238	9,201	9,415	9,151	9,692	8,577

- PROPERTY, PLANT AND EQUIPMENT
- ASSOCIATES AND JOINT VENTURES
- OTHER FINANCIAL ASSETS
- OTHER NON-CURRENT ASSETS
- CURRENT ASSETS

Liabilities \$ Million

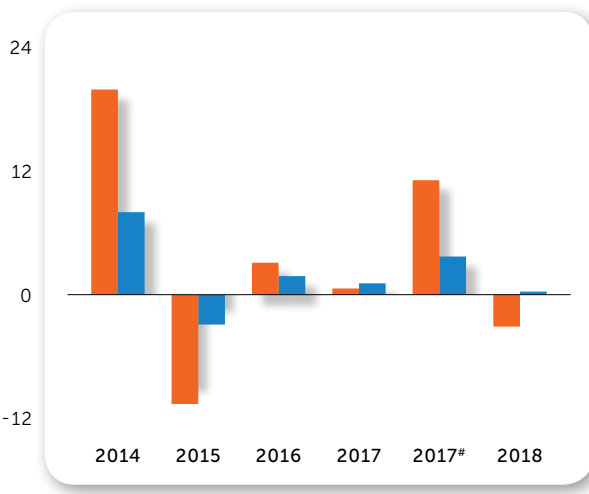


Current liabilities	3,449	3,897	3,748	3,143	3,647	2,763
Non-current liabilities	1,658	2,640	3,059	3,489	3,565	3,466
Total	5,106	6,537	6,807	6,632	7,212	6,229

- CURRENT LIABILITIES
- NON-CURRENT LIABILITIES

Note: Comparative 2017 financial figures presented in accordance with SFRS(I) are marked as 2017[#]. See page 30 for more details.

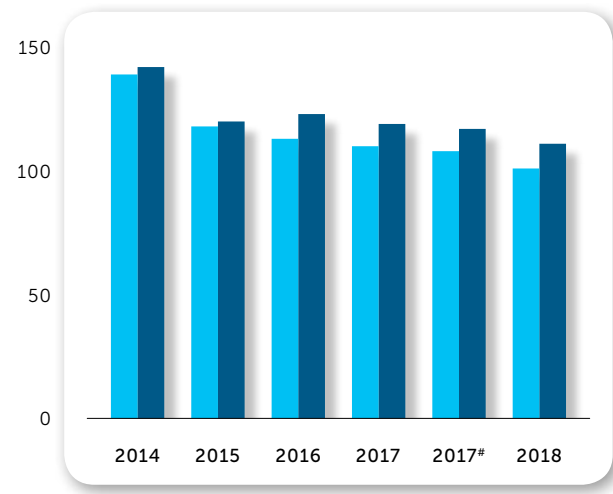
Return on Equity and Return on Total Assets



Return on Equity	19.9	(10.6)	3.1	0.6	11.1	(3.1)
Return on Total Assets	8.0	(2.9)	1.8	1.1	3.7	0.3

■ RETURN ON EQUITY ■ RETURN ON TOTAL ASSETS

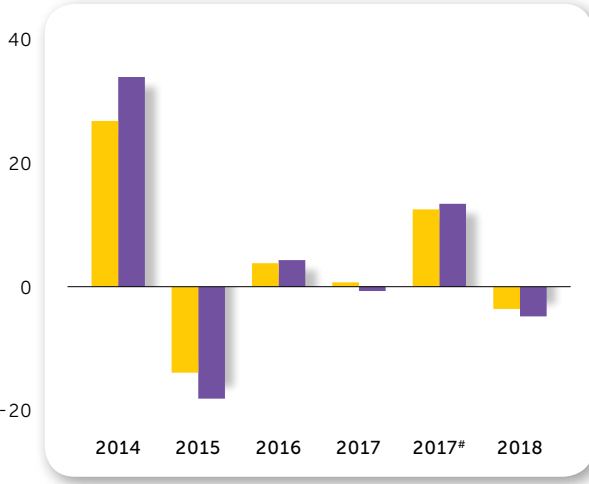
Net Tangible Assets and Net Asset Value Per Share



Net Tangible Assets Per Share	139	118	113	110	108	101
Net Asset Value Per Share	142	120	123	119	117	111

■ NET TANGIBLE ASSETS PER SHARE ■ NET ASSET VALUE PER SHARE

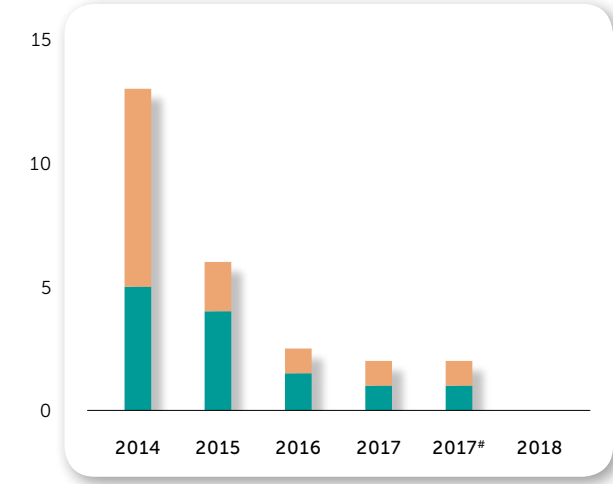
Earnings Per Share



EPS - After Tax	26.8	(13.9)	3.8	0.7	12.5	(3.6)
EPS - Before Tax	33.9	(18.1)	4.3	(0.7)	13.4	(4.8)

■ EPS - AFTER TAX ■ EPS - Before Tax

Dividend Per Share



Dividend - Interim	5.0	4.0	1.5	1.0	1.0	-
Dividend - Final	8.0	2.0	1.0	1.0	1.0	-
Total	13.0	6.0	2.5	2.0	2.0	-

■ DIVIDEND - INTERIM ■ DIVIDEND - FINAL

Note: Comparative 2017 financial figures presented in accordance with SFRS(I) are marked as 2017#. See page 30 for more details.

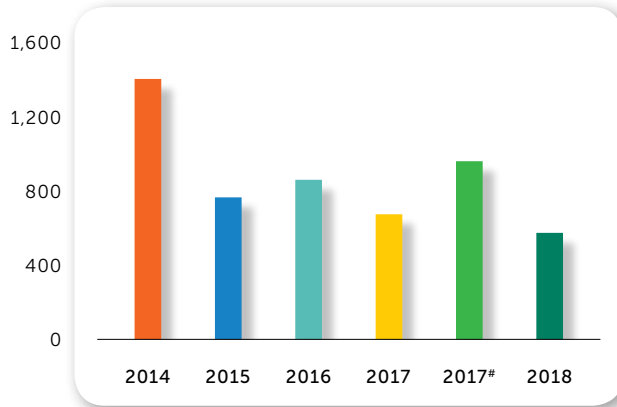
GROUP FINANCIAL REVIEW

Value Added Statement

	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2017# \$'000	2018 \$'000
Value added from						
Turnover	5,832,595	4,968,132	3,544,816	2,387,354	3,034,767	4,887,866
Less: Bought in materials and services	(4,402,863)	(4,251,510)	(2,650,304)	(1,713,023)	(2,075,179)	(4,313,561)
Gross value added	1,429,732	716,622	894,512	674,331	959,588	574,305
Investment, interest and other income	12,371	7,368	38,754	55,667	66,926	86,830
Share of results of associates and joint ventures, net of tax	9,859	(173,499)	(35,134)	(3,617)	(3,617)	(2,385)
Non-operating income / (expenses), net	177	(18,708)	(18,923)	51,494	51,494	141
	1,452,139	531,783	879,209	777,875	1,074,391	658,891
Distribution						
To employees in wages, salaries and benefits	556,436	527,159	490,211	460,717	460,717	414,689
To government in income and other taxes	144,959	74,057	58,723	41,094	40,895	33,622
To providers of capital in: Interest on borrowings	20,960	46,775	88,651	95,522	95,522	101,356
Dividends to owners of the Company	271,600	250,636	73,128	41,788	41,788	20,858
Retained in business						
Depreciation, amortisation and R&D expenses	115,142	131,760	159,128	193,015	193,015	195,488
Deferred tax expense / (credit)	12,449	(102,282)	1,683	(23,970)	26,638	(11,315)
Revenue reserve	288,528	(540,308)	5,649	(27,712)	218,395	(94,989)
Non-controlling interests	41,147	(10,294)	(3,617)	(4,128)	(4,128)	(4,235)
Other expenses	918	154,280	5,653	1,549	1,549	3,417
Total distribution	1,452,139	531,783	879,209	777,875	1,074,391	658,891
Productivity data						
Average staff strength	12,938	14,106	13,222	11,689	11,689	11,242
Employment costs	556,436	527,159	490,211	460,717	460,717	414,689
Value added (\$'000)	1,429,732	716,622	894,512	674,331	959,588	574,305
Value added per employee (\$'000)	111	51	68	58	82	51
Value added per dollar employment costs (\$)	2.57	1.36	1.82	1.46	2.08	1.38
Value added per dollar investment in property, plant and equipment (\$)	0.48	0.20	0.22	0.17	0.24	0.14
Value added per dollar turnover (\$)	0.25	0.14	0.25	0.28	0.32	0.12

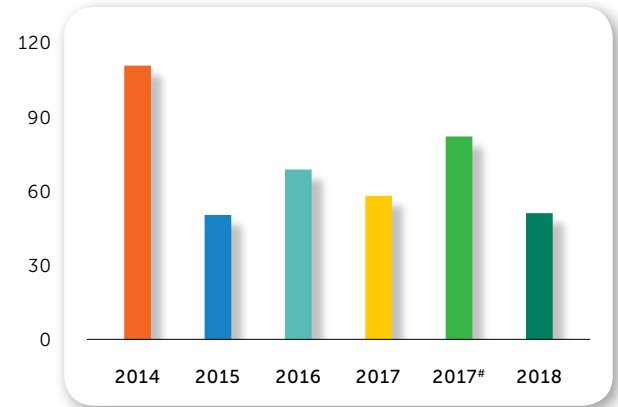
Note: Comparative 2017 financial figures presented in accordance with SFRS(I) are marked as **2017#**. See page 30 for more details.

Gross Value Added \$ Million



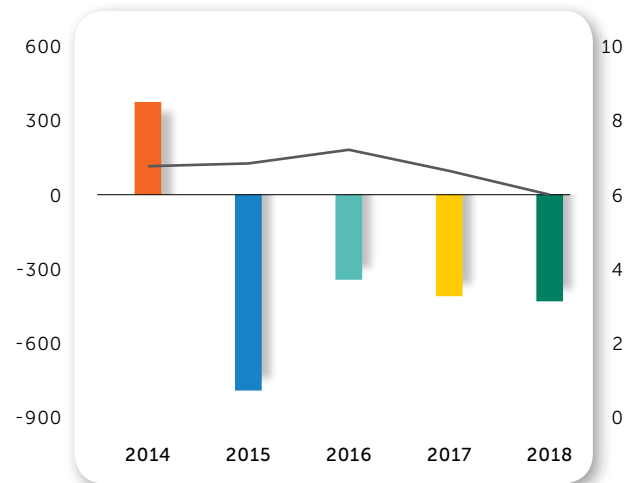
Gross Value Added	2014	2015	2016	2017	2017#	2018
	1,430	717	895	674	960	574

Value Added Per Employee \$'000



Value Added Per Employee	2014	2015	2016	2017	2017#	2018
	111	51	68	58	82	51

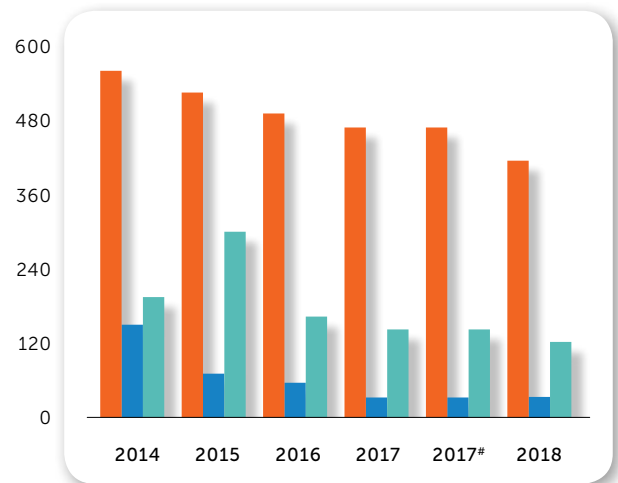
Economic Value Added (EVA) EVA \$ Million



EVA	331	(809)	(324)	(421)	(431)
Weighted Average Cost of Capital	6.6	6.7	7.1	6.5	6.0

■ ■ ■ ■ ■ EVA — WEIGHTED AVERAGE COST OF CAPITAL

Distribution of Value Added \$ Million



Distribution to Employees	556	527	490	461	461	415
Distribution to Government	145	74	59	41	41	34
Distribution to Providers of Capital	293	297	162	137	137	122

■ DISTRIBUTION TO EMPLOYEES ■ DISTRIBUTION TO GOVERNMENT ■ DISTRIBUTION TO PROVIDERS OF CAPITAL

Note: Comparative 2017 financial figures presented in accordance with SFRS(I) are marked as **2017#**. See page 30 for more details.

GROUP FINANCIAL REVIEW

Economic Value Added Statement

	Note	2018 \$'000	2017 \$'000
Net operating loss before tax	1	(98,512)	(12,027)
Adjusted for:			
Share of associates' and joint ventures' results		(2,170)	(3,221)
Interest expense		107,164	103,415
Others	2	(24,871)	(15,718)
Adjusted profit before interest and tax		(18,389)	72,449
Cash operating taxes	3	(6,864)	(16,224)
Net operating profit after tax (NOPAT)		(25,253)	56,225
Average capital employed	4	6,758,474	7,337,114
Weighted average cost of capital	5	6.0%	6.5%
Capital charge		405,508	476,912
Economic value added (EVA)		(430,761)	(420,687)
Non-controlling share of EVA		8,740	9,089
EVA attributable to owners of the Company		(422,021)	(411,598)
Unusual items (UI) gains	6	–	(44,493)
EVA attributable to owners of the Company (exclude UI)		(422,021)	(456,091)

Notes:

- 2017 Economic value added is not adjusted for the adoption of SFRS(I).
- This includes adjustments that exclude the profit of certain contracts which, with the adoption of SFRS(I) have been reversed (Note 46), and subsequently recognised when the projects was delivered to the customers in 2018.
- The reported current tax is adjusted for the statutory tax impact of interest expense.
- Average capital employed is computed by taking monthly average total assets less non interest-bearing liabilities plus timing provision, goodwill write off / impaired and present value of operating leases.
- The weighted average cost of capital is calculated in accordance with Sembcorp Marine Ltd Group EVA Policy as follows:
 - Cost of equity using Capital Asset Pricing Model with market risk premium at 5.0% (2017: 5.0%);
 - Risk-free rate of 2.26% (2017: 2.22%) based on yield-to-maturity of Singapore Government 10-year Bonds;
 - Ungeared beta 0.7 (2017: 0.7) based on Sembcorp Marine risk categorisation; and
 - Cost of debt rate at 3.12% (2017: 4.25%).
- Unusual items (UI) refer to gain / loss on divestment of subsidiaries, associates, joint ventures, long-term investments and disposal of major property, plant and equipment.

OPERATIONS REVIEW

Sembcorp Marine achieved positive EBITDA (earnings before interest, tax, depreciation and amortisation) earnings in 2018 of \$143 million. At the net level, the Group posted a loss of \$74 million for 2018 compared with \$260 million in profits in 2017.

Group revenue was \$4.89 billion for the 12 months to 31 December 2018, compared with \$3.03 billion generated in 2017 (adjusted for accounting changes on adoption of SFRS(I) from 1 January 2018).

The higher revenue in 2018 was largely due to revenue recognition on delivery of seven jack-up rigs to Borr Drilling, one jack-up rig to BOT Lease (BOTL), the sale of the West Rigel semi-submersible rig (renamed Transocean Norge) and higher percentage recognition for ongoing drillships and newly secured offshore production projects in 2018.

RIGS AND FLOATERS REMAIN LARGEST SEGMENT REVENUE CONTRIBUTOR

- Turnover for **Rigs and Floaters** was \$4.15 billion in 2018, compared with \$1.72 billion in 2017. The higher revenue was due to

recognition of the Borr Drilling and BOTL jack-up deliveries, sale of West Rigel (Transocean Norge) semi-submersible rig, and revenue recognition for ongoing production and drillship projects.

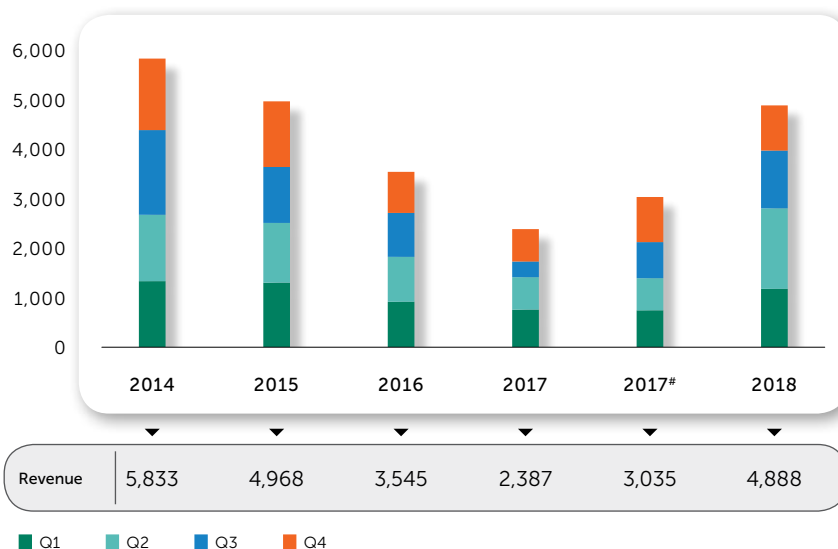
- **Offshore Platforms** revenue was \$184 million in 2018, lower than the \$732 million in 2017 due to fewer contracts on hand, and completion of existing projects. Three topside modules for the Culzean platform projects were completed and delivered on schedule in June 2018.
- Revenue from **Repairs and Upgrades** totalled \$476 million in 2018, compared with \$499 million in 2017 on fewer ships repaired. A total of 296 ships and other vessels were repaired or upgraded in the 12 months, compared with 390 units in 2017. Average revenue per vessel was higher at \$1.61 million, compared with \$1.28 million, on improved vessel mix of higher-value works.



Rigs and Floaters
accounted
for

85%
OF GROUP
REVENUE

2018 Revenue: \$4.89 billion \$ Million



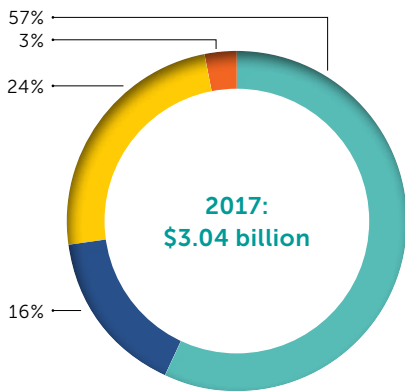
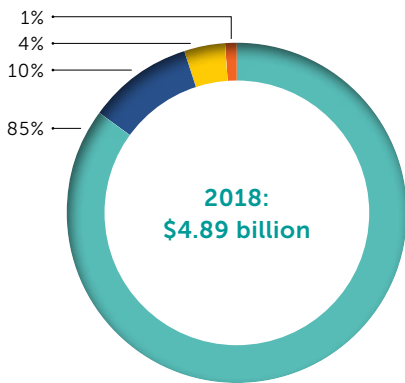
Note: Comparative 2017 financial figures presented in accordance with SFRS(I) are marked **2017*** in the tables and charts. See page 30 for more details

OPERATIONS REVIEW

Excluding the sale of West Rigel and rig deliveries to Borr Drilling and BOTL, Group revenue for 2018 totalled \$2.53 billion, largely unchanged from \$2.55 billion in 2017.

In 2018, Rigs and Floaters continued to account for the largest share of Group revenue at 85%, followed by Repairs and Upgrades at 10%, and Offshore Platforms at 4%.

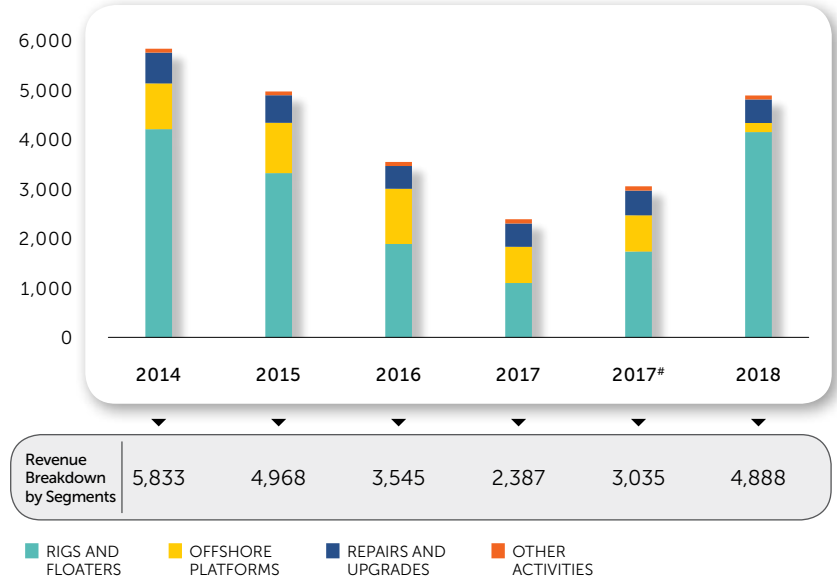
Turnover Contribution by Sectors



- RIGS AND FLOATERS
- REPAIRS AND UPGRADES
- OFFSHORE PLATFORMS
- OTHER ACTIVITIES

Revenue Breakdown by Segments

\$ Million

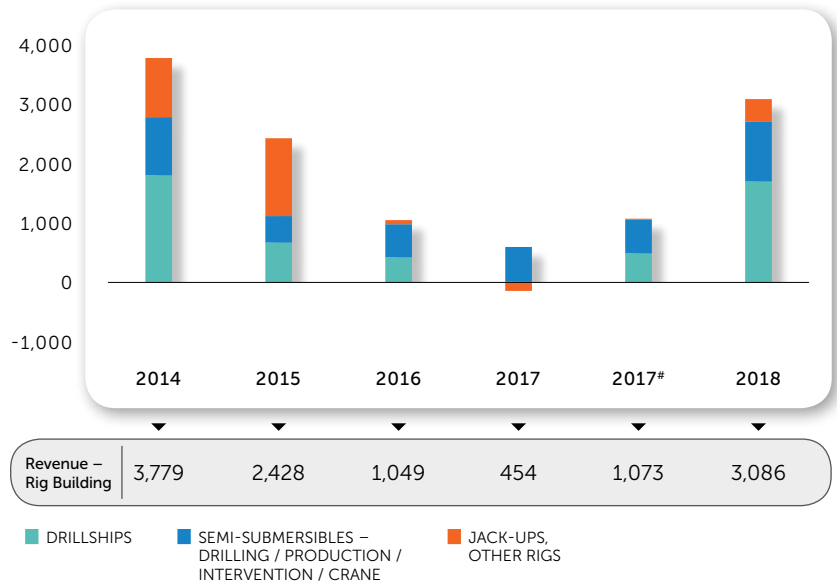


Rig building revenue for 2018 totalled \$3.09 billion compared with \$1.07 billion in 2017, mainly on recognition of delivery of seven jack-up rigs to Borr Drilling, one jack-up rig to BOTL and the sale of West Rigel semi-submersible.

Drillship revenue from Transocean drillship projects was \$382 million. Semi-submersible revenue recognised totalled \$1.01 billion, reflecting ongoing recognition from the Heerema semi-submersible crane vessel project.

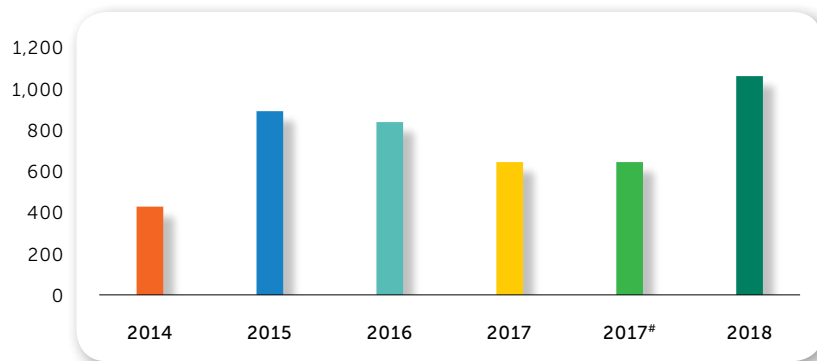
Revenue – Rig Building

\$ Million



Note: Comparative 2017 financial figures presented in accordance with SFRS(I) are marked **2017#** in the tables and charts. See page 30 for more details

Revenue – Floaters \$ Million

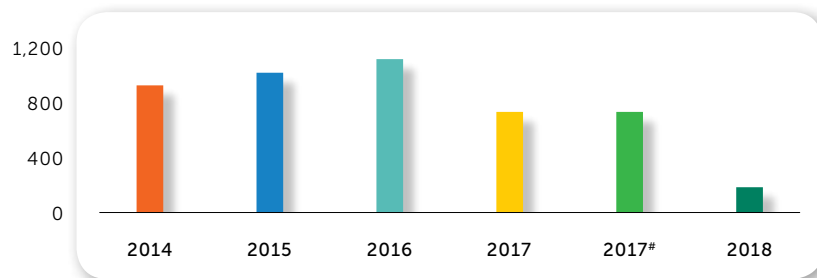


Revenue – Floaters	2014	2015	2016	2017	2017#	2018
	428	891	838	644	644	1,061

In 2018, **Floater revenue** increased 65% to \$1.06 billion on higher percentage recognition for ongoing newbuilding projects, including Shell’s Vito Floating Production

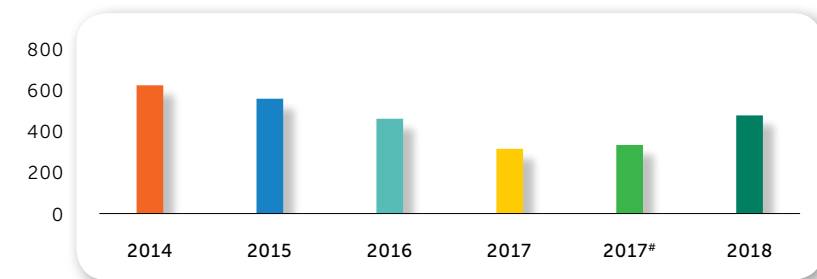
Unit (FPU) as well as Equinor’s Johan Castberg Floating Production Storage and Offloading vessel (FPSO) and TechnipFMC’s FPSO project.

Revenue – Offshore Platforms \$ Million



Revenue – Offshore Platforms	2014	2015	2016	2017	2017#	2018
	925	1,017	1,116	732	732	184

Revenue – Repairs and Upgrades \$ Million



Revenue – Repairs and Upgrades	2014	2015	2016	2017	2017#	2018
	622	557	460	471	499	476

PROJECT DELIVERIES

Sembcorp Marine has to-date completed and delivered all nine proprietary designed Pacific Class 400 jack-up rigs to Borr Drilling, several of which were delivered ahead of schedule upon Borr’s request. The final jack-up Njord was delivered to Borr Drilling at end January 2019, following the successful deliveries of seven rig units in 2018 and one in November 2017.

Notably, the jack-up Njord set a record by being the first drilling rig to be awarded a Cybersecurity-Ready Notation by ABS. The Group is proud to have contributed to this first-of-its-kind certification and to help customers achieve an enhanced degree of cybersecurity for their assets.



Njord jack-up rig – First drilling rig to be awarded a Cybersecurity-Ready Notation by ABS

OPERATIONS REVIEW



Ailsa is Sembcorp Marine's full turnkey newbuild FSO vessel, completed for MODEC



Sembcorp Marine delivered offshore production platform modules, topsides and ancillary facilities to TOTAL for the Culzean field development

Other significant deliveries in 2018 included:

- Ailsa, Sembcorp Marine's first full turnkey newbuild Floating Storage and Offloading (FSO) vessel, built for MODEC based on a proprietary hull design from Sembcorp Marine's subsidiary LMG Marin. The hull is built for a 40-year lifespan and is capable of 25 years of continuous operations without dry-docking. The FSO vessel is constructed in full compliance with strict UK safety regulations for harsh-environment operations for the Culzean field in the UK North Sea;
- Sembcorp Marine's Offshore Platforms segment delivered the offshore production platform modules, topsides and ancillary facilities to TOTAL for operation in the Culzean field in the UK North Sea sector. Together with the FSO Ailsa and the high-specification jack-up rig Maersk Highlander (also built by Sembcorp Marine), these constructions form an integrated suite of Sembcorp Marine engineering solutions for the harsh-environment Culzean field;
- Kaombo Norte and Kaombo Sul tanker to FPSO conversions; the two FPSOs were delivered to Saipem for the Kaombo project located in offshore Angola; and
- Construction of Hakuryu 14, a proprietary design Pacific Class 400 jack-up rig for BOTL.

In February 2019, the Group also delivered the newbuild harsh-environment semi-submersible Transocean Norge (Ex-West Rigel) to Transocean. The rig has secured a charter from Equinor (formerly Statoil) for drilling operations in the Norwegian Continental Shelf.



Heerema's Sleipnir, the world's largest semi-submersible crane vessel

WORKS IN PROGRESS

The Group continues to make positive progress for ongoing projects in its order book.

At Sembcorp Marine's shipyards in Singapore, these include:

- Engineering and construction of Sleipnir, the world's largest semi-submersible crane vessel, for Heerema and scheduled to be delivered in 2019; and
- Construction of two high-specification ultra-deepwater drillships for Transocean, based on Sembcorp Marine's proprietary Jurong Espadon III drillship design.

The Group has commenced engineering and construction works for several recently secured contracts:

- Turnkey engineering, procurement and construction of newbuild FPSO hull and living quarters for Equinor's Johan Castberg field development in the Barents Sea;
- Construction and integration of hull, topsides and living quarters for Shell's Vito semi-submersible FPU; and

- Engineering, procurement, construction and integration of hull, living quarters and topside modules, including owner-furnished equipment, for TechnipFMC's newbuild FPSO to be deployed in the Energean-operated Karish deepwater field in the Eastern Mediterranean.

OPERATIONS REVIEW

A number of key projects are also underway at Sembcorp Marine's overseas yards. In Brazil, the Group's wholly-owned subsidiary Estaleiro Jurong Aracruz is performing hull carry-over works as well as topside modules construction and integration for the FPSO P-68; and topside modules construction for FPSO P-71. Both projects are for the Tupi field development.

REPAIRS AND UPGRADES

In 2018, Sembcorp Marine carried out a total of 296 dry-dockings, repairs and upgrades. Total revenue was \$476 million compared with \$499 million in 2017. Revenue per vessel was higher than 2017 on higher value works and improved vessel mix.

In 2018, Sembcorp Marine again emerged as the world's top LNG repair yard (for the sixth time) with a total of 41 LNG ships repaired and upgraded that year. This strong performance is likely to continue into 2019, as the Group has secured a significant number of orders for LNG repairs and upgrades to date.

Major offshore repairs and upgrades completed in 2018 include the upgrading of FPSO Pyrenees Venture for MODEC / BHP as well as major repairs and demucking works for Chevron Thailand's Benchamas FSO.



Sembcorp Marine successfully completed major repairs on FPSO Pyrenees Venture



Golden Princess in the drydock for repairs at Sembcorp Marine Tuas Boulevard Yard

In the cruise ship market, the Group cemented its position as Asia's top cruise ship repair and upgrade solutions provider with 10 cruise vessels serviced and upgraded in 2018, including one for new customer Norwegian Cruise Line.

The Group's repairs and upgrading business continues to be well supported by Alliance, Favoured Customer Contract (FCC) partners and regular customers. This core group of partners and regular customers provides a stable base load and accounts for more than 80% of the revenue for repairs

and upgrading. In 2018, two exclusive partnership agreements were signed – a long-term contract with Shell / GasLog and a FCC agreement with Solvang ASA for the exclusive refits of their vessels in Singapore.

Green Technology Retrofit Solutions

Sembcorp Marine secured a total of \$160 million in orders for the retrofitting of ballast water management systems (BWMS) and gas scrubbers for 58 vessels. These included installation projects on vessels ranging from cruise ships to tankers.

Notably, the Group won its biggest green technology retrofit contract in 2018 from Greek owner Maran Tankers for the integration of 13 marine scrubbers and four BWMS installations onboard their vessels. The contract attests to its expertise and experience in green technology solutions. Besides Maran Tankers, the Group has also secured several scrubber installation works for 2019 and beyond.

Going forward, the Group expects enquiries for BWMS installations and scrubber retrofitting works to remain strong.

CONTRACTS SECURED AND NET ORDER BOOK

The Group secured \$1.18 billion in contracts in 2018.

They included two projects for renewable energy engineering solutions worth over \$200 million in 2018:

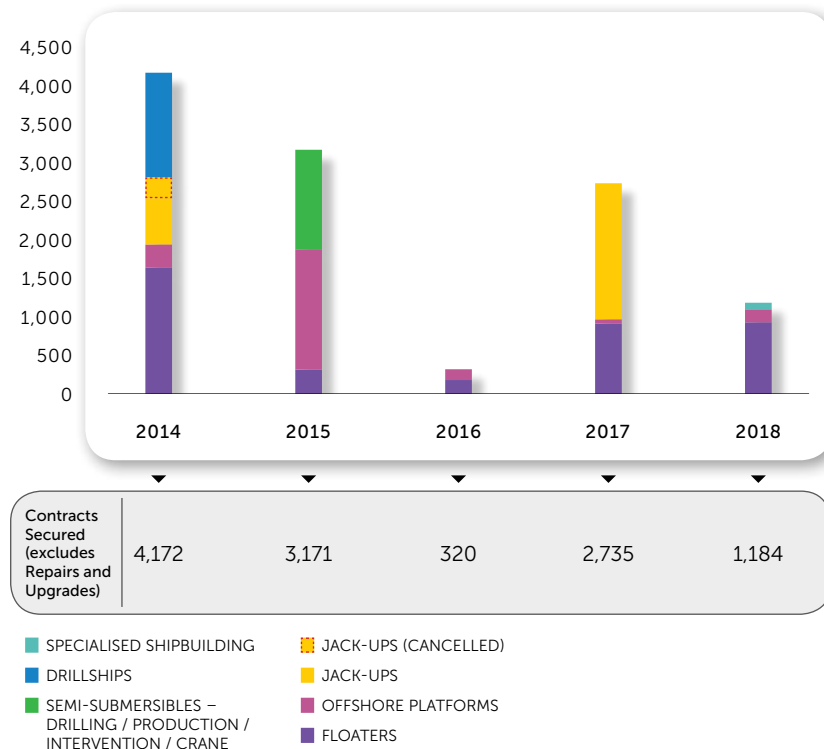
- Engineering, procurement, construction, hook-up and commissioning works for two topsides for Ørsted Wind Power's subsidiary, Optimus Wind Limited, for delivery in 2021 to the UK's Hornsea 2 Offshore Wind Farm; and
- Design and construction of three battery-powered roll on/roll off passenger (ropax) ferries for Norled AS, to be delivered in 2020, marking the Group's entry into the ropax ferry design and construction niche segment.

Other significant new orders totalling \$730 million secured in 2018 included:

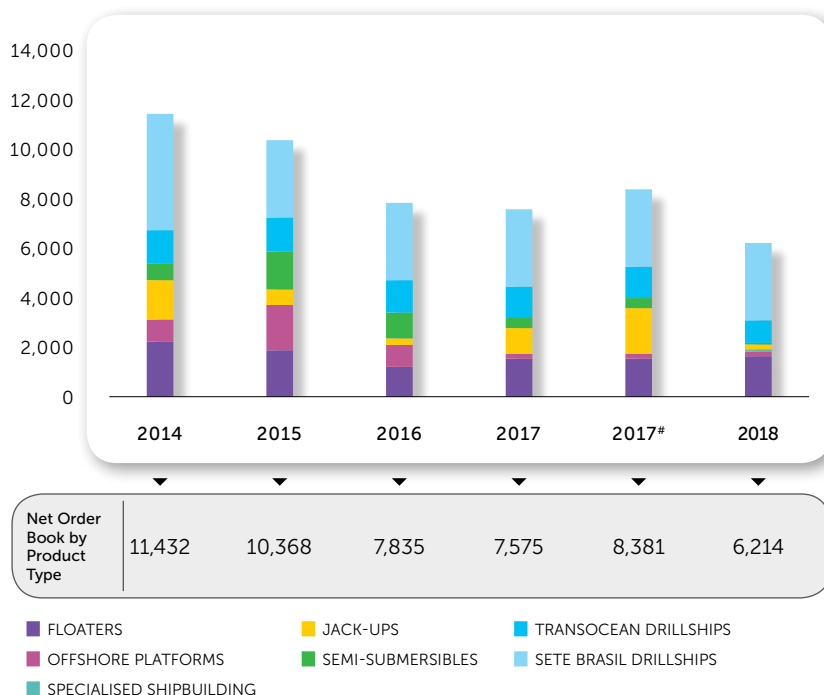
- Construction and integration of hull, topsides and living quarters for Shell's Vito semi-submersible FPU; and
- Engineering, procurement and construction of hull, living quarters and topside modules for TechnipFMC's newbuild FPSO vessel.

As at the end of 2018, the Group had a net order book of \$6.2 billion with completion and deliveries stretching into 2021. This included \$4.04 billion in drillships (\$913 million in drillships, excluding Sete Brasil), \$67 million in non-drilling semi-submersible vessels, \$1.6 billion in Floaters, \$190 million in Offshore Platforms projects and a remaining \$196 million in jack-up rigs reflecting the tail end of deliveries under the Borr Drilling sale agreement, and \$85 million in Specialised Shipbuilding projects.

Contracts Secured (Excludes Repairs and Upgrades) \$ Million



Net Order Book by Product Type \$ Million



Notes:

- 2018 net order book is \$3.09 billion excluding Sete Brasil drillship contracts
- Comparative 2017 financial figures presented in accordance with SFRS(I) are marked **2017*** in the tables and charts. See page 30 for more details

OUR PEOPLE

**EMPOWERING
EMPLOYEES TOWARDS
OPERATIONAL
EXCELLENCE**



" Through the Professional Conversion Programme for Marine Industry, I was offered opportunities to further my education and train overseas with INSTEP, a Petronas-owned oil and gas technical training service provider. This programme has broadened my knowledge and appreciation of the oil and gas industry. I am now better equipped to manage the challenges of working on a wider range of offshore construction projects."

Mr Shawn Koh,
Sembcorp Marine Senior Engineer



Continuous Talent Development

In a dynamic operating environment where changes are more the rule than exception, Sembcorp Marine keeps its workforce agile and adaptable through active re-skilling, up-skilling and synergistic deployment across different projects.

Selective hiring of new talent boosts Sembcorp Marine's manpower capabilities further, enabling the Group to take on bigger and more complex offshore, marine and energy projects.



Sembcorp Marine employees undergoing the INSTEP training programme

Robust HSE Management

A robust health, safety and environment (HSE) regime helps ensure Sembcorp Marine's operations are efficient and sustainable, by keeping yard employees healthy and safe.

'The Quality of Today is the Safety of Tomorrow.'

This Sembcorp Marine dictum directs its employees to always deliver top quality work, as this directly impacts the safety of crews working aboard the rigs, vessels and platforms being built by the Group.



Sembcorp Marine wins Safety Initiative Award at 2018 Seatrade Maritime Asia Awards



Participants of the Safety Starts with Me Campaign at Sembcorp Marine Admiralty Yard

BOARD OF DIRECTORS



Tan Sri Mohd Hassan Marican, 67

Non-Executive/
Independent Director

Date of appointment as a Director: 1 October 2011
Date of appointment as Chairman: 22 April 2014
Date of last re-election: 18 April 2018
Length of service as a Director: 7 years 6 months
 Chairman, Executive Committee
 Chairman, Executive Resource & Compensation Committee
 Chairman, Nominating Committee
 Member, Special Committee

Tan Sri Mohd Hassan Marican is formerly President & CEO of Malaysia's PetroliaM Nasional (PETRONAS) from 1995 until his retirement in February 2010. He brings to the Board over 30 years of experience in the energy sector, as well as in finance and management.

Tan Sri Mohd Hassan Marican holds an honorary doctorate from the University of Malaya and is a Fellow of the Institute of Chartered Accountants in England and Wales.

PRESENT DIRECTORSHIPS

Public Listed Company:
Sembcorp Industries Ltd

Public Non-Listed Companies:
Singapore Power Limited
Khazanah Nasional Berhad

Private Limited Companies:
Lambert Energy Advisory Limited
Lan Ting Holdings Pte Ltd
mh Marican Advisory Sdn Bhd
Pavilion Energy Pte Ltd
Pavilion Energy Trading & Supply Pte Ltd
Pavilion Gas Pte Ltd
Sarawak Energy Berhad

PAST DIRECTORSHIPS

Regional Economic Development Authority of Sarawak

PRINCIPAL COMMITMENTS

Senior International Advisor
Temasek International Advisors



Mr Wong Weng Sun, 57

Executive/
Non-Independent Director

Date of appointment as a Director: 1 May 2009
Date of last re-election: 18 April 2016
Length of service as a Director: 9 years 11 months
 Member, Executive Committee

Mr Wong joined Sembcorp Marine in 1988 as an engineer. He was the Group's President and Chief Operating Officer prior to his current appointment.

Mr Wong holds a Bachelor of Mechanical Engineering (Marine) from Universiti Teknologi Malaysia and a Master of Business Administration from Oklahoma City University, USA.

PRESENT DIRECTORSHIPS

Private Limited Companies:
Sembcorp Marine Group of Companies

PAST DIRECTORSHIPS

Nil

PRINCIPAL COMMITMENTS

Chairman

Singapore Maritime Institute's Board & Governing Council
 Singapore Institute of Technology-Newcastle University (SIT-NU) Industry Advisory Committee for marine engineering, naval architecture and offshore engineering joint-degree programmes
 WSH2028 Tripartite Strategy Committee Work Group on Workplace Safety & Health

Member

Marine Sectoral Tripartite Committee
 Industry Advisory Panel, School of Mechanical and Aerospace Engineering, Nanyang Technological University
 WSH2028 Tripartite Strategy Committee



Mr Ron Foo Siang Guan, 71

Non-Executive/
Independent Director

*Date of appointment as a Director: 30 June 2006
Date of last re-election: 18 April 2017
Length of service as a Director: 12 years 9 months
Chairman, Audit Committee
Member, Board Risk Committee*

Mr Ron Foo was a partner at PricewaterhouseCoopers, Singapore, for 22 years before retiring from active service in December 2005. He brings with him more than 39 years of extensive auditing, accounting and financial experience in Singapore and overseas.

Mr Foo holds a Bachelor of Arts (Economics) from the University of Manitoba, Canada.

PRESENT DIRECTORSHIPS

Nil

PAST DIRECTORSHIPS

SIA Engineering Company Limited

PRINCIPAL COMMITMENTS

Fellow

The Institute of Chartered Public Accountants, Singapore

Member

The Canadian Institute of Chartered Accountants



Mr Bob Tan Beng Hai, 67

Non-Executive/
Independent Director

*Date of appointment as a Director: 20 April 2015
Date of last re-election: 18 April 2016
Length of service as a Director: 3 years 11 months
Chairman, Board Risk Committee
Chairman, Special Committee
Member, Executive Committee*

Mr Bob Tan is a Fellow of the Institute of Chartered Accountants in England and Wales and the Singapore Institute of Directors.

PRESENT DIRECTORSHIPS

Public Listed Companies:

Ascott Residence Trust Management Limited (as manager of Ascott Residence Trust)
Singapore Post Limited

Public Non-Listed Company:

Jurong Engineering Limited

Private Limited Company:

SingEx Holdings Pte Ltd

PAST DIRECTORSHIPS

Singapore LNG Corporation Pte Ltd
SMRT Corporation Ltd
SMRT Trains Ltd

PRINCIPAL COMMITMENTS

Chairman

Board of Governors of the Institute of Technical Education

Deputy Chairman

Sentosa Development Corporation

Board Member

Ong Teng Cheong Labour Leadership Institute
Inland Revenue Authority of Singapore

Council Member

NTUC Club Management Council

Corporate Governance Advisory Committee Member

Monetary Authority of Singapore

BOARD OF DIRECTORS



Mr Eric Ang Teik Lim, 66

Non-Executive/
Independent Director

Date of appointment as a Director: 30 April 2013
Date of last re-election: 18 April 2017
Length of service as a Director: 5 years 11 months
Member, Audit Committee
Member, Board Risk Committee
Member, Executive Resource & Compensation Committee
Member, Nominating Committee

Mr Eric Ang is currently Senior Executive Advisor at DBS Bank, where he has been since the start of his banking career in 1978. Prior to this appointment, he was Head of Capital Markets at DBS Bank. Through the years, Mr Ang has developed a wealth of experience in Singapore's capital markets, having worked on landmark deals such as the listing of Singapore Airlines Ltd, Singapore Telecoms Ltd and CapitaMall Trust Ltd.

Mr Eric Ang has a bachelor's degree in Business Administration (Honours) from the University of Singapore.

PRESENT DIRECTORSHIPS

Public Listed Company:

Raffles Medical Group Ltd

Public Non-Listed Company:

DBS Foundation Ltd

Private Limited Companies:

Changi Airport Group (Singapore) Pte Ltd

NetLink NBN Management Pte Ltd

Surbana Jurong Private Limited

PAST DIRECTORSHIPS

Hwang Capital (Malaysia) Bhd

NetLink Management Pte Ltd

PRINCIPAL COMMITMENTS

Co-Chairman

SGX Listings Disciplinary Committee

Vice-Chairman

Community Chest



Mr William Tan Seng Koon, 66

Non-Executive/
Independent Director

Date of appointment as a Director: 20 April 2017
Date of last re-election: 18 April 2018
Length of service as a Director: 1 year 11 months
Member, Board Risk Committee
Member, Executive Committee
Member, Executive Resource & Compensation Committee
Member, Nominating Committee

Mr William Tan was President & CEO of SIA Engineering Company for 14 years until his retirement in July 2015. He has more than 38 years' experience in the aviation industry and has held several senior appointments in the SIA Group.

Mr Tan is a Fellow of the Institution of Engineers (Singapore) and the Academy of Engineering Singapore. He graduated with a Bachelor of Engineering (Mechanical Engineering) from the University of Singapore in 1976.

PRESENT DIRECTORSHIPS

Public Non-Listed Company:

SMRT Trains Limited

PAST DIRECTORSHIPS

Eagle Services Asia

Jamco Singapore Pte Ltd

SIA Engineering Company Ltd

Singapore Aero Engine Services Pte Ltd

BOC Aviation Limited

Virgin Atlantic Ltd

PRINCIPAL COMMITMENTS

Nil



Mrs Gina Lee-Wan, 62

Non-Executive/
Independent Director

Date of appointment as a Director: 20 April 2015
Date of last re-election: 18 April 2016
Length of service as a Director: 3 years 11 months
Member, Board Risk Committee
Member, Special Committee

Mrs Wan brings a wealth of experience in the area of maritime law and is currently the co-head of Allen & Gledhill's Maritime & Aviation practice. Besides being awarded the Maritime Lawyer of the Year at the Lloyd's List Asia Awards 2013 and the PS21 Star Customer Award at the Excellence in Public Service Awards 2016, she has been recognised as one of the top 10 maritime lawyers globally by Lloyd's List in 2018 and is described as "a prominent figure in the Singapore maritime scene and no stranger to this page, having appeared on our Top 10 lawyers lists in 2016". She is consistently ranked in the top tier of leading individuals in Shipping by Chambers Global, Chambers Asia-Pacific and The Legal 500 Asia Pacific and is frequently cited as an expert in shipping. In 2019, she was among the inaugural batch of select practitioners to be recognised as a Senior Accredited Specialist in Maritime and Shipping Law by the Singapore Academy of Law.

Mrs Wan graduated from the University of Kent at Canterbury with a B.A. Law (Hons) in 1979. She was then admitted to the Bar in England and Wales, Gray's Inn in 1980 and thereafter the Singapore Bar in 1981.

PRESENT DIRECTORSHIPS

Private Limited Companies:

Edge Insurance Brokers (Singapore) Pte. Ltd.
John Swire & Sons (S.E. Asia) Pte. Limited
Jurong Port Pte. Ltd.

PAST DIRECTORSHIPS

Edge Group Pte Ltd
Singapore Maritime Foundation
Sea Asia Singapore Pte. Ltd.

PRINCIPAL COMMITMENTS

Member

Admiralty Court Users' Committee
General Committee of the Singapore Chamber of Maritime Arbitration
Industry Advisory Committee for Joint Degree Programmes, Bachelor of Engineering with Honours in Marine Engineering, Naval Architecture and Offshore Engineering, at Singapore Institute of Technology and Newcastle University
Maritime Industry Advisory Committee at the Singapore Maritime Academy
Tanglin Trust School's Board of Governors

Council Member and Chairperson

Singapore Shipping Association's Legal and Insurance Committee

Committee Member

Singapore War Risks Mutual Class of Standard Asia

Instructor

Maritime and Shipping Law Course for Legal and Industry

BOARD OF DIRECTORS



Mr Patrick Daniel, 64

Non-Executive/
Independent Director

Date of appointment as a Director: 20 April 2018
Date of last re-election: N.A.
Length of service as a Director: 11 months
Member, Audit Committee
Member, Executive Resource & Compensation Committee

Mr Patrick Daniel is a 30-year journalism veteran and was Editor-in-Chief (English, Malay, Tamil Media Group) at Singapore Press Holdings from 2007 to 2016 before retiring as the group's Deputy CEO in 2018.

Mr Daniel holds a BA (Honours) in Engineering Science and Economics from University College, Oxford, and a Master of Public Administration from the John F. Kennedy School of Government at Harvard University.

PRESENT DIRECTORSHIPS

Private Limited Companies:
Imperial Gloucester Pte Ltd
ShareInvestor.com Holdings Pte Ltd
Verdant.Sg. Pte Ltd
Vibranium Capital Pte Ltd

PAST DIRECTORSHIPS

Singapore Press Holdings subsidiaries

PRINCIPAL COMMITMENTS

Member, Board of Trustee
Singapore University of Technology & Design
Equal-Ark Singapore Ltd
President
Singapore Press Club



Mr Tan Wah Yeow, 58

Non-Executive/
Independent Director

Date of appointment as a Director: 10 December 2018
Date of last re-election: N.A.
Length of service as a Director: 4 months
Member, Audit Committee

Mr Tan started his career with KPMG UK and later joined KPMG Singapore. At KPMG, Mr Tan held various leadership positions in the Singapore and Asia Pacific offices. He was most recently Deputy Managing Partner of KPMG Singapore and Head of the Asia Pacific Healthcare Practice, before retiring in September 2017.

Mr Tan holds a Bachelor of Science in Economics from the London School of Economics and Political Science. He is a Fellow of the Institute of Chartered Accountants in England & Wales and the Institute of Singapore Chartered Accountants, where he chairs the Corporate Reporting Committee. He is a member of the Singapore Institute of Directors.

PRESENT DIRECTORSHIPS

Public Listed Companies:
Mapletree Logistics Trust Management Ltd
(as Manager of Mapletree Logistics Trust)
M1 Limited
Genting Singapore Limited
Private Limited Company:
PUB Consultants Private Limited

PAST DIRECTORSHIPS

Nil

PRINCIPAL COMMITMENTS

Director
Public Utilities Board
Viva Foundation for Children with Cancer
Gardens by the Bay
Executive Committee Member
Mainly I Love Kids Fund





Mr Neil McGregor, 64

Non-Executive/
Non-Independent Director

Date of appointment as a Director: 20 April 2017
Date of last re-election: 18 April 2018
Length of service as a Director: 1 year 11 months
Member, Executive Committee

Mr Neil McGregor brings to the Board a unique and varied background spanning business, operations and investment in the energy and infrastructure sectors across Europe, USA, Asia and Oceania.

Mr McGregor is the Group President & CEO of Sembcorp Industries. Previously, he headed companies in India and Singapore as CEO, including Singapore LNG Corporation Pte Ltd and PowerSeraya. Prior to joining Sembcorp Industries, Mr McGregor was Head of Temasek International's Energy and Resources, Head of Australia and New Zealand and Senior Managing Director of its Enterprise Development Group.

He is a Fellow of the Singapore Institute of Directors.

Mr McGregor holds a BEng (Honours) from the University of Auckland and an MBA in International Finance from the University of Otago, New Zealand. He also completed the Advanced Management Programme at INSEAD, France.

PRESENT DIRECTORSHIPS

Public Listed Company:

Sembcorp Industries Ltd

Public Non-Listed Company:

Repono Holdco 1 Limited

Private Limited Companies:

Certis CISCO Security Pte Ltd
Sembcorp Industries subsidiaries
Singapore-Sichuan Investment Holdings Pte Ltd

PAST DIRECTORSHIPS

Sembcorp Gayatri Power Limited

PRINCIPAL COMMITMENTS

Nil



Mr Koh Chiap Khiong, 52

Non-Executive/
Non-Independent Director

Date of appointment as a Director: 6 May 2011
Date of last re-election: 18 April 2017
Length of service as a Director: 7 years 11 months
Member, Audit Committee
Member, Special Committee

Mr Koh is Head of Singapore, Southeast Asia and China at Sembcorp Industries. He is responsible for driving both the strategic direction and growth of these markets.

Mr Koh brings with him deep knowledge of the energy and water sectors, extensive experience in managing infrastructure businesses, as well as a strong financial background. Prior to his current appointment, Mr Koh held various senior appointments in Sembcorp Industries, including serving as the Group CFO from 1999 to 2018 as well as the head of finance and chief risk officer at its utilities business. In 2017, he was also the Group's Chief Transformation Officer where he oversaw Sembcorp Industries' efforts to strengthen its organisation and capabilities in line with its business strategy. Mr Koh was previously CFO of PowerSeraya.

Mr Koh holds a First Class Honours degree in Accountancy from the National University of Singapore and completed the Advanced Management Program at Harvard Business School, USA.

PRESENT DIRECTORSHIPS

Private Limited Companies:

Sembcorp Industries subsidiaries

PAST DIRECTORSHIPS

Nil

PRINCIPAL COMMITMENTS

Nil

SENIOR MANAGEMENT

MR WONG WENG SUN

President & CEO

MR WILLIAM GOH

Director, Group Finance

MR WANG ZIJIAN

Head of Singapore Yard Operations

MR CHUA SAN LYE

Chief Human Resource Officer

MR TAN CHENG TAT

Chief Financial Officer

MR WILLIAM GU

Head of Rigs & Floaters

MR ALVIN GAN

Head of Repairs & Upgrades

MR SAMUEL WONG

Head of Offshore Platforms

MR TAN HENG JACK

Head of Specialised Shipbuilding

MS TAN YAH SZE

Head of Legal and
Corporate Secretariat

MR CHAN BOON SIONG

Chief Risk Officer

MR JOSEPH SEWI CHUAN EN

Head of Internal Audit

MS CHIONH KEAT YEE

Head of Performance Management
and Mergers & Acquisitions

MR CHIA CHEE HING

Head of Information Technology

MR SIMON KUIK

Head of Research & Development

MR ROYCE LIM

Head of Supply Chain

MR DAVID WONG

Head of Corporate Communications

MS LISA LEE

Head of Investor Relations

MS JESSIE LAU

Head of Administration

For more information on Sembcorp Marine's Senior Management, visit
<https://www.sembmarine.com/about-us/senior-management>.



CORPORATE STRUCTURE

SEMBCORP MARINE LTD



CORPORATE DIRECTORY

REGISTERED OFFICE

Sembcorp Marine Ltd
29 Tanjong Kling Road
Singapore 628054
Tel: (65) 6265 1766
Fax: (65) 6265 0201 /
(65) 6261 0738
Co. Reg. No. 196300098Z
Website: www.sebmarine.com

BOARD OF DIRECTORS

Tan Sri Mohd Hassan Marican
Chairman

Wong Weng Sun
President & CEO

Ron Foo Siang Guan
Bob Tan Beng Hai
Eric Ang Teik Lim
Gina Lee-Wan
William Tan Seng Koon
Patrick Daniel
(Appointed on 20 Apr 2018)
Tan Wah Yeow
(Appointed on 10 Dec 2018)
Neil McGregor
Koh Chiap Khiong

AUDIT COMMITTEE

Ron Foo Siang Guan
Chairman

Eric Ang Teik Lim
Patrick Daniel
(Appointed on 20 Apr 2018)
Tan Wah Yeow
(Appointed on 10 Dec 2018)
Koh Chiap Khiong

BOARD RISK COMMITTEE

Bob Tan Beng Hai
Chairman

Ron Foo Siang Guan
Eric Ang Teik Lim
Gina Lee-Wan
William Tan Seng Koon

EXECUTIVE COMMITTEE

Tan Sri Mohd Hassan Marican
Chairman

Bob Tan Beng Hai
William Tan Seng Koon
Wong Weng Sun
Neil McGregor

EXECUTIVE RESOURCE & COMPENSATION COMMITTEE

Tan Sri Mohd Hassan Marican
Chairman

Eric Ang Teik Lim
William Tan Seng Koon
Patrick Daniel
(Appointed on 20 Apr 2018)

NOMINATING COMMITTEE

Tan Sri Mohd Hassan Marican
Chairman

Eric Ang Teik Lim
William Tan Seng Koon
(Appointed on 18 Apr 2018)

SPECIAL COMMITTEE

Bob Tan Beng Hai
(Appointed on 18 Apr 2018)
Chairman

Tan Sri Mohd Hassan Marican
Gina Lee-Wan
Koh Chiap Khiong

JOINT COMPANY SECRETARIES

Tan Yah Sze
Chay Suet Yee

REGISTRAR

KCK Corpserve Pte. Ltd.
333 North Bridge Road
#08-00 KH Kea Building
Singapore 188721
Tel: (65) 6837 2133
Fax: (65) 6339 0218

PRINCIPAL BANKERS

Citibank N.A.
DBS Bank Ltd
Mizuho Bank, Ltd.
MUFG Bank, Ltd.
Oversea-Chinese Banking
Corporation Limited
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
The Hongkong and Shanghai Banking
Corporation Limited
United Overseas Bank Limited

AUDITORS

KPMG LLP
16 Raffles Quay
#22-00
Hong Leong Building
Singapore 048581
Tel: (65) 6213 3388
Fax: (65) 6225 0984

Audit Partner: Ang Fung Fung
*(Appointed during the financial year
ended 31 December 2018)*

SHAREHOLDERS' INFORMATION

STATISTICS OF SHAREHOLDINGS AS AT 5 MARCH 2019

Share Capital

Issued and fully paid up capital	: S\$484,288,253.02
Number of issued shares	: 2,089,760,107
Number of treasury shares	: 1,155,848
Number of shareholders	: 39,165
Class of shares and voting rights	: Ordinary shares with equal voting rights [#]

Shareholdings Held By The Public

Based on information available to Sembcorp Marine as at 5 March 2019, approximately 37.71% of the issued ordinary shares of the Company is held by the public and therefore, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Substantial Shareholders

Substantial Shareholders	Direct Interest		Deemed Interest		Total Interest	
	No. of shares	% ^{##}	No. of shares	% ^{##}	No. of shares	% ^{##}
Sembcorp Industries Ltd ("SCI")	1,274,270,764	61.0106	–	–	1,274,270,764	61.0106
Temasek Holdings (Private) Limited ("Temasek") ^{###}	–	–	1,292,734,385	61.8947	1,292,734,385	61.8947

Top 20 Shareholders

Name	No. of Shares	% of Shares
Sembcorp Industries Ltd	1,274,270,764	61.01
DBS Nominees Pte Ltd	101,274,784	4.85
Citibank Noms Spore Pte Ltd	73,660,652	3.53
DBSN Services Pte Ltd	35,081,288	1.68
Raffles Nominees(Pte) Limited	28,331,585	1.36
United Overseas Bank Nominees P L	27,806,105	1.33
UOB Kay Hian Pte Ltd	20,849,800	1.00
OCBC Nominees Singapore Pte Ltd	12,150,399	0.58
HSBC (Singapore) Nominees Pte Ltd	10,593,580	0.51
Tan Kwi Kin	10,293,210	0.49
DBS Vickers Securities (S) Pte Ltd	9,792,000	0.47
OCBC Securities Private Ltd	8,599,342	0.41
Phillip Securities Pte Ltd	8,373,027	0.40
Maybank Kim Eng Securities Pte. Ltd.	7,675,703	0.37
BPSS Nominees Singapore (Pte.) Ltd.	7,238,262	0.35
CGS-CIMB Securities (Singapore) Pte Ltd	5,095,901	0.24
Lim and Tan Securities Pte Ltd	4,277,330	0.20
IMC Co., Ltd.	4,100,000	0.20
Wong Weng Sun	3,637,934	0.17
BNP Paribas Noms Spore PL	3,122,434	0.15
Total	1,656,224,100	79.30

Location of Shareholders

Location of Shareholders	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Singapore	29,059	97.20	1,975,772,223	99.03
Malaysia	732	1.82	11,179,175	0.36
Japan	8	0.02	5,959,000	0.28
Hong Kong	28	0.10	634,000	0.01
US	29	0.06	391,600	0.01
UK	21	0.07	295,400	0.02
Europe	25	0.03	166,600	0.01
Australia/ New Zealand	104	0.23	876,574	0.04
Others	9,158	0.47	93,329,687	0.24
Grand Total	39,164	100	2,088,604,259	100

Shareholding Distribution

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
1 - 99	111	0.28	4,292	0.00
100 - 1,000	5,223	13.34	4,604,319	0.22
1,001 - 10,000	25,557	65.26	121,436,655	5.81
10,001 - 1,000,000	8,246	21.06	295,863,645	14.17
1,000,001 and above	27	0.07	1,666,695,348	80.60
Grand Total	39,164	100	2,088,604,259	100

Note:

Total number of shares in issue is 2,089,760,107. Total number of shares in above computation is 2,088,604,259 based on total number of shares in issue and disregarding 1,155,848 shares held in treasury.

[#] Ordinary shares purchased and held as treasury shares by the Company will have no voting rights.

^{##} Based on 2,089,760,107 shares in issue (and disregarding 1,155,848 shares held in treasury) as at 5 March 2019.

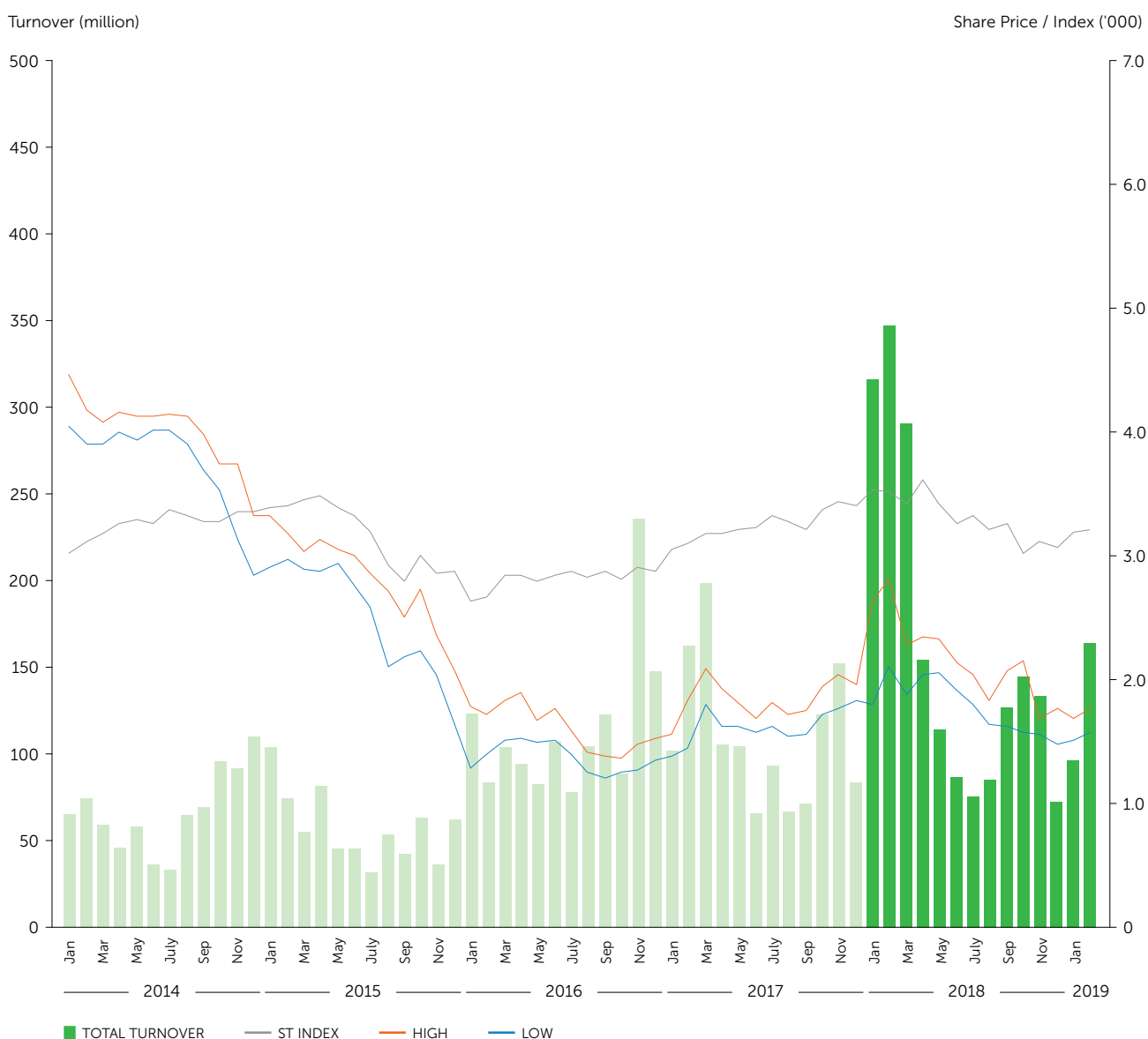
^{###} Temasek is deemed to be interested in the 1,274,270,764 shares held by SCI and the 18,463,621 shares in which its subsidiaries and/or associated companies have or are deemed to have an interest pursuant to Section 4 of the Securities and Futures Act, Chapter 289.

SHAREHOLDERS' INFORMATION

Share Prices and Monthly Volumes

Investor Data	2014	2015	2016	2017	2018
Earnings Per Share (cents)	26.83	-13.87	3.77	12.45*	-3.55
Total Dividend Per Share (cents)	13.00	6.00	2.50	2.00	-
Share Price (\$)					
High	4.45	3.32	1.90	2.09	2.81
Low	2.89	1.65	1.22	1.39	1.49
Close	3.26	1.75	1.38	1.84	1.54
Turnover					
Volume (million shares)	807	696	1,366	1,320	1,945
Value (\$'million)	3,048	1,890	2,024	2,321	4,091
Net Tangible Assets Per Share (cents)	139.40	118.00	112.95	108.23*	100.68

* Adjusted on adoption of SFRS(I) on 1 January 2018. For more details, please refer to page 30



INVESTOR RELATIONS

Sembcorp Marine provides transparent, timely, balanced and pertinent disclosures to investors, stakeholders and regulatory authorities as part of its commitment to good corporate governance. Maintaining open channels of communication enables the Group to forge strong links with shareholders and investors, as well as to interact with and respond effectively to the investment and financial communities.



Sembcorp Marine Board of Directors interacting with shareholders during the company's Annual General Meeting

COMPREHENSIVE OUTREACH PROGRAMME

Sembcorp Marine saw a busy year of investor relations (IR) activities in 2018 with increased engagement of stakeholders in the investment and financial communities. This is in light of ongoing volatility in the industry as well as regulatory updates to the Markets in Financial Instruments Directive (MiFID II) which contributed to the rise in the number of direct meeting requests from investors based in the United Kingdom and European Union countries.

The inhouse IR team, together with Sembcorp Marine management, conducted more than 590 face-to-face engagements and teleconferences with buy-side and sell-side stakeholders over the course of the year. These interactions largely comprised quarterly briefings, post-results investor events, one-on-one and group meetings, investor conferences, as well as local and overseas engagements.

To keep abreast of the latest news and market developments, the IR team extensively gathers research and inputs from buy-side and sell-side analysts,

fund managers, industry specialists and key stakeholders. Such information is circulated regularly to Management and the Board, ensuring that they have the latest market knowledge to make informed decisions.

To reach out to overseas institutional stakeholders, non-deal road shows and conferences were held in Asia, Europe and the United States throughout 2018. These interactions provided foreign investors with the opportunity to gain greater clarity and insights into the Group's operations and plans.

The IR team organises regular yard visits for fund managers and investment analysts covering Sembcorp Marine. Such direct exchanges with the stakeholders provide Management with useful market information and industry insights for strategic planning and decision making.

In 2018, a tour of Sembcorp Marine's flagship Tuas Boulevard Yard facility was also arranged for retail shareholders. The visit gave these shareholders a first-hand view of the Group's new facilities and integrated capabilities that underpin its strategy and future growth.



OVER
700
SHAREHOLDERS
ATTENDED

INVESTOR RELATIONS

Investors and shareholders are regularly updated on the Group's performance and strategy, industry outlook and the macro-economic environment through insights shared by Sembcorp Marine President & CEO Mr Wong Weng Sun. Combined analyst and media briefings are held during half-year and full-year results announcements, where stakeholders have the opportunity to communicate directly with Management. Other avenues for Management and the IR team to connect with the investment community include post-results teleconferences, briefings, lunch meetings and engagements.

Sembcorp Marine's 55th Annual General Meeting (AGM) held on 18 April 2018, at the NTUC Centre Auditorium, was attended by over 700 shareholders. During this event, the Board and Management provided corporate updates, shared industry insights and responded to shareholders' queries. The voting on all resolutions was conducted through an electronic polling system. All resolutions at Sembcorp Marine's 55th AGM were duly passed and results were announced on both the SGX and Sembcorp Marine websites.

INVESTOR COMMUNICATIONS

The Group provides timely disclosures and updates through its corporate website (www.sembmarine.com). Investors can access the website's IR section to obtain information on Sembcorp Marine's stock details, dividend history, analyst coverage, event highlights, shareholder meetings and responses to frequently asked questions. An email alert service for the Group's corporate announcements is open for subscription online.

Investors who would like to contact the IR team may email investor.relations@sembmarine.com.



Site visits for analysts and institutional investors in 2018 included an onboard tour of a newbuild jack-up rig



Sembcorp Marine hosted its first outreach event and yard tour for retail shareholders in 2018



Combined results briefings organised for analysts and media



Management engaging with the investment community

CORPORATE GOVERNANCE AND SUSTAINABILITY

Sembcorp Marine is committed to high standards of corporate governance, responsibility and transparency in its communication and engagement with stakeholders. The Group supports and participates in initiatives by organisations such as the Investor Relations Professionals Association Singapore (IRPAS) and Securities Investors Association of Singapore (SIAS), both of which promote good corporate governance and responsible investor communications in Singapore.

The Group was selected for inclusion in the FTSE4Good Index in 2018 and has been a constituent of the iEdge SG ESG Leaders Index and the iEdge SG Transparency Index (previously known as the SGX Sustainability Indices) since they were launched in 2016.

SHAREHOLDER DIVERSITY

Sembcorp Marine's registered shareholders totalled 39,165 as at 5 March 2019. Sembcorp Industries holds a majority stake with 61.01% of shares, while public shareholders, such as institutional investors and retail shareholders, account for 37.71%.

Sembcorp Marine's large and diverse shareholder base, which is spread across Singapore, Malaysia, Hong Kong, Japan, Australia, Europe, the United Kingdom, the United States and Canada, enables the Group to manage market liquidity and mitigate concentration risk.

SHARE PERFORMANCE

Although the industry showed signs of an initial recovery through large parts of 2018, oil price gyrations during the last quarter together with geopolitical events muted expectations of economic growth. Sembcorp Marine shares achieved an average daily turnover value of \$16.34 million in 2018. The share price reached a high of \$2.81 and recorded a low of \$1.49 in the year. The Group's market capitalisation as at 5 March 2019, was \$3.57 billion, based on the closing share price of \$1.71.

EVENT HIGHLIGHTS

1Q2018	2Q2018	3Q2018	4Q2018
<ul style="list-style-type: none"> FY2017 Results Briefing for Analysts and Media Post-results Investors' Lunch / Corporate Investors' Day Participated in Singapore conferences / forums: <ul style="list-style-type: none"> DBS Vickers Pulse of Asia Conference 2018 Credit Suisse 9th Annual ASEAN Conference HSBC ASEAN Forum 2018 Participated in DBS Bank Hong Kong-Tokyo Non-Deal Road Show Participated in CIMB Kuala Lumpur Non-Deal Road Show 	<ul style="list-style-type: none"> 1Q2018 Results Analysts Teleconference Post-results Investors' Lunch / Corporate Investors' Day 55th Annual General Meeting 2018 Participated in Singapore conferences / forums: <ul style="list-style-type: none"> Nomura Investment Forum Asia 2018 Deutsche Bank 9th Annual dbAccess Asia Conference 2018 Citi ASEAN C-Suite Investor Conference 2018 Site visit / yard tour organised for Deutsche Bank 9th Annual dbAccess Asia Conference 2018 institutional investors Site visit / yard tour organised for Credit Suisse / institutional investors Participated in UBS ASEAN Conference USA Non-Deal Road Show 	<ul style="list-style-type: none"> 2Q and 1H2018 Results Briefing for Analysts and Media Post-results Investors' Lunch / Corporate Investors' Day Participated in Macquarie ASEAN Conference 2018, Singapore Participated in SIAS Corporate Governance Week 2018 Participated in 25th CLSA Investors' Forum 2018, Hong Kong Participated in Credit Suisse Non-Deal Road Show, Hong Kong Participated in CLSA Non-Deal Road Show, Japan Participated in CLSA Non-Deal Road Show, Kuala Lumpur 	<ul style="list-style-type: none"> 3Q and 9M2018 Results Analysts Teleconference Post-results Investors' Lunch / Corporate Investors' Day Participated in Singapore conferences / forums: <ul style="list-style-type: none"> Goldman Sachs ASEAN IR Forum 2018 Morgan Stanley 17th Annual Asia Pacific Summit Global Compact Network Singapore Summit 2018 Participated in CIMB UK/EU Non-Deal Road Show Site visit / yard tour organised for retail shareholders Site visit / yard tour organised for analysts and institutional investors

INVESTOR RELATIONS

FINANCIAL CALENDAR

Announcement of Results and Dividends	2019	2018
Full year	February 20	February 21
Quarter 1	May 3*	April 25
Quarter 2	August 8*	July 20
Quarter 3	November 13*	October 25
Final Dividend Payment	N.A.	May 11
Delivery of Annual Report and Notice of Meeting	April 1	March 29
Annual General Meeting	April 16	April 18

*Updates will be posted on www.sebmarine.com



Post-3Q2018 results meeting with institutional investors hosted by Credit Suisse



Deutsche Bank dbAccess Asia Conference 2018



Morgan Stanley Asia Pacific Summit



Citi ASEAN C-Suite Investor Conference 2018



Buy-side investors' tour of steel fabrication workshop



Nomura Investment Forum Asia 2018



Institutional investors meeting at Tuas Boulevard Yard



Post-4Q2017 results meeting with institutional investors hosted by DBS

A host of engagement activities were organised in the year to reach out to a broad profile of institutional investors

APPROACH TO SUSTAINABILITY



Sembcorp Marine takes a long-term approach to creating value for its stakeholders in a way that achieves positive performance in environmental sustainability and social growth, while achieving business growth and maintaining high standards of corporate governance.

CORPORATE RESPONSIBILITY

Sembcorp Marine’s approach to sustainability is anchored in its mission, vision and values, which serve as the guiding principles for the conduct of its businesses.

The Group’s commitment to human rights, responsible business practices, corporate social responsibility and good corporate governance is articulated in detail by Sembcorp Marine’s Code of Business Conduct (document available on www.sembmarine.com/code-business-conduct) which defines the ethical standards and professional behaviour by which all personnel are expected to abide.

Respect for human rights – covering workplace safety, health and security, freedom of association, diversity, inclusion, equality, fair and decent employment terms as well as care for local communities – is embedded in policies and systems throughout Sembcorp Marine’s global business operations and value chain.

The Group’s human rights commitment is in turn guided by the United Nations (UN) Declaration of Human Rights, UN Guiding Principles

on Business and Human Rights, International Covenant on Civil and Political Rights, International Covenant on Economic, Social and Cultural Rights as well as the International Labour Organization Declaration on Fundamental Principles and Rights at Work.

To provide supply chain vendors, contractors and partners with greater clarity, a Supplier Code of Conduct (accessible at www.sembmarine.com/supplier-code-of-conduct) was introduced in 2018. This document gives guidance on the Group’s expectations relating to business integrity, conflict of interest, human rights, fair employment, decent labour practices, ethical sourcing, health, safety and environmental responsibility, data protection and privacy, as well as compliance with export controls and sanctions.

Sembcorp Marine’s corporate governance framework ensures control measures are in place for the Group’s business responsibilities. Ever vigilant of potential impacts on its business and operational sustainability, the Group adopts a precautionary approach to identifying and assessing strategic, operational and commercial risks.

Risk mitigation measures are used to manage risk and formulate action plans to capitalise on opportunities identified through the risk management process. For more information about the Group’s enterprise risk management framework, please refer to pages 106 - 115 of the Sustainability Report.

Sembcorp Marine advances sustainability through its membership in the Global Compact Network Singapore, a non-profit organisation that champions responsible business practices based on United Nations Global Compact guidance on human rights, labour, environment and corporate

APPROACH TO SUSTAINABILITY

governance. The Group has also endorsed the Tripartite Alliance for Fair and Progressive Employment Practices employers' pledge, reflecting its commitment to providing fair treatment and equal opportunities to employees.

A member of the World Ocean Council, Sembcorp Marine supports environmental responsibility, ocean sustainable development and responsible maritime stewardship. The Group is also committed to the Singapore Climate Action Pledge to reduce its impact on climate change.

In 2018, Sembcorp Marine received various awards in recognition of its commitment towards corporate social responsibility. The Group won the 2018 Seatrade Maritime Asia Safety Initiative Award for its CARE programme, which is a workplace safety and health initiative that empowers any stakeholder in the yard to halt work if potential safety hazards are spotted.

Sembcorp Marine's care for the social, recreational and emotional needs of foreign workers in its dormitories was also lauded at Singapore's annual Dormitory Awards, organised by the Ministry of Manpower in partnership with the Dormitory Association of Singapore and the Migrant Workers' Centre.

SUSTAINABILITY COUNCIL

Sembcorp Marine's Sustainability Council, formed in 2016, manages the Group's sustainability programmes. Headed by President & CEO Mr Wong Weng Sun, the Sustainability Council steers the Group's strategic drive towards sustainable growth based on economic, environmental, social and governance considerations.

Scan for more information on the Sustainability Council and framework



MATERIALITY AND STAKEHOLDER ENGAGEMENT

The 2018 Sustainability Report, which sits within this Annual Report, elaborates on Sembcorp Marine's significant economic, environmental, social and governance impacts. The materiality principle is applied using a process that aligns with Global Reporting Initiative (GRI) Standards 101 (clause 1.3), 102-44, 102-46 and 102-47 on defining content and boundaries.

The process is based on an internal Materiality Review Workshop in June 2018 facilitated by the Sustainability Secretariat, involving members of the Group's various governing bodies and functions, and informed by prior analyses since 2015. The validated results showed no change to the seven material topics identified in 2017. Additionally, the Group aligned its material topics with 11 UN Sustainable Development Goals.

As part of a business transformation process, the Group reviewed inputs from Management, employees, independent consultants, and comparative studies in the sector and region. Feedback from the investment community was also obtained to identify and map stakeholders who influence, or are influenced by, Sembcorp Marine and its operations. The process additionally established the objectives of engagement, channels of communication and methods to cultivate relationships that create mutual value and shared trust among stakeholders. These stakeholders include customers, media, fund managers, specialist vendors, technology partners, contractors, classification societies, regulatory bodies and government ministries of countries in which the Group operates. Interaction with stakeholders takes place globally across Sembcorp Marine's business operations. More information on the Group's stakeholders and engagement platforms are detailed on pages 73 - 77.



BOARD STATEMENT ON SUSTAINABILITY REPORT

- Sembcorp Marine Board of Directors is committed to sustainability.
- The Board believes that the 2018 Sustainability Report provides a reasonable and clear presentation of the company's sustainability strategy in four key areas: Environmental Sustainability, Social Growth, Corporate Governance and Business Growth. There are seven material issues determined and adopted under the four key sustainability areas.
- The Sustainability Council, chaired by the President & Chief Executive Officer and comprising members of senior management and key business units, assists the Board in overseeing and monitoring the company's sustainability initiatives.
- On behalf of the Sustainability Council, the Sustainability Secretariat provides regular updates on the company's sustainability initiatives, challenges, targets and progress at Board meetings.
- The 2018 Sustainability Report is prepared in accordance with the SGX Sustainability Reporting Guide and the Global Reporting Initiative (GRI) Standards: Core Option.



MATERIAL ISSUES

Sembcorp Marine supports the UN Sustainable Development Goals and have identified 11 Goals which are most relevant to the Group's business strategy and activities. The alignment of the Group's material issues with these Goals is shown in the following pages. Goal 17 (Partnerships for the Goals) is aligned to all the Group's material issues and forms the basis for the advancement of the UN Sustainable Development Goals.



Economic

Innovation and Solutions Development

Sustaining Competitiveness (pages 118 - 122)

Sembcorp Marine invests in innovation to develop sustainable and cost-competitive solutions that add value for stakeholders, generate new income streams and create opportunities for future growth. As a key thrust of the Group's business strategy, Sembcorp Marine targets to expand and diversify its portfolio of products, services and technologies to offer customers innovative and customised solutions across the offshore, marine and energy value chains. Diversity in the Group's product mix strengthens its versatility and resilience, which helps mitigate cyclical risks in the industry. Process innovation continuously enhances Sembcorp Marine's safe and efficient operations, ensuring competitiveness and sustaining business growth.

Approach:

Sembcorp Marine adopts a three-pronged approach in researching, developing and collaborating on innovation and solutions development. Through in-house expertise and an extensive network of partners, the Group expands and accelerates the discovery and creation of emerging technologies and new opportunities. The Group works actively to initiate, evaluate and manage the development and deployment of new products, technologies, systems and processes. These range from identifying emerging technologies to designing, prototyping, test-bedding and commercialisation.

Material Impact:

Customers, Business Partners, Technology Partners, Financial & Investment Communities, Regulators

UN Sustainable Development Goals:

Goal 7: Affordable and Clean Energy
 Goal 9: Industry, Innovation and Infrastructure
 Goal 14: Life Below Water

APPROACH TO SUSTAINABILITY

MATERIAL ISSUES

Economic

Customer Alignment

Sustaining Competitiveness (pages 128 - 133)

Growing a strong customer base, creating brand loyalty and building trust are vital to Sembcorp Marine's profitability and growth. It is crucial to have a keen understanding of the market environment in order to develop products and solutions that fulfil the needs and requirements of customers. Sustainability impacts are taken into account during the conceptualisation and development of the Group's products and solutions. Sembcorp Marine aims to be the partner of choice for offshore, marine and energy customers.

Approach:

Regular engagements via multiple platforms at different levels of operation and management enable Sembcorp Marine to build a holistic approach to engaging customers. Customer retention and satisfaction levels are tracked as key indicators for economic performance and business resilience. Consistent and excellent quality, safety and environmental performances are achieved by robust management systems – such as a customer relationship management framework, processes for ISO 9001, OHSAS 18001 and ISO 14001 certifications, audit systems and customer satisfaction feedback gathering – that ensure effective collaboration, timely response to feedback, as well as high standards of quality, safety, environment and operational performance.

These processes undergo regular reviews and are adapted by various yard facilities based on the nature of business, project timeline and type of customers.

Material Impact:

Customers, Employees, Business Partners, Financial & Investment Communities

UN Sustainable Development Goals:

Goal 8: Decent Work and Economic Growth

Goal 9: Industry, Innovation and Infrastructure



MATERIAL ISSUES

Environmental

Environmental Sustainability

Environmental Sustainability (pages 134 - 139)

To address global issues of ocean sustainable development, resource scarcity and a changing climate, Sembcorp Marine recognises the importance of integrating environmental considerations into the Group's business decisions. Managing the environmental impact of its operations enables the Group to do its part to secure a sustainable future and create value for stakeholders. This also brings about commercial benefits, better risk management and enhanced competitiveness for the organisation.

Approach:

Sembcorp Marine strives to achieve environmental sustainability and continuous business growth through three key drivers: green, smart and efficient operations; environmentally-friendly products and services; and responsible supply chain.

Sembcorp Marine's Environmental Policy identifies the key aspects of the Group's environmental management systems. The Group uses a precautionary approach by developing a comprehensive Environment Impact Assessment (EIA) to identify, assess and address environment-related aspects and impacts.

The assessment includes climate change, waste and recycling, air quality, and resource consumption. Regular audits for compliance with local regulations and international standards are undertaken as part of ISO 9001 and ISO 14001 certification requirements.

Reviewed annually, Sembcorp Marine's environmental policy and practices encompass all employees, contractors and customers.

Anchored by an innovation culture, disciplined technology research and engineering development capabilities, Sembcorp Marine offers a suite of products that are cost-effective, safe, smart, superior and environmentally-friendly for customers, the industry and the community.

Material Impact:

Customers, Employees, Business Partners, Community, Regulators

UN Sustainable Development Goals:

Goal 3: Good Health and Well-being
Goal 7: Affordable and Clean Energy
Goal 12: Responsible Consumption and Production
Goal 13: Climate Action
Goal 14: Life Below Water
Goal 15: Life on Land

APPROACH TO SUSTAINABILITY

MATERIAL ISSUES

Social

Human Capital

Human Capital (pages 140 - 149)

Human capital is a key lever for continuous growth and success. Sembcorp Marine's human resource strategy contributes to the Group's mission, vision and business goals by: talent management and leadership development; enhancing workforce competencies and capabilities; ensuring respect for human rights across its operations and value chain; providing fair employment and equal opportunities; as well as employee recognition, engagement and well-being. Preparing the next generation of leaders as part of succession planning is important to Sembcorp Marine's long-term progress and competitiveness.

Approach:

Sembcorp Marine complies with the labour laws in its various countries of operation, including respect for human rights and fair employment guidelines in accordance with all employment related acts and legislation of Singapore, which is a member country of the International Labour Organization (ILO).

Sembcorp Marine's commitment to human rights is articulated in the Group's policies which is guided by the UN Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, International Covenant on Civil and Political Rights, International Covenant on Economic, Social and Cultural Rights as well as the ILO Declaration on Fundamental Principles and Rights at Work. The Group respects employees' right to freedom of association and embraces fair employment, diversity and inclusivity at the workplace in alignment with tenets advocated by Singapore's Tripartite Alliance for Fair and Progressive Employment Practices.

Sembcorp Marine's human capital strategy covers workforce development; competence-building and skills enhancement; organisational development; as well as cultivation of a strong company culture and identity. The Group seeks to offer a compelling employment experience, competitive compensation and benefits, opportunities for personal and professional development, as well as an enriching environment that promotes merit-based progression.

The Group gears its people development systems towards business excellence to support the attainment of recognised standards, such as ISO 9001, OHSAS 18001 and ISO 14001, which involve structured evaluation processes. Various engagement platforms and communication channels gather employee feedback in order to achieve continuous improvement.

Material Impact:

Customers, Employees, Business Partners, Community, Regulators

UN Sustainable Development Goals:

Goal 4: Quality Education

Goal 8: Decent Work and Economic Growth

Total Workplace Safety and Health

Total Workplace Safety and Health (pages 150 - 156)

Sembcorp Marine is fully committed to creating and maintaining a culture where safety is at the forefront of all its operations. The Group has systems in place which aim to mitigate safety and health risks in the workplace. Measures are in place to ensure that employees, contractors, suppliers and other stakeholders uphold high standards of occupational safety and health.

Approach:

A Health, Safety, Security, Environment and Quality Policy governs Sembcorp Marine's approach to total workplace safety and health. It ensures that the Group comply with national legislation (e.g. Singapore's Workplace Safety and Health Act), international regulations and recognised standards (e.g. OHSAS 18001 and SS 506). The Group's workplace safety and health (WSH) strategy comprises four pillars: enhancing health, safety and environment (HSE) competencies and capabilities; building commitment and leadership towards a better WSH culture; working with stakeholders; and continuously improving risk and safety management systems. The Group's WSH strategy is integrated into all levels of operations and overseen by the Board Risk Committee. Regular reviews are conducted to evaluate the Group's WSH strategy and performance.

Material Impact:

Customers, Employees, Business Partners, Community, Regulators

UN Sustainable Development Goals:

Goal 3: Good Health and Well-being

Goal 8: Decent Work and Economic Growth

MATERIAL ISSUES

Social

Community Engagement

Community Engagement (pages 157 - 163)

Sembcorp Marine recognises the importance of active involvement in the community. Contributing towards community improvements and social advancements enables the Group to extend its positive influence as an agent for change and value creation.

Approach:

Sembcorp Marine's community engagement strategy focuses on Youth and Education, Environmental Care, Community Care, Active Lifestyle and Culture, and Industry Outreach. The Group contributes to society through various activities that support capability development, education outreach, employment creation, community building and social improvement. Regular reviews are conducted to evaluate the scope of Sembcorp Marine's social outreach efforts and the relevance of its community initiatives. The Group's community engagement strategy is aligned with the UN Sustainable Development Goals and ISO 26000 Guidance on Social Responsibility.

Material Impact:

Customers, Employees, Business Partners, Community

UN Sustainable Development Goals:

Goal 3: Good Health and Well-being
Goal 4: Quality Education
Goal 9: Industry, Innovation and Infrastructure
Goal 13: Climate Action
Goal 14: Life Below Water
Goal 15: Life on Land

Corporate Governance

Business Integrity

Corporate Governance (pages 79 - 105); Risk Management (pages 106 - 115)

Business integrity through good corporate governance and effective risk management processes is vital to safeguarding the long-term interests of shareholders and the Group's assets. Upholding Sembcorp Marine's reputation as a well-governed and socially responsible company enables the Group to gain the trust and confidence of its customers, investors, partners and other stakeholders. Operating with ethics reinforces Sembcorp Marine's corporate values, while setting a tone of morality for the community in which it influences.

Approach:

Sembcorp Marine seeks continuously to secure the trust and confidence of customers, investors, partners and other stakeholders, by upholding its reputation as a well-governed and socially responsible company. This is achieved through the Group's commitment to effective governance and prudent decision making, enabled by effective risk management processes and robust internal controls, vital to safeguarding the long-term interests of stakeholders and the Group's assets. The Group embeds the principles of transparency, professionalism, fairness and integrity in compliance with legal regulations across its global network, and does not tolerate bribery and corruption in its dealings and operations.

Material Impact:

Customers, Employees, Business Partners, Financial & Investment Communities, Regulators

UN Sustainable Development Goals:

Goal 8: Decent Work and Economic Growth
Goal 16: Peace, Justice and Strong Institutions

APPROACH TO SUSTAINABILITY

TARGETS PERFORMANCE



For more information on Sembcorp Marine's 2020 and 2025 targets, please see Sembcorp Marine's previously published 2017 Annual Report, pages 71 to 73

Material Issues

2018 Achievements

Innovation and Solutions Development



- Production floater solutions:
 - Secured Shell Vito Floating Production Unit (FPU) project with superior engineering and execution capability
 - Acquired intellectual property rights for Sevan SSP circular hull solution for deeper and harsher ocean deployment
- Gas value chain solutions:
 - Commercialised gas value chain solutions
 - Developed market-ready LNG bunker vessel solutions
 - Developed gas powered tug solutions
 - Continued to actively market Gravifloat and other gas value chain solutions
- Renewable energy and green product solutions:
 - Awarded design and build contract for three units of truly zero-emission 80-DEH hybrid plug-in roll-on/roll-off passenger (ropax) ferries equipped with batteries charged by hydroelectricity
 - Retrofitted 58 vessels with ballast water management systems and marine scrubbers
- Collaboration with research institutions and technology partners:
 - Signed MOU with American Bureau of Shipping (ABS) and Agency for Science, Technology and Research's (A*STAR) Institute of High Performance Computing (IHPC) to develop gas solutions for offshore, marine and energy applications
 - Joint development with ABS to attain Cybersecurity-Ready Notation
 - Six joint projects with AkzoNobel relating to corrosion control coating for offshore and marine applications
- Achieved 9.16% of annual company turnover from sustainable products

Customer Alignment



- Participated in key trade events e.g. Offshore Technology Conference, Posidonia, Gastech, SMM, Seatrade Cruise, Rio Oil & Gas and MEC exhibitions
- Secured more than \$200 million worth of projects in new market segments:
 - Awarded a design and build contract for three units of ropax hybrid plug-in ferries for deployment in environmentally-sensitive Norwegian waters
 - Awarded engineering, procurement, construction, hook-up and commissioning contract for two substation topsides to be deployed at the Hornsea 2 Offshore Wind Farm
- Maintained global leadership in turnkey offshore and marine newbuild solutions:
 - Construction and integration of hull, topsides and living quarters for Shell Vito semi-submersible FPU
 - Engineering, procurement and construction (EPC) contract from TechnipFMC, covering fabrication and integration of Floating Production Storage and Offloading vessel (FPSO) hull, living quarters and topsides
- Maintained above 96% customer satisfaction for repair and upgrading projects
- Fulfilled compliance audits for ISO 9001, OHSAS 18001 and ISO 14001
- Conducted impact assessments for lifecycle stages of products and solutions through HAZID and HAZOP studies
- Attained first-of-a-kind Cybersecurity-Ready Notation for Borr Drilling's newbuild jack-up rig.
- Maintained high standards of customer security and data privacy protection



TARGETS PERFORMANCE

Material Issues

2018 Achievements

Environmental Sustainability



- Rolled out Sembcorp Marine environmental sustainability "Climate, Ocean and Earth" programmes in line with UN Sustainable Development Goals
- Implemented initiatives to reduce carbon footprint and fight climate change:
 - E4Rs (Eliminate, Reduce, Recycle, Reuse, Recover) initiative – a robust programme to develop the mindset of protecting the environment
 - Commissioned digital energy saving system to generate solar energy and offset operational carbon footprint
 - Engaged Carbon Care Asia for sustainable products' carbon footprint evaluation
- 100% active suppliers in the Group's approved vendors list declared compliance with Sembcorp Marine's Supplier Code of Conduct and sustainability standards
- Achieved Building and Construction Authority Green Mark GoldPLUS status for new corporate building
- No significant fines or non-compliance sanctions

Human Capital



- Continued workforce planning and talent management strategies
- Maintained zero reported cases of discrimination and exploitative labour practices
- Invested \$6.20 million (1.5% of total payroll) in employee training and development globally
- Achieved average of 38 training hours per employee
- Partnered with Institute of Technical Education (ITE) on Work-Learn Technical Diploma to ensure steady stream of skilled talent for the Group
- Continued implementation of performance management system and disciplinary procedure handling
- Continued to offer comprehensive medical, healthcare and flexible benefits

Total Workplace Safety and Health



- Adopted a robust and audited WSH Framework
- Established the President & CEO Health, Safety, Security and Environment (HSSE) pledge
- Implemented Group-wide "Safety Starts with Me" campaign to reinforce personal ownership on HSE
- Accident frequency rate, accident severity rate and workplace injury rate better than national average
- Continuous enhancement towards Vision Zero incident target
- 100% participation in safety induction training for all yard visitors
- Conducted quarterly contractor WSH performance awards to recognise good WSH performance
- Received 1 Gold Award, 2 Silver Awards and 1 Bronze Award in ASMI 21st Convention for Workplace Safety and Health Innovations in Marine Industry

APPROACH TO SUSTAINABILITY

TARGETS PERFORMANCE

Material Issues

2018 Achievements

Community Engagement



- Implemented holistic community engagement programme in line with UN Sustainable Development Goals
- More than \$1.68 million annual investment in community engagement
- More than 6,680 hours of participation in community projects and volunteering activities by employees
- Launched new INSIGHT programme to enhance students' learning through hands-on guidance from operational specialists
- 843 participants from schools, including technical and tertiary institutions, in Sembcorp Marine's Green Wave Environmental Care competition
- More than 1,000 students benefited from Sembcorp Marine's 2018 SchoolBAG financial assistance programme
- Signed terms of agreement for a new ITE Financial Assistance Grant programme

Business Integrity



- Continued collaboration with Global Compact Network Singapore on national and industry sustainability capability building, as a Platinum sponsor
- Passed first independent third-party sustainability assurance by PwC for Sembcorp Marine's sustainability report
- Met SGX-ST Listing Rule Practice Note 7.6 on sustainability reporting requirements
- Sembcorp Marine Strategy Planning covered business growth as integral part of sustainability
- Completed materiality review. Material issues are now aligned with 11 UN Sustainable Development Goals
- Launched Supplier Code of Conduct and maintained 100% declaration of compliance with Code of Business Conduct by third parties as well as employees
- Anti-bribery and anti-corruption policies in place and training conducted for new employees

STAKEHOLDERS & ENGAGEMENT PLATFORMS

Stakeholders	Stakeholders' Expectations/Concerns	Activities in 2018	Engagement & Communication Platforms
Customers	<ul style="list-style-type: none"> Ability to offer reliable, competitive and cost-efficient solutions that are safe and environmentally responsible Proven track record of successful projects Timely delivery within budget Clear channels of communication Robust compliance Adherence to customers' codes of conduct Top-down commitment to health, safety, environment issues and zero workplace incidents goal Accurate and timely information Flexibility to work together Solutions to fulfil new international environmental expectations 	<ul style="list-style-type: none"> Regular customer surveys to gather comments and feedback Seminars and conferences promoting green technology retrofit solutions and LNG gas value chain capabilities Secured new long-term agreements for repairs and upgrades with: <ul style="list-style-type: none"> Shell / GasLog Solvang ASA Won biggest green technology retrofit contract (as at September 2018) from Maran Tankers for installation of scrubbers and ballast water management systems Delivery of <ul style="list-style-type: none"> First full turnkey newbuild harsh-environment Floating Storage and Offloading vessel (FSO) Ailsa to owner MODEC and operator TOTAL with zero lost-time incidents Culzean wellhead, utilities & living quarters as well as central processing facility topsides project to TOTAL Kaombo Norte and Kaombo Sul FPSO conversions to Saipem Eight jack-ups (one to BOT Lease and seven to Borr Drilling) 296 vessels repaired/upgraded Achieved global record for the most LNG vessel repairs/upgrades in 2018 (41 units) 10 cruise ships repaired/upgraded for the year Ongoing communication of Sembcorp Marine Enterprise Compliance programmes with customers Mass toolbox briefing to all persons at work Exhibition participation and networking events organised for customers and other stakeholders in Singapore, Hong Kong, China, Japan, Greece, Spain, USA and Brazil 	<ul style="list-style-type: none"> Cross-functional project meetings with customers Daily, weekly, quarterly and annual project coordination meetings and customer engagements Health, safety, security, environment and quality (HSSEQ) programmes Surveys Naming and delivery events for completed projects Participation in exhibitions and conferences Platforms to network and build relationships Corporate website, email and newsletters Dialogue sessions between customers and yard management Joint quality assurance and control checks, HSSE onsite inspections and emergency-response drills with customers, contractors, vendors and stakeholders Social and community improvement programmes led by Sembcorp Marine

APPROACH TO SUSTAINABILITY

STAKEHOLDERS & ENGAGEMENT PLATFORMS

Stakeholders	Stakeholders' Expectations/Concerns	Activities in 2018	Engagement & Communication Platforms
Business Partners	<ul style="list-style-type: none"> Compliance with: <ul style="list-style-type: none"> Regulations Code of Business Conduct Supplier Code of Conduct Human Rights Policy HSSEQ policies and protocols Terms and conditions of purchasing policies and agreements Business integrity and trustworthiness Training support Clear two-way communication Opportunities for growth and collaboration 	<ul style="list-style-type: none"> Introduced Supplier Code of Conduct Continued application of sustainability criteria for the approved vendors list Mandatory declaration of compliance by suppliers and contractors with Sembcorp Marine Human Rights Policy and ethical codes of conduct Technical visits, factory acceptance tests and site audits for suppliers Technology sharing with key suppliers Provided sub-contractors with 262,174 hours of training Dialogue sessions at various levels ranging from management to operations Involvement of contractors in WSH improvement programmes Audits on resident contractors to assess performance, safety, quality, sustainability and social responsibility Over 130 HSSE drills bizSAFE certification Daily work briefings 	<ul style="list-style-type: none"> Project planning platforms Declaration of ethical business practices Briefings on human rights and corporate governance compliance Sharing of best practices, technical developments and new technologies Supplier and contractor reviews and audits Training for contractor partners Joint HSSE emergency-response drills Involvement in safety campaigns and events Joint site inspections of projects Regular dialogue platforms with senior management Social and community improvement programmes

STAKEHOLDERS & ENGAGEMENT PLATFORMS

Stakeholders	Stakeholders' Expectations/Concerns	Activities in 2018	Engagement & Communication Platforms
Employees	<ul style="list-style-type: none"> • Safe workplace • Nurturing environment • Human rights • Fair labour practices and compensation • Ethical work culture • Career growth / personal development opportunities • Training and upgrading • Two-way communication platforms • Reprisal-free processes for raising grievances and work concerns 	<ul style="list-style-type: none"> • Provided 450,972 training hours globally (average of 38 training hours per employee) • Invested \$6.20 million globally in employee training and development programmes • Sembcorp Marine Academy employee training programmes • Supported workforce development initiatives by Workforce Singapore (WSG) and National Trades Union Congress Employment and Employability Institute • Participated in WSG Professional Conversion Programme to re-skill and up-skill employees • Partnered with ITE on the Work-Learn Technical Diploma for marine engineering courses • Guidebook to the Code of Business Conduct available online • Training on human rights, personal data protection, and policies relating to anti-bribery, anti-corruption and whistle-blowing • Regular engagement with unions • 687 employee long-service awards presented • Employee bonding and festive events • Organised health promotion and total wellness initiatives for employees 	<ul style="list-style-type: none"> • Regular reviews and appraisals • Employee dialogue sessions • Surveys • Briefings and toolbox meetings • Meet-the-management sessions • Online training • Development programmes and training workshops/courses • Union-management dialogues • Promotion of anonymous and/or reprisal-free feedback platforms e.g. whistle-blowing channels and Stop-Work Authority programme • Grievance/feedback channels • Campaigns and recognition awards for WSH and innovation • Long-service awards • Social events, including festive celebrations • Newsletters, posters and memos • Regular updates through intranet portals/emails/memos • Intranet platforms for policies, news and benefits • Corporate website and email
Financial & Investment Communities and Media	<ul style="list-style-type: none"> • Business resilience and financial performance • Timely information • Transparent, open and effective communication • Responsible management • Corporate governance and compliance 	<ul style="list-style-type: none"> • Publicly accessible results reports, CEO speeches, press releases, annual reports via corporate website, SGX and email • Annual General Meeting for shareholders • Bi-annual financial results briefings for analysts, bankers and media • More than 590 teleconferences, meetings and engagements • Communication channels accessible to all via website, email and telephone • Learning tours for analysts, retail investors and media 	<ul style="list-style-type: none"> • Results announcements and news releases • Regular reporting and communication platforms for shareholders • Briefings for analysts and media • Meetings, conference calls and site visits for analysts, fund managers and retail shareholders • Roadshows and investor conferences • Corporate website and email • Ratings and rankings

APPROACH TO SUSTAINABILITY

STAKEHOLDERS & ENGAGEMENT PLATFORMS

Stakeholders	Stakeholders' Expectations/Concerns	Activities in 2018	Engagement & Communication Platforms
Local Communities	<ul style="list-style-type: none"> Promoting community care and welfare Support for social, community, sustainability and industry causes Action on the ground from corporate social responsibility programmes 	<ul style="list-style-type: none"> Contributions of more than \$1.68 million to social, community and industry causes, e.g. SchoolBAG grants of \$203,800 More than 6,680 hours of participation in community projects and volunteering activities by employees Launch of ITE Financial Assistance Grant, valued at \$576,000 to be disbursed over two years Academic awards and bursaries totalling \$82,650 disbursed to children of employees Launch of the Sembcorp Marine INSIGHT Programme to enhance learning of students through site visits to witness key project milestones Annual Green Wave Environmental Care Competition Coastal clean-up initiative Sponsorship and support of sustainability, social improvement and community development projects Sponsorship support for students from the Singapore University of Technology and Design for the Capstone project Festive activities for the less privileged 	<ul style="list-style-type: none"> Multi-tiered financial assistance programmes Corporate website and email feedback channels Educational programmes Organisation of events Sponsorship of events Collaborations with educational, social and community institutions Volunteering initiatives Timely news releases Newsletters

STAKEHOLDERS & ENGAGEMENT PLATFORMS

Stakeholders	Stakeholders' Expectations/Concerns	Activities in 2018	Engagement & Communication Platforms
Government & Industry Partners	<ul style="list-style-type: none"> • Compliance with regulations • Collaborative efforts to share knowledge • Joint development and deployment of best practices • Joint development of new technologies • Joint management of resources and expertise • Support for national initiatives 	<ul style="list-style-type: none"> • Site visits and dialogue sessions with government representatives • Sponsorship/participation in local events to promote the industry and enhance strategic relations • MOU with ABS and A*STAR's IHPC to develop new LNG technologies, applications and capabilities • MOU with DNV GL, Singapore Institute of Manufacturing Technology, and National Additive Manufacturing Innovation Cluster (NAMIC) on development of Additive Manufacturing, Drone and Digital Twin technologies • Ongoing joint collaboration with Singapore Power to develop and integrate a digital energy-saving system to harness solar energy • Presentations on new technology or green solutions at the Asia Europe Meeting, Singapore Maritime Week 2018, and NAMIC Energy & Maritime Summit • Commitment to A*STAR's Technology Centre for Offshore and Marine, Singapore • Joint safety, security, environment, health and innovation-related activities with partners e.g. CultureSAFE programme • Continued research programmes • Active contribution to international, national and industry associations like Singapore Maritime Institute, Association of Singapore Marine Industries, Singapore Maritime Foundation, as well as regional WSH committees of industry partners 	<ul style="list-style-type: none"> • Dialogue sessions and site visits with government authorities and trade associations on safety, health, manpower, security and environment issues • International, national and industry-level events • Workplace safety and health collaborations • R&D collaborations

APPROACH TO SUSTAINABILITY

SCOPE OF SUSTAINABILITY REPORT

The Sembcorp Marine Sustainability Report is an annual publication that is supplemented by the Sustainability section on the Group's website at www.sembmarine.com/sustainability.

This publication is the eighth report since 2011 and has been prepared in accordance with the GRI Standards: Core option. The 2018 standards for GRI 303 Water and Effluents and GRI 403 Occupational Health and Safety have been adopted for this report. Additional GRI Standard indicators are disclosed by the Group as a response to stakeholder interest.

In line with Sembcorp Marine's aim to improve the quality of reporting and meet stakeholder interests, the Group has integrated two additional reporting frameworks for the Sustainability Report 2018 – the UN Sustainable Development Goals and the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting issued by IPIECA, the American Petroleum Institute (API) and the International Association of Oil & Gas Producers (IOGP).

The reporting scope of the Sembcorp Marine Sustainability Report 2018 continues to be focused on the yards under the Group's operational control in Singapore (see page 343 of this publication), unless otherwise stated. These yards have the most significant impact on the Group's environmental, social, governance and economic indicators. The data reported relates to the financial year from 1 January to 31 December 2018. Within the Sustainability Report, the terms "Sembcorp Marine" and "Sembcorp Marine Ltd" are used interchangeably to reference operations and facilities in Singapore, except where indicated.

Frameworks		
SGX Sustainability Reporting Guidelines	Listing regulation from the Singapore Exchange	Index can be found on page 164
GRI Standards: Core option	An independent and voluntary global reporting framework developed from a multi-stakeholder approach. It is widely adopted by international entities including Sembcorp Marine's customers and governments, thus providing a common platform of evaluation	Index can be found on pages 165 - 170
United Nations Sustainable Development Goals	A set of global goals overseen by the United Nations Development Programme that serves as a universal call to end poverty, protect the planet, and ensure all people enjoy peace and prosperity	See pages 65 - 69 for alignment with Sembcorp Marine material issues
IPIECA / API / IOGP Oil and Gas Industry Guidance on Voluntary Sustainability Reporting	Issued by IPIECA, the global oil and gas industry association for environmental and social issues, API and IOGP, the framework has been extensively adopted by Sembcorp Marine's customers in the oil and gas sector	Refer to pages 165 - 170 for alignment with the indicators in the GRI Content Index

The scope of the Group's consolidated financial statements is separately detailed in the Notes to the Financial Statements on pages 205 - 331.

PricewaterhouseCoopers LLP continues its second year to undertake a limited assurance engagement in respect of selected sustainability information of Sembcorp Marine Ltd's Singapore operations. The scope of assurance was conducted in accordance with the Singapore Standard on Assurance Engagements (SSAE) 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information. Details can be found in the Independent Limited Assurance Report on Sustainability Information on pages 171 - 172.

ACCESSIBILITY

Sembcorp Marine's Sustainability Report is published as part of the Annual Report as it provides shareholders and readers with a more holistic overview of the Group's sustainability, economic and business performance. The corporate website is also a repository for Sembcorp Marine's sustainability disclosures, which should be read in conjunction with the report.

Sustainability reports from previous years are available on the corporate website. Limited copies of the printed report are produced annually to mitigate the impact on the environment.

To provide feedback on Sembcorp Marine's sustainability reporting, please email sustainability@sembmarine.com.

CORPORATE GOVERNANCE

Sembcorp Marine Ltd and its subsidiaries ("Sembcorp Marine", "SCM" or the "Group") believe that good corporate governance supports long-term shareholder value. To strive for the highest standards of corporate performance and accountability, the Group has embedded corporate governance principles in its corporate culture. This culture is in turn anchored on effective leadership, robust internal controls and a set of core values.

Governance Disclosure Guide

Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code. In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?

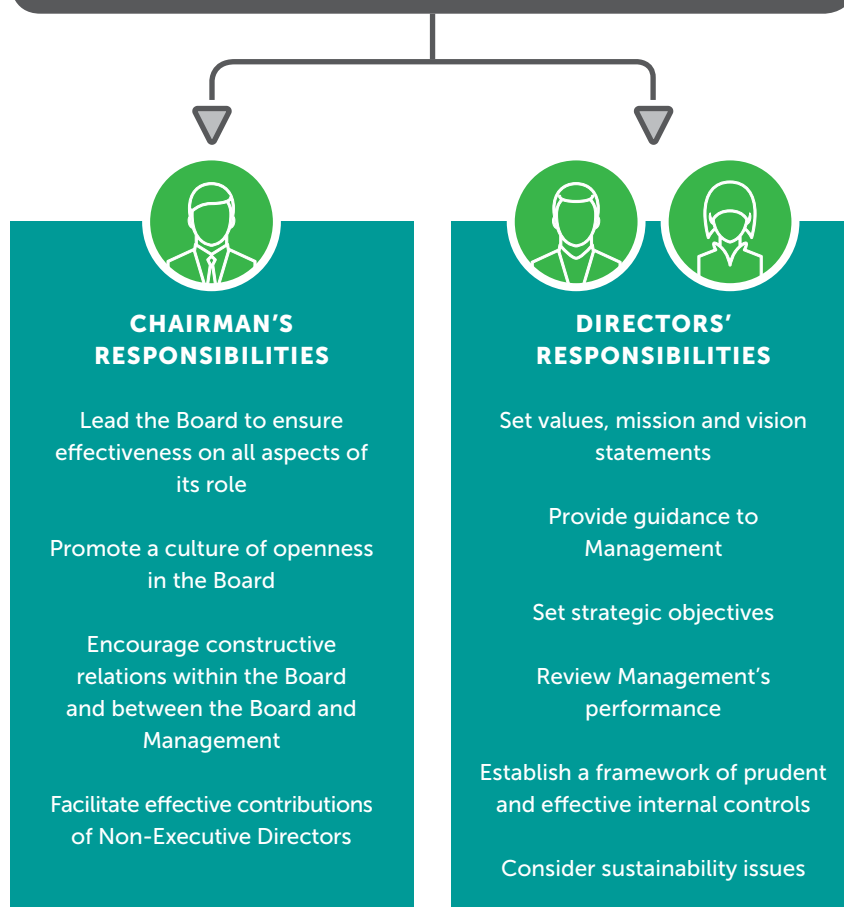
This report covers Sembcorp Marine's corporate governance practices with reference to the principles and guidelines of the Singapore Code of Corporate Governance 2012 (the "Code").

The Board is pleased to confirm that the Group has complied in all material aspects with the principles and guidelines set out in the Code and any deviations are explained in this report.

SEMBCORP MARINE CORPORATE GOVERNANCE FRAMEWORK

THE BOARD OF SEMBCORP MARINE

11 Directors | 8 Independent Directors | 2 Non-Independent Directors | 1 Executive Director



CORPORATE GOVERNANCE

AUDIT COMMITTEE

4 Independent Directors
1 Non-Independent Director

Key Responsibilities

Assist the Board in discharging its statutory and other responsibilities relating to internal controls, financial and accounting matters, compliance, and business and financial risk management

BOARD RISK COMMITTEE

5 Independent Directors

Key Responsibilities

Assist the Board in ensuring that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets, determine the nature and extent of the significant risks that the Board is willing to take in achieving its strategic objectives

EXECUTIVE COMMITTEE

3 Independent Directors
2 Non-Independent Directors

Key Responsibilities

Assist the Board in reviewing and approving matters as required under the Group's policies

EXECUTIVE RESOURCE & COMPENSATION COMMITTEE

4 Independent Directors

Key Responsibilities

Assist the Board in overseeing the remuneration of the Board and senior management, and set appropriate remuneration framework and policies, including long-term incentive schemes, to deliver annual and long-term performance of the Group

NOMINATING COMMITTEE

3 Independent Directors

Key Responsibilities

Assist the Board in evaluating the performance of the Board, its committees and Directors; review the profile and independence of Directors; make recommendation to the Board on new appointment; re-nomination and retirement of Directors

SPECIAL COMMITTEE

3 Independent Directors
1 Non-Independent Director

Key Responsibilities

Assist the Board in conducting internal investigations into allegations of improper payments in Brazil and deals with issues arising in connection with the matter

BOARD MATTERS



The Board's Conduct of its Affairs

PRINCIPLE 1:

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board aims to create value for shareholders and ensure the Group's long-term success by focusing on the right business strategies, managing risk and ensuring a strong management

team, with proper succession planning and the right compensation framework. It also seeks to align the interests of the Board and Management with those of shareholders and balance the interests of all stakeholders. In addition, the Board sets the tone for the Group on ethics and values. To these ends, Sembcorp Marine has a set of well-defined policies and procedures to enhance corporate performance and accountability.

The Board's primary function is to protect the Group's assets and oversee its business affairs. The Board is accountable to shareholders for the long-term financial performance of the Group. It has reviewed and approved policies, annual budget,

major funding, investment and divestment proposals, risk tolerance levels and sustainability and material issues. It approved the appointment of Directors, decided composition of Board committees and remuneration for the Board and senior management.

The Group has established financial authorisation and approval limits for operating and capital expenditures, the procurement of goods and services, and the acquisition and divestment of investments. The Board approved transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Executive Committee and the President & CEO to optimise operational efficiency.

Governance Disclosure Guide

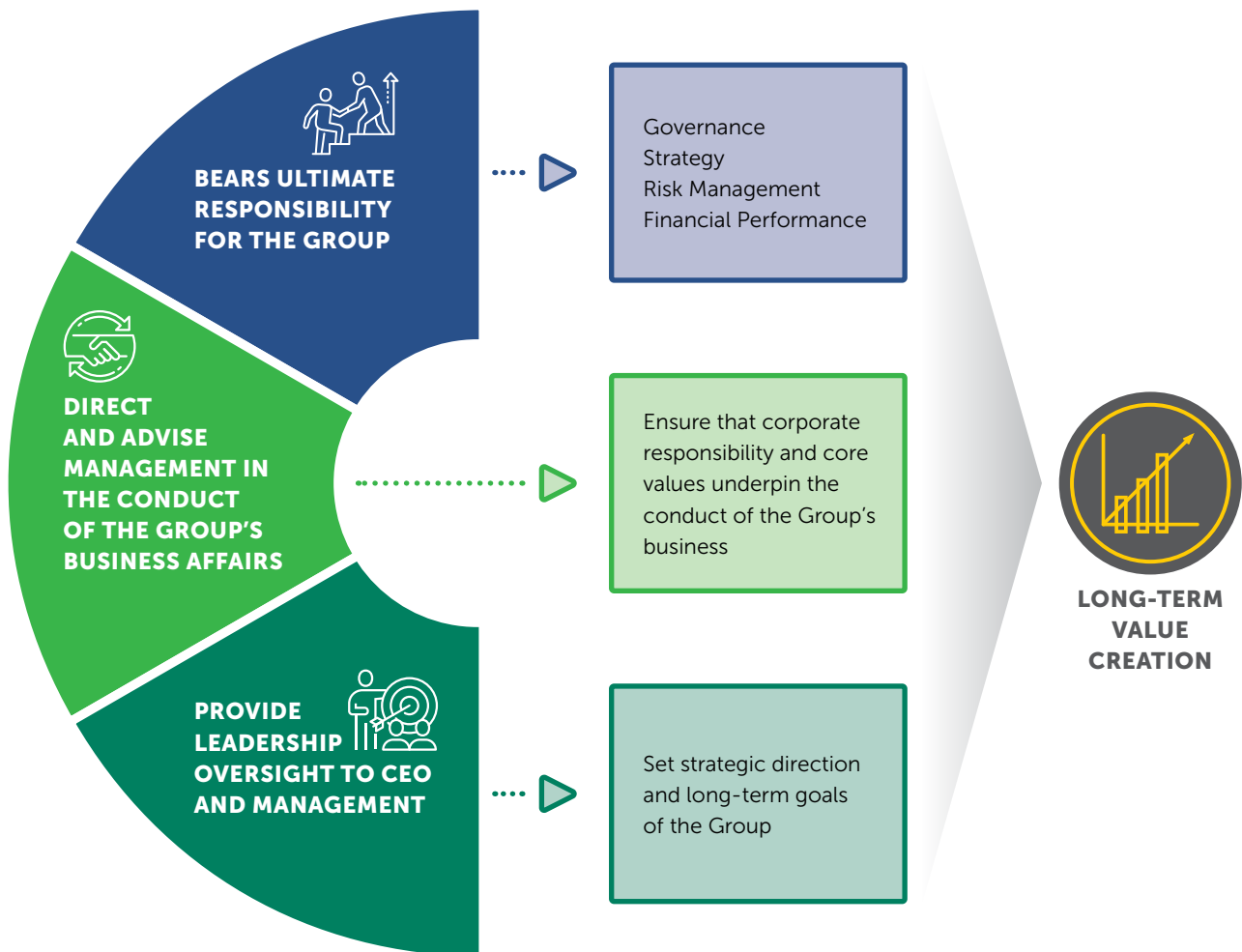
Guideline 1.5:

What are the types of material transactions which require approval from the Board?

Material items that require the Board's approval include:

- strategic direction and business plans
- policies and terms of reference
- annual budget
- full-year, half-year and quarterly financial results
- dividend policy and payout
- issue of shares
- board succession plans
- appointment and compensation for Group CEO
- appointment of Directors and appointment on Board committees
- major funding proposals, investment and divestment proposals
- risk appetite or tolerance level, risk strategy, policies for management of material risks
- major capital expenditures
- review of Management's performance
- sustainability issues material to the business

ROLE OF THE BOARD



CORPORATE GOVERNANCE

Six (6) Board committees have been established to assist the Board in discharging its stewardship and fiduciary obligations. These Board committees have clearly written terms of reference setting out their compositions, authorities and duties, and report back to the Board. Their terms of reference have been reviewed by the Board on a regular basis and any change requires the Board's approval.

Board Composition and Committees

Board Members	Audit Committee	Board Risk Committee	Executive Committee	Executive Resource & Compensation Committee	Nominating Committee	Special Committee
Tan Sri Mohd Hassan Marican			Chairman	Chairman	Chairman¹	Member
Ron Foo Siang Guan	Chairman	Member				
Bob Tan Beng Hai		Chairman	Member			Chairman³
Eric Ang Teik Lim	Member ⁴	Member		Member	Member	
Gina Lee-Wan		Member				Member ⁵
William Tan Seng Koon		Member	Member	Member	Member ⁶	
Patrick Daniel	Member ⁷			Member ⁷		
Tan Wah Yeow	Member ⁸					
Neil McGregor			Member			
Koh Chiap Khiong	Member					Member
Wong Weng Sun			Member			
4 of 5 are IDs 5 of 5 are IDs 3 of 5 are IDs 4 of 4 are IDs 3 of 3 are IDs 3 of 4 are IDs						

- 1 *Tan Sri Mohd Hassan Marican was appointed as a member of the Nominating Committee ("NC") on 22 April 2014 and assumed chairmanship of the NC on 18 April 2018.*
- 2 *Mr Ajaib Haridass and Mr Lim Ah Doo retired as Directors of the Company on 18 April 2018.*
- 3 *Mr Bob Tan Beng Hai stepped down as a member of the Audit Committee on 21 February 2018. He was appointed as a member of the Special Committee ("SC") on 21 February 2018 and assumed chairmanship of the SC on 18 April 2018.*
- 4 *Mr Eric Ang Teik Lim was appointed as a member of the Audit Committee on 21 February 2018.*
- 5 *Mrs Gina Lee-Wan was appointed as a member of the Special Committee on 21 February 2018.*
- 6 *Mr William Tan Seng Koon was appointed as a member of the Nominating Committee on 18 April 2018.*
- 7 *Mr Patrick Daniel was appointed as a member of the Audit Committee and Executive Resource & Compensation Committee on 20 April 2018.*
- 8 *Mr Tan Wah Yeow was appointed as a member of the Audit Committee on 10 December 2018.*

In addition to the Audit Committee, Board Risk Committee, Executive Resource & Compensation Committee and Nominating Committee, all of which were constituted in accordance with the Listing Manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the Code, the Executive Committee ("Exco") was constituted to assist the Board in reviewing and approving matters as required under the Group's policies. As at the end of 2018, the Exco comprised the following members, the majority of whom, including the Chairman, were non-executive and independent:

Tan Sri Mohd Hassan Marican
(Chairman)
Mr Bob Tan Beng Hai
Mr Neil McGregor
Mr William Tan Seng Koon
Mr Wong Weng Sun

The key responsibilities of the SCM Exco include the following:

- reviewing and making recommendations on matters that would require Board's approval, such as
 - major projects tendered
 - progress of major projects
 - yards development
 - marketing
 - cybersecurity
 - tax issues
 - treasury shares and share buyback
- approving certain matters specifically delegated by the Board such as investments, capital expenditure and expenses that exceed the limits that can be authorised by the President & CEO

The Special Committee was constituted on 10 February 2015 to conduct internal investigations into allegations of improper payments in Brazil and deals with issues arising in connection with the matter.

Key Features of Board Processes

The schedules of all SCM Board and committee meetings and the Annual General Meeting ("AGM") are planned one year in advance in consultation with the Directors. The Board meets at least four (4) times a year at regular intervals. Besides the scheduled meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. The Board holds an annual strategy meeting to interact

with senior and middle management. In this meeting, the Board is briefed on developments in the markets in which the Group operates, is kept up to date on trends and has in-depth discussions on the Group's strategic direction. The Board also sets aside time at each quarterly scheduled meeting to meet without the presence of Management. In 2018, they met four (4) times without the presence of Management.

A record of the Directors' attendance at Board and Committee meetings during the financial year ended 31 December 2018 ("FY2018") is disclosed at page 84 of this Annual Report. Directors who are unable to attend a Board or Committee meeting in person can attend meetings via telephone conference as permitted by the Company's Constitution.

CORPORATE GOVERNANCE

Directors' Attendance at Board and Committee meetings during the financial year ended 31 December 2018

Director	Board Meeting	Audit Committee Meeting	Board Risk Committee Meeting	Executive Committee Meeting	Executive Resource & Compensation Committee Meeting	Nominating Committee Meeting	Special Committee Meeting
	No. of Meetings held:10	No. of Meetings held:4	No. of Meetings held:4	No. of Meetings held:9	No. of Meetings held:3	No. of Meetings held:2	No. of Meetings held:7
	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Tan Sri Mohd Hassan Marican ¹	10			9	3	2	6
Ajaib Haridass ²	2			3	1	1	1
Ron Foo Siang Guan	9	4	4				
Lim Ah Doo ²	2	1					2
Bob Tan Beng Hai ³	10	1	4	9			7
Eric Ang Teik Lim ⁴	8	3	4		3	2	
Gina Lee-Wan ⁵	10		4				7
William Tan Seng Koon ⁶	9		4	9	3	1	
Patrick Daniel ⁷	6	2			1		
Neil McGregor	10			9			
Koh Chiap Khiong	9	4					4
Tan Wah Yeow ⁸	–	–					
Wong Weng Sun ⁹	7			9			

1. Tan Sri Mohd Hassan Marican was appointed as a member of the Nominating Committee ("NC") on 22 April 2014 and assumed chairmanship of the NC on 18 April 2018.
2. Mr Ajaib Haridass and Mr Lim Ah Doo retired as Directors of the Company on 18 April 2018.
3. Mr Bob Tan Beng Hai stepped down as member of the Audit Committee on 21 February 2018. He was appointed as a member of the Special Committee ("SC") on 21 February 2018 and assumed chairmanship of the SC on 18 April 2018.
4. Mr Eric Ang Teik Lim was appointed as a member of the Audit Committee on 21 February 2018.
5. Mrs Gina Lee-Wan was appointed as a member of the Special Committee on 21 February 2018.
6. Mr William Tan Seng Koon was appointed a member of the Nominating Committee on 18 April 2018.
7. Mr Patrick Daniel was appointed as a Director of the Company, a member of the Audit Committee and Executive Resource & Compensation Committee on 20 April 2018.
8. Mr Tan Wah Yeow was appointed as a Director of the Company and a member of the Audit Committee on 10 December 2018.
9. Mr Wong Weng Sun was not required to attend 3 ad hoc Board meetings which were for Non-Executive Directors only.

Induction for New Directors

Two new Directors were appointed to the Board in FY2018. They each received a letter of appointment setting out their duties, obligations, responsibilities and time commitment required of a Director. They also received an information pack containing the Group's organisation structure, senior management's contact details, the Company's constitution document, group policies and a list of recent significant issues discussed at Board meetings.

Governance Disclosure Guide

Guideline 1.6:

Are new Directors given formal training? If not, please explain why.

A comprehensive orientation programme, including yard visits, has been provided to the newly-appointed Directors. They were briefed on the Group's business activities, financial performance, governance policies and practices, enterprise risk management, regulatory regime and their duties as Directors to enable them to assimilate into their new roles. The programme also allowed new Directors to get acquainted with senior management, thereby facilitating Board interaction and independent access to senior management. The new Directors are encouraged to undergo training in the role and responsibilities of a director of a listed company conducted by the Singapore Institute of Directors.

Governance Disclosure Guide

What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up to date

Continuous Development for all Directors

The Board values ongoing professional development and recognises that it is important for Directors to be updated regularly on particular subjects, industry trends and development, relevant laws and regulations and changing business risks. Such updates can be conducted during Board meetings or at specially-convened sessions. During the year, several Directors attended the Directors-in-Dialogue Forum organised by Human Capital Leadership Institute, a subsidiary of Temasek Management Services Pte Ltd, in addition to courses conducted by the Singapore Institute of Directors.

During the financial year, Directors were also briefed on:

- megatrends; industry developments; outlook and overview of demand and supply of relevant markets; emerging trends; and threats from competitors
- developments in accounting and governance standards and revised Code of Corporate Governance and Listing Manual



Board's Composition and Balance

PRINCIPLE 2:

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Governance Disclosure Guide

Guideline 2.1:

Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.

The Code provides that an Independent Director is one who has no relationship with the Group, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Group. Additionally, under the Listing Manual, a Director will not be independent if he is employed by Sembcorp Marine or any of its related corporations for the current or past three financial years or has an immediate family member who is employed or has been employed by Sembcorp Marine or any of its related corporations for the current or any past three financial years, and whose remuneration is determined by the Executive Resource & Compensation Committee. The current SCM Board comprises 11 Directors, 8 of whom (including the Chairman of the Board) are Independent Directors, 2 are Non-Executive and Non-Independent Directors and 1 is an Executive Director.

CORPORATE GOVERNANCE

WHO WE ARE

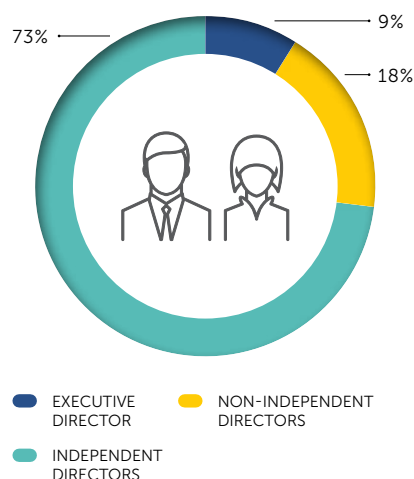
Independent Chairman
Tan Sri Mohd Hassan Marican

2 Non-Executive and Non-Independent Directors
Mr Neil McGregor
Mr Koh Chiap Khiong

7 Independent Directors

Mr Ron Foo Siang Guan
Mr Bob Tan Beng Hai
Mr Eric Ang Teik Lim
Mrs Gina Lee-Wan
Mr William Tan Seng Koon
Mr Patrick Daniel
Mr Tan Wah Yeow

1 Executive Director
Mr Wong Weng Sun



The size and composition of the Board are reviewed from time to time by the Nominating Committee (“NC”). The NC seeks to ensure that the size of the Board is conducive for effective discussion and decision making, and that the Board has an appropriate number of independent directors with a broad range of experience and deep industry knowledge, taking into account age, gender and other factors. Any potential conflicts of interest are taken into consideration.

The tenure of the current Directors demonstrates a good balance between continuity and fresh perspectives. The Board’s size and composition are appropriate given the size and geographic footprint of the Group’s operations. The proportion of Independent and Non-Executive Directors on the Board is high (8 out of 11, or 73%).

The profile of each Director is set out on pages 48 to 53 of this Annual Report.



Chairman and Chief Executive Officer

PRINCIPLE 3:
There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company’s business. No one individual should represent a considerable concentration of power.

The Chairman of the Board of SCM is a non-executive appointment and is separate from the office of the President & CEO. The Chairman leads the Board and is responsible for ensuring the effectiveness of the Board and its governance processes, while the President & CEO is responsible

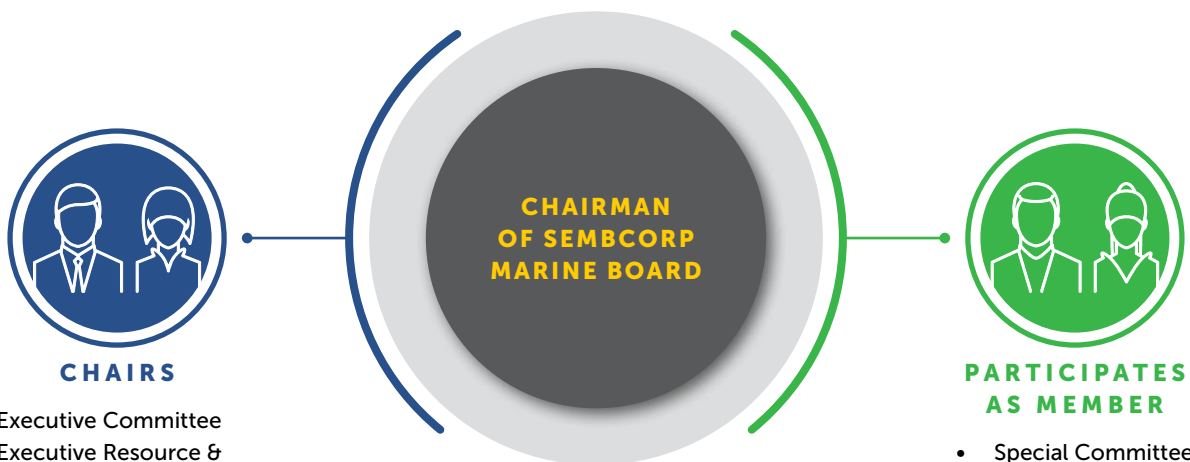
for following through the Board’s direction and managing the day-to-day operations. The President & CEO of SCM is not related to the Chairman. Sembcorp Marine confirms that it is in compliance with Listing Rule 1207(10A) which states that the relationship between the Chairman and CEO must be disclosed if they are immediate family members.

The Role of Chairman

The Chairman is responsible for the leadership of the Board and ensures its effectiveness in all aspects of the Board’s role, both inside and outside the boardroom. This includes setting the agendas for Board meetings and ensuring sufficient time is allocated for thorough discussion of each agenda item. SCM’s Chairman has promoted an

open environment for debate and has ensured that the Independent Directors are able to speak freely and contribute effectively. He has closely monitored the translation of the Board’s decisions and directions into executive action. He exercised control over the quality and quantity of information between the Board and Management. In addition, he has provided support, close oversight, guidance, advice and leadership, and acted as a sounding board for the President & CEO while respecting his executive responsibility.

At SCM’s annual general meeting (“AGM”) held on 18 April 2018, the Chairman played a pivotal role in fostering constructive dialogue between shareholders, the Board and senior management.



- Executive Committee
- Executive Resource & Compensation Committee
- Nominating Committee

- Special Committee

The President & CEO heads the Senior Management Committee (“SMC”) and manages the operations of the Group in accordance with the Group’s policies. He has provided oversight, guidance, advice and leadership to senior management on executing the Board’s decisions. The SMC meets once a month to discuss major operational issues.

Board Membership

PRINCIPLE 4:
There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

As at the end of 2018, the Nominating Committee (“NC”) comprised the following members, the majority of whom, including the Chairman, were non-executive and independent:

Tan Sri Mohd Hassan Marican (Chairman)
 Mr Eric Ang Teik Lim
 Mr William Tan Seng Koon

The key responsibilities of the NC include:

- reviewing the composition of the Board and its committees
- identifying, reviewing and recommending Board appointments for approval by the Board, taking into account the experience, expertise, knowledge, skills and diversity of the candidate and the needs of the Board
- reviewing and recommending to the Board the re-appointment, re-election and retirement (if necessary) of Directors, having regard to their performance, commitment and ability to contribute to the Board as well as their skill-sets
- reviewing the Board’s succession plans for Directors, in particular, the Chairman and the CEO
- conducting an evaluation of the performance of the Board, its committees and Directors on an annual basis
- conducting an annual assessment of whether each Director has sufficient time to discharge their responsibilities, taking into consideration multiple board representations and other principal commitments
- determining independence of proposed and existing Directors, and assessing if each proposed and/or existing Director is a fit and proper person and is qualified for the office of Director

CORPORATE GOVERNANCE

Rotation and Re-election of Directors

The NC reviews and recommends to the Board the re-election of Directors at the AGM.

One-third of Directors who are longest-serving are required to retire from office every year at the AGM. Based on this rotation process, all Directors (including the President & CEO) are required to submit themselves for re-election at least once every 3 years. Mrs Gina Lee-Wan, Mr Bob Tan Beng Hai and Mr Wong Weng Sun are required to retire at the forthcoming AGM on 16 April 2019 pursuant to Article 94 of the Company's Constitution. All three Directors have offered themselves for re-election.

All newly appointed Directors are also required to submit themselves for re-election at the AGM immediately following their appointments. Thereafter, they are subject to retirement by rotation in accordance

with the Company's Constitution. Mr Patrick Daniel and Mr Tan Wah Yeow will retire at the forthcoming AGM on 16 April 2019 pursuant to Article 100 of the Company's constitution, and have offered themselves for re-election.

Where a Director is required to retire from office, the NC reviews the composition of the Board and decides whether to recommend that Director for re-election, taking into account factors such as the Director's competencies, attendance, participation, conflicts of interest, commitment, performance, contribution and competing time commitments.

Annual Review of Directors' Independence

The NC reviews annually, or as and when circumstances require, if a Director is independent. The independence of each Director is assessed based on their business relationships with the Group, relationships with members of

Management, relationships with the Company's substantial shareholder as well as the Director's length of service. None of the current Independent Directors is or has been employed by Sembcorp Marine or any of its related corporations for the current or any past three financial years. None of them has an immediate family member who is employed or has been employed by Sembcorp Marine or any of its related corporations for the past three financial years, and whose remuneration is determined by the Executive Resource & Compensation Committee.

The NC also reviewed the contribution and performance of each existing Director before making recommendations to the Board for their re-election at the next AGM. The Board has considered and adopted the NC's recommendations and resolutions proposing the re-election of Directors, to be tabled at the forthcoming AGM on 16 April 2019 for shareholders' approval.

Governance Disclosure Guide

Guideline 2.3:

Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship. What are the reasons for considering him independent? Please provide a detailed explanation.

Tan Sri Mohd Hassan Marican is an Independent Director of Sembcorp Industries Ltd ("SCI"), a controlling shareholder of Sembcorp Marine. He is also a Senior International Advisor of Temasek International Advisors, a subsidiary of Temasek Holdings Ltd ("Temasek"). Transactions between the Company and SCI, and between the Company and Temasek were safeguarded by the Interested Person Transactions ("IPT") mandate. During FY2018, SCI provided consultancy services to Sembcorp Marine. The aggregate value of the transactions was S\$250,000 and not significant compared to the revenues of SCI and Sembcorp Marine. Tan Sri Mohd Hassan Marican was not involved in the decisions of the transactions between SCI and Sembcorp Marine. The Board considers Tan Sri Mohd Hassan Marican to be an Independent Director of Sembcorp Marine as he has shown that he is able to exercise strong independent judgment in his deliberations and act in the best interests of the Group.

Governance Disclosure Guide

Guideline 2.4:

Has any Independent Director served on the Board for more than nine years from the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.

The 2012 Code states that the independence of any Director who has served on the Board beyond nine years from the date of their first appointment should be subject to particularly rigorous review.

The Nominating Committee has noted that Mr Ron Foo Siang Guan was first appointed to the Board on 30 June 2006. He has served more than 12 years on the Board. Although Mr Foo has served on the Board beyond nine years, he has continued to demonstrate strong independence in character and judgment in the discharge of his responsibilities as a Director of the Company. Accordingly, the Board, on the recommendation of the NC, continued to consider Mr Foo as an Independent Director.

Board Diversity

Sembcorp Marine recognises and embraces the benefits of diversity on the Board, and views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

The NC, in reviewing Board composition and succession planning, assesses the needs of the Board in terms of skills, experience, background, age, ethnicity and other relevant factors to provide the Board with the optimum mix of capabilities. All Board appointments were made based on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

Governance Disclosure Guide

Guideline 2.6:

What is the Board's policy with regard to diversity in identifying Director nominees? Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?

The Board has ensured that Directors possess the background, relevant industry experience and knowledge in business, finance and management skills critical to the Group's business and that each Director brings to the Board independent and objective perspective to enable balanced and well considered decisions to be made.

Current Directors include business leaders, bankers and professionals with financial, engineering, media and legal backgrounds. The Board has one female member, or approximately 9% of Board members (1 out of 11 Board members).

Selection Criteria and Nomination Process for Directors

The Board has a process for the selection and appointment of Directors. The NC leads in the process for the appointment of Directors to the Board. The NC recognises the importance of having an appropriate balance of industry knowledge, core competencies, skills, background, experience, professional qualifications, conflicts of interest and diversity in building an effective and cohesive Board.

Governance Disclosure Guide

Guide 4.6:

Please describe the Board nomination process for the Company in the last financial year for (i) selecting and appointing new Directors and (ii) re-electing incumbent Directors.

When an existing Director chooses to retire or is required to retire from office by rotation, or the need for a new Director arises, the NC has reviewed the range of expertise, skills and attributes of the Board and composition of the Board. The NC identified and shortlisted a few candidates with appropriate profiles for nomination. Thereafter, the NC conducted an assessment to:

- review the candidates (including qualifications, attributes, capabilities, skills, age, past experience); and
- ascertain that the candidates are independent from any substantial shareholders of the Group and/or from Management and business relationships with the Group.

The NC then made its recommendations to the Board. The successful candidate was then appointed as a Director of the Company in accordance with the Company's Constitution. Upon the appointment of a new Director, the NC recommended to the Board their appointment to the appropriate Board committee(s) after matching the Director's skill-set to the needs of each Board committee and taking into consideration an equitable distribution of responsibilities among Board members.

The NC has reviewed the contribution and performance of each existing Director before making recommendations to the Board for their re-election or re-appointment at the next AGM.

Governance Disclosure Guide

Guide 4.4:

What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? If a maximum number has not been determined, what are the reasons? What are the specific considerations in deciding on the capacity of Directors?

Directors' Time Commitment

The NC conducts a review of the time commitment of each Director once annually.

The Board has adopted guidelines for addressing competing time commitments when Directors serve on multiple boards and have other principal commitments. The Company has determined that the maximum number of directorships in listed companies to be held by a Director be fixed at four to ensure that a Director will have sufficient time and attention for the affairs of the Company. For the year 2018, all Directors met the guideline set by the Company on the number of directorships in listed companies. The Board is satisfied that each Director has committed sufficient time to the Company and has contributed meaningfully to the Group.

The Board does not encourage the appointment of Alternate Directors. No Alternate Director has currently been appointed to the Board.



Board Performance

PRINCIPLE 5:

There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board committees and the contribution by each Director to the effectiveness of the Board.

The NC assesses at least once annually whether the Board and the committees are performing effectively and identifies steps for improvement. The Board believes that active participation and valuable contributions are essential to the overall effectiveness of the Board.

The NC has reviewed the performance of each individual Director based on factors such as the Director's attendance, preparedness, participation and contribution at Board meetings, and industry and business knowledge. The Chairman has acted on the results of the performance evaluation and proposed two new members to be appointed to the Board in FY2018. No resignation of Directors was sought.

Governance Disclosure Guide

Guide 5.1:

What are the processes upon which the Board reached the conclusion on its performance for the financial year? Has the Board met its performance objectives?

Board Evaluation Process

The NC uses an evaluation questionnaire to analyse the performance of the Board and committees. The results of the questionnaire have been vital to helping the Board and committees improve and perform to their maximum capability.

Board Evaluation for 2018

Each Director was asked to complete a set of questionnaires and submit them directly to the Company Secretaries who collated the responses and produced a summary report for the NC. The NC analysed the report and submitted its findings to the Board.

Every Director participated and gave feedback on a range of issues: the Board's size and composition; processes; access and quality of information provided to the Board; strategy and implementation; innovation and transformation; monitoring of Company's performance; key management personnel's performance evaluation; compensation and succession planning; stakeholders' management; risk and crisis management; and effectiveness of committees and Directors' development.

The Board discussed the findings of the evaluation and implemented changes in response to the feedback given by the Directors. Based on the assessment for 2018, the Board and committees were effective as a whole.



Access to Information

PRINCIPLE 6:

In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Governance Disclosure Guide

Guideline 6.1:

What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?

All Directors have access to complete and adequate information and resources. Directors are provided with electronic tablets to enable them to access Board and Board committee papers three (3) days prior to and during meetings. Management has provided the Board with monthly management reports on the Group's operational and financial performance. In addition, Directors received analysts' reports, industry market updates, major projects tendered, progress updates on major projects, yard development updates, and summaries of decisions made by board committees on a quarterly basis.

The Board continued to have separate and independent access to the President & CEO, members of senior management and the Company Secretaries at all times. Management was also present at board meetings to address Directors' queries or to provide further insights into matters concerned.

CORPORATE GOVERNANCE

Role of the Company Secretary

The Group has two joint Company Secretaries appointed by the Board. They attended all Board and most committee meetings and were responsible for ensuring that meeting procedures were followed and applicable rules and regulations complied with. The Company Secretary(ies) assisted the Board in implementing and strengthening corporate governance policies and practices.

In the event that the Directors, either individually or as a group, require independent professional advice in the furtherance of their duties, the Company Secretary will, upon approval by the Board, appoint a professional advisor to render such services. The cost of such services will be borne by the Company.



PRINCIPLE 7:

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding their own remuneration.

As at end of 2018, the Executive Resource & Compensation Committee ("ERCC") comprised the following members, who were all Independent Directors:

- Tan Sri Mohd Hassan Marican (Chairman)
- Mr Eric Ang Teik Lim
- Mr William Tan Seng Koon
- Mr Patrick Daniel

The ERCC has direct access to senior management. As a result of their membership in other committees, the members of the ERCC are able to make strategic remuneration decisions in an informed and holistic manner.

The key responsibilities of the ERCC include:

- overseeing the governance of the Group's remuneration policy (including share plans and other long-term incentive plans)
- overseeing the remuneration of senior executives, such as reviewing and recommending the remuneration of the President & CEO for Board's approval
- overseeing human capital plans to deepen core competencies, strength and leadership capabilities of senior management
- recommending the grant of incentives and annual variable bonus pool to the Board for approval
- reviewing the remuneration of Non-Executive Directors and recommending to the Board to table at the AGM for shareholders' approval

On an annual basis, a comprehensive talent management programme and succession plans are presented to the ERCC for review. The ERCC reviewed the succession plans for key and critical positions to align the business goals and the Group's human capital needs. This enabled the Company to assess the Group's talent pool and identify successors and ensure that time and resources were devoted to leverage their full potential.

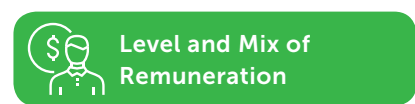
The Company has engaged Mercer (Singapore) Pte Ltd ("Mercer") to advise the ERCC on remuneration of Directors and senior executives. Mercer is an independent external

consultancy firm. There is no relationship between the Group and Mercer that affects the independence and objectivity of Mercer.

The President & CEO was not present during the discussions relating to his own remuneration, terms and conditions of service, and the review of his performance.

No ERCC member or Director was involved in the deliberations of their own remuneration, compensation or any form of benefits. Hence, the Board believes in the ability of the ERCC to exercise considered judgment in its deliberations and act in the best interests of the Company.

The ERCC is satisfied that the terms of the contracts of senior executives are fair and reasonable, and that termination clauses are not overly generous.



PRINCIPLE 8:

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Group believes that its remuneration and reward system is aligned with the long term interest and risk policies of the Group and that a competitive remuneration and reward system based on individual performance is important to attract, retain and incentivise the best talent.

Remuneration of Non-Executive Directors

The ERCC reviews and recommends a framework to the Board for determining the remuneration of Non-Executive Directors, including the Chairman. The framework is based on a scale of fees divided into basic retainer fees, attendance fees and allowances for travel and service on Board Committees.

In 2016 and 2017, the Directors took a voluntary 10% reduction in Directors' fees in light of the challenging market conditions of the Company. For 2018, the Company engaged Mercer to undertake a review and benchmarking of the remuneration framework of the Group, including Directors. Following the review which took into account the earlier voluntary reduction of fees by the Directors, the attendance fees of the Directors were reduced.

In 2018, the Chairman of the Board continued to take a 10% reduction of his all-in fee as Chairman. The Chairman does not receive the basic fee for Directors nor any further fees or allowances for his services as chairman or member of any Board Committees.

For 2018, if there was no reduction in the attendance fees of the Board and reduction taken by the Chairman, the Directors' fees would have totalled S\$2,432,375. After taking into account the reduced attendance fees and reduction of the Chairman's fee, the total 2018 Directors' fees were S\$2,155,375, a reduction of 11.4%.

Directors' Fees Framework

Description	Board	Audit Committee	Board Risk Committee	Executive Committee	Executive Resource & Compensation Committee	Nominating Committee	Special Committee
Basic Fee	S\$75,000						
Chairman (all-in fee) ²	S\$600,000						
Committee Chairman's Fee		S\$50,000	S\$40,000	S\$50,000	S\$35,000	S\$25,000	S\$50,000
Committee Member's Fee		S\$30,000	S\$25,000	S\$30,000	S\$20,000	S\$15,000	S\$30,000

Types of Meeting Fees	Meeting Fees in FY2017	Meeting Fees in FY2018
Board	S\$5,000	S\$3,000
Committee	S\$2,500	S\$1,500
Committee (held on same day as Board)	S\$1,000	S\$1,000
Board (Teleconference)	S\$1,500	S\$1,500
Committee (Teleconference)	S\$1,000	S\$1,000
Overseas	S\$3,750	S\$5,000

Note: Attendance fees for committee meetings also apply to attendance at general meetings.

The Directors' fees payable to Non-Executive Directors comprise a cash component and a share component. The ERCC has determined that 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 Sembcorp Marine Restricted Share Plan 2010. The balance 70% is paid in cash. The payment of Directors' fees (both

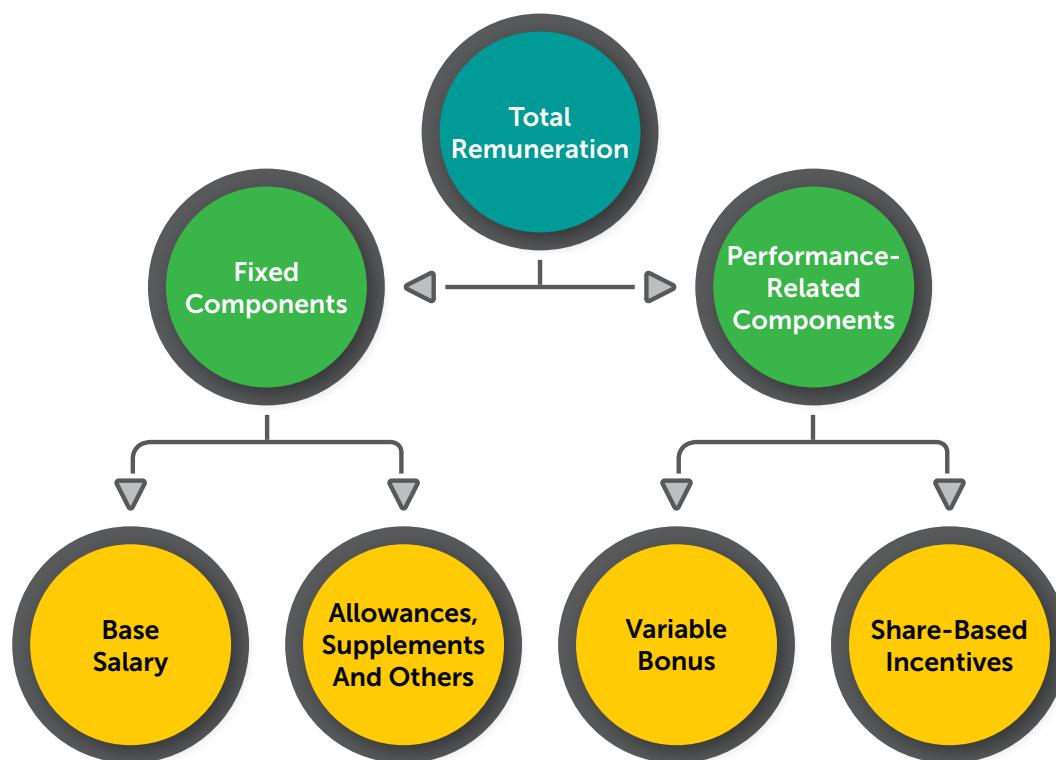
the cash and share components) is contingent upon shareholders' approval. Directors and their associates will abstain from voting on resolution(s) relating to their remuneration.

Share awards granted under the Sembcorp Marine Restricted Share Plan 2010 to Directors as part of Directors' fees typically 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 in the Company (including shares obtained by other means) worth at least the value of their basic retainer fee (currently S\$75,000); any excess may be disposed of as desired. A Non-Executive Director may only dispose of all of his shares one year after leaving the Board.

CORPORATE GOVERNANCE

Remuneration of Senior Executives:



The actual number of shares awarded to each Non-Executive Director is determined by reference to the volume-weighted price of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the AGM (or, if no final dividend is proposed at the AGM or if the resolution to approve such final dividend is not approved at the AGM, over the 14 trading days immediately following the date of the AGM). The number of shares awarded is rounded down to the nearest hundred and any

residual balance settled in cash. The share component of the Directors' fees for FY2018 is intended to be paid after the 2019 AGM has been held.

The shareholders of the Company had approved the payment of Directors' fees of up to S\$2,500,000 for FY2018 at the last AGM held on 18 April 2018. The Company will be seeking shareholders' approval at the forthcoming 2019 AGM for payment of Directors' fees of S\$2,300,000 for FY2019. Subject to shareholders' approval, the cash component of the Directors' fees for

year 2019 is intended to be paid half-yearly in arrears. The share component of the Directors' fees for year 2019 is intended to be paid after the 2020 AGM.

Remuneration for Senior Executives

The Company's remuneration and reward system for senior executives are designed to ensure a competitive level of compensation to attract, retain and motivate employees to deliver high-level performance in accordance with the Company's established risk policies.

- **Fixed Remuneration**

Fixed remuneration includes annual basic salary, and where applicable, fixed allowances, annual wage supplement and other emoluments. Base salaries of senior executives are determined based on the scope, criticality and complexity of each role, equity against peers with similar responsibilities, experience and competencies and individual performance relative to market competitiveness of roles with similar responsibilities.

- **Annual Variable Bonuses**

The annual variable bonus is intended to recognise the performance and contributions of the individual, while driving the achievement of key business results for the Group. The annual variable bonus includes two components. The first is linked to the

achievement of pre-agreed financial and non-financial performance targets, while the second is linked to the creation of economic value added ("EVA").

SCM's policy is to hold the EVA-linked bonus component in a "bonus bank". Typically, one-third of the balance in the bonus bank is paid out in cash each year, while the balance two-thirds are carried forward to the following year. Such carried forward balances of the bonus bank may either be reduced or increased in future, based on the yearly EVA performance of the Group. There are provisions in the EVA incentive plan to allow for forfeiture of the outstanding balances in the bonus bank in exceptional circumstances such as misstatement of financial results or misconduct resulting in financial loss to the Company.

- **Share-based Incentives**

The Company's performance share plan and restricted share plan were approved and adopted by the shareholders at an extraordinary general meeting of the Company held on 20 April 2010. Through the share-based incentives, the Company motivates senior executives to continue striving for the Group's long-term shareholder value. In addition, the share-based incentive plans aim to align the interests of participants with the interests of shareholders, so as to improve performance and achieve sustainable growth for the Company.

 **Disclosure of Remuneration**

Principle 9:

Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedures for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

Governance Disclosure Guide
Guideline 9.2:
Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?

Governance Disclosure Guide
Guideline 9.3:
Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits-in-kind, stock options granted, share-based incentives? If not, what are the reasons for not disclosing so? Please disclose the aggregate remuneration paid to the top five management personnel (who are not Directors or the CEO).

Information regarding remuneration of each Director (including the President & CEO) is set out on pages 332 to 333 of this Annual Report.

The top five key management personnel are the Director, Group Finance, Head of Singapore Yard Operations, Head of Rigs and Floaters, Chief Financial Officer and Chief Human Resource Officer. The aggregate remuneration, comprising total cash and benefits paid to these top five key management personnel for FY2018 is stated on page 332 of this Annual Report.

Due to the lower than expected levels of performance, the actual total compensation paid out to these executives, including bonus earned in previous years is on average 38% lower than the earned total compensation figures disclosed on page 332 of this Annual Report. Senior Management had also taken a salary reduction of 10% as well as pay freeze in 2017 until second half of 2018.

CORPORATE GOVERNANCE

Governance Disclosure Guide

Guideline 9.4:

Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.

There were no employees who were immediate family members of a Director or the President & CEO, and whose remuneration exceeded S\$50,000, during FY2018.

Pay for Performance

A pay for performance study was conducted again in 2018 to review the alignment between the Company's executive pay scheme and both the shareholder returns and business results. The Company's size and performance relative to its peer companies is positioned competitively vis-à-vis its senior executive pay relative to peer companies; indicating strong pay for performance alignment. Against the large-cap Singapore peer companies used for compensation benchmarking, fixed pay levels for the Company's senior executives are relatively conservative when assessed against the company size.

The executive incentive compensation for the year has a strong pay relationship (i.e. total cash) with its performance measured in both EBIT and EVA. On a longer-term perspective, the total compensation (which includes share awards to the CEO and senior executives) is also strongly correlated with the Company's Total Shareholders' Return (TSR) as well as with the Company's 3-year earnings before interest and tax (EBIT) and return on capital employed (ROCE) performance. Overall, the study showed a strong alignment between the Company's executive pay and its business results and shareholder returns given its financial results.

The President & CEO, as an Executive Director, does not receive Directors' fees and is remunerated as part of senior management. As a lead member of senior management, his compensation consists of his salary, allowances, bonuses and share-based incentives conditional upon meeting certain performance targets. Details on the share-based incentives and performance targets are available on pages 174 to 187 of this Annual Report.



Accountability

Principle 10:

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. Hence, Management provides the Board with daily news clippings and monthly management accounts. The monthly management report compares the Group's actual performance against the budget and highlights significant events and development, hence enabling the Board to make a balanced and informed assessment of the Company's performance, position and prospects.



Risk Management and Internal Controls

Principle 11:

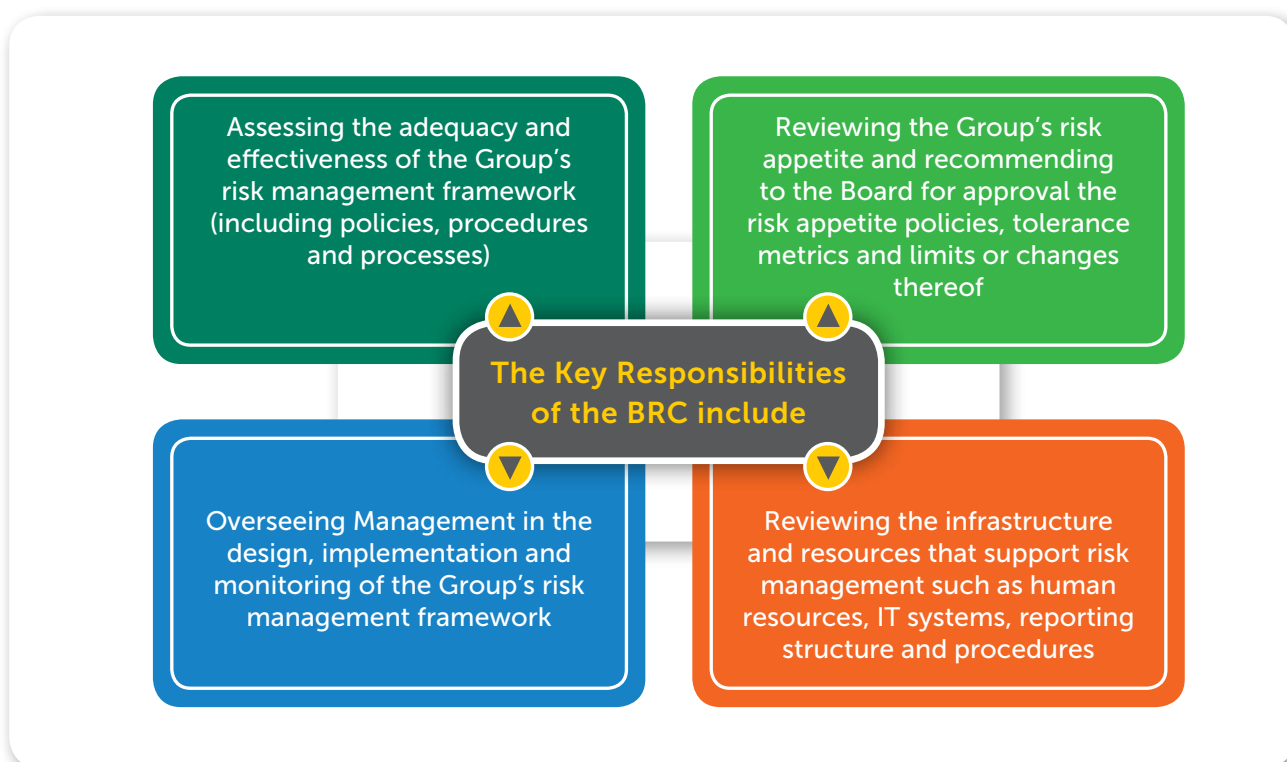
The Board is responsible for the governance of risk. The Board should ensure that Management maintain a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Company has in place a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets. Oversight responsibility of risk management and internal controls is delegated by the Board to the Board Risk Committee ("BRC") and Audit Committee ("AC") respectively. Both committees work closely to ensure that the system of risk management and internal controls maintained by Management is adequate and effective.

As at the end of 2018, the BRC comprised the following members, all of whom (including the Chairman) are Independent Directors:

Mr Bob Tan (Chairman)
Mr Ron Foo Siang Guan
Mr Eric Ang Teik Lim
Mrs Gina Lee-Wan
Mr William Tan Seng Koon

The terms of reference of the BRC provide that the BRC shall comprise at least three members, the majority of whom, including the Chairman, have to be independent. Members of the BRC are appointed by the Board, on the recommendation of the NC. There is at least one common member between the BRC and the AC.



CORPORATE GOVERNANCE

To ensure that the system of risk management and internal controls is adequate and effective, Sembcorp Marine has implemented the Enterprise Risk Management ("ERM") programme since 2004. The ERM programme helps the Group identify, assess and manage key risks in the challenging business environment that it operates in. For more information on the Group's ERM programme, please refer to pages 106 to 115 of this Annual Report.

Governance Disclosure Guide

Guideline 11.3:

In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.

In respect of the past 12 months, has the Board received assurance from the CEO and CFO as well as the internal auditor that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?

Since 2012, the Group has put in place a Risk Governance and Assurance Framework ("RGAF") to assist the Board in forming an opinion on the adequacy and effectiveness of the system of risk management and internal controls. The RGAF takes a risk-based approach to identifying key risk areas as well as corresponding processes and controls, for which assessment is done to ensure adequate and effective controls are designed to mitigate the risks. The RGAF was developed with guidance from external consultants, and has been implemented for both Singapore and overseas shipyards. Information on risk management is set out on pages 106 to 115 of this Annual Report.

For the year under review, the Board received assurance from the President & CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and that the Group's system of risk management and internal controls is adequate and effective.

The Board is satisfied that as at 31 December 2018 the financial, operational, compliance and information technology controls and risk management system are adequate and effective to meet the needs of the Group in the current business environment. The AC and BRC, having performed their reviews, concurred with the Board's opinion.

This opinion is supported by Management's review and efforts to continually strengthen the Group's risk mitigating measures and internal controls, reports by the Internal Audit and Group Risk Management departments and statutory audits conducted by the external auditors; and documentation of the Group's risk governance assurance framework.

Internal controls, because of their inherent limitations, can provide only reasonable but not absolute assurance regarding the achievement of their intended control objectives. In this regard, the Board is satisfied that if significant internal control failures or weaknesses were to arise, necessary actions would be swiftly taken to remedy them.



Audit Committee

Principle 12:

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

As at the end of 2018, the AC comprised the following members, 4 of whom (including the Chairman) were Independent Directors and all of whom were Non-Executive Directors:

Mr Ron Foo Siang Guan (Chairman)
Mr Eric Ang Teik Lim
Mr Patrick Daniel

Mr Tan Wah Yeow
Mr Koh Chiap Khiong

The terms of reference of the AC provide that the AC shall comprise at least three members, all non-executive, the majority of whom, including the Chairman, must be independent. At least two members, including the Chairman, should have recent and relevant accounting or related financial management expertise or experience. There is at least one common member between the BRC and the AC.

The Board is of the view that the members of the AC have the necessary financial management expertise and experience to discharge their responsibilities. Management, external auditors and internal auditors update the AC as and when there are changes to the accounting standards and issues which have a direct impact on financial statements.

The AC is empowered and functions in accordance with the provisions of Section 201B of the Companies Act, the Listing Manual of SGX-ST ("Listing Manual") and the Code. The AC has the authority to investigate any activity within its terms of reference. It has full access to and co-operation of Management, and full discretion to invite any Director or executive officer to attend its meetings.

The Key Responsibilities of the AC include:

FINANCIAL REPORTING

- reviewing significant financial reporting issues and judgments so as to ensure the integrity of the Group's consolidated financial statements
- reviewing the Group's consolidated financial statements and any related announcements
- assessing, and challenging, where necessary, the accuracy, completeness and consistency of the consolidated financial statements (both final and interim), before they are submitted to the Board for approval
- reviewing the assurance certificate provided by the President & CEO and the CFO that the financial records have been properly maintained, and that the financial statements give a true and fair view of the Group's operations and finances, and that the Group's system of risk management and internal controls was adequate and effective

INTERNAL CONTROLS

- reviewing with the external auditors and internal auditors the adequacy of the internal control systems of the Group in relation to significant internal control issues which are likely to have a material impact on the Group's operating results and/or financial position
- reviewing the representation and opinion of Management on internal controls, and the results of work performed by the internal and external auditors
- reviewing and making amendments when necessary, to the Whistle Blowing Policy and Procedure adopted by the Group to address possible improprieties in financial reporting or other matters
- commissioning and reviewing the findings of investigations into matters where there is any failure of internal controls which has or is likely to have a material impact on the Group's operating results and/or financial position, and also into matters where there is any suspected fraud or irregularity, or infringement of any law, rule and regulation

INTERNAL AUDIT

- reviewing and approving the Internal Audit Charter and related policies
- reviewing and approving the audit plans and annual budget of the internal audit function
- reviewing and approving the Head of Internal Audit's appointment, performance and remuneration
- reviewing the adequacy of staffing and qualification levels of the internal audit function
- reviewing report on IPTs prepared by the internal audit department
- meeting with the internal auditors at least once a year in the absence of Management to review the assistance given by the Group's officers to the internal audit function, to determine that no restrictions are placed on them by Management
- reviewing, at least annually, the independence, adequacy and effectiveness of the internal audit function

CORPORATE GOVERNANCE

The Key Responsibilities of the AC include: (Con't)

EXTERNAL AUDIT

- reviewing the audit plans of the external auditors
 - reviewing statutory audit report prepared by the external auditors on the full year consolidated financial statements of the Group and other reports relating to internal controls and Management's response and actions on any noted weaknesses
 - reviewing and assessing annually that the external auditor's independence or objectivity is not impaired
 - reviewing and approving (prior to engagement) the non-audit services provided by the external auditors, and provide a confirmation in Sembcorp Marine's annual report that it had undertaken a review of these non-audit services and that such services, if any, would not affect the independence of the external auditors
- recommending the appointment or re-appointment of the external auditors and their audit fees to the Board
 - meeting with the external auditors at least once a year in the absence of Management to review the assistance given by the Group's officers to the external auditors, to determine that no restrictions are placed on them by Management

Interested Person Transactions (IPT)

- reviewing and approving, if so required, IPTs in accordance with the requirements of the Listing Manual and the IPT Mandate

In the year under review, the AC met four times with the external auditors and four times with the internal auditors without the presence of Management.

Governance Disclosure Guide

Guideline 12.6:

Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's review on the independence of the external auditors.

The AC reviewed all the non-audit services provided to the Group by KPMG LLP, the Company's external auditors. The amount of non-audit fees compared to the total annual audit fees is 8%. The AC is satisfied that the independence of the external auditors has not been impaired by the provision of these services. A breakdown of the fees for audit and non-audit services paid to KPMG LLP for FY2018 is found on page 264 of this Annual Report.

During the year under review, the AC carried out its duties in accordance with its terms of reference and the AC Chairman reported to the Board on all significant financial matters relating to the Group at every quarterly Board meeting.

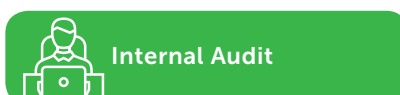
In appointing auditors for the Company, its subsidiaries and significant associated companies, the Company had complied with Rules 712 and 715 of the Listing Manual.

No former partner or director of the Company's existing auditing firm or auditing corporation, who has within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm, was appointed as a member of the Group's AC in FY2018.

Audit Committee Commentary on Key Financial Reporting Matters in Annual Report

The AC discussed the key FY2018 audit matters with Management and the external auditors. The AC concurred with the basis and conclusions included in the FY2018 Independent Auditor's Report with respect to the key audit matters.

For more information on the key audit matters, please refer to pages 189 to 197 of this Annual Report.



Principle 13:

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

Governance Disclosure Guide

Guideline 13.1:

Does the Company have an internal audit function? If not, please explain why.

Sembcorp Marine's Internal Audit Department ("IAD") comprises a team of six (6) staff members, including the Head of Internal Audit ("HIA"). HIA reports functionally to the AC and administratively to the President & CEO. The AC has ensured that IAD consists of suitably qualified professionals with the relevant experience and requisite skill sets. Training and development opportunities are provided to these staff on an ongoing basis.

In line with leading practices, IAD adopts the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors ("IIA") and staff members are expected to observe, apply and uphold the Institute of Internal Auditors Code of Ethics at all times. IAD successfully completed an external Quality Assurance Review in 2017 and continues to meet or exceed the IAA Standards in all key aspects.

The Key Responsibilities of the IAD include:

- performing risk-based assurance reviews across the Group and providing opinions on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems; the one exception being assurance and compliance reviews relating to Health, Safety and Environment which are mandatory and for which specialist licensed firms are engaged by the respective commercial units
- assisting in the deterrence of fraud through its internal audit activities by examining and evaluating the adequacy and effectiveness of the system of internal controls
- reviewing IPTs and reporting to the AC whether the transactions are at arm's length
- to the extent that there is no conflict with the IAD's work and independence, IAD will, within its expertise and upon request, perform consulting work to add value and improve the Company's adequacy and effectiveness in risk management, controls and governance
- facilitating the sharing of matters in order to improve control practices and governance across the Group
- conducting upon the instruction of the AC, investigations into and reporting on incidents and allegations of possible improprieties in matters of financial reporting or other matters in accordance with the Whistle Blowing Policy and Procedure
- where possible, extending its scope of work to include the associated companies and joint venture companies of the Group

CORPORATE GOVERNANCE

IAD adopts a risk-based approach in formulating the Group's annual audit plan. This plan is reviewed and approved by the AC at the beginning of each year and the AC reviews the internal audit reports quarterly. The reviews performed by IAD are aimed at assisting the Board in promoting sound risk management, robust internal controls and good corporate governance. This is done by assessing the design and operating effectiveness of controls that govern key business processes and risks identified in the overall risk framework of the Group. The assessment also covers risks arising from new lines of business or new products, and compliance with policies and procedures. Audit projects are planned based on the results of the assessment, with priority given to auditing higher risk areas.

The AC is satisfied that the IAD is independent and effective and that the IAD has adequate resources and appropriate standing to discharge its function effectively.

Whistle-Blowing Policy

The Group has put in place a whistle-blowing policy and procedure, which the AC oversees. Through this avenue, employees of the Group or any other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters such as suspected fraud, corruption, unethical practices or matters which may cause financial loss to the Group or damage the Group's reputation. The policy establishes various confidential channels of communication for reporting concerns about possible improprieties to the AC Chairman, HIA or Chief Risk Officer ("CRO"). This is to ensure independent and objective investigation and appropriate follow-up actions are taken. The Company treats all information received as

confidential and protects the identity of all whistleblowers. Anonymous reporting is also accepted. Employees who acted in good faith will be treated fairly and protected from reprisals. Reports can be made by

- Email to whistleblow@sembmarine.com;
- Phone call to HIA (DID: +65 6262-7818) or CRO (DID: +65 6262-7391); or
- Mail to Sembcorp Marine Limited at 29 Tanjong Kling Road, Singapore 628054 and addressed to AC Chairman, HIA or CRO.

Sembcorp Marine believes that effective safeguards against undesirable business conduct have to go beyond a "tick-the-box" mentality. It is the objective of the Group to instil and enhance strong corporate governance practices across its group of companies. On an ongoing basis, the whistle-blowing policy is covered in the staff orientation programme.

The Company advocates the following safeguards to maintain a strong risk and governance culture:

- Clear direction from the top: The tone set by the Board and senior management is vital as it is akin to the moral compass of the organisation. The Company has in place a suite of comprehensive policies and Management Committees are formed to monitor compliance with these policies. The Company also conducts self-assessment on its key processes
- Aligning incentives: Employees' incentives are aligned with performance via key performance indicators or balanced scorecards
- Respecting the voice of control functions: The Company believes that respect for the voice of control functions such as the risk management department is one of the key safeguards

- Risk ownership: All key risks must have an identified "owner". Please refer to pages 106 to 115 of this Annual Report on Risk Management Report
- Compliance policies: All Sembcorp Marine employees are required to abide by the Company's Code of Business Conduct, Conflicts of Interest Policy, Code of Ethics, Anti-Bribery Compliance Policy and Fraud Risk Management Policy



Shareholder Rights

Principle 14:

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Sembcorp Marine is committed to the release of timely, adequate and relevant information to shareholders. The Company believes this practice is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in Sembcorp Marine Limited.

The Company invites and encourages all registered shareholders to participate in the Company's general meetings. Each shareholder will receive a notice of meeting which is also advertised in the newspapers, as well as posted on SGX-ST's and the Company's corporate websites. Pursuant to the introduction of the new multiple proxy regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold Sembcorp Marine's shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at the AGM or EGM.



**Communication
with Shareholders**

Principle 15:

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company is committed to disclosing accurate and timely information that is material or that may influence the price of Sembcorp Marine's shares on the SGXNET and on the corporate website to shareholders, analysts and other stakeholders. It does not practise selective disclosure of price-sensitive information.

General meetings are the principal forum for dialogue with shareholders. There is a question and answer session during which shareholders may raise questions or share their views regarding the proposed resolutions and the Company's business and affairs.

The quarterly and full-year results announcements provide financial and other performance information of the Company as a whole as well as by business segments. This allows shareholders to gain better insight into the earning drivers within Sembcorp Marine.

Governance Disclosure Guide

Guideline 15.4:

Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?

The earnings results are first released via SGXNet and posted on the SGX-ST's and the Company's website at www.sembmarine.com. Management then holds a face-to-face briefing to address media and analyst queries for the full-year and half-yearly financial results. For the first and third quarter results, Management holds a teleconference meeting with the analysts. In addition, investor relations and corporate communications personnel are available by email or telephone to answer questions from shareholders, media and analysts at any time as long as the information requested does not conflict with the SGX-ST's rules of fair disclosure. Apart from regular meetings, email communications and teleconferences with investors and analysts, the CFO and the Head of Investor Relations also travel regularly to overseas road shows and conferences to reach out to foreign institutional investors. Information on investor relations activities is on pages 59 to 62 of this Annual Report.

The Company operates in a cyclical industry. It aims to balance returns to shareholders with the need for long-term sustainable growth. Taking into account its cash position, working capital requirements, capital expenditure plans and investment opportunities, the Company strives to provide shareholders annually with a consistent and sustainable dividend.

Governance Disclosure Guide

Guideline 15.5:

If the Company is not paying any dividends for the financial year, please explain why.

For FY2018, after due deliberation, the Board adopted a prudent approach to conserving cash in light of the challenging business environment. As such, no interim and final dividend has been declared for FY2018. For FY2017, total dividend was 2.0 cents per share.

CORPORATE GOVERNANCE



Conduct of Shareholder Meetings

Principle 16:

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Sembcorp Marine delivers the Notice of AGM and related information at least 14 days ahead of the meeting, providing sufficient time for shareholders to review the Notice of AGM and appoint proxies to attend the AGM if they wish. The Notice of AGM is also advertised in the Business Times for the benefit of shareholders. Sembcorp Marine holds its general meetings at a central location in Singapore with convenient access to public transportation.

All registered shareholders are invited to participate at shareholders' meetings. Under the new multiple proxy regime, "relevant intermediaries" such as banks and nominee companies which provide custodial services for securities and the Central Provident Fund Board, are allowed to appoint more than two proxies to attend, speak and vote at shareholders' meetings. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate at shareholders' meetings.

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

The Group has consistently ensured that separate resolutions are proposed for substantially separate issues at general meetings.

All members of the Board as well as the CFO, Company Secretaries and senior management are required to attend all shareholders' meetings. The external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

The Company ensures that minutes of each meeting record the substantial and relevant comments or queries from shareholders, and responses from the Board and Management. All minutes of shareholders' meetings are available on request by registered shareholders.

Since 2012, the Company has conducted electronic poll voting at shareholders' meetings for greater transparency in the voting process. The total number of votes cast for or against each resolution is tallied and displayed live on-screen to shareholders immediately after the vote has been cast and is also announced after the meetings via SGXNet.

Dealings in Securities

Sembcorp Marine has put in place a policy on dealings in securities, which prohibits dealings in the Sembcorp Marine's securities by its Directors, senior executives, persons who are in attendance at board, committees and senior management committee meetings and employees who are involved in the preparation ("officers") of the Group's financial statements. The "closed" period commences two weeks before the announcement

of the Sembcorp Marine's financial statements for each of the first three quarters of the Sembcorp Marine's financial year, and one month before the announcement of the Sembcorp Marine's full-year financial statements, and ending on the date of the announcement of the relevant results.

The policy also provides that any of the officers who are privy to any material unpublished price-sensitive information should not trade in Sembcorp Marine securities until the information is appropriately disseminated to the market, regardless of whether or not it is during the "closed" periods for trading in Sembcorp Marine securities.

The policy also discourages trading on short-term considerations. Corporate Secretariat sends quarterly reminders of the requirements under the policy to the officers in advance of each blackout period and reminds officers of their obligations under the insider trading laws.

IPTs

Sembcorp Marine has embedded procedures to comply with all regulations governing IPTs. The IAD regularly reviews the IPTs entered into by the Group to verify the accuracy and completeness of the IPT disclosure and to determine whether the IPT reporting requirements under the SGX listing rules and the IPT Mandate have been adhered to. The report is submitted to the AC for review.

Shareholders have approved the renewal of a general mandate for IPTs at the AGM on 18 April 2018. The mandate sets out the levels and



procedures for obtaining approval for each type of IPTs covered under the mandate. Information regarding the mandate can be found on the Sembcorp Marine's website at <https://www.sembmarine.com/investor-relations/circular-to-shareholder>.

All commercial units are required to be familiar with the IPT mandate and report any such transactions to Group Finance department.

Detailed information on IPTs for FY2018 is found on page 333 of this Annual Report.

Material Contracts

Since the end of the previous financial year, no material contracts involving the interest of any Director or controlling shareholder of Sembcorp Marine have been entered into by the Company or any of its subsidiary companies, and no such contract subsisted as at 31 December 2018, save as disclosed via SGXNET.

Code of Business Conduct and Practice

Sembcorp Marine has a Guidebook for the Code of Business Conduct that applies to all employees. The Guidebook sets out the Group's core values, how to conduct business with integrity, handling employees and community with fairness, protecting the Group's assets, dealing with conflicts of interest and protection of information. The Guidebook guides employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing with Sembcorp Marine, its competitors, customers,

suppliers and communities. The Guidebook covers bribery and corruption, gifts and entertainment, fairness and opportunity, harassment, conflicts of interest, protection of assets, proprietary information, data protection, etc. The Guidebook is available on the corporate website.

Sembcorp Marine has established a crisis management policy on dealing with crisis. The policy sets out the process in which the Board of Directors and senior management are kept informed of corporate crisis in a timely manner, according to their severity. Such crisis may include events that have or are expected to have a significant impact, financial or reputational or otherwise, on the Group's business and operations.

RISK MANAGEMENT

The objective of Sembcorp Marine's Enterprise Risk Management (ERM) framework is to enable Management to deal effectively with uncertainties and the associated risks in pursuing business opportunities, thereby enhancing the resilience of the Group and its capacity to build value for stakeholders.

Enterprise risk management in Sembcorp Marine aligns strategy with the Group's risk appetite, and does the following: identifies and manages multiple and cross-functional risks; enhances risk response decisions; and mitigates financial and non-financial risks.

RISK OVERSIGHT & GOVERNANCE STRUCTURE

Sembcorp Marine's Board of Directors have a holistic view of risks. They oversee the Group's risk-taking activities and hold Management accountable for adhering to the risk governance framework. The Board sets the desired tone from the top, which is cascaded across the Group through policies and procedures. With their diverse backgrounds, specialised

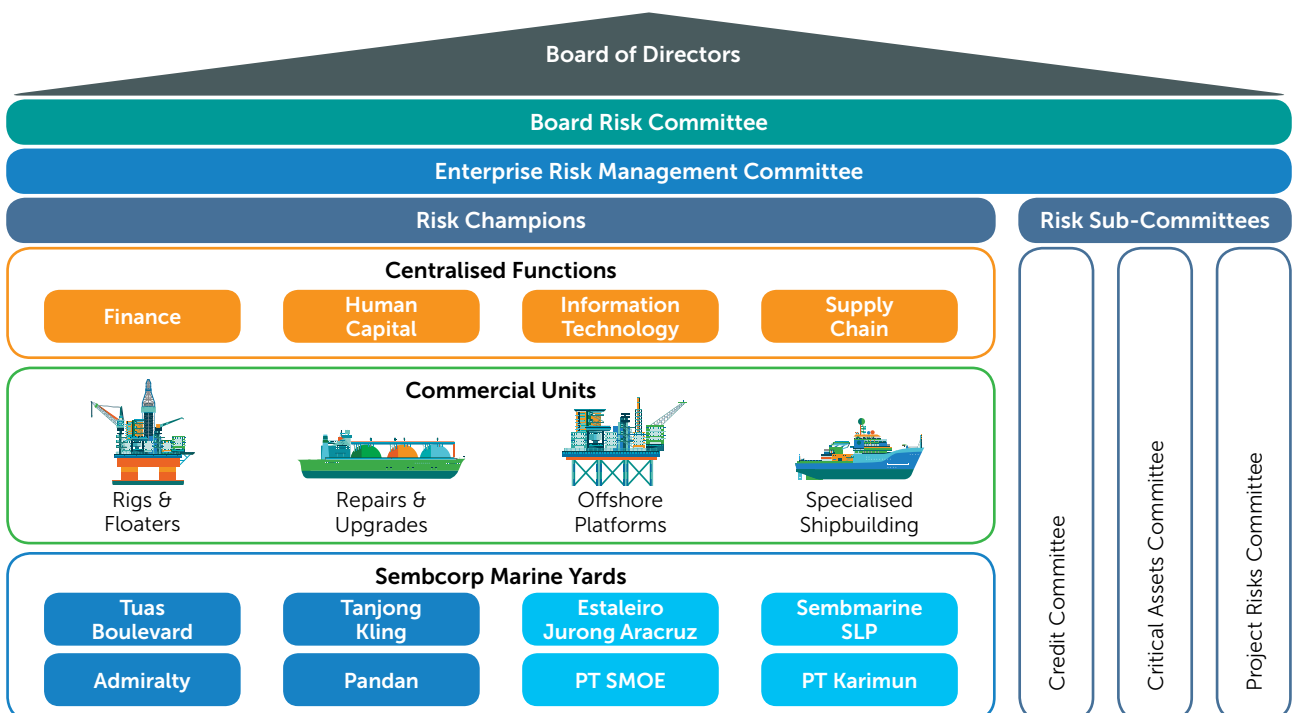
expertise and deep understanding of the Group's industry, the Directors bring unique experiences to the table, help ensure Management has identified all relevant risks, and exercise sound independent judgement to question, probe and challenge recommendations and decisions made by Management.

The **Board Risk Committee (BRC)** supports and assists the Board to do the following:

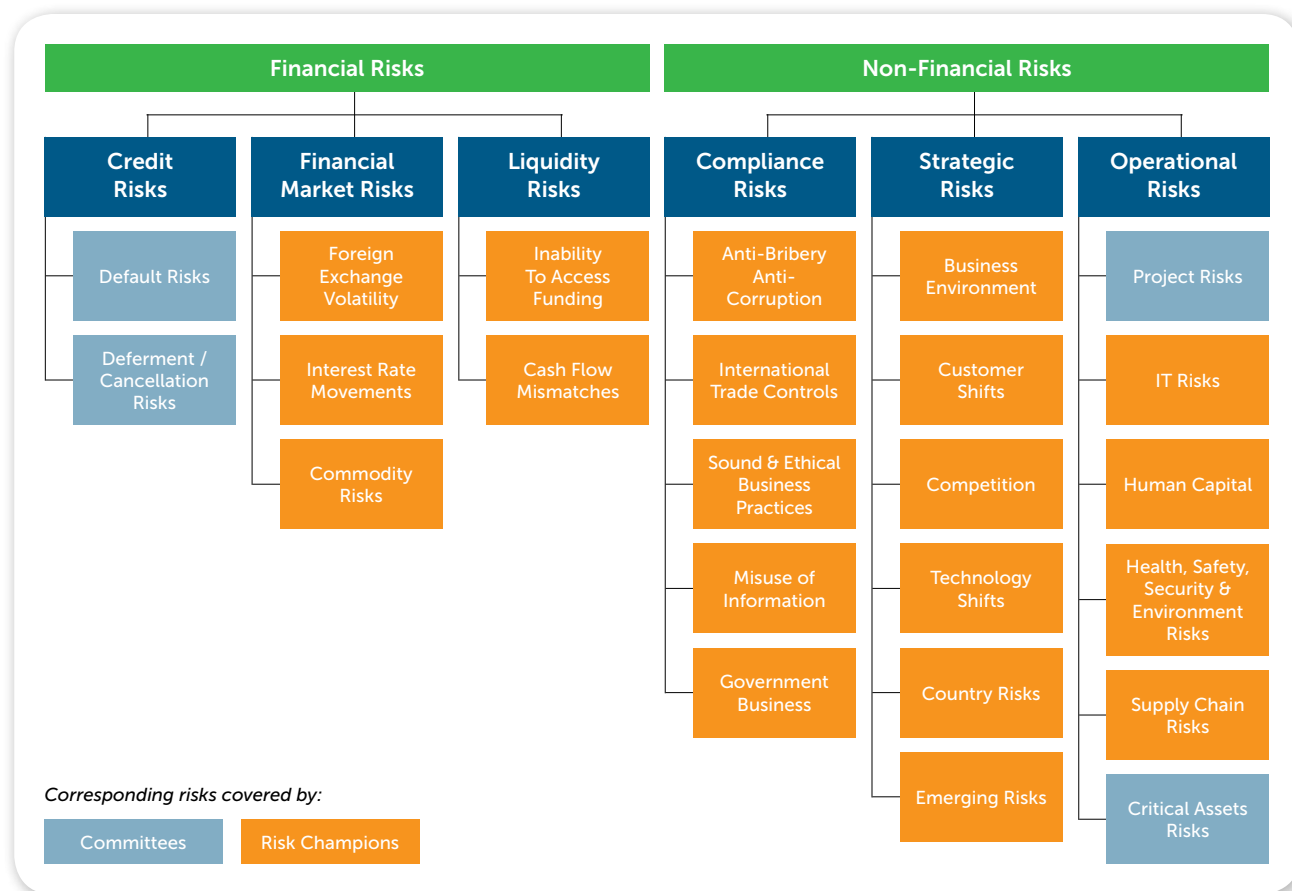
- Ensuring that Management has put in place adequate and effective risk management systems, frameworks, policies, procedures and processes;
- Reviewing and endorsing the Group's risk appetite and risk tolerance limits for approval by the Board;
- Reviewing risk reports from Management, which include the Group's risk profile, major risk exposures and material risk issues, as well as Management's responses and actions taken to monitor and control such exposures or issues. The BRC discusses with Management the state of the Group's ERM and provides oversight as required.

The responsibility for risk management and effective internal controls lies with the **Enterprise Risk Management Committee (ERMC)**. Chaired by Sembcorp Marine's President & Chief Executive Officer (CEO), the ERMC drives key risk initiatives and reviews risk issues across the Group. The President & CEO assesses the Group's ERM capabilities and effectiveness. This evaluation is continuous, wide-ranging and in-depth. Management considers how they are conducting their responsibilities in light of the framework and discusses ideas (in consultation with Internal Audit) for strengthening ERM. Task forces are formed and external expertise engaged whenever necessary to address specialised risk areas.

Supporting the ERMC are the **Risk Champions** in the Group's various units and the **Risk Sub-Committees for Credit, Critical Assets and Project Risks**. These Sub-Committees are chaired by senior management staff appointed by the President & CEO. Collectively, the Risk Champions and the Risk Sub-Committees oversee the various risk domains with clear assignment of responsibilities.



Clear Definition of Risks and Assignment of Risk Ownership



Besides having risk oversight and establishing the risk governance structure, the Board defines and Management builds a healthy, forward-leaning risk culture so that Sembcorp Marine will be resilient and successful, and can create lasting value for stakeholders. The Group's risk culture entails:

- A distinct and consistent tone from the top in respect of risk-taking and avoidance;
- Clear accountability for and ownership of specific risks and risk segments;
- Candid and timely risk event reporting to relevant parties;
- Whistle-blowing;
- Communication of bad news without fear of blame or retaliation;
- An attitude of actively seeking to learn from mistakes and near misses;

- Appropriate risk-taking behaviours, while challenging inappropriate ones;
- Sufficient diversity of perspectives to ensure that the status quo is consistently and rigorously challenged; and
- Continual upgrade of risk management knowledge and skills.

3 LINES OF DEFENCE

The Group manages its risks through three lines of defence:

- Commercial Units, Centralised Functions and Yard Operations;
- Risk Governance; and
- Internal Audit

The three lines of defence operate in a collaborative way in structured forums and processes to bring together various perspectives and to

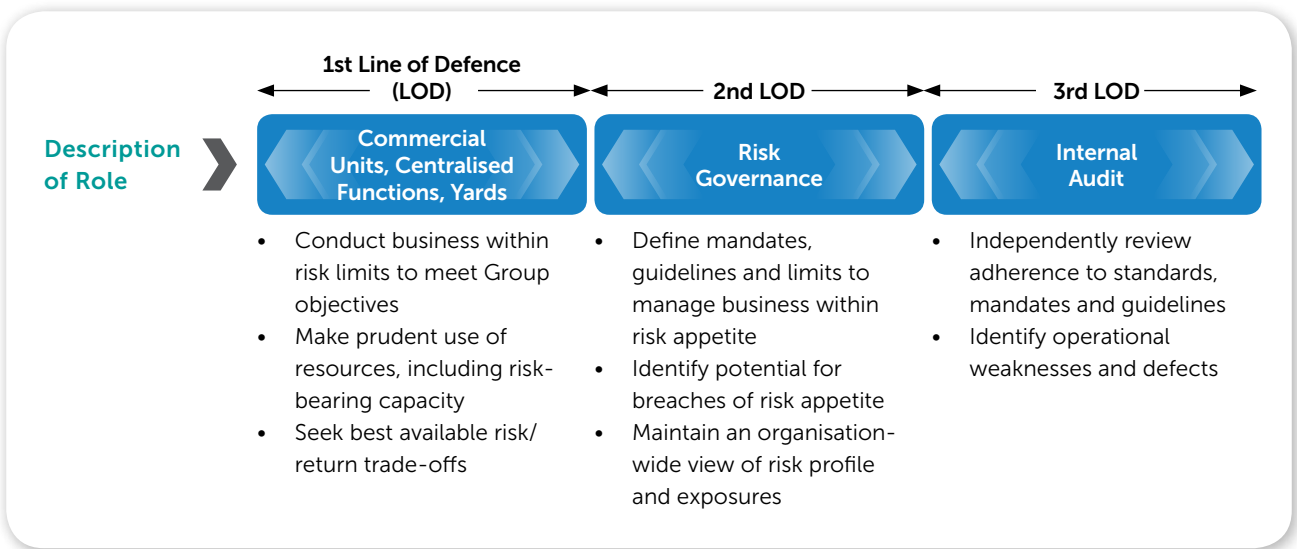
lead the Group towards outcomes are in stakeholders' interests and which create economic value.

1st line of defence: Commercial Units, Centralised Functions and Yard Operations

Each Sembcorp Marine Commercial Unit, Centralised Function and Yard Operation:

- Owns its risks and is responsible for assessing and managing its risks;
- Is responsible for establishing and operating controls to mitigate key risks, assessing internal controls and promoting a culture of compliance and control; and
- Is required to maintain appropriate staffing and implement appropriate procedures to fulfil its risk governance responsibilities.

RISK MANAGEMENT



2nd line of defence: Risk Governance

The **Risk Management Office (RMO)** – under the **Chief Risk Officer (CRO)** – is a key pillar of Sembcorp Marine’s risk governance structure. The RMO, an independent partner of the business, manages risks in a manner consistent with the Group’s risk appetite. The office establishes policies and guidelines for risk assessments and risk management, and contributes to controls and tools to manage, measure and mitigate risks taken by the Group. In consultation with HR, Legal and other Centralised Functions, the RMO also:

- Promotes business conduct and activities that are consistent with the Group’s mission and value propositions;

- Protects the Group by overseeing Management, Commercial Units, Centralised Functions and Yard Operations in managing compliance with applicable laws, regulatory requirements, policies and other relevant standards of conduct; and
- Provides training and establishes tools, methodologies, processes and oversight for controls to foster a culture of compliance and control.

Sembcorp Marine’s goal is to embed an enterprise-wide compliance culture and risk management framework that identifies, measures, monitors, mitigates and controls compliance risks across the three lines of defence.

3rd line of defence: Internal Audit

The **Internal Audit (IA)** function independently reviews activities of the first two lines of defence based on a risk-based audit plan and methodology approved by the **Audit Committee (AC)**. IA audits the effectiveness of the Group’s governance and controls designed to mitigate exposure to risks and to enhance compliance and control. IA provides independent assurance to Sembcorp Marine’s Board, AC, Management and the regulators regarding the adequacy and effectiveness of the Group’s internal controls and risk management system.

The Group’s **Risk Governance and Assurance Framework (RGAF)** is an integral part of the overall risk assessment and assurance reporting system. The RGAF takes a risk-based approach to identifying key risk areas, corresponding processes and controls. This assessment is done to ensure adequate and effective controls are designed to mitigate the risks.

Control Self-Assessments (CSAs) are conducted by control owners on a quarterly basis, which reinforces the integrity of the RGAF. Through this programme, weaknesses, if any, in the control environment may be detected and reported to Management in a structured and formalised process. Corrective actions are then taken to strengthen the process and prevent

recurrences and lapses. In addition to providing assurance that the risk system and key controls are adequate and effective, the RGAF instils ownership among the process and control owners, promoting a strong sense of accountability.

In Sembcorp Marine’s 2018 RGAF report, assurance was given to

the Board that the Group's risk management system and internal controls are adequate and effective, considering the following factors:

- The RGAF coverage for risks identified in 2018 is adequate;
- Independent sources (i.e. internal and external auditors) have provided high level of assurance especially for preventive controls; and
- Management is satisfied with the effectiveness of preventive and detective controls.

KEY RISKS & CONTROLS

Sembcorp Marine operates in a complex, industry-specific risk environment. The Group faces a myriad of risks, often in multiple locations, that affect different parts of the organisation concurrently. The nature and level of these risks can change constantly. Many risks cannot be controlled but must be managed.

Cognizant of this context, the Group identifies risks, addresses their severity, prioritises the risks and implements risk responses. It aims to anticipate risks earlier and more explicitly, while identifying and pursuing existing and new opportunities. The Group strives to avoid check-the-box conformity. The objective is to balance risk and reward successfully, so as to achieve its strategic and operational goals.

In 2018, the Group strived for continuous improvement, pushed towards holistic capabilities and broadened the executive risk mindset. Risk management programmes were better integrated and made more comprehensive – whether in assigning responsibilities, decision making, or clarifying ownership and accountability. When mitigating critical risks, developing risk metrics or improving risk management processes,

the Group was mindful of the need to be relevant, prudent and pragmatic.

Credit Risks

Credit risk is the risk of loss resulting from decline in credit quality or failure of an obligor, counterparty or third party to honour its financial or contractual obligations. Exposure to vulnerable credits and concentration of credit risk can increase the potential for Sembcorp Marine to incur losses.

Customers are graded using Sembcorp Marine's credit rating tool, which utilises a credit rating methodology akin to those of international credit ratings agencies. Creditworthiness of major customers are tracked regularly on a credit ratings map which displays their credit grades vis-à-vis the Group's respective outstanding contract exposure to them. Detailed, updated financial information (especially on earnings, liquidity, cash flow, leverage and capitalisation) of major customers is recorded. More attention is given to those customers who have terminated contracts or failed to take delivery after technical acceptance. Tabs are kept on key market developments affecting the customers, and ERMC and BRC are alerted (together with action plans) should there be significant deterioration in customer ratings.

ERMC and BRC track credit and concentration quarterly using the Risk Appetite Statement dashboard.

The focus is on outstanding contract values with backend-loaded payment terms. Milestone or progressive payment modes are preferred. Security and other credit enhancements are requested for weaker credits. For assessing portfolio credit concentration, major customers are tiered according to their credit scores and grouped in relevant credit vulnerability bands.

Collections are also monitored.

The **Credit Committee** discuss outstanding receivables of customers and respective collection plans. The accounts are categorised according to delinquency status and collectability, of which ERMC is accordingly kept apprised. The same is communicated by the Finance risk champion (who is a Credit Committee member) to the **Finance Committee** so that Finance can augment the collection efforts, check adequacy of provisions where necessary, and inform AC as appropriate.

Financial Market Risks

Market risk is the risk of loss arising from changes in the value of Sembcorp Marine's assets and liabilities resulting from changes in market variables such as interest rates, exchange rates, credit spreads or commodity prices.

Currency and interest rate volatilities are monitored by the Treasury department, which updates BRC regularly on key drivers affecting Sembcorp Marine's foreign currency (FX) exposures and key FX exposures relating to translation and market-to-market (MTM) transactions.

Project-level FX Value at Risk (VaR) and Group VaR limits are defined, tolerance limits specified, with follow-up activities for each tolerance band stipulated.

Limits per transaction, cumulative limits, tenor and corresponding approval authority have been established. Hedge timings, amounts, and respective approval authority levels have been approved by the Board and recorded in policy documents. FX hedging process and controls entail comprehensive checks and balances in every phase viz. planning; review; approval; execution.

RISK MANAGEMENT

Overseeing this process is an **FX committee**, comprising Sembcorp Marine Director, Group Finance (Chairman), CRO, Chief Financial Officer, Head of Business Finance, and Head of Singapore Yard Operations.

A **Treasury Management System** has been rolled out. Its remit is to:

- Improve cash visibility;
- Centralise operations for Sembcorp Marine's in-house bank;
- Enhance financial risk management (e.g. template upload of major commercial project forecasts; aggregate FX exposures from projects and non-projects to support hedging decisions; and consolidate Sembcorp Marine debt exposure in a timely manner);
- Provide better governance and controls viz. automate accounting / GL entries for Treasury transactions;
- Segregate approval process for deal entry and settlement confirmation; and
- Provide system access for Risk and IA and automatically generate reports to support Group VaR monitoring.

Raw material price risks are managed by: sourcing globally for quality supply at competitive rates; locking in prices at favourable levels; and negotiating favourable prices with bulk purchases. These risks are monitored and managed by the Sembcorp Marine Procurement Outsourcing Risk Committee.

Liquidity Risks

Liquidity risk is the risk that Sembcorp Marine will not be able to efficiently meet both expected and unexpected current and future cash flows and collateral needs without adversely affecting either daily operations or the Group's financial condition. This risk may be exacerbated by the Group's inability to access funding sources or to monetise assets, and the composition of liability funding and liquid assets.

As a global organisation, Sembcorp Marine's liquidity and sources of funding can be significantly and negatively impacted by factors it cannot control. These factors include general disruptions in the financial markets, governmental fiscal and monetary policies, regulatory changes or negative investor perceptions of Sembcorp Marine's creditworthiness.

In addition, the Group's costs to obtain and access funding are directly related to its credit spreads. Changes in credit spreads constantly occur and are market-driven (by both external market factors and factors specific to Sembcorp Marine) and can be volatile.

The Group's liquidity position is monitored regularly at Finance Committee, Management and Board meetings. During BRC meetings in particular, Sembcorp Marine's debt maturity profile, refinancing and new facilities are discussed, together with the metrics and tolerance limits for Finance on the Risk Appetite Statement dashboard.

To enhance liquidity, the Group strives to monetise completed projects. It negotiates milestone payments for existing contracts and focuses on delivery as well as expediting achievement of billing milestones so as to collect payments from existing projects. The Group expedites settlement and collection of project variation orders. It controls costs to achieve better project margins. The Group extends market reach to new customers and oil companies. It maintains good relationships with financial institutions and banks to ensure that sufficient credit lines are available for working capital and to meet financial obligations. The Group also tracks all loan covenants to ensure no default.

Compliance Risks

Compliance risk is the risk arising from the violation of, or non-conformance with, local or cross-border laws, rules and regulations. Compliance risk includes Conduct risk, which is the risk that Sembcorp Marine's employees or business partners may (intentionally or through negligence) harm stakeholders as well as the Group.

Extensive compliance requirements can result in increased reputational and legal risks. Failure to comply with regulations and requirements can result in enforcement and/or regulatory proceedings. Ongoing implementation of regulatory changes and increasing compliance requirements can increase Sembcorp Marine's compliance costs.

The primary goals of Sembcorp Marine's compliance risk management are to:

- Maintain a framework that facilitates enterprise-wide compliance with local and cross-border laws, rules or regulations;
- Ensure that the Group's internal policies and procedures, and applicable standards of conduct are observed;
- Drive and embed a risk culture of compliance, control and ethical conduct throughout the Group.

To anticipate, mitigate and control compliance risks, the Group adopts the following process:

- Communicate a strong culture of compliance, control and ethical conduct;
- Identify compliance risks (viz. anti-money laundering, anti-bribery & anti-corruption, counter-terrorism financing, politically exposed person, crimes and others);
- Stipulate risk assessments required and sets the standards for these requirements;

- Identify regulatory changes, as well as assess and address the impact;
- Challenge the 1st line of defence in their assessment and management of compliance risks;
- Perform compliance assurance activities to oversee adherence to applicable requirements;
- Provide policies, procedures and other documentation that set the standards for employees and business partners, and oversee the application of those standards;
- Provide training to support effective execution of roles and responsibilities relating to the identification, control, reporting and escalation of matters linked to compliance risks;
- Inform the Board and designated committees on the effectiveness of the processes and standards implemented to manage compliance risks; and
- Escalate to the Board any actual or likely violation of law, regulation, policy or significant compliance risk, and take reasonable action to see that the matter is appropriately identified, tracked and resolved, including the issuance of corrective action plans.

The Group's Risk Champions serve as the main Compliance interfaces between their respective domains and ERMC. The various Yard Heads, Commercial Units and Centralised Functions (to whom these Champions report directly) continue to be accountable for compliance with applicable regulations, policies and procedures that are within their remit. The Heads regularly furnish compliance declarations. In 2018, the CRO was the "go-to" person on the status of Group compliance as RMO receives the compliance assurances and maintains the Group's **Compliance Register**.

The Sembcorp Marine **Enterprise Compliance Programme** was initiated in 2018. The goal is for Enterprise

Compliance to be a competitive advantage for the Group's long-term sustainability in an increasingly complex global regulatory environment. The Programme is based on the principles of Accountability, Transparency, Integrity and Speed. It comprises three building blocks and eight component pieces viz:

- Set-up (governance leadership; roles, policies & procedures; and growth);
- Engagement (Employee engagement and stakeholder engagement);
- Risk management process (reporting and escalation);
- Compliance risk assessment; monitoring, testing and remediation).

The principles adopted are consistent with ISO 19600:2014, ISO 37001:2016; COSO Frameworks, OCEG – Governance, Risk, Compliance; Monetary Authority of Singapore Code of Corporate Governance; a resource guide to the US Foreign Corrupt Practices Act; the UK Bribery Act 2010 – Guidance; ICC Rules on Combating Corruption; as well as Good Practice Guidance on Internal Controls, Ethics and Compliance.

As part of Sembcorp Marine's Enterprise Compliance Programme, risk management for business partners and 3rd party representatives has been enhanced, with the following four due diligence Critical-to-Quality (CTQ) considerations:

- Returns that are commensurate with respective risk levels;
- Avoidance of excessive efforts or costs;
- Understanding and practices aligned across all functions; and
- Efforts congruent with Sembcorp Marine's sustainability agenda.

Effective immediately are: documented screening for business partners; obtaining declaration forms from suppliers; completion of due

diligence checklist and questionnaire; and communication of **Code of Business Conduct** to business partners.

In the pipeline are: embedding compliance statements in all purchase orders, work orders and contracts; requiring business partners to complete self-assessment cum disclosure form; and on-site audits, where required.

Other key activities in 2018 relating to compliance risk management include the following:

- External legal counsel was instructed to review Sembcorp Marine's processes governing contracts with third-party representatives, and in particular, with ship brokers and marketing agents.
- With heightened focus on third-party representatives, and with EU General Data Protection Act effective in May 2018, the existing **Guidebook for Sembcorp Marine Code of Business Conduct** was enhanced with a new section on correct handling of third-party representatives. Information protection and data integrity was elaborated. The latest version has 14 themes and 40 maxims. A suite of at least 25 policies and procedures underpin Sembcorp Marine's Code of Business Conduct. The Guidebook has been translated into Portuguese, Bahasa Indonesia and Chinese. Articulating the motto "Performing with Integrity", it is an instrument of self-regulation as well as a communication tool.
- To infuse compliance awareness throughout the organisation, Risk and Internal Audit conducted 18 training sessions on the Guidebook for Sembcorp Marine Code of Business Conduct for more than 1,000 yard employees.

RISK MANAGEMENT

- Anti-bribery & anti-corruption e-Learning was launched. It was also a mandatory requirement in the orientation programme for new hires.
- A Sembcorp Marine **Personal Data Protection Officer (PDPO)** was appointed, with the responsibility of briefing ERM and BRC on Sembcorp Marine's obligations in respect of collection, use and disclosure of personal data. The PDPO's remit also covers accountability to individuals and care of personal data; as well as the Group's personal data protection framework encompassing governance structure, policies, personal data inventory, training and external communication.
- Regulatory compliance risk awareness sessions were held for Heads, Risk Champions and other nominated personnel.
- The scope of Sembcorp Marine's Compliance Register was expanded to include overseas yards. Regulatory risk reviews of top risks for Yards, Commercial Units and Centralised Functions were initiated. The Register details key regulatory obligations, corresponding policies and procedures that each department has for compliance.

Strategic Risks

Strategic risk is the risk that Management's ability to execute the authorised business decision is impaired because it cannot adapt to changes in the operating environment, or due to other external factors.

From Sembcorp Marine's strategy perspective, sustained recovery in new offshore rig orders is unlikely to be imminent as the market is over-supplied. Competition in the repairs and upgrades segment remains intense. The Group has diversified into providing solutions in gas and renewables spaces that are subject to

different challenging market drivers, and where disruptive innovations may outpace the organisation's ability to compete well. While the Group expands its market footprint, increasingly complicated geopolitical shifts and heightened regulatory scrutiny potentially create complex enterprise-wide risk events.

Sembcorp Marine's senior management, led by the President & CEO, is responsible for the development and execution of the Group's strategy. Significant strategic actions are reviewed and approved by (or notified to) the Board. The Board of Directors hold an annual strategy meeting and receive presentations at regular meetings in order to monitor Management's execution of Sembcorp Marine's strategy. At the business level, Heads of Commercial Units are accountable for the execution of the Group-wide strategy, including decisions on new business and products.

Strategic risk is monitored through various mechanisms, including regular updates to senior management and the Board on performance against operating plan, and regular business reviews between the President & CEO and the Executive Committee.

ERM and BRC use the **Risk Appetite Statement** dashboard to monitor country-risk exposures. Any deviation from tolerable limits is thoroughly investigated. Board and senior management evaluate investments and projects in medium and high-risk jurisdictions, and ensure adequate safeguards are in place.

The Risk Appetite Statements, metrics and tolerance limits (with corresponding control measures and corrective actions) are reviewed regularly, and recalibrated where necessary to ensure an acceptable balance between risk-taking and optimising returns.

Additionally, in consultation with the Board, Management summarises Sembcorp Marine's top 10 strategic risks on a heat map. The probability and materiality of each strategic risk are assessed. Management is responsible for reducing the gross level of each risk to the target net level, by implementing the agreed mitigants and controls. The heat map is reviewed by BRC regularly.

Operational Risks

In Sembcorp Marine's ERM framework, Operations encompass Project Management, IT, Human Capital, HSSE, Supply Chain and Critical Assets. Operational risk is the risk of loss resulting from inadequate or failed internal processes for any of the above-mentioned six domains.

As discussed in an earlier section, Sembcorp Marine has established a managers control assessment process to help managers self-assess significant operational risks and key controls; and to identify and address weaknesses in the design and/or operating effectiveness of internal controls. These controls include: implementing processes for early problem recognition and timely escalation; producing comprehensive operational risk reporting; and ensuring that sufficient resources are available to actively improve the operational risk environment and mitigate emerging risks.

Specific committees have oversight of operational risks in each of the six domains. The duties of these committees include managing respective operational risk exposures to be consistent with Sembcorp Marine's risk appetite; and ensuring that actions are taken to address any root cause of operational loss in their domains.

Information about the domains' key operational risks and control environment is reported regularly (via

Top Risks profiles and RGAF report) to ERM and BRC. In 2018, the RGAF register was improved to better align with the top risks reported by the domains.

The sections below highlight how risks are managed (apart from using RGAF and CSAs) in the respective domains.

Project Risks

To minimise project delivery delays and cost-overruns, Sembcorp Marine ensures that work processes are well understood at the outset so as to pre-empt working with incomplete, ambiguous or inaccurate requirements. The Group conducts periodic reviews to ensure that each project's work progress adheres to its planned schedule, resources are allocated for key deliveries, and allocation is optimised by redeploying under-utilised assets and resources. Training is conducted and investments made in modern equipment and technology to improve operational efficiency and effectiveness. Actual project costs are controlled in order to achieve target contribution.

In 2018, a cross-functional team (with guidance from the President & CEO) tabulated exposure to critical project liabilities for every key on-going project. High probability or high impact triggers were identified, the probability of those triggers being activated was assessed, and corresponding operational and financial mitigation articulated. Management presented the table to BRC and it has since become a compulsory page in Sembcorp Marine's board approval paper template.

In 2018, Management and BRC had an in-depth discussion on how to minimise residual exposure to the limited liabilities as well as to the uncapped liabilities of Sembcorp Marine projects. Management articulated four imperatives (based on

different scenarios) when managing project contractual liability exposure, and further listed seven sequential steps to minimise residual exposure.

The first three fundamental 'core defence' steps entail: precise execution of all operational mitigations; careful management of liabilities excluded from total cumulative liability as well as terms and conditions of remedies stated in contracts; and capping financial loss by negotiating Total Cumulative Liability limits and limits for other sub-liabilities to as low as possible.

The fourth, fifth, sixth and seventh steps involve: sharing liabilities; including contingencies in project costing; factoring in risk premium; and checking adequacy of existing Group Comprehensive General Liability policy.

Project teams have since been guided by this paradigm as they seek to minimise project residual exposure.

The progress of ongoing projects is reviewed at least quarterly. The **Project Risk Committee** tracks variances in all applicable project phases (i.e. engineering, procurement, construction and commissioning). The BRC is apprised of material variances (if any) during quarterly reviews of the Risk Appetite Statement dashboard. Mitigation plans are required where there are material negative variances of actual vs planned budget. Potential liquidated damage exposure and foreseeable loss are estimated. These actions reinforce discipline in project management.

IT Risks

Sembcorp Marine's and third-party computer systems and networks will continue to be subject to evolving and sophisticated cybersecurity risks. These cybersecurity risks could result in theft, loss, misuse or

disclosure of confidential client or customer information; damage to the Group's reputation; additional costs to Sembcorp Marine; as well as regulatory penalties, legal exposure and financial losses.

The Group devotes significant resources to implementing, maintaining, monitoring and regularly upgrading its systems and networks with measures such as intrusion detection, penetration tests and firewalls to safeguard critical business applications.

Sembcorp Marine engages certain actions to reduce exposure resulting from outsourcing, such as performing on-site security control assessments and limiting third-party access to the least privileged level necessary to perform job functions.

In order to achieve target Recovery Time Objective and Recovery Point Objective for critical system failures, the Group has put up disaster recovery plans for critical systems, which are tested and reviewed annually. The Group backs up data periodically and store them at alternate data centres.

Memos on IT security (e.g. relating to ransomware and phishing emails) are sent to all staff regularly. Employees are reminded of preventive measures, and are informed of on-going simulated phishing exercises. Employees who do not abide by Sembcorp Marine's cybersecurity rules are required to undergo additional training and disciplinary actions will be taken for repeated violations.

Human Capital Risks

In order not to exceed the target turnover rate for management staff, and to achieve the desired succession index, Sembcorp Marine enhances its flexible benefits plan to improve staff welfare, allows job rotations among staff, and harmonises HR and

RISK MANAGEMENT

employee welfare practices across the Group, where possible. The Group continuously improves its on-boarding process, as well as reviews and, where possible, takes corrective actions based on constructive feedback from exit interviews. It identifies key personnel and grooms high-potential employees for leadership succession.

The ERMC and BRC track metrics on Human Capital planning (in particular, turnover rate for management staff and succession index) when reviewing the dashboard for Sembcorp Marine Risk Appetite Statements.

Health, Safety, Security and Environment (HSSE) Risks

With zero tolerance for fatalities and the target to minimise Workplace Injury Rate, Accident Severity Rate and Accident Frequency Rate, the Group has implemented the following Sembcorp Marine Workplace Safety and Health (WSH) strategic thrusts (which are aligned with WSH 2018 and WSH 2018 Plus strategies):

- Continuous enhancement of Health, Safety and Environment (HSE) competencies and capabilities;
- Improvement in risk and safety management systems;
- Building up commitment and leadership towards collective WSH culture; and
- Involvement and support from stakeholders to develop a strong partnership and foster a positive HSE culture.

HSE performance indicators (which are based on International Association of Oil & Gas Producers standards and Singapore WSH standards) are reviewed with Management and the Board regularly. Various HSE programmes are organised to instil HSE awareness in the workforce, along with risk intervention programmes for identified key risks.

The Group conducts on-site inspections, walkabouts and audits to identify all potential risks and hazards. It improves the Sembcorp Marine HSE management system by benchmarking the Group's HSE policy and procedures against applicable legal regulations and other industry best practices.

Sembcorp Marine's President & CEO has made an HSSE pledge which includes cultivating strong HSSE culture through leadership commitment; empowering all personnel to exercise Stop-Work Authority; a zero harm goal towards people, property and environment; as well as walking the ground.

The Head of HSE briefed BRC on description of incidents and investigation findings (including site observations, accounts of witnesses, most probable causes and corrective actions). HSE department performs root cause analysis and tracks incidents, near misses and loss events to analyse and address root causes of failures and prevent their recurrence.

Supply Chain Risks

Supply chain risk is the threat to the continuity and profitability of the supply chain. Threats include cost volatility, material shortages, supplier financial issues and failures, and natural and man-made disasters.

The Group requires Procurement staff to adhere to proper integrity standards and be accountable and transparent in all their dealings. Procedures are in place to ensure proper transaction documentation, good procurement practices, ethical behaviour and open and fair competition.

The Group qualifies vendors to ensure a portfolio of best-in-class vendors is available for use. These vendors are qualified based on their company profiles, financial standing, technical capabilities and expertise.

Key vendors' performance is reviewed annually. Vendors are also required to understand the Supplier Code of Conduct and declare their compliance with the Group's Code of Business Conduct, thus ensuring an ecosystem of ethical business practices.

Purchase orders and procurement contracts are structured to promote effective and efficient administration during execution. Purchase orders or purchase contracts are issued in a timely manner to secure the timely delivery of goods. To safeguard its interests, the Group has adequate terms and conditions in its purchase orders and contracts. There are also effective controls to ensure that purchase terms and conditions are negotiated in conformity with the Group's procurement policy and procedures.

In 2018, the **Sembcorp Marine Supplier Code of Conduct** was rolled out. It retains the crux of the Sembcorp Marine Code of Business Conduct and is tailored to emphasise compliance themes pertinent to suppliers, including: Ethics; Conflict of Interest; Human Rights & Labour; Environmental Responsibility; Conflict Materials; HSE; Environmental Sustainability; Data Protection; and Export Controls/Sanctions. The Supplier Code of Conduct is available on the Sembcorp Marine website. Vendors and third-party representatives are informed about the Code.

Critical Assets Risks

Sembcorp Marine ensures that its current systems, processes and controls are adequate and effective in procurement, construction, installation, operation, maintenance and certification of the Group's critical assets. It identifies, establishes and implements best practices and guidelines for the management of these assets.

Sembcorp Marine promotes group-wide sharing of information and discussion concerning the quality,

reliability and other material issues of equipment and machinery commonly used in the industry, including case studies of critical asset failures and near misses.

Insurance is also a key mitigation for financial losses arising from operational risks (and other risk areas, where applicable). Sembcorp Marine has procured insurances for all aspects of the Group's business:

- Relating to projects, as the Group's exposure is largely during the construction and operational stages, it has Construction All Risk policy for the former and Operational Policy for the latter.
- Additionally, the Comprehensive General Liability Policy that Sembcorp Marine has procured also provides (to some extent) liability cover during the construction period, and the Third-Party Liability Policy provides cover during the operational period.

Sembcorp Marine recognises that Insurance is not a cure-all and is cognizant of the types of liabilities and indemnities that are insurable; those that are insurable to a limited extent; and those not insurable. Critical assets are also covered by insurance to hedge against unexpected losses and downtime. In addition, insurance is procured for identified personnel to mitigate key-man risks. The Group uses existing insurances as a means of risk transfer, and will procure more insurances where necessary and cost-effective, or required by contractual obligations or legislation.

EFFECTIVE RISK MANAGEMENT – A COMPETITIVE ADVANTAGE

Business volatility has increased. Risks are more complex and widespread. The above capabilities inherent in Sembcorp Marine's ERM framework help Management:

- Achieve the Group's performance targets and prevent loss of resources;
- Ensure effective reporting and compliance with laws and regulations;
- Avoid damage to the Sembcorp Marine's reputation and associated consequences; and
- Avoid pitfalls and surprises as the Group strives for resilience and value creation.

Sembcorp Marine's ERM framework is a critical business driver and a source of sustained growth and long-term competitive advantage for the Group.



OUR

OPERATIONS

**EXPANDING OUR
OPERATIONS FOR
SUSTAINABLE
GROWTH**



Sembcorp Marine's new corporate building

SOLAR ROOF

**STEEL FABRICATION
WORKSHOP**

**TUAS
BOULEVARD
YARD PHASE 3A
DEVELOPMENT**



Continuous development at Sembcorp Marine Tuas Boulevard Yard

Sembcorp Marine employees will move into a new corporate office building at Tuas Boulevard Yard in 1H2019.

The Group's flagship production centre will also complete its 40.2-hectare Phase 3A development in early 2019, bringing on board a raft of new facilities. These include a 2-storey warehouse; a quay with 9m-12m draft; a robotic welding shop; mobile shelters; blasting and painting chambers; fabrication workshops; gantry cranes; and reinforced open areas for block pre-erection as well as block erection and assembly work.

Besides expanding its production capacity, Tuas Boulevard Yard is also improving its environmental footprint with a newly installed solar rooftop and digital energy management system. Generating up to 5,380MWh of green power annually – equivalent to reducing 2,500 tonnes of carbon emissions per year – the solar rooftop and energy management system will effectively lower by 30% the amount of grid-supplied electricity consumed at the yard's steel fabrication workshop during peak load.

SUSTAINING COMPETITIVENESS

Sembcorp Marine's sustainable growth rests on its ability to create long-term value for stakeholders. The Group stays competitive by focusing on three important material areas: Innovation and Solutions Development; Value Chain Management; and Customer Alignment.



LEADING PROVIDER OF GAS CARRIER REPAIR AND UPGRADE SOLUTIONS

INNOVATION AND SOLUTIONS DEVELOPMENT

Anchored in robust core values, a strong innovation culture as well as disciplined technology research and engineering development capabilities, the Group offers cost-effective, safe and environmentally-friendly solutions with the aim of transforming the industry, expediting energy transition, and enabling customers to stay ahead of the competition.

Sembcorp Marine's innovation approach is built upon three pillars – researching emerging technologies and new opportunities; development of talent, products, systems and processes; and collaboration with innovators, institutions and the industry.

Sembcorp Marine's pipeline of strategic technology research and solution development programmes have led to a suite of safer, smarter, environmentally sustainable and more superior products and solutions for customers, the industry and the community. These efforts also

further the intents of the relevant United Nations (UN) Sustainable Development Goals.

Sustainable products

Sembcorp Marine is committed to developing sustainable, safe and cost-effective solutions that add value to both the Group and its stakeholders by providing reliable infrastructure to generate new income streams and create economic growth.

Market-Ready Natural Gas Solutions

The Group champions the adoption of natural gas (NG) as a greener alternative to conventional carbon fuel. Natural gas, also a common by-product of subterranean fuel extraction, is an environmentally-friendlier fuel with lower carbon emissions compared to traditional fuels.

Sembcorp Marine has developed a comprehensive suite of solutions to accelerate the adoption of gas as a globally preferred fuel. These include solutions for production, processing and transportation of gas, as well as gas-powered offshore and marine vessels.

<p>CLIMATE</p>	<ul style="list-style-type: none"> Delivering market-ready natural gas product solutions Expediting renewable energy and low carbon adoption
<p>OCEAN</p>	<ul style="list-style-type: none"> Providing turnkey green technology products and services Chemical-free ballast water management and corrosion protection systems
<p>EARTH</p>	<ul style="list-style-type: none"> Reducing environmental footprint of operations Centralised, smart and efficient operations

Notable programmes and solutions implemented for sustained business growth that are aligned with UN Sustainable Development Goals

For example, the Group's innovative and cost-effective Gravifloat near-shore gas terminals provide scalable and more economically viable solutions for global gas liquefaction and regasification developments. Sembcorp Marine has also developed a portfolio of vessels powered by gas engines. This includes gas engine tug vessels which will replace the existing tugboat fleet at its flagship Tuas Boulevard Yard. Not only will the new-generation tugs help Tuas Boulevard Yard reduce its carbon footprint effectively, the technology installed in these vessels is relevant to other applications, such as liquefied natural gas (LNG) carriers and bunker vessels.

Sembcorp Marine is also a leading provider of gas carrier repair and upgrade solutions. In the last five years, the Group has consistently topped the global market for servicing the highest number of LNG carriers annually. For more information, please refer to page 130.



Sembcorp Marine's proprietary gas-powered vessel designs, such as the LMG 60-TGH LNG-battery hybrid azimuth stern drive harbour tug (top photo) and LNG bunker vessel, contribute to a low carbon future



An innovative and proven alternative to conventional ship-shaped floating platforms to address the challenge of operating in harsh environment safely and efficiently

Mitigating Climate Change with Renewable Energy Solutions

Sembcorp Marine's innovative technology and construction expertise help customers reduce their carbon emissions. The Group is currently executing an engineering, procurement, construction, hook-up and commissioning project to deliver two offshore windfarm substation topsides to Ørsted Wind Power subsidiary Optimus Wind Limited. The topsides will be deployed at the Hornsea 2 Offshore Wind Farm in the North Sea. This 1.4 gigawatt capacity facility will have the capacity to power over 1.3 million homes when operational in 2022.

The Ørsted contract follows Sembcorp Marine's successful delivery of the Dudgeon Wind Farm substation platform from its yard at Lowestoft, UK. The project won the Best Energy Project Award at the 2016 East of England Energy Group Awards.

Sembcorp Marine will also design and construct three roll on/roll off passenger (ropax) ferries for Norled AS, to be deployed in Norwegian shortsea routes. These zero-emission vessels will operate on batteries rechargeable

at hydroelectricity-based shore power points available along their service routes.



Sembcorp Marine's zero-emission ropax ferries are powered by lithium-ion batteries and can accommodate 300 passengers and 80 vehicles

Safeguarding the Ocean

Sembcorp Marine's green technology solutions promote ocean sustainability, covering areas such as ballast water treatment, exhaust gas cleaning, biofouling control and corrosion control.

In 2018, the Group secured \$160 million in orders for the retrofitting of ballast water management systems and gas scrubbers for 58 vessels.

Sembcorp Marine also markets its own proprietary Semb-Eco LUV Ballast Water Management System (BWMS), which comes with International Maritime Organization (IMO) and US Coast Guard Alternate Management System certifications. Boasting a low carbon footprint, the Semb-Eco LUV

SUSTAINING COMPETITIVENESS



Sembcorp Marine has collaborated with one of Singapore's largest energy providers to install a 4.5 megawatt-peak solar farm and a digital energy saving system at Tuas Boulevard Yard

BWMS helps vessels mitigate the risk of invasive aquatic species in turbid or highly challenging tropical waters.

The Semb-Eco ELMag system is a non-chemical corrosion control solution, especially suited to ships with a water-cooled stern tube shaft for effectively preventing oil and chemicals from polluting the ocean. It has been successfully installed on five vessels operating in the environmentally-sensitive Alaskan waters.

Going Deeper, Harsher, Colder

Sembcorp Marine's solutions are designed and built to stringent requirements for safe operation in demanding environments. In response to the opening of the northern arctic sea routes, the Group's subsidiary LMG Marin has developed its first polar expedition cruise ship design, which complies with the stringent DNV-GL polar class PC(6) standard. This ice-class vessel design will have an unrivalled level of safety and conforms fully to Safe Return to Port

requirements in the 2009 International Safety of Life at Sea treaty.

To further the Group's ambition of meeting the operational requirements of deeper, harsher and colder environments, 2018 saw Sembcorp Marine acquiring the intellectual property rights and design expertise of global circular hull solutions provider Sevan Marine ASA. The circular hull design offers an innovative alternative to conventional ships and floating platforms and provides new methods of addressing the challenge of operating in harsh environments safely and efficiently. A newly established subsidiary, Sevan SSP AS, will position the Group as a leading engineering, procurement, construction and commissioning solutions provider for circular hull floater projects.

Reduced Environmental Footprint for Operations

Sembcorp Marine's flagship Tuas Boulevard Yard is a next-generation smart and sustainable yard. It is

equipped with bigger and deeper docks for today's mega-size vessels; automated production facilities; and advanced environmental management features. As a living lab, the yard collaborates with various technology partners to test-bed innovative processes, advanced equipment and new technologies. Such endeavours strengthen the Group's operations and capabilities in developing and delivering new products and solutions for sustainable growth and with a reduced environmental footprint.

Harnessing Solar Power

Sembcorp Marine invests in sustainable energy sources in its operations. In late 2018, an ambitious solar farm installed on the rooftop of Tuas Boulevard Yard's steel fabrication workshop came online.

The 4.5 megawatt-peak panels will be fully operational in 2019. This renewable energy project is a collaboration with Singapore Power. It involves integrating the

solar farm at Tuas Boulevard Yard with a digital energy-saving system to harness, manage and monitor the power generation. The system features energy storage capabilities, energy sensors and a real-time digital platform to optimise energy usage throughout the yard. It is able to lower grid-supplied electricity consumed by the yard's steel fabrication facility, resulting in an equivalent of 2,500-tonne carbon emissions reduction per year.

i Read more about Sembcorp Marine's environmental sustainability approach and initiatives on pages 67, 134 - 139.

Operationalising Drone Technology

As offshore and marine structures are often large and difficult to access, the use of drone technology has significant benefits, such as replacing high-risk inspection tasks carried out by humans with remotely-controlled and efficient drones, as well as reducing the overall time and resources required to complete the inspections.

To ensure safe and authorised operations, a team of drone operators has been certified and issued permits by the Civil Aviation Authority of Singapore to support daily inspections alongside class surveyors.

In 2018, Sembcorp Marine successfully completed the test-bedding of drone-based safety inspections and launched this new application at Tuas Boulevard Yard.

Sembcorp Marine is also the first in Singapore to have received the ABS External Specialist Certificate for the quality inspection of vessels using unmanned aerial vehicles (UAVs).



Drone technology has effectively mitigated the risks associated with conducting surveys in difficult locations

Working with Partners to Drive Industry Technology Development

The Sembcorp Marine Living Lab at Tuas Boulevard Yard provides collaborative opportunities for academic institutions, industry stakeholders and innovation partners to realise innovative ideas and translate research results into applications and solutions. The Living Lab platform facilitates test-bedding of emerging technologies and new products in real

and operational-scale yard operations and product environment.

The Group has various ongoing collaborations with like-minded partners, leveraging one another's expertise and unique knowledge to operationalise research results into feasible applications. Such collaborations enrich the research talent pool in Singapore's offshore and marine industry.



Sembcorp Marine works closely with industry partners and stakeholders to realise the maximum potential of offshore and marine R&D collaborations

SUSTAINING COMPETITIVENESS



Semcorp Marine worked with ABS classification society, customers and stakeholders to test-bed and jointly develop the world's first Cybersecurity-Ready Notation issued to a drilling rig

Product Excellence

Semcorp Marine adopts a risk-based approach to product development and ensures its products fully comply with rules and standards of IMO, International Organization for Standardization (ISO) and associated marine classification societies.

All Semcorp Marine products undergo strict risk and safety assessments during the design and construction phases, executed in close consultation with customers and industry specialists. During these phases, internationally developed and acknowledged standards such as the Hazard Identification (HAZID) and Hazard & Operability (HAZOP) studies are used to identify, manage and eliminate safety, environmental and operational risks at the earliest practicable stage.

Before delivery, the Group ensures all its products meet the stringent international standards of safety, health, security, environment and quality applicable to the intended location and scope of operation. These standards include IMO's International Convention for the Prevention of Pollution from Ships (MARPOL), the International Convention for the Safety of Life at Sea (SOLAS), as well as the Code for Construction and Equipment of Mobile Offshore Drilling Units (MODU Code). The vessels and offshore platforms built by Semcorp Marine also comply with strict statutory requirements, such as US Coast Guard Regulations, Brazilian Regulatory Standards, UK HSE requirements, Norwegian Maritime Authority Regulations, and regulations from Petroleum Safety Authority Norway and the Norwegian NORSOK

standards. Additionally, Semcorp Marine has worked with specialist partners to address global offshore and marine cybersecurity concerns. In 2018, a high-specification jack-up rig completed by Semcorp Marine became the first drilling rig to be awarded the ABS Cybersecurity-Ready Notation.

Technical and operational safety manuals, which include comprehensive details on health, safety and environment signage, safety data sheets as well as vessel operation instructions, are prepared by the company to ensure that customers and users are equipped with the necessary knowledge to operate the product safely. These manuals undergo audits and are required to be approved by statutory regulators and classification societies.

MANAGING THE VALUE CHAIN

Sembcorp Marine's value chain is critical to its competitiveness, business growth and customer satisfaction. The Group carefully manages value inputs through the life cycle phases of its projects – from design, engineering and procurement to construction and commissioning – in order to achieve on-schedule and on-budget completion, while delivering high standards of quality, safety, reliability, as well as health and environmental standards required by customers.

Information on the material topics impacting the value chain and Sembcorp Marine's level of influence can be found on pages 124 - 125.

Supply Chain Management

To mitigate supply chain risks and ensure timely project delivery and compliance with quality, security, occupational health, safety and environment requirements, various supply chain and material management systems are in place. Key vendors of essential materials, equipment, components and services are proactively managed, closely monitored and regularly assessed for their ability to deliver and to prevent lapses that may potentially affect production deliverables.

Within its value chain, Sembcorp Marine has established due diligence processes and pre-qualification checks that verify the credentials, reliability and social responsibility of its suppliers. All of them are expected to operate ethically and responsibly, in alignment with Sembcorp Marine's Human Rights Policy and ethical codes of conduct.

.....
 Scan for more information on

Guide to Code of Business Conduct



Supplier Code of Conduct



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In 2018, Sembcorp Marine launched its Supplier Code of Conduct, which complements the Group's Code of Business Conduct. The former provides guidance to suppliers, sub-contractors and business partners on the Group's requirements relating to business integrity, including non-tolerance of bribery and corruption, conflicts of interest, human rights, fair employment, decent labour practices, ethical sourcing, conflict minerals, health, safety and environmental responsibility, data protection and privacy as well as compliance with export controls and sanctions.

Enhancing Cost-Competitiveness

Sembcorp Marine is committed to integrating sustainability into its supply chain management and procurement processes. Within various internal platforms, strategies are deployed to enhance cost savings as well as harness operational synergies and economies of scale that are not only mutually beneficial but also aligned with customers' needs.

At the various stages of production, opportunities are identified for technical and engineering enhancements that deliver material usage efficiencies for parts and components. As much as practicable, lightness, compactness and efficiency are built into the product design to optimise the quantity of raw materials used in the delivered product.

Sembcorp Marine collaborates closely with customers to identify how product or service inputs can be enhanced in terms of quantity, standardisation or deployment, so as to reduce production costs and the total cost of ownership. The Group also works with its strategic and key suppliers to improve the quality, safety and cost-competitiveness of products and services provided.

Where relevant, the Group leverages its technical knowledge, engineering competencies and innovation capabilities to propose alternative parts and components that can meet cost-saving and sustainability objectives while keeping to customers' specification requirements.

Sembcorp Marine further aims to reduce overall transport costs and carbon footprint by sourcing locally or regionally near a project's location and subsequent point of delivery.

Leveraging Operational Synergies and Economies

Sembcorp Marine utilises a strategic approach in procuring categories of materials, components, consumables and services to achieve economies of scale and secure better value from key suppliers. The Group works closely with these suppliers to standardise products and services used in its shipyards and to better align yard operations with evolving technical standards, industry requirements and best practices. This has enabled the Group to continuously improve its cost savings, supply chain economies, competitiveness and sustainability efforts.

Moreover, Sembcorp Marine aggregates the use of transportation and logistics equipment across its yards and affiliates for better resource efficiency. This synergistic approach has further enhanced its supply chain sustainability performance while boosting the Group's access to a wider set of qualified suppliers with stronger capabilities.

The Group also actively manages raw material stocks across its shipyards via a central shared database. Inventory levels are monitored to match production needs and minimise inventory storage costs. The database helps improve inventory forecasting and enables better planning with strategic suppliers to realise production economies.

SUSTAINING COMPETITIVENESS

Inputs

Suppliers

- Raw Materials
 - Metals, mainly steel plates and pipes
 - Wood, plastics, cables and consumables
- Equipment & Parts
 - Engine room machinery, process equipment and drilling packages
 - Software, sensors and systems machinery
 - Yard infrastructure and maintenance
- Chemicals & Gas
 - Paint for anti-fouling and corrosion protection
 - Bulk gases for production
 - Chemicals for process operation and treatment

Special Service Providers

- Design Houses and Technical Consultants
- Inspection, Test, Commissioning and Certification Agencies
- Waste Management Services

Labour Providers

- Sub-contractor Labour
- Local/International Workforce



For more details on Sembcorp Marine's value chain management, please visit:

- www.sembmarine.com/sustainability/value-chain-management
- Material topics and management approaches – see Approach to Sustainability section on pages 63 - 78
- Risk mitigation measures – see Risk Management section on pages 106 - 115

Our Value Chain

DESIGN & ENGINEERING

- Products & Solutions Development
- Process Engineering
- Simulation & Testing

PROCUREMENT

- Raw Materials Sourcing
- Equipment & Parts Procurement
- Services & Manpower Contracting

Material Impacts

- Business Integrity
- Innovation & Solutions Development
- Customer Focus
- Environmental Sustainability
- Human Capital
- Total Workplace Safety & Health

Where Impacts Occur / Ability to Influence

Within Sembcorp Marine, there is a high level of influence on the material impacts during this phase. There are various management systems and risk mitigation practices in place during design, engineering and procurement to ensure quality, safety, environment and performance standards. The Group strives to practise responsible procurement and requires supply chain partners to adhere to environmental, social and governance principles in its Supplier Code of Conduct.

Green Technology Retrofit Solutions
Eg. Ballast Water Management Systems & Exhaust Gas Cleaning Systems

Repair and Upgrade Services for Different Ship Types

Near-Shore Gas Platform Solutions

High-Performance Specialised Vessels

Offshore Platforms and Modules



PRODUCTION

- Resource Planning
- Production Activities
- Project Management

QUALITY, HEALTH, SAFETY & ENVIRONMENT VALIDATION

- Quality, Health, Safety & Environment Assurance
- Compliance Checks

TRANSPORTATION & DELIVERY

- Towing Solutions
- Heavy Lifting
- Logistics Support

PRODUCT IN OPERATION

- Product Training & Documentation
- After Sales Support

Material Impacts

- Business Integrity
- Innovation & Solutions Development
- Customer Focus
- Environmental Sustainability
- Human Capital
- Total Workplace Safety & Health
- Community Engagement

Where Impacts Occur / Ability to Influence

There is a high level of involvement by the Group to manage impacts relating to quality, workplace safety and health, human capital, environmental sustainability as well as compliance with customers' location-specific operating requirements. Risk mitigation measures ensure projects are completed safely, on time and within budget. There is increasing adoption of eco-friendly and energy-efficient production processes as part of the Group's drive towards smarter, sustainable and greener operations. Some external impacts are managed at this stage, for example, labour market and community engagement.

Material Impacts

- Business Integrity
- Innovation & Solutions Development
- Customer Focus
- Environmental Sustainability
- Human Capital
- Total Workplace Safety & Health
- Community Engagement

Where Impacts Occur / Ability to Influence

There continues to be a strong focus in managing customer relationships and fulfilling their delivery requirements. Influence of the Group is reasonably high regarding material topic impacts. To provide greener fleet transport solutions to customers, research and development is in progress for the design and construction of LNG-hybrid tugs to progressively renew the Group's diesel-powered tug fleet. Management systems and risk mitigation measures are in place to control product-related impacts, such as safety and emissions.

Jack-up Rigs for Up to 400ft Operational Depth



Semi-Submersible Rigs for Harsh-Environment Operation



Next-Generation Drillships for Ultra-Deepwater Operation



Floating Production, Storage and Offloading Vessels (FPSO)



FLNG Solutions for Deepwater Operation



SUSTAINING COMPETITIVENESS


Sustainable and Responsible Supply Chain Practices

Sembcorp Marine's sustainability focus in its value chain processes is aimed at managing its environmental, social, governance and economic impacts.

As part of its efforts to mitigate the potential impacts of climate change, the Group sources sustainably produced equipment and parts to provide customers with greener alternatives. Products and solutions that do not harm the environment and have lower carbon footprint are preferred. These include environmentally-friendly paints, coatings and materials as well as energy-efficient products for customers' projects and for the Group's business operations.

To conserve resources, materials such as steel and blasting grit are recycled or repurposed for internal use. Scrap materials are consolidated and recycled using approved and licensed service providers. Waste material is disposed of responsibly using service providers with nationally accredited permits.

In compliance with environmental and public health requirements by the International Maritime Organization, Montreal Protocol provisions and Singapore's National Environment Agency, Sembcorp Marine does not procure materials, parts, equipment or products containing harmful substances, including asbestos and ozone-depleting compounds such as chlorofluorocarbons (CFCs), hydrochlorofluorocarbons (HCFCs) and halon.

 For information on Sembcorp Marine's environmental programmes, please refer to the Environmental Sustainability section on pages 134 - 139.

The Group avoids the entry of conflict minerals into its supply chain by not procuring tin, tantalum, tungsten, gold and other raw materials originating from conflict-affected or high-risk areas. The process of extracting and producing these minerals often involves forced labour, violence and human rights abuses propagated by divisive groups for unethical causes. Vendors are also expected to ensure that their supplied products do not include any conflict minerals.

A reliable system of due diligence and internal control processes helps Sembcorp Marine ensure that suppliers comply with its Code of Business Conduct and Supplier Code of Conduct.

To be selected into the Group's approved vendors list, suppliers undergo a strict qualification process, including a declaration that their business practices and their supply chain partners operate responsibly and ethically, consistent with Sembcorp Marine's Code of Business Conduct and Supplier Code of Conduct.

As at end 2018, 100% of active suppliers in the Group's approved vendors list declared compliance with Sembcorp Marine's ethical codes of conduct and sustainability standards.

Tender bids are reviewed based on merit through a fair and objective process, with suppliers expected to observe fair competition regulations and conduct during the tendering process. Sustainability requirements are also incorporated into the terms and conditions of contracts.

Sembcorp Marine regularly reviews its existing suppliers through a cross-functional committee, ensuring that these suppliers continue to meet

high standards of quality, reliability and performance as well as comply with the Group's sustainability and corporate governance requirements. The evaluation process includes documentation reviews, verification checks, company status updates and onsite audits where necessary; particularly for key suppliers with large spend value, purchase volumes or impact on production schedules.

If a contracted supplier fails to perform or is unable to comply with Sembcorp Marine's standards and requirements, the Group will request the vendor to implement corrective measures to rectify the relevant issues. If the supplier is still unable to fulfil the requirements, it will be removed from Sembcorp Marine's approved vendors list.

Contractors supplying manpower to Sembcorp Marine's yards must declare that their operations and human resource practices are in compliance with the Group's Human Rights Policy, Supplier Code of Conduct and applicable employment legislation. In Singapore, the Group's resident contractors are required to attain bizSAFE Level 4 certification, which ensures that an externally-audited workplace safety and health management system is in place. Regular assessments and periodic audits on contractors' dormitory and workshop facilities are done to ensure that the Group's safety, performance, quality, human rights and sustainability requirements are met.

Supplier Engagement

Sembcorp Marine actively engages its suppliers through briefings, workshops, industry sharing and trade events. This strengthens relationships and promotes win-win outcomes and continuous improvement in

business excellence, sustainability, corporate governance, innovation and occupational safety and health.

In 2018, several technical visits and factory acceptance tests were carried out at suppliers' manufacturing facilities to enhance the Group's understanding of production and delivery processes for improved operational planning, quality coordination and product execution.

Another important aspect of engagement is aligning suppliers with the Group's core values, operating principles and corporate policies. This is done by communicating and disseminating Sembcorp Marine's corporate governance policies, Code of Business Conduct and Supplier Code of Conduct to supply chain partners. In doing so, the Group ensures that its vendors and contractors are aware and have declared their adherence to the required standards.

Sembcorp Marine actively promotes technology advancement and



Close partnership with suppliers in technical exchange and knowledge sharing

knowledge exchange among its customers and suppliers. In 2018, the Group organised and participated with key equipment vendors, material suppliers and embassy delegates in several sharing sessions on innovative technologies, technical updates and product and service upgrades. Such collaborations ensure that Sembcorp Marine's engineering, procurement and operational functions are kept

abreast of new, innovative and sustainable technologies that can be deployed in the manufacturing processes of the Group's products and services. The knowledge sharing also contributed to improved welding methods, development of alternative and innovative production techniques, and the enhanced sustainability of material and components procured.



Gaining innovation insights from technology sharing by suppliers



Engagement with supplier delegates from Norwegian Energy Partners (NORWEP) in 2018

SUSTAINING COMPETITIVENESS

CUSTOMER ALIGNMENT

Sembcorp Marine's customer alignment strategy involves creating value, forging strong links and developing partnerships with customers for mutual success and growth. This involves reinforcing brand loyalty, enhancing satisfaction and building trust by ensuring execution excellence, ethical business practices as well as high standards of customer safety and security.

In 2018, Sembcorp Marine was awarded \$1.18 billion in new contracts. Marking its expansion into the gas value chain, renewable energy engineering and sustainable solutions, the Group has secured \$200 million in orders from this segment. These include:

- Engineering, procurement, construction, hook-up and commissioning works on two topsides from Ørsted Wind Power subsidiary Optimus Wind Limited for the Hornsea 2 Offshore Wind Farm in the UK North Sea; and
- The first contract of its kind for the Group to design and construct three identical plug-in roll on/roll off passenger (ropax) ferries for Norwegian company Norled AS, based on a proprietary design by Sembcorp Marine's wholly-owned subsidiary LMG Marin.

Sembcorp Marine also diversified into LNG bunker vessel construction with its first newbuild order secured in February 2019 from Indah Singa Maritime, a subsidiary of Mitsui O.S.K. Lines. The contract calls for the design and construction of a 12,000cbm LNG bunker vessel with two GTT Mark III Flex membrane tanks. To be chartered to Pavilion Gas on completion, the vessel will be the largest of its kind built locally, in terms of size and LNG tank capacity.



Teams from Sembcorp Marine and Shell celebrating the strike steel ceremony of the Vito FPSU project



Key representatives commemorating the construction commencement of TechnipFMC's turnkey EPC FPSO newbuild project



Sembcorp Marine and Equinor representatives marking the first steel cut for the Johan Castberg FPSO project

With the recent improvement in the offshore oil and gas industry, Sembcorp Marine won several new orders in 2018 on the strength of its proven track record and global leadership in turnkey offshore and marine solutions. These comprise:

- Construction and integration of hull, topsides and living quarters of Shell's Vito semi-submersible Floating Production Unit (FPU) for the US Gulf of Mexico; and
- Engineering, procurement and construction (EPC) of hull and living quarters as well as topsides fabrication and integration for TechnipFMC's newbuild FPSO for deepwater field developments in the Eastern Mediterranean.

In addition, the Group is finalising an approximately US\$166 million agreement with Teekay Offshore Partners' wholly-owned subsidiary Varg for EPC works relating to the modification, repair and life extension of the Petrojarl Varg FPSO.

In the area of gas value chain solutions, Sembcorp Marine is on track to deliver Sleipnir, the world's largest semi-submersible crane vessel for Heerema, which uses LNG as a primary fuel.

Other projects currently in progress include the construction of two proprietary design Jurong Espadon III high-specification ultra-deepwater drillships for Transocean; turnkey EPC of hull and living quarters for Equinor's newbuild FPSO for deployment at the Johan Castberg field development in the Barents Sea; FPSO P-68 topsides fabrication and integration, including hull carry-over work, as well as FPSO P-71 topside modules construction, both for Tupi B.V.



Connecting with international customers through participation in global trade shows

Forging Strong Relationships

Building Brand Awareness

Sembcorp Marine has evolved into an integrated brand offering turnkey engineering, procurement, construction and commissioning (EPCC) solutions and a full suite of oil and gas value chain capabilities for the offshore, marine and energy industries.

To strengthen its branding and market position, the Group connects with prospective and current customers

through regular marketing road shows and participation in major trade exhibitions globally as well as networking events in key markets.

Sembcorp Marine is also actively involved in technology seminars, technical sharing sessions and industry events to build awareness of the Group's new products and capabilities, such as its renewable energy solutions; green technology; arctic solutions; Gravifloat LNG terminal facilities; Sevan SSP circular hull solutions; and cruise ship designs.



Showcasing Sembcorp Marine's green technology retrofit solutions, including its proprietary ballast water management system, at industry forums and summits



Sembcorp Marine networking reception in Houston, Texas, USA



Promoting Sembcorp Marine's global capabilities at international conferences



Collaborating with customers to continuously enhance HSE best practices

SUSTAINING COMPETITIVENESS

Fostering Partnership

Cultivating strong partnerships is a top priority for the Group.

In the offshore segment, Sembcorp Marine's partnerships with technology and engineering partners have contributed to its progressive expansion into the gas value chain as well as renewable energy and turnkey EPCC solutions. These partnerships have also enabled Sembcorp Marine to chart new technology frontiers in developing solutions for deeper, harsher and colder environments.

In the repairs and upgrades business, Sembcorp Marine has established strong long-term partnerships via Alliance Agreements and Favoured Customer Contracts (FCC) with major offshore, marine and shipping players.

The Alliance and FCC partnership agreements – where partner vessels sailing in the region call exclusively at Sembcorp Marine's yards for repair and upgrading services – bring mutual benefits. On top of safe, high quality and timely deliveries, Alliance and FCC partners are also assured of priority dock space and resources for refitting, refurbishment or life extension works. The steady stream of repair and upgrading work from these world class partners also helps strengthen Sembcorp Marine's revenue base, QHSE (quality, health, safety and environment) systems and expertise. The strong synergy between the Group and its partners has led to continuous innovation and improvements to ship repair and upgrading processes.

In 2018, long-term partnership agreements were signed with Shell/ GasLog and Solvang ASA of Norway for the exclusive refits of their vessels in the region. The Group also won its single biggest green technology retrofit contract of the year – for installing 13 marine scrubbers and four



Several LNG vessels undergoing repairs and upgrades in Tuas Boulevard Yard

ballast water management systems on Greek owner Maran Tankers' vessels.

As a further affirmation of its superiority in ship repair and upgrading, Sembcorp Marine retained its position as the world's top LNG repair yard for the sixth time, with a total of 41 LNG ships serviced in 2018. Sembcorp Marine's long-term customers in the LNG and gas carrier segment include BP Shipping, Chevron LNG, China LNG Shipping, GasLog LNG, Northwest Shelf Shipping Services Company, MOL LNG UK and Teekay Gas UK.

In the cruise ship market, Sembcorp Marine has strategic partnerships with Carnival Corporation and Royal Caribbean Cruises – the world's top two cruise companies – as well as close ties with regular customers, including Asia's leading cruise lines, such as Genting Cruise Line / Star Cruises, and numerous niche-market cruise owners and operators. The Group reprised its role as Asia's top cruise ship repair and upgrade solutions provider with 10 projects delivered in 2018.

The Group also has a strong track record in servicing container vessels, working with major customers such as Maersk Line, Hapag-Lloyd, United Arab Shipping Company, Evergreen Marine, Pacific International Lines, PT Pelayaran Tempuran Emas and NSC Shipmanagement.

Sembcorp Marine is as well a trusted partner in naval ship repairs, having completed projects with the Republic of Singapore Navy and other long-term customers in 2018.



Cruise vessel Norwegian Jewel undergoing refurbishment in Admiralty Yard

Reinforcing Brand Loyalty

Sembcorp Marine builds its reputation on executing and delivering projects on time, with high standards of quality as well as health, safety and environment (HSE) practices.

The Group carefully manages HSE impacts throughout the life cycle stages of all its products and solutions, starting from design, engineering and procurement through to production and delivery. Impact assessments such as HAZID and HAZOP studies are conducted where necessary.

Sembcorp Marine's operational excellence is further underpinned by stringent quality, safety and environmental management system processes. Besides fulfilling internationally recognised compliance audits for ISO 9000, OHSAS 18001 and ISO 14001, annual internal audits along with regular external audits, management reviews and customer assessments are also implemented.

Stringent policies and systems ensure smooth work execution and successful management of operational, health, safety, environment, social and governance risks across the Group's global network, value chain, engineering development and project management processes.

To prevent incidents and mitigate HSE risks, all personnel and visitors accessing Sembcorp Marine work sites are issued with personal protective equipment and briefed on safety procedures. Signages and labels communicating important safety instructions and information are prominently displayed where required.

Initiatives such as Hazard Observation System, Personal Safety Involvement Scheme and Stop-Work Authority Programme collectively empower Sembcorp Marine personnel to

intervene, report and prevent potential hazards on site. To prepare for any eventualities, Sembcorp Marine yards also work closely with customers in conducting regular health, safety, security and environmental drills.

Last but not least, Sembcorp Marine's thorough quality and safety validation checks before delivering finished projects ensure that customers' specifications are met and that the Group has complied with relevant standards mandated by classification societies, IMO as well as state and port regulations.

Successful Deliveries

The Group's proven track record was further reinforced with several project deliveries in 2018.

Sembcorp Marine achieved a major milestone in the year with the delivery of Ailsa, the Group's first full turnkey newbuild FSO project, to owner MODEC and operator TOTAL. Covering design, engineering, procurement, construction and

commissioning, the FSO project was not only completed on time, but also achieved a zero lost-time incidents safety record and full compliance with UK safety regulations for operations in the harsh-environment Culzean field, located in the UK North Sea.

Another key delivery was the massive wellhead, utilities and living quarters as well as central processing facility topsides project for TOTAL. Weighing over 30,000 tonnes, the fixed platform topsides joined FSO Ailsa and high-specification jack-up rig Maersk Highlander – which the Group completed earlier in 2016 – as part of a comprehensive suite of Sembcorp Marine engineering solutions for the high pressure, high temperature Culzean field.

The Group also delivered the Kaombo Norte and the Kaombo Sul FPSO conversion projects to Saipem for the Kaombo field offshore Angola; as well as eight proprietary design Pacific Class 400 jack-ups – one unit to BOT Lease and seven to Borr Drilling.



Commemorating the repair completion of cruise ship Golden Princess

SUSTAINING COMPETITIVENESS



Celebrating the successful completion of FSO Ailsa for deployment in the Culzean field



Successful delivery of Njord, a Pacific Class 400 jack-up drilling rig to Borr Drilling



Completion ceremony for TOTAL's wellhead, utilities and living quarters as well as central processing fixed platform topsides project for operation in the Culzean field



Celebrating the conversion completion of Kaombo Sul FPSO

Customer Satisfaction

Service excellence is at the heart of Sembcorp Marine's operations. The Group maintains an open communication channel with customers, with service personnel accessible round the clock to address any needs or project-related issues.

Sembcorp Marine gathers comprehensive feedback from customers on a regular basis, as this helps the Group better fulfil project requirements; understand market changes and emerging opportunities; improve its products, solutions and processes; and maintain high satisfaction levels.

Building Trust

Sembcorp Marine safeguards customer interests by complying with data privacy protection regulations, contractual and confidentiality agreements as well as high standards of business ethics. The Group also maintains stringent security systems, protocols and practices around customers' intellectual property and physical assets.

Specifically, Sembcorp Marine yards observe the International Ship and Port Facility Security (ISPS) Code and have strict security systems, such as 24-hour security surveillance and stringent access controls that track the flow of personnel and traffic at key locations and work sites. To ensure security preparedness, regular inspections and emergency drills are conducted. These include joint exercises with government security agencies.



Njord is the first drilling rig to be accorded a Cybersecurity-Ready Notation by ABS

Sembcorp Marine yards also provide dedicated office facilities for customers to work in a safe, secure and conducive environment.

In 2018, Sembcorp Marine helped its customer Borr Drilling achieve the ABS Cybersecurity-Ready (CSR) Notation for the latter's newbuild jack-up rig, Njord; which became the first drilling rig to receive the Notation after fulfilling requirements to implement access controls and cybersecurity management systems.

The CSR Notation paves the way for Njord to achieve full ABS Cybersecurity Notations in the future.

ENVIRONMENTAL SUSTAINABILITY

Sembcorp Marine's philosophy of environmentally-responsible operations aligns with several of the United Nation's Sustainable Development Goals. The Group strives to improve operational efficiency as well as product development through the responsible consumption of resources, proactive management of water systems and sanitation, efficient production as well as the adoption of new technology for sustainable infrastructures.



73%
OF TOTAL WASTE
IS RECYCLED

Sembcorp Marine's environmental policies, procedures and processes are incorporated into a management system which is implemented by facilities management, business excellence representatives as well as health, safety and environment teams.

To identify, assess and control operational impact on the environment and community, an Environment Aspect and Impact Assessment tool is used. Assessment templates are customised to specific work groups and evaluations are performed on work environments, job scopes, materials and protocols. Environmental aspects such as emission levels, energy and resources consumption, water discharge, as well as types and volumes of wastes are assessed against potential risks such as resource depletion, global warming, and pollution.

Tuas Boulevard Yard and Admiralty Yard, two of the Group's largest yards which account for approximately 73% of its total operational area in Singapore, have systems which are certified to ISO 14001 Environmental Management standard.

The Group abides by a strict set of national guidelines such as the

Singapore Environment Protection and Management Act (EPMA); the Environmental Public Health Act (EPHA); the Maritime and Port Authority of Singapore's (MPA) Prevention of Pollution of the Sea Act; and the Hazardous Waste (Control of Export, Import and Transit) Act which aligns with the International Basel Convention on the control of transboundary movements of hazardous wastes and their disposal.

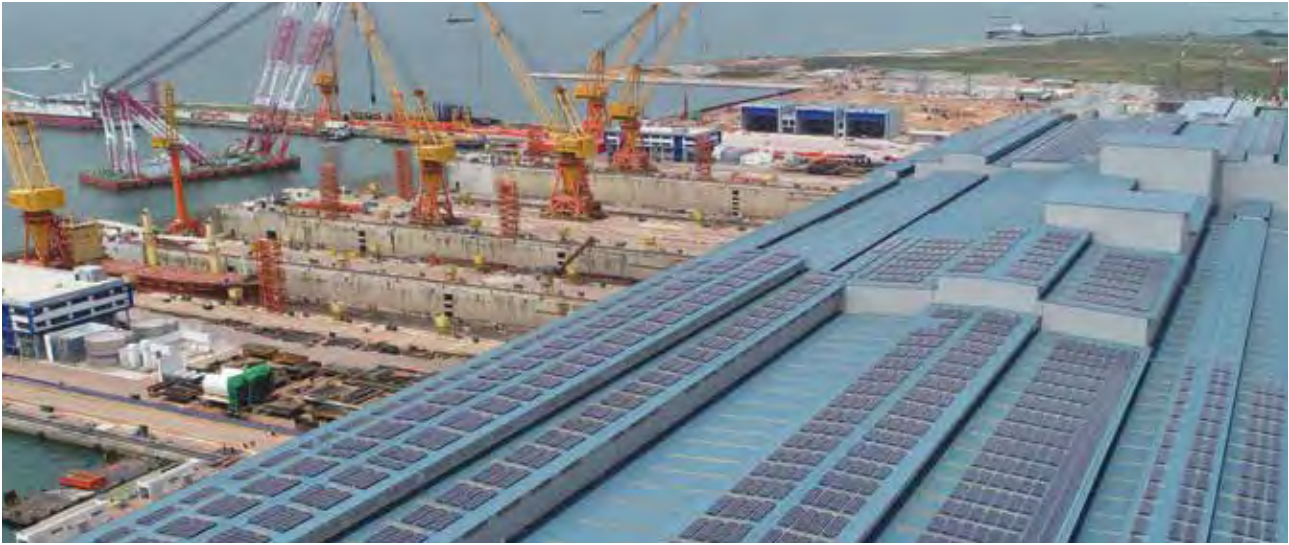
Through a holistic system of control processes and regulations, outreach activities, awareness campaigns and training, the Group inculcates in employees, contractors, customers and other onsite stakeholders the importance of mitigating the impact of business operations on the environment. Outreach initiatives in 2018 included the Kaombo Sul "Beat the Plastic, Save our Environment" campaign, the E4Rs (Eliminate, Reduce, Reuse, Recycle, Recover) initiative as well as a coastal clean-up exercise with the local community.

Sembcorp Marine is committed to the Singapore Climate Action Pledge and is also a member of the World Ocean Council. Championing environmental responsibility, sustainable ocean

i More information on how Sembcorp Marine manages environmental sustainability holistically can be found here:

- Products and solutions – Innovation and Solutions Development, pages 118 - 122
- Responsible procurement practices – Value Chain Management, pages 123 - 129
- Community outreach programmes – Community Engagement, pages 159 - 160
- Framework and systems – www.sembmarine.com/sustainability/environment
- Operational innovation – www.sembmarine.com/sustainability/case-study-features





Sembcorp Marine's 4.5 megawatt-peak solar harvesting panels and digital energy-saving system will come fully online in 2019. The harvested energy will be fed into the yard's digital energy-saving system which will manage and monitor the facility's power usage

development as well as the adoption of greener practices, the Group organises the annual Green Wave Environmental Care Competition that brings together school children and youths to apply their creative talent in developing innovative solutions for environmental issues.

ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS

The Group's yards are managed by Energy Managers who are trained and certified to work with employees, contractors, management and stakeholders to manage and track energy usage. They also implement policies to increase efficiency and reduce wastage. Ministries and other stakeholders are engaged regularly to compare and benchmark yard energy consumption, as well as explore ways to reduce consumption inefficiency.

Sembcorp Marine consumes energy for two primary purposes:

1. Powering buildings, equipment and generators:
 - Electricity – Procured from the national grid. In 2018, this was generated from 95.0% natural gas, 1.3% coal, 0.7% petroleum products (mainly diesel and fuel oil) and 3.0% from other sources such as solar and biomass¹.
 - Diesel – Used for generators when working in locations not accessed by electricity lines such as in vessel tanks or during the commissioning of certain vessel equipment; as well as for fueling vehicles such as forklifts and cranes in the yard.

2. Cutting and welding activities:

- Gas fuels – These consist of natural gas (NG), liquefied petroleum gas (LPG) and acetylene as well as carbon dioxide as a shielding gas. These gas fuels are used during the cutting and welding of metals and parts and are purchased from nationally certified vendors.

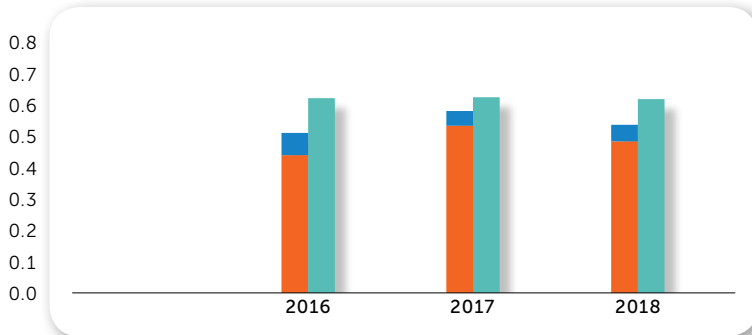
In 2018, several large projects progressed into the next stages of construction, resulting in an increase in welding and cutting activities, as well as the consumption of associated gases. To reduce reliance on carbon fuel and lower emission of greenhouse gases, the use of diesel-powered compressors were replaced where practicable with electricity compressors.

¹ Latest figures at time of print from "Singapore Energy Statistics 2018", page 21, Table 2.2 Annual Fuel Mix for Electricity Generation by Energy Product, Research and Statistics Unit, Energy Market Authority, Republic of Singapore.

ENVIRONMENTAL SUSTAINABILITY

Energy Consumption

Million GJ

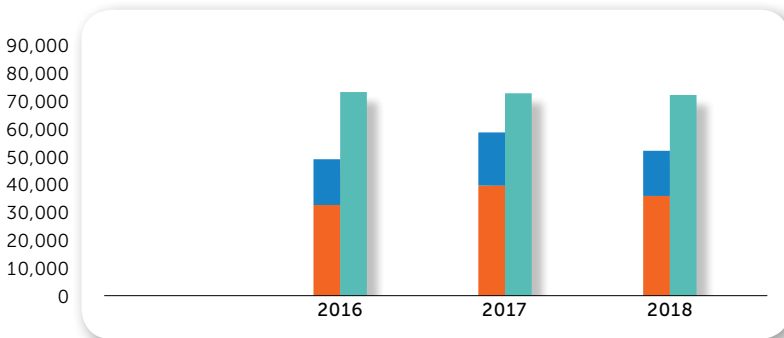


Direct Energy (Gases)	0.071	0.047	0.053
Direct Energy (Diesel)	0.440	0.534	0.484
Indirect Energy (Electricity)	0.622	0.625	0.619
Total Energy	1.133	1.205	1.156

■ DIRECT ENERGY (GASES) ■ DIRECT ENERGY (DIESEL) ■ INDIRECT ENERGY (ELECTRICITY)

Greenhouse Gas Emission

tCO₂e



Scope 1 (Gases)	16,446	19,086	16,227
Scope 1 (Diesel)	32,589	39,578	35,843
Scope 2 (Electricity)	73,184	72,739	72,129
Total Emissions	122,220	131,403	124,200

■ SCOPE 1 (GASES) ■ SCOPE 1 (DIESEL) ■ SCOPE 2 (ELECTRICITY)

Note: Scope 2 historical data for electricity has been restated in alignment with new Grid Emission Factors issued by the Energy Market Authority in July 2018.

The Group's 4.5 megawatt-peak solar farm will become fully operational in 2019, enabling its flagship Tuas Boulevard Yard to replace part of its electricity consumption with renewable solar power. A digitalised system equipped with a one

megawatt battery and energy sensors will further enhance the capacity management efficiency of the yard's electricity network. An estimated reduction of 2,500 tonnes of carbon emissions at peak load is expected per year.

AIR QUALITY

Sembcorp Marine's commitment to air quality standards is reflected in its operational protocols. All copper grit blasting, a common yard activity for cleaning or priming metal surfaces, are performed in localised enclosures where practicable with advanced filtration systems. The airborne particulate matter (PM2.5) levels within the immediate and extended boundaries of the yards are monitored regularly to ensure compliance with air quality standards.

Additionally, the yards advocate that customers use environmentally friendlier processes, such as hydro-blasting and steel grit-blasting, where feasible to minimise the impact on air quality.



Regular leak checks are conducted on utility pipelines to eliminate wastage of resources

WATER

As a small island nation with limited natural resources, Singapore is ranked as one of the world's most water stressed countries (World Resources Institute, 2015). Sembcorp Marine recognises water as a valuable resource and is committed to managing it responsibly.

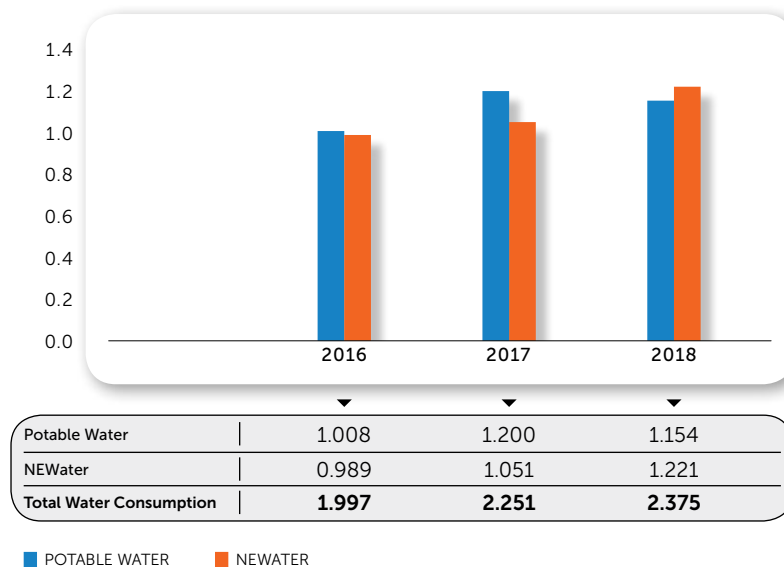
The Group draws its water from sources managed by the Singapore Public Utilities Board (PUB). This consists of potable water and reclaimed NEWater supplied from four nationally managed sources – local catchments such as reservoirs and storm drains, desalinated seawater, imported water, and reclaimed water.

Water Efficiency Managers at the yards monitor and audit water withdrawal, consumption, discharge and efficiency programmes. Water consumption is mapped across the yards and reported annually to the ministry in charge. Aside from withdrawal of water for building activities such as office pantries, toilets and canteens, the yards also use water for its operations. Activities which utilise large volumes of water include hydro-blasting as well as cleaning pipes, tanks and equipment from customer vessels that arrive at the yards for repair and maintenance. NEWater, water reclaimed by PUB from used water, is used as much as possible in the yards to reduce the stress on potable water from national resources.

Sembcorp Marine also works with national water management bodies to discuss needs and concerns; and to develop and deploy water-related measures. Water conservation activities are organised to engage employees, contractors, customers and stakeholders. These include regular leak checks, joint inspections, leak report hotlines, positive behaviour visual reminders and awareness campaigns.

The integrity of Singapore's water source and drainage system is heavily regulated by national regulations such as the Environment Protection and Management Act, Singapore Sewerage and Drainage Act, Code of Practice on Sewerage and Sanitary Works, and Sewerage and Drainage (Sanitary Works and Sewerage Works) Regulation. Sembcorp Marine yards are required to maintain government-regulated approvals so that any discharge into

Water Consumption Million m³



the watercourse is in accordance with Singapore's Environmental Protection and Management (Trade Effluent) Regulation.

Total water consumption increased by 6% in 2018, in line with the work scope required by the Group's projects. In 2018, NEWater accounted for 51% of total water withdrawal.

MATERIALS MANAGEMENT

The Group's progress at automating its production processes has yielded meaningful reductions in materials

wastage. Increased precision and new technology have resulted in more accurate and efficient material management in facilities such as the Group's largest steel fabrication workshop in the Tuas Boulevard Yard. Marine superstructures and semi-manufactured parts require steel which continues to be the primary raw material consumed by the Group. The consumption of steel plates and pipes rose to 1,638,735 MT in 2018, compared to 115,982 MT in 2017. This increase is attributed to several large projects progressing further into their fabrication stages.



Steel and steel pipes are a significant construction material used for vessels and offshore facilities

ENVIRONMENTAL SUSTAINABILITY

Copper grit, an abrasive byproduct used to strip and prime metal surfaces, is another key raw material consumed in the Group's operations. However, its usage marked a slight downward trend due to the nature of work in 2018 as well as progressive efforts to replace copper grit where practicable with steel grit (which has a higher reuse rate), resulting in less airborne particles. A total of 60,585 MT of copper grit was consumed in 2018, a 12% decrease from 69,184 MT in 2017.

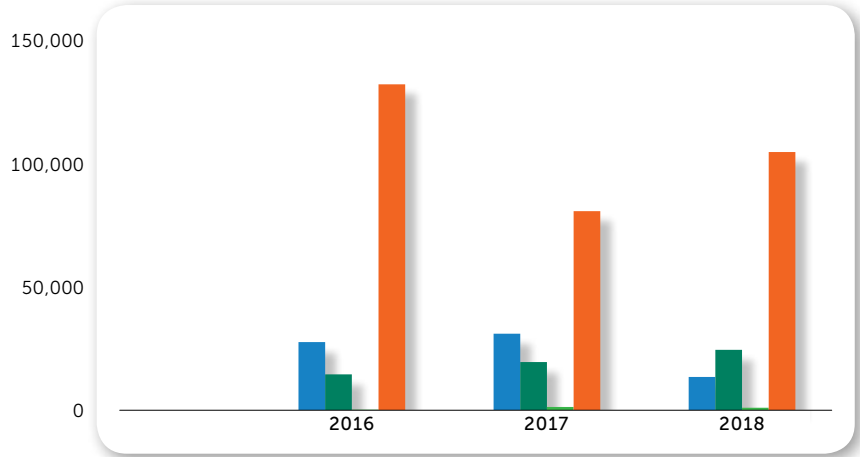
WASTE MANAGEMENT

The collection, treatment, and disposal of the Group's hazardous, non-hazardous and recycled waste are managed by service providers with nationally regulated permits. Group-wide policy, regulations, and codes of conduct provide guidance on material procurement, classification, handling and disposal, training and emergency response procedures for all employees, suppliers, customers and other stakeholders within the yards' boundaries. Awareness programmes which reward positive behaviours inculcate a mindset to reduce waste as well as maximise the reuse, recycling and recovery of materials.

Company operations produce three main types of waste:

- Recycled waste:** The Group's policies and initiatives advocate the repurposing of waste materials. In addition to well-established programmes for recycling steel, spent copper grit, wood and paper with external recycling business partners, Sembcorp Marine's facility management identifies opportunities to maximise material efficiencies by reusing waste or scrap between departments in the Group. These include product packaging and spent copper grit.

Types of Waste Metric Tonne



Non-Hazardous Waste	27,657	31,056	13,506
Hazardous Waste	14,748	20,883	25,525
(from customers)	14,558	19,552	24,510
(from direct operations)	190	1,331	1,015
Recycled Waste	132,241	80,779	104,770

■ NON-HAZARDOUS WASTE
 ■ HAZARDOUS WASTE (FROM CUSTOMERS)
 ■ HAZARDOUS WASTE (FROM DIRECT OPERATIONS)
 ■ RECYCLED WASTE

- Non-hazardous waste:** Non-hazardous waste is removed by certified vendors who sort the material for recycling or waste-to-energy incineration. Examples of such waste include general rubbish and food waste from company operations or removed from vessels on behalf of customers.
- Hazardous waste:** Transported and processed only by nationally certified handlers, all hazardous waste is sent for recovery where feasible; or for disposal of remaining matter through waste-to-energy incineration. This includes chemical substances categorised by Globally Harmonised System of Classification and Labelling of Chemical (GHS) codes, spent paint drums, solvents from cleaning equipment, as well as oily sludge which is a byproduct of cleaning customer vessel pipes and tanks.

In 2018, recycled waste volume rose largely due to more steel scrap and spent copper grit sent for reclamation and upcycling purposes. The nature of work scope in 2018 also led to more hazardous waste removed on behalf of customers.

Sembcorp Marine's latest yard at Tuas South Boulevard utilises closed loop systems in its major workshops, which enable the Group to strictly regulate the impact of chemical washing when servicing customers' equipment. The waste water from these workshops is channeled to an onsite waste water treatment plant. Together with oily sludge removed from vessels, the waste materials undergo a four-level filtration system at an onsite treatment facility, resulting in water safe for release into the national drainage system, and compacted sludge waste which is sent for waste-to-energy incineration.

Regular assessments conducted in the yards include integrity checks of pipe systems, bulk storage tanks and silos. Storage tanks containing diesel oil, sewage and oily wastewater-sludge are installed with secondary spill containment systems to mitigate leakage impact. Oil spill kits and oil dispersion kits are located at various points across the yards and employees are trained to immediately deploy them in response to any emergency. Sembcorp Marine's management procedures and spill response guidelines are aligned with global and national standards, including Singapore's EPMA, EPHA, MPA's Prevention of Pollution of the Sea Act and the US Environmental Protection Agency's (EPA) Oil Pollution Act. No significant spills were recorded in 2018.



Emergency response exercises ensure employees, contractors and other onsite stakeholders are equipped with the knowledge and equipment to react quickly and efficiently

DATA AND REPORTING

The environmental report collates data from the Group's Singapore yards where it has operational control. These yards account for the most significant contribution to Sembcorp Marine's operations. More details can be found on page 343.

The following details are sources of conversion factors and data used in this chapter of the Sembcorp Marine 2018 Sustainability Report:

- Gas fuels included in the calculation of direct energy consumption and Scope 1 emissions consist of acetylene, liquefied petroleum gas and natural gas used for welding and cutting.
- Energy consumption conversion methodologies are applied from the Carbon Disclosure Project's (CDP) 2016 publication of Technical Note: Conversion of fuel data to MWH.
- Calorific values of fuels are sourced from Greenhouse Gas (GHG) Protocol's Emission Factors from Cross-Sector Tools (2017); except for acetylene which is provided by CDP's Guidance methodology for estimation of Scope 3 category 11 emissions for oil and gas companies (2016). Historical figures for Direct Energy (Gases) have been restated accordingly.
- Emission factors for acetylene and carbon dioxide (used as shielding gas) are sourced from the US EPA Shipbuilding Inventory Tool (version 2.1); carbon dioxide (CO₂) is the only greenhouse gas included in this calculation.
- Emission factors for all other Scope 1 emissions are sourced from the World Resources Institute's GHG Protocol tools for stationary combustion (version 4.1) and for transport or mobile sources (version 2.6). The greenhouse gases included in this calculation are CO₂, methane (CH₄) and nitrous oxide (N₂O).
- Emission factors for Scope 2 are guided by the Energy Market Authority of Singapore. Electricity emission for the current reporting year is an estimate as it applies the latest available factor at the time of report preparation, which is often the previous year's emission factor. The only greenhouse gas included in this calculation is CO₂.
- The Energy Market Authority of Singapore issued a revision of emission factors for 2016 and 2017 ("Singapore Energy Statistics 2018", page 103, Table 7.1 Electricity Grid Emission Factor and Upstream Fugitive Methane Emission Factor, Research and Statistics Unit, Energy Market Authority, Republic of Singapore). The Group has adjusted its Scope 2 figures for 2016 and 2017 accordingly. Changes to figures are less than 2%.
- Water withdrawal is consolidated from utility invoices.
- Waste disposal information is provided by waste disposal contractors.

HUMAN CAPITAL

Sembcorp Marine aims to be a workplace of choice where human rights are respected, equal opportunities provided and aspirations fulfilled. Through its human resource (HR) strategy, the Group seeks to attract and retain the best talent for developing a globally competitive and future-ready workforce.



Developing a globally competitive workforce with diverse capabilities for future growth



TOTAL
11,847

WORKFORCE PROFILE

As at end December 2018, Sembcorp Marine employed 11,847 people globally.

Reflecting the workforce demographics in the offshore and marine industry, men account for 91% of the Group's headcount due to the nature of its core work activities.

Sub-contractors are supplementary to the regular workforce and are deployed according to operational requirements for a major portion of the Group's production activities.

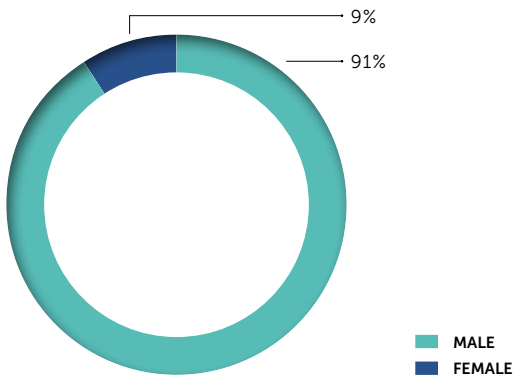
Senior management personnel based at Sembcorp Marine's corporate headquarters in Singapore include 17 Singaporeans and two permanent residents. There are 15 men and four women in the senior management team. Among them, six are in the 40-49 years age group category and 13 are in the 50 years and above age group. More details can be found in the Senior Management section of this Annual Report on page 54 and on the corporate website.



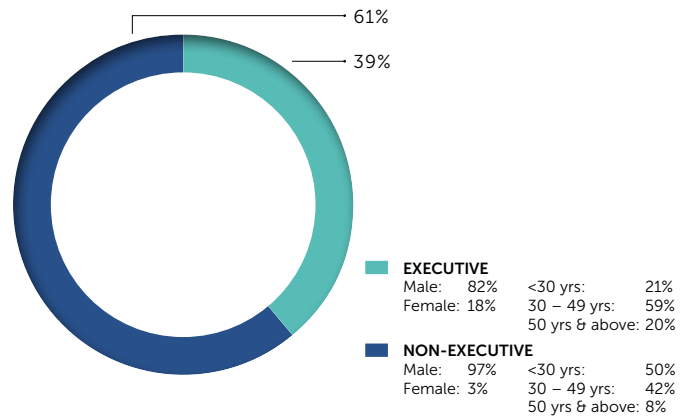
Global Workforce

Total = 11,847

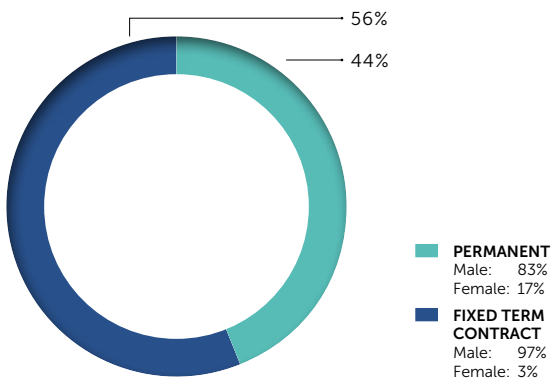
Workforce Distribution: Gender



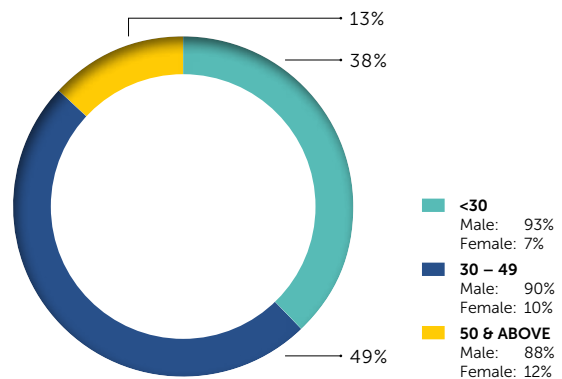
Workforce Distribution: Work Function



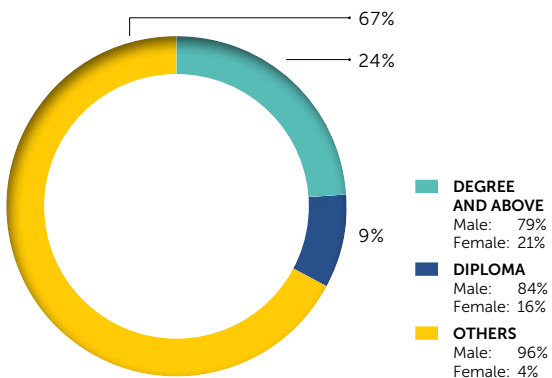
Workforce Distribution: Employment Contract



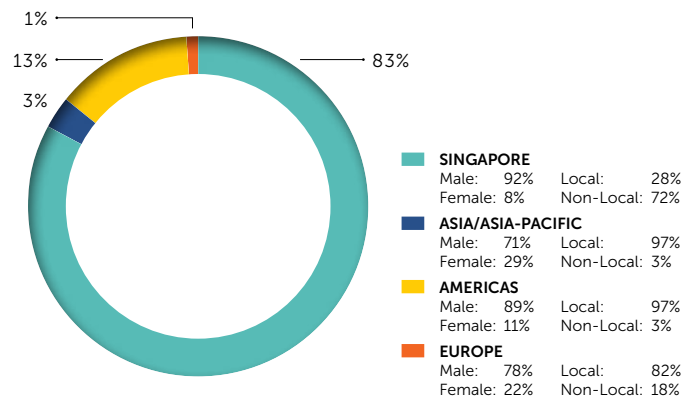
Workforce Distribution: Age Group



Workforce Distribution: Level of Education



Workforce Distribution: Region



HUMAN CAPITAL

HUMAN RESOURCE STRATEGY

Sembcorp Marine's HR strategy contributes to the Group's mission, vision and business goals by:

- Talent management and leadership development – to ensure business continuity;
- Developing workforce competencies and capabilities – to enhance skills, productivity and competitiveness;
- Workforce planning and talent outreach – to attract the best and grow its talent pipeline;
- Ensuring respect for human rights and diversity across its operations and value chain;
- Providing fair employment and equal opportunities; and
- Employee recognition, engagement and well-being – to motivate higher performance, build loyalty and encourage talent retention.

Regular reviews of the HR strategy are performed to ensure effectiveness and relevance of the Group's HR management systems, policies, procedures and human rights compliance. These include assessing internal and external stakeholders' feedback as well as reviewing against recognised standards and industry best practices.

TALENT MANAGEMENT AND LEADERSHIP DEVELOPMENT

Talent management and leadership development are crucial to succession-planning and business continuity. Sembcorp Marine has a structured framework to identify and groom promising talent for future leadership roles within the Group. Talent development for key



Training to up-skill workforce capabilities

executives, review of succession plans and approval for senior management appointments are overseen at the Board level by the Executive Resource and Compensation Committee.

Sembcorp Marine's performance management system provides a structured framework to drive job performance, career planning and leadership development. Employees with potential are groomed for leadership positions via the Group's talent development framework, where training is provided to further hone their technical skills and leadership competencies.

Notably, Sembcorp Marine's customised Global Leadership Programme, launched in 2015 with the Singapore Management University, has successfully trained 2,469 management employees; equipping them with leadership competencies in strategy execution and people management.

WORKFORCE CAPABILITY AND COMPETENCY DEVELOPMENT

Sembcorp Marine continues its emphasis on workforce capability and employee competency development. Globally, the Group invested \$6.20 million in employee training and development in 2018, including \$4.76 million for its Singapore operations.

The Group provided a total of 450,972 training hours during the year, averaging 38 training hours per employee across its global operations. Proportionate to the higher ratio of male employees in the workforce, 97% of the total training hours were received by men. Employees in the executive category accounted for 25% of the training hours, while non-executive employees represented 75%. Of the 47,292 training places provided, 40% of the courses related to technical and functional skills training as well as leadership and personal development. Workplace health, safety and environment training accounted for the remaining 60%.

Sembcorp Marine Academy, the Group's in-house training facility, provides a broad range of training to enhance workplace safety and health, skills and competencies, innovation and productivity as well as personal growth and development. The academy leverages innovative technologies to develop customised learning programmes, contextualised training and work simulations to equip employees with core competencies as well as new skill-sets in LNG and gas containment that support business growth.

Initiatives to up-skill and re-skill the workforce are in place to gear employees with the required capabilities for the successful execution of the Group's projects and gas value chain solutions. Workforce optimisation continues with training programmes offered to boost employees' versatility, scalability and competitiveness.

Sembcorp Marine works closely with organisations such as Workforce Singapore (WSG), NTUC Employment

and Employability Institute (e2i), Association of Singapore Marine Industries and other sector agencies in the area of workforce training and development.

The Group continues to expand its training areas under WSG's Professional Conversion Programme (PCP), which aims to re-skill and up-skill employee competencies through structured training programmes and prepare them for new job roles. Selective employees are identified to undergo six months of classroom and on-the-job training to acquire new competencies that help grow the Group's new business segments. An example is Sembcorp Marine's customised training programme, jointly developed with the Institut Teknologi Petroleum PETRONAS (INSTEP) to enhance employees' expertise in the areas of petroleum industry and upstream plant operations.

Apart from technical and functional skills training, courses are also provided to enhance employees'

management skills. Employees are regularly scheduled to attend in-house training related to teamwork, communication, customer relationship management, change management, innovation, quality, and process improvement. These courses help improve their supervisory skills and personal effectiveness, in turn strengthening their work performance.

Sembcorp Marine supports sub-contractors by providing training and conducting assessments in specific trades to ensure that their employees acquire the necessary technical skills and knowledge. Sub-contractor employees underwent about 262,174 hours of training in 2018. Training related to workplace health, safety and environment formed 94% of the 46,731 training places provided.

The Group also contributes towards industry development through knowledge sharing and partnerships with government agencies, educational institutions, industry associations and certified training



INSTEP training to enhance employees' knowledge of the petroleum industry and upstream plant operations



Courses are provided to equip employees with leadership, management and communication skills

HUMAN CAPITAL



Brazilian trainees on training attachments in Singapore under Sembcorp Marine's Joint Education Programme



EJA employees in Brazil undergoing technical training in offshore and marine trades

providers to raise the standard of offshore and marine engineering training in Singapore.

Beyond Singapore, the Group's subsidiary yard, Estaleiro Jurong Aracruz (EJA) in Brazil, drives and supports a range of capability building and workforce development programmes to nurture local talent. Sembcorp Marine's Joint Education Programme with Instituto Federal do Espirito Santo (IFES) and Singapore's Ngee Ann Polytechnic has benefited more than 120 talented locals since its inception in 2012. This includes

nine trainees in 2018 who had the opportunity to undergo the polytechnic's Diploma (Conversion) in Marine and Offshore Technology programme in Singapore, followed by work attachments at Sembcorp Marine. These graduates will embark on engineering careers at EJA after returning to Brazil.

EJA also offers vocational training to locals in specialised trades, such as industrial painting, welding, industrial automation, hydraulics, electricals, industrial mechanics, pipe fitting and scaffolding. In 2018, 59 youth trainees

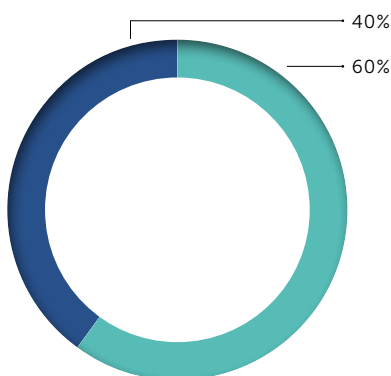
graduated from EJA's Apprenticeship Programme. Initiated in 2012, the year-long Apprenticeship Programme has benefited 331 young locals from the surrounding communities.

In Indonesia, Sembcorp Marine has invested in training infrastructure enhancements to strengthen its workforce capability development. P.T. SMOE Indonesia has in recent years completed a new welding centre as well as a dedicated training and learning centre to scale up the skills and competencies of its workforce.

Employee and Contractor Training

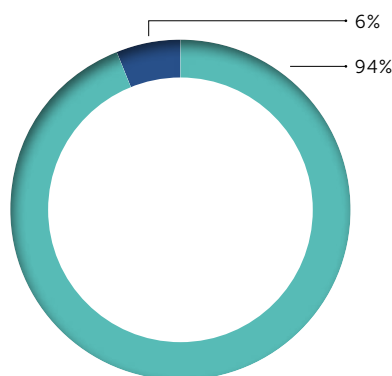
Employees

Training Places = 47,292
(450,972 training hours)



Contractors

Training Places = 46,731
(262,174 training hours)



HEALTH, SAFETY & ENVIRONMENT
SKILLS, COMPETENCIES & OTHERS



Sharing Semcorp Marine's operational best practices with trainees of the ITE Work-Learn Programme

WORKFORCE PLANNING AND TALENT OUTREACH

To ensure its continued competitiveness, Semcorp Marine identifies its talent requirements through strategic workforce planning.

Semcorp Marine values diversity and proactively reaches out through different channels to recruit talent with specialised knowledge and requisite capabilities across its key business segments and geographical markets. For its overseas operations, the Group actively recruits local talent with good understanding of the unique market conditions to grow its global business.

To attract a diverse talent pool, the Group leverages a range of recruitment platforms such as career talks, job fairs as well as outreach events and industry promotion activities through schools and tertiary institutions.

Scholarships are another important channel for identifying, supporting and nurturing promising young talents as they pursue their tertiary education. These scholars are earmarked for future leadership roles when they join the Group following their graduation.

To prepare students for future careers in the industry, Semcorp Marine supports the Singapore government's SkillsFuture initiative in the area of internships. The Group collaborates with various local educational institutions to provide students with

attachment opportunities for work assignments and projects within the Group's yards. Such internships also enable the Group to spot potential talent for future recruitment.

In 2018, Semcorp Marine launched the INSIGHT programme to provide students from various educational institutions with opportunities to witness ongoing projects in the Group's Singapore yards through site visits. Besides deepening their technical knowledge and understanding, the programme also aims to arouse students' interest in the offshore and marine industry.

As an Institute of Technical Education (ITE) approved training centre and skills assessment centre, Semcorp Marine continues to work with ITE to review various programmes and tests in Singapore. This collaboration allows ITE to incorporate industry best practices into its curriculum and ensure rigorousness in its marine engineering courses and tests.

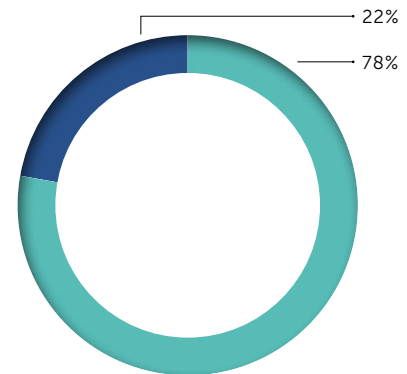
Semcorp Marine has been partnering with ITE on the Work-Learn Technical Diploma (WLTD) Programme since 2018. This programme aims to attract ITE NITEC and Higher NITEC graduates in relevant fields to undergo a three-year programme which includes classroom training at ITE and on-the-job work attachments at the Group's Singapore yards.

Semcorp Marine's close partnership with educational institutions ensures a steady stream of skilled talent for the Group.

New Hires

Total = 3,041

Rate = 26%

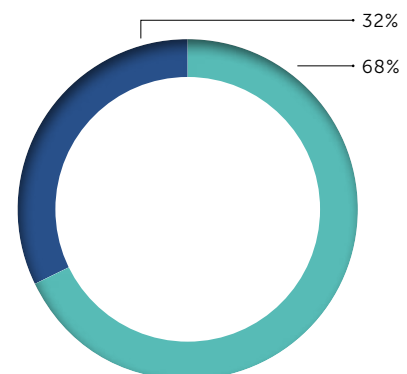


SINGAPORE		OVERSEAS	
Gender			
Male:	92%	Male:	75%
Female:	8%	Female:	25%
Age Group			
<30:	65%	<30:	48%
30 - 49:	34%	30 - 49:	48%
50 & above:	1%	50 & above:	4%

Employee Turnover

Total = 2,090

Rate = 18%



SINGAPORE		OVERSEAS	
Gender			
Male:	90%	Male:	82%
Female:	10%	Female:	18%
Age Group			
<30:	44%	<30:	30%
30 - 49:	46%	30 - 49:	45%
50 & above:	10%	50 & above:	25%

* Turnover figures include resignation, contract expiry and retirement of employees

HUMAN CAPITAL

HUMAN RIGHTS AND SOCIAL RESPONSIBILITY

Sembcorp Marine conducts its business ethically and observes socially responsible employment practices by respecting human rights and complying with labour laws in its various countries of operation.

The Group's human resource approach, policies and procedures are aligned with its Human Rights Policy, which is based on the United Nations Declaration of Human Rights, United Nations Guiding Principles on Business and Human Rights, International Covenant on Civil and Political Rights, International Covenant on Economic, Social and Cultural Rights as well as the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.

Sembcorp Marine is recognised by the Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP) as a Human Capital Partner for its continuous investment in people development and socially responsible HR practices. The Group is an early adopter of the Singapore Tripartite Standards and a signatory of the TAFEP Employer's Pledge of Fair Employment Practices.

This commitment towards human rights and social responsibility is articulated in Sembcorp Marine's HR policies, which advocate fair treatment of employees and responsible employment practices; as well as the Code of Business Conduct and Supplier Code of Conduct, which the Group's employees, suppliers, sub-contractors, business partners and associates are expected to uphold.

All forms of child labour, forced labour and human exploitation are prohibited within Sembcorp Marine's operations and supply chain. The Group strives to ensure a safe and secure workplace

for personnel and does not tolerate any form of violence or harassment.

Sembcorp Marine is committed to creating an inclusive work culture where diversity and human rights are respected, as well as an equal opportunity workplace allowing employees to achieve their full potential regardless of background. All employees are treated fairly and any form of discrimination is not condoned. Recruitment, training and development, employee appraisal, remuneration and career advancement are based on merit and objective criteria, such as skills, job size, experience, capabilities and performance.

In 2018, there were no reported cases of discrimination and exploitative labour practices in the Group.

Sembcorp Marine's stance on human rights, ethics, anti-bribery compliance, corporate governance and social responsibility is conveyed to employees, suppliers, sub-contractors, business partners and associates through various platforms; including briefings, training workshops and other communication channels.

The Group continues to provide human rights training to heighten

awareness of the relevant issues among employees as well as empower them to prevent human rights non-compliances within the Group's operations and value chain. Security personnel are also trained to respect human rights in executing their duties. They are prohibited from the use of firearms and have been trained to safeguard and restore order without the use of force.

Freedom of Association and Labour Relations

Sembcorp Marine respects freedom of association as well as the right of choice that employees have in joining relevant trade unions and be represented.

The Group adheres to labour relations legislation in its various countries of operation. For its Singapore operations, the Group manages its labour relations in accordance with the relevant employment legislation, including the Industrial Relations Act which provides guidance for resolving grievances and industrial disputes through conciliation, arbitration and tripartite mediation.

Sembcorp Marine's management works with unions to develop collective bargaining agreement covering employment terms, working



Briefing employees on Sembcorp Marine's Human Rights Policy

conditions, benefits, training, as well as workplace safety and health. In Singapore, close to 8% of the Group's employees are covered under collective bargaining agreement.

Sembcorp Marine recognises the value of mutual discussions in resolving misunderstandings and disagreements to preserve a harmonious working environment. Employees who have grievances are encouraged to discuss such matters with the management.

As part of the Group's Grievance Management Policy, there are fair and structured processes for resolving disputes within the organisation. Employees can bring up grievances to their immediate supervisors or respective department heads, without fear of reprisal. There are also channels for the anonymous reporting of grievances. If the matter remains unresolved, the issue will be forwarded to the HR Department for review, mediation and conciliation.

For workplace safety and health issues, all employees – irrespective of rank and seniority – are empowered to exercise 'Stop-Work Authority' without fear of reprisal should they encounter a potential hazard. This is also applicable to customers and contractors working at Sembcorp Marine yards. For more information, please refer to the Total Workplace Safety and Health section on pages 150 - 156.

The Group's management and unions enjoy harmonious relations and work closely on initiatives that promote employee safety, health, welfare, training, development and continued employment. Jointly organised events such as National Day observances, innovation carnivals and festive celebrations demonstrate the tripartite synergy among stakeholders.



Strong tripartite links – Sembcorp Marine's management and employees commemorating Singapore's National Day with union and government representatives



An employee briefing session on Sembcorp Marine's Transformation progress

EMPLOYEE RECOGNITION, ENGAGEMENT AND WELL-BEING

Recognising Performance and Contributions

Sembcorp Marine has merit-based processes to recognise and reward employees for their contributions and achievements. Under the performance management system, employees are assessed using a balanced score card approach based on objective criteria. All employees – with the exception of new hires who joined after the appraisal period or those resigning – are appraised at least once annually.

For the Group's local operations, a total of 9,139 employees, representing 93% of its workforce in Singapore, received performance appraisals and career development reviews in 2018. Men accounted for 92% and women 8% of the appraisals and reviews, with 37% of the appraised employees from the executive category and 63% from the non-executive category.

Employee remuneration is linked to performance and accomplishments. Specifically, career advancement, salary increments, bonuses and equity-based incentives are aligned with appraisal outcomes.

HUMAN CAPITAL

Sembcorp Marine has a Flexible Benefit Programme in Singapore where employee benefits can be customised based on individual preferences. Employees can choose from a range of benefits in health care, self-improvement, travel, insurance, childcare and fitness. Additional medical benefits are provided for employees above 35 years of age for the purpose of health screening.

Flexible work arrangements, including staggered work hours or part-time work, may be requested by employees with special circumstances.

To reward staff loyalty and contributions, Sembcorp Marine gives out long service awards annually. In 2018, a total of 687 employees in Singapore were recognised for their long service, ranging from 10 years to 50 years.

Engaging Employees

Sembcorp Marine communicates with employees through a range of platforms, including staff induction, training workshops and briefings, newsletters and memos, as well as intranet portals and the company website. Through these channels, employees are aligned with the Group's core values, policies, Code of Business Conduct, best practices



Educational and engagement events organised for foreign workers

and programmes in the areas of risk management, corporate governance, whistle-blowing, workplace safety and health as well as quality and security management.

Open communication is valued and employees are encouraged to share their inputs during dialogue sessions, focus group discussions, staff retreats and surveys. The feedback collected allows the Group to gain insights into employees' perspectives, preferences and concerns, along with their suggestions for improvement.

Employee Care and Support

Sembcorp Marine seeks to foster an inclusive, cohesive and supportive work environment for employees. Team-building initiatives, social activities, recreational outings, sporting events, competitive games and festive gatherings are regularly organised to encourage employee-bonding.

The Group also ensures non-local employees are well-integrated into their new work environment. Apart from regular induction sessions, supplementary courses and language classes are



Roadshows to promote security awareness among dormitory residents



Sembcorp Marine representatives with Mr Zaqy Mohamad, Minister of State for National Development and Manpower, at the Dormitory Awards, organised by MOM in partnership with the Dormitory Association of Singapore and the Migrant Workers' Centre





Active employee participation in sporting events

arranged for non-local employees who require additional support.

To meet the living needs of its non-local workforce in Singapore, Sembcorp Marine provides purpose-built dormitories and subsidised accommodation near or within the Group's yards. A range of recreational, sports and social activities are held year round to promote closer ties among dormitory residents.

Educational programmes and roadshows are also organised to enhance employees' knowledge on topics such as workplace safety and health, crime prevention and security awareness. Sembcorp Marine has in place a programme to train foreign worker ambassadors to provide support and advice to their peers and to promote a strong security and safety culture in the dormitories.

In 2018, Sembcorp Marine won accolades at Singapore's annual Dormitory Awards for its Tuas Lodge and Cassia at Penjuru dormitories. Organised by the Ministry of Manpower (MOM) in partnership with the Dormitory Association of Singapore and the Migrant Workers' Centre, the Dormitory Awards recognise dormitory operators who have gone the extra mile to provide for the social, recreational and emotional needs of their foreign worker residents.

Health and Wellness

Sembcorp Marine is committed to the health, safety and wellness of its employees. The Group provides comprehensive medical facilities, emergency management systems as well as health and wellness programmes to ensure the welfare and well-being of its employees and stakeholders.

The Group's global yards are equipped with in-house facilities that deliver timely medical treatment and emergency response, should any contingencies arise.

In Singapore, the yards also have close links with hospitals and medical care organisations which provide support in accelerating incident response, conducting health talks as well as promoting awareness on chronic diseases and infectious disease prevention.

Ongoing initiatives are in place to mitigate the risk of infectious diseases such as dengue fever, malaria, yellow fever and mosquito-borne viruses. Regular fumigation, treatments, and

site checks for preventing mosquito breeding are conducted at Sembcorp Marine's various yard locations.

Furthering the holistic well-being of employees is another area of focus. Various talks on healthy lifestyle, work-life balance and stress management were organised in 2018. Workshops covering emotional intelligence and family bonding were also held to enhance employees' relational skills at work and in their personal lives. In Singapore, preparatory workshops are provided to help older employees and retiring personnel make a smooth transition to retirement.

Sembcorp Marine promotes active living among employees through various healthy lifestyle initiatives and exercise programmes. In Singapore, the Group's yards have in-house gymnasium facilities, personal training and fitness classes, providing yoga, pilates and zumba lessons, for employees to keep fit. Sporting activities, competitions and outdoor events are also organised at departmental, company and industry levels.

TOTAL WORKPLACE SAFETY AND HEALTH

Sembcorp Marine's Vision Zero incidence goal is an important foundation of the Group's work ethos. Executed via a robust framework and system, the Group's workplace safety and health (WSH) approach encompasses all staff, contractors, customers, suppliers and all stakeholders operating within its facilities.

A ROBUST, AUDITED WSH FRAMEWORK

Sembcorp Marine adopts a risk management perspective that, when combined with stakeholder consultation, enables the Group to continuously enhance its robust WSH framework.

In addition to a comprehensive framework and management system, the Sembcorp Marine Code of Business Conduct, Supplier Code of Conduct and yard-level health, safety and environment (HSE) procedures set out the Group's standards for all employees, personnel serving in subsidiaries and joint venture entities, as well as third party representatives of the Group.

Sembcorp Marine's WSH framework comprises policies and standards which are benchmarked to global and national best practices. All yards

follow audit methodologies of the OHSAS 18001 Occupational Health and Safety standard, and of the Group's Internal Audit Annual Plan. The framework aligns with standards set by the International Association of Oil and Gas Producers (IOGP), the International Labour Organization and the national legislative standards of the respective countries of operation, such as the Singapore Workplace Safety and Health Act.

HSE audits are regularly carried out across all Sembcorp Marine yard facilities. Conducted by accredited auditors and qualified staff, these audits relate to certification, management systems standards required by global customers and their partners, as well as annual internal checks of operations. Risk management teams also monitor and evaluate health, safety and environment performance.



**HEALTH,
SAFETY AND
ENVIRONMENT**
FORM A CORE VALUE OF
SEMBCORP MARINE

Commitment to Health, Safety, Security and Environment (HSSE) Excellence Starts From The Top

President & CEO Mr Wong Weng Sun's personal pledge to:

Uphold the highest commitment for workplace HSSE for the Group's stakeholders

Cultivate a strong HSSE culture across the yards through HSSE leadership commitment

Empower all personnel in the company to exercise Stop-Work Authority

Promote and emphasise effective and open HSSE communication with all stakeholders

Embrace the responsibility to set key goals and performances, and provide support for achieving a zero harm target

Demonstrate exemplary HSSE leadership, and walk the ground



Regular discussions among employees, management, contractors, customers and stakeholders encourage cross-pollination of ideas and benchmarking against global WSH best practices

The WSH framework is championed by Sembcorp Marine's Board, Management, employees, contractors and other stakeholders. While the Board Risk and Enterprise Risk Committees steer the HSSE policies, framework, procedures and control processes, the Group HSE Committee, together with various sub-committees at the yards, is responsible for forward development and deployment of strategies and workplans. In 2018, the yard-level HSSE committees comprised over 700 management and worker representatives. They collectively represent 100% of the more than 27,300 Sembcorp Marine employees and contractors and are responsible for involving the workforce in various HSSE programmes.

Yard-level committees regularly engage the workforce to enhance supervisory capabilities; conduct joint inspections; identify hot spots and implement training to ensure all personnel are equipped with the necessary skills and knowledge to comply with the Group's HSSE regulations and standards. Forums and discussion events are frequently organised for employees, contractor partners and customer representatives to share feedback, raise



issues, tap cross-functional expertise, and collectively brainstorm with the Group's safety personnel to improve the overall HSSE management system.

WSH PERFORMANCE

Sembcorp Marine safety performance evaluation encompasses the Group's employees and contractors. The Group's Accident Frequency Rate (AFR), Accident Severity Rate (ASR) and Workplace Injury Rate (WIR) rose in 2018 as compared to 2017. Contractors accounted for 27% of injuries.

To the Group's regret, 2018 saw a fatal incident that occurred while a contractor was working on an electrical junction box on the main deck of a vessel. Safety procedures for similar and related work scopes have been reviewed and improved to increase ground compliance and prevent any recurrence.

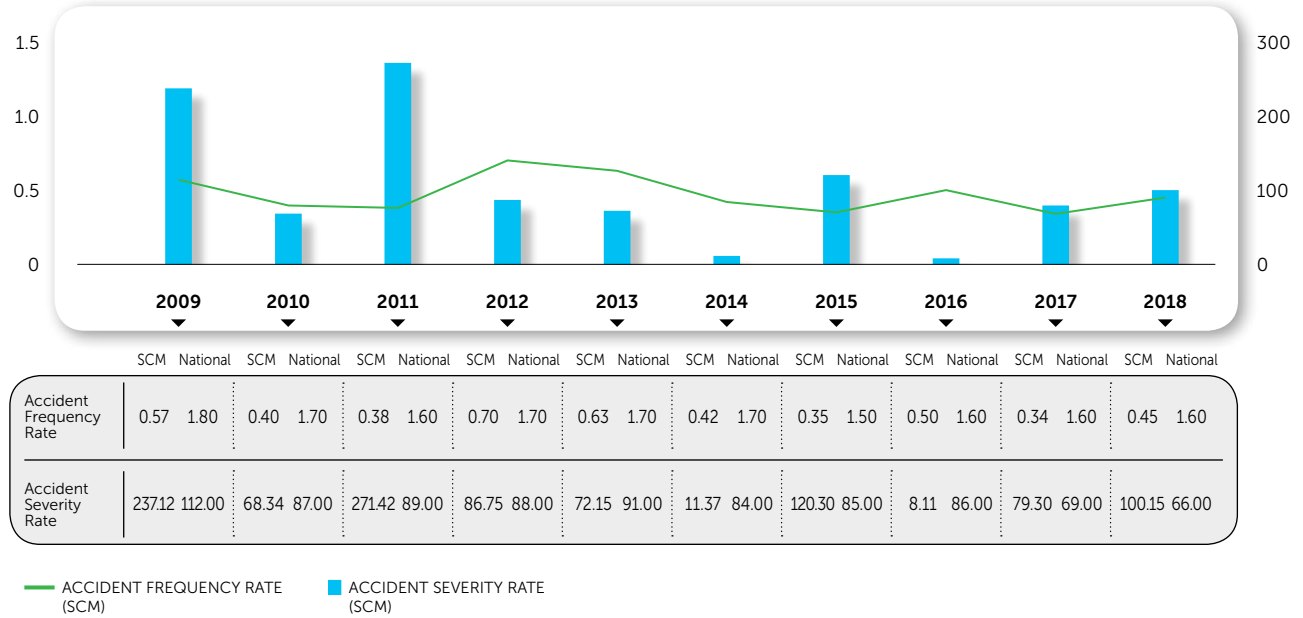
Sembcorp Marine believes safety is an ongoing journey and it is important to not be complacent. The Group continues to review areas for improvement and step up efforts to inculcate a strong safety ownership culture.

TOTAL WORKPLACE SAFETY AND HEALTH

Sembcorp Marine's (SCM) Safety Performance

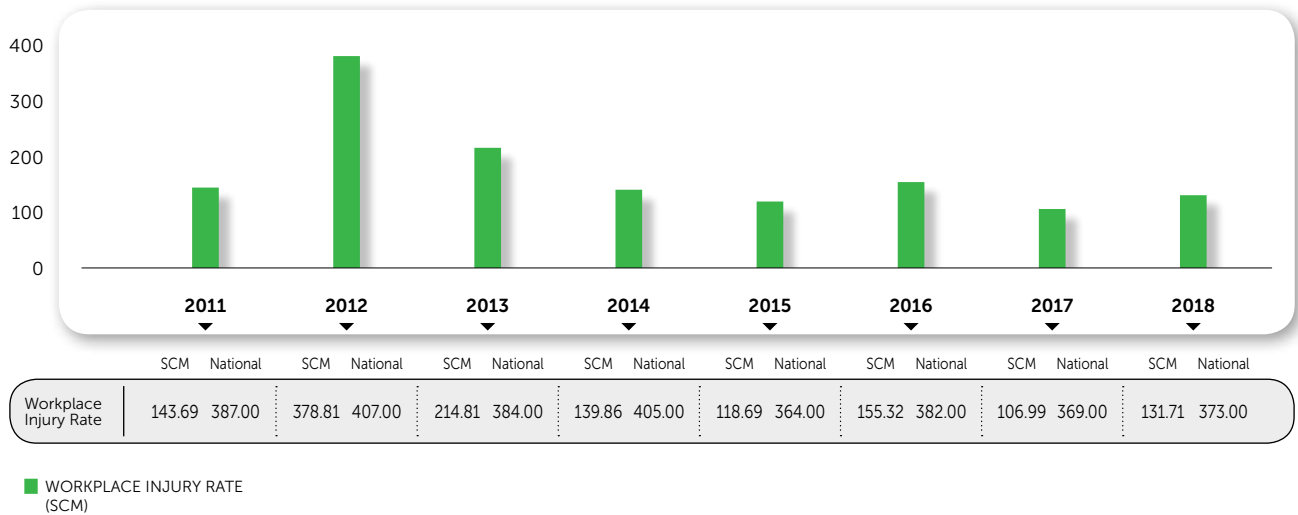
Accident Frequency Rate
Incidents Per Million Man-hours

Accident Severity Rate
Man-days Lost Per Million Man-hours



Workplace Injury Rate

Workplace Injury Rate
Injuries Per 100,000 Persons



Notes for the above charts:

- The data represent Sembcorp Marine's employee and contractor statistics related to its Singapore yards within operational control (see page 78)
- Definition of terms and calculation methodologies are set out by the Singapore Ministry of Manpower's reporting protocols, available in the latest national statistics report at www.mom.gov.sg
- Sembcorp Marine adopted Workplace Injury Rate as a performance metric for the performance year of 2011 onwards
- 2009 – 2018 national statistics are referenced from the Singapore Ministry of Manpower's Workplace Safety and Health Reports available at www.mom.gov.sg



Reinforcing communication of the Group's zero-incidence goal

MULTI-STAKEHOLDER PROGRAMMES

Comprehensive Hazard Prevention and Mitigation

A comprehensive Hazard Identification, Risk Identification and Determining Controls Policy guides the Group's system of hazard identification, risk categorisation, risk assessment matrix, action and controls.

Supplementing this is the annual Review, Educate and Validate (REV) programme used by the yards and their contractor partners to address evolving key risks. An annual review of the Group's incident and near-miss records as well as the industry's performance within a year identifies the most common occurrences. Mapped against a weighted matrix, the top four topics will subsequently be identified as the yards' primary focus for the next work year. Work

methodologies and practices are constantly reviewed according to quarterly REV topics to ensure continued system effectiveness and coverage. Safety programmes, joint inspections, educational exercises and cross-functional briefings on REV topics are developed and rolled out for employees and stakeholders. In 2018, the yards implemented a range of initiatives for employees, contractors and customers which focused on slips and trips, risks of moving objects, risks of falling objects, and falls from height. The 2019 REV topics will see the yards placing more emphasis on electrical safety, crane and lifting operations, structure stability and confined space work.

Dynamic Communication and Feedback Platforms

Sembcorp Marine management meets contractor representatives regularly over the year in an effort to build a cohesive culture based on the Group's

beliefs; reward and reinforce best practice behaviours; as well as engage stakeholders in dynamic conversations to identify emerging HSE issues.

Discussion platforms to align all internal and external working parties are organised regularly to ensure alignment with safety standards and practices across projects. These consultative platforms involve the Group, customers, vendors, contractors and other stakeholders. Examples of such platforms in 2018 included joint site and project inspections with various stakeholders; the MISC Contractors HSSE Forum; Equinor's HSE Supplier Gathering; Shell Safety Deepwater Conference; the Vito HOST Fabrication Leadership HSSE Engagement Workshop with Shell; the Contractor HSE Town Hall Meeting; Kaombo Project Monthly Sub-contractor Bosses Meeting and Safety Day in the yards.

TOTAL WORKPLACE SAFETY AND HEALTH

Sembcorp Marine's WSH Communities Discussion Forum was initiated in 2014 as a platform to learn and share WSH policy, strategies and management of frontline issues with corporate leaders from various industries. In 2018, the yard hosted visits from the Singapore Maritime Foundation, the Ministry of Education North 7 School Cluster, and Sembcorp Industries. The Group also showcased its in-house Total WSH model to a learning team from the national WSH Council.

Enhancements to WSH Programmes

In 2018, Sembcorp Marine intensified its stakeholder engagement to improve and reinforce WSH standards in the workplace. Campaigns centred on Sembcorp Marine's core WSH messages were rolled out to all parties and stakeholders of the Group. Several programmes were enhanced as a result of ongoing reviews of Sembcorp Marine's HSE framework and systems. These included:

- **Night Safety Coordination Committees**

The use of night committees was expanded into more yards under the Group to ensure that all work shifts comply with the HSE management system. Stricter controls were implemented for all-night work, with the cooperation of Project Managers and Production Engineers.

- **CARE Programme**

The CARE programme, which won the Seatrade Maritime Asia Safety Initiative Award, was rolled out for Group-wide adoption in 2018. In addition to serving as a platform for no-reprisal reporting and recording of all HSSE issues, the programme integrates structured training and outreach activities for all levels of staff and stakeholders.



Visitors learning more about Sembcorp Marine's holistic safety, health and welfare policies and practices at the Tuas Boulevard Yard's onsite medical centre, central kitchen, steel fabrication facility and the dormitory's multi-media room

- **Stop-Work Authority (SWA)**

Existing SWA programmes were streamlined and rolled out to employees, contractors, customers, and other stakeholders. The new system retained its no-reprisal policy and was updated according to global standards with a uniform reporting format and an educational programme. More information can be found on www.sembmarine.com/sustainability/safety.

- **Contractor Partner Performance Award**

This quarterly programme to recognise and reward good WSH performance by contractor partners was enhanced to reach all 126 partners across the Group.



Please refer to pages 26 - 28 for more details of Sembcorp Marine's WSH awards in 2018.

- **Sembcorp Marine Life Saving Rules**

Eight easy-to-remember rules for employees and contractors were developed from Sembcorp Marine's and IOGP's research into historical accident and incident reports.



“Safety Starts With Me” is a campaign launched in 2018 to reaffirm and align the importance of personal HSSE ownership across the Group’s staff and stakeholders. About 28,800 employees, contractor partners, customers and stakeholders attended briefings that highlighted every person’s right to stop and report any unsafe working conditions and activities without reprisal. Identified by a badge worn above the left pocket closest to the heart, this programme forms a part of Sembcorp Marine’s proactive approach towards building a strong HSSE culture.

This Safety Starts With Me message has been further integrated into the Group’s mandatory HSSE induction briefings which all personnel entering Sembcorp Marine yards must undergo.



EMERGENCY PREPAREDNESS

The yards conducted over 130 emergency response exercises in 2018. These included drills for scenarios such as pollution control, firefighting, evacuation, height rescue, radiation source recovery, man overboard as well as joint exercises conducted with the Singapore Civil Defence Force and Singapore Police Force. All employees, contractors and customers were required to take part in the drills.

OCCUPATIONAL HEALTH

Sembcorp Marine adopts a multi-faceted strategy to drive home the importance of safety measures and prevention of occupational hazards. The gravity of managing WSH risks is emphasised throughout the Group.



Regular drills ensure the workforce is ready to respond to emergencies in different scenarios

TOTAL WORKPLACE SAFETY AND HEALTH



Medical facilities and services are available to all employees and stakeholders in the yards

Access to Health Services and Support

Employees and all onsite stakeholders have access to the Group's medical facilities, designated workplace doctors, onsite paramedics and medical teams at all times. The Group runs a wide range of occupational health monitoring programmes for employees and contractor partners such as the Hearing Conversation Programme, Respiratory Protection Programme and Heat Stress Management Programme.

Employees and contractors are equipped with the requisite knowledge and skills to render first-response medical assistance. Occupational first-aid training, including the use of automated external defibrillators (AED) and cardiopulmonary resuscitation (CPR), is held regularly.

The Group also organises talks and provides support for employees to address common health issues such as mental health, chronic illnesses and disease prevention.

Health Checks

Employees and contractors must undergo annual health assessments tailored to their work scope and be certified fit before working at Sembcorp Marine facilities. Samples of this workforce are manually monitored by Sembcorp Marine's healthcare services.

An array of health assessments and tests such as electrocardiogram, radiographic scans, haemoglobin count, audiometric and vision tests and more are deployed to ensure the well-being of all working personnel.



More information on the Group's health and wellness programmes can be found on page 149.

Regular monitoring and inspection of occupational health hazards and control measures are also instituted across the Group. The Group adopts pandemic disease prevention initiatives, including emergency response plans for all facilities, as well as fumigations and personnel training for identifying and eliminating dengue, malaria, yellow fever and other vector-borne hazards.

Through diligent health monitoring, infection control and industrial hygiene measures, Sembcorp Marine is able to mitigate health risks among its employees, stakeholders and community.

COMMUNITY ENGAGEMENT

Sembcorp Marine leverages its people, resources and networks to champion social, environmental, sustainability and industry causes through a series of community engagement programmes. Working with its partners and stakeholders, the Group seeks to positively impact society and shape a better world for future generations.




Sembcorp Marine’s community engagement strategy, which is aligned with the United Nations Sustainable Development Goals and ISO 26000 Guidance on Social Responsibility, focuses on five key areas: youth and education, environmental care, community care, active lifestyle and culture, and industry outreach.

The Group assesses the needs of the local communities across all its operations and implements programmes that create value for beneficiaries and stakeholders. Regular reviews are conducted to ensure the relevance of its outreach and engagement initiatives.

In 2018, the Group gave more than \$1.68 million through its global programmes, corporate social responsibility initiatives, sponsorships, corporate donations, staff contributions, and industry programmes.

Sembcorp Marine and its employees contributed over 6,680 hours to support various community initiatives and volunteering activities during the year.

Beyond Singapore, Sembcorp Marine does its part to further economic, social and community development in its countries of operation. The Group’s overseas yards have in place a host of programmes that advance local training and capability building, environmental sustainability, youth and educational development, as well as sports and cultural promotion.

 Read more about Sembcorp Marine’s global community engagement initiatives



COMMUNITY ENGAGEMENT



Providing financial support to students through Sembcorp Marine's SchoolBAG programme

YOUTH AND EDUCATION

Sembcorp Marine's School Book Assistance Grant (SchoolBAG) programme is a core part of the Group's corporate social responsibility efforts. Now in its 18th year, the initiative is designed to support children from lower income families in their educational pursuits. In 2018, grants totalling \$203,800 were awarded to 1,002 primary, secondary and junior college students from 84 schools. This brings the annual programme's cumulative contributions to more than \$4.2 million since its inception in 2001.



Award of bursaries to support employees' children in their education

In 2018, Sembcorp Marine, together with the Institute of Technical Education (ITE), introduced a new Financial Assistance Grant programme for students of ITE. Under the programme, ITE engineering students requiring financial support receive a monthly allowance of \$600. A total of \$576,000 in grants will be disbursed over two years, with 40 students expected to benefit in the first year.



Sembcorp Marine and ITE representatives signing the terms of agreement for a new Financial Assistance Grant programme

During the year, the Group also contributed a total of \$82,650 in bursaries and academic awards to support the educational needs of its employees' children.

To encourage interest among students in the offshore and marine engineering industry, Sembcorp Marine initiated a new INSIGHT Programme in 2018. The programme aims to enhance the students' learning experience and deepen their understanding of industry practices and operational processes through site visits. A series of such visits was organised in the year, through which students and teaching staff from educational institutions were able to witness key project milestones, including the loading-out of modular mega-structures for an offshore platform project and the launch of a jack-up rig.

Sembcorp Marine also extends its support to educational and research institutions, through industry mentorships and joint initiatives, for the development of innovative and sustainable offshore, marine and energy solutions.

ENVIRONMENTAL CARE

The Green Wave Environmental Care Competition is one of Sembcorp Marine's key programmes for promoting environmental protection and sustainability among students. Organised annually since 2003, this well-regarded competition provides students with a platform to showcase their creativity in developing practical solutions for environmental issues. To reach a wider audience, the competition was expanded to include regional tertiary institutions since 2014. In 2018, Green Wave attracted 234 project entries from 843 local and regional students.



Official launch of the 2018 Green Wave Environmental Care Competition



Sembcorp Marine's Green Wave Environmental Care Competition encourages students to develop creative projects for environmental sustainability



Newly launched INSIGHT programme provides opportunities for students and teaching staff to witness key project milestones in Sembcorp Marine's yards

COMMUNITY ENGAGEMENT

Sembcorp Marine takes pride in being a member of the World Ocean Council (WOC), an international non-profit organisation committed to promoting ocean sustainable development and responsible maritime stewardship through industry partnerships and cross-sector collaborations. The Group has been a WOC member since 2015 and is active in engaging and contributing to the ocean community. In 2018, Sembcorp Marine presented its environmental sustainability programmes at the 6th Sustainable Ocean Summit, organised by WOC in Hong Kong.



Sharing insights on Sembcorp Marine's solutions for the Arctic and green technologies at a sustainability youth seminar

The Group also took part in a sustainability youth seminar which explored the theme, "What a Changing Arctic Means for Singapore". Organised by the Energy Studies Institute and the National University of Singapore, with support from the Ministry of Foreign Affairs, the seminar aimed to raise awareness of the Arctic and opportunities for research, education, trade and sustainable development in this region.

In addition, Sembcorp Marine's employees, together with customer representatives and Sembawang Community Club, participated in a coastal clean-up exercise.

COMMUNITY CARE

As a socially responsible company, Sembcorp Marine supports and participates in sustainability forums, social improvement initiatives and community development projects.

In 2018, the Group was a key sponsor of the Global Compact Network Singapore (GCNS) Summit. This annual event advances corporate social responsibility and sustainability best practices in Singapore and the region by encouraging collaboration among stakeholders in businesses, government and civil society.

Another area of the Group's community care focus is in corporate giving. In 2018, charitable institutions and non-profit organisations supported by the Group included the Community Chest, Yishun Students Care Service, American Cancer Society, Methodist Welfare Services and Singapore Environment Council.

Self-help groups such as the Chinese Development Assistance Council (CDAC), Yayasan MENDAKI, the Singapore Indian Development Association, and the Eurasian Association also benefited from direct salary contributions made by Sembcorp Marine employees.



Coastal clean-up initiatives to promote environmental protection and conservation





Volunteers from Sembcorp Marine bringing joy to children and youths in the community through social events and festive celebrations



Advancing corporate social responsibility and sustainability best practices through sponsorship of the GCNS Summit 2018

The Group is a stalwart of the Community Chest's Social Help and Assistance Raised by Employees (SHARE) programme. In 2018, Sembcorp Marine and its employees jointly gave more than \$67,250 to the SHARE programme. In recognition of its support, Sembcorp Marine received the Charity Silver Award at the Community Chest Awards 2018.

Sembcorp Marine and its employees are actively involved in community events and volunteer activities.

The Group is a long-time supporter of the Yishun Students Care Service, which organises engagement activities and outreach initiatives for children and youth. In 2018, employee volunteers continued the tradition of co-organising the annual U.Me Christmas Party with the Centre's Shine Children and Youth Services, bringing joy to beneficiaries during the festive season.

Recognising the importance of supporting the blood banks, the Group encourages employees to donate blood during campaigns organised by the Khoo Teck Puat Hospital.

ACTIVE LIFESTYLE AND CULTURE

Sembcorp Marine supports various programmes and activities that promote active lifestyle and culture within the community and industry.

The Group sponsored several charity golf tournaments in 2018, including the PERTAPIS Education and Welfare Centre's

'Swing for Hope' Charity Golf event. Employees also took part in competitions and events organised by the Association of Singapore Marine Industries (ASMI) and other industry partners.

Besides sporting events, the Group also supported various cultural programmes and arts development initiatives over the years.



Active support and participation by Sembcorp Marine in sporting events organised by industry partners

COMMUNITY ENGAGEMENT

INDUSTRY OUTREACH

Sembcorp Marine contributes to the industry's sustainable growth and development by exchanging best practices and collaborating with partners and stakeholders to enhance long-term competitiveness.

Advancing Sustainability

In 2018, the Group was invited by the Maritime and Port Authority of Singapore to share its sustainability insights with industry partners, agencies and academia at the Asia-Europe (ASEM) Conference during the Singapore Maritime Week. Sembcorp Marine also co-exhibited with technology partner Agency for Science, Technology and Research's (A*STAR) Institute of High Performance Computing at the Singapore Maritime Technology Conference, where the Group showcased its green technology retrofit solutions and digitisation efforts.

Sembcorp Marine also took part in the National Additive Manufacturing Innovation Cluster (NAMIC) Energy and Maritime Summit in 2018. The Group presented on the challenges and opportunities for adopting 3-D additive manufacturing technology in the offshore and marine sector.

Industry Development

To reinforce Singapore's global leadership in the offshore and marine sector, Sembcorp Marine initiates and supports a wide range of industry development programmes in partnership with government agencies, trade associations and non-governmental organisations, both locally and internationally. The Group's senior management personnel also contribute their leadership and experience in various industry development taskforces and committees.

In 2018, Sembcorp Marine helped raise Singapore's profile as a global leader in the offshore and marine sector by showcasing its capabilities as a national delegate in international trade shows and participating in high-profile industry conferences. These included: Seatrade Cruise Asia Pacific exhibition in China; Gastech conference in Spain; Posidonia exhibition in Greece; SMM (Shipbuilding, Machinery and Marine Technology) trade show in Germany; Rio Oil & Gas exhibition and MEC trade show in Brazil; as well as the Offshore Technology Conference and Seatrade Cruise Global exhibition in the United States.

Sembcorp Marine works hand-in-hand with government stakeholders and policy makers to enhance capability building, sustainable development, as well as quality, health, safety and environment standards in the offshore and marine industry. The Group's partners include Maritime and Port Authority of Singapore, Enterprise Singapore, Economic Development Board, Ministry of Manpower, National Environment Agency, Jurong Town Corporation and A*STAR.

The Group also promotes business excellence and competitiveness of Singapore's offshore and marine industry through partnerships with trade and professional associations, including ASMI, Society of Naval Architects and Marine Engineers (Singapore), Singapore Business Federation and Singapore International Chamber of Commerce.

Sembcorp Marine works closely with schools and tertiary institutions in developing educational courses and training programmes to grow the talent pool for the industry's sustainable growth. The Group supports government and industry programmes to raise greater

awareness of career opportunities within the offshore and marine sector. To this end, Sembcorp Marine participated in various industry outreach programmes, job fairs and career guidance events as well as hosted schools and institutions for learning journeys in 2018.

As part of the Group's commitment towards industry development, Sembcorp Marine President & CEO Mr Wong Weng Sun serves as the Chairman of Singapore Maritime Institute's Board and Governing Council as well as a member of the Marine Sectoral Tripartite Committee. Mr Wong is also a member of the Workplace Safety and Health 2028 (WSH2028) Tripartite Strategy Committee, where he chairs the WSH2028 Workplace Safety and Health Workgroup. In the area of education, Mr Wong chairs the Singapore Institute of Technology-Newcastle University (SIT-NU) Industry Advisory Committee for marine engineering, naval architecture and offshore engineering joint-degree programmes. He is also on the Nanyang Technological University School of Mechanical and Aerospace Engineering Industry Advisory Panel. Through these roles, Mr Wong contributes his knowledge and expertise to enhance research and development, education and training, as well as industry thought leadership.

Several of the Group's senior management personnel also serve on the boards and committees of institutions such as ASMI, Singapore Maritime Foundation, Nanyang Technological University, Ngee Ann Polytechnic, and the Singapore Institute of Technology.

 For more details on Sembcorp Marine's research and development collaborations with government, industry and technology partners, please refer to pages 120 - 121.



Raising Singapore' profile as a global leader in the offshore and marine industry through international trade conferences



Sharing operational insights with industry partners and associates



Supporting industry promotion events to promote greater awareness of Singapore's offshore and marine industry



Engaging government and industry stakeholders through learning visits

SGX SUSTAINABILITY REPORTING INDEX

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I	Material ESG Factors		
	• Material Issues	• Approach to Sustainability	65 - 69
II	Policies, Practices and Performance		
	Material issue: Innovation & Solutions Development		
	• Policy	• Approach to Sustainability	65
	• Practices	• Approach to Sustainability • Sustaining Competitiveness	65 118 - 122
	• Performance	• Targets Performance • Sustaining Competitiveness	70 118 - 122
	Material issue: Customer Alignment		
	• Policy	• Approach to Sustainability	66
	• Practices	• Approach to Sustainability • Sustaining Competitiveness	66 128 - 133
	• Performance	• Targets Performance • Sustaining Competitiveness	71 128 - 133
	Material issue: Environmental Sustainability		
	• Policy	• Approach to Sustainability	67
	• Practices	• Approach to Sustainability • Environmental Sustainability	67 124 - 139
	• Performance	• Targets Performance • Environmental Sustainability	71 124 - 139
	Material issue: Human Capital		
	• Policy	• Approach to Sustainability	68
	• Practices	• Approach to Sustainability • Human Capital	68 140 - 149
	• Performance	• Targets Performance • Human Capital	71 140 - 149
	Material issue: Total Workplace Safety and Health		
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	• Practices	• Approach to Sustainability • Total Workplace Safety and Health	68 150 - 156
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	Material issue: Community Engagement		
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	• Practices	• Approach to Sustainability • Community Engagement	69 157 - 163
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	Material issue: Business Integrity		
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	• Performance	• Targets Performance • Corporate Governance • Risk Management	72 79 - 105 106 - 115
III	Targets		
	• Targets	• Annual Report 2017: Approach to Sustainability	Annual Report 2017: 71 - 73
IV	Sustainability Reporting Framework		
	• Scope of Sustainability Report	• Approach to Sustainability	78
V	Board Statement		
		• Board Statement for Sustainability Report 2018	64



GRI STANDARDS: CORE OPTION CONTENT INDEX

The 2016 GRI Standards have been adopted for this report except for GRI 303 Water and Effluents and GRI 403 Occupational Health and Safety which are based on the revised 2018 Standards.

Details on Sembcorp Marine's alignment with the UN Sustainable Development Goals (SDG) and IPIECA / API / IOGP Oil and Gas Industry Guidance on Voluntary Sustainability Reporting can be found at: www.sembmarine.com/sustainability/sustainability-at-sembcorp-marine

Disclosure Number	Disclosure Title	Page Reference	Aligned Frameworks
GRI 102: GENERAL			
Organisational Profile			
GRI 102-1	Name of the organisation	• Page 56	UN SDG 3, 4, 7, 8, 9, 12, 13, 14, 15, 16, 17
GRI 102-2	Activities, brands, products, and services	• Key Capabilities www.sembmarine.com/key-capabilities	
GRI 102-3	Location of headquarters	• Page 56	
GRI 102-4	Location of operations	• Pages 4 - 5	
GRI 102-5	Ownership and legal form	• Page 56	
GRI 102-6	Markets served	• Pages 4 - 5, 307 • Key Capabilities www.sembmarine.com/key-capabilities	
GRI 102-7	Scale of the organisation	• Pages 1, 29 - 38, 39 - 45, 140 - 141, 198 - 204, 307	
GRI 102-8	Information on employees and other workers	• Pages 140 - 141 <i>Full-time/part-time categories are not reported as the number of part-time employees is not significant at less than 1%.</i> <i>A significant portion of production operations is carried out by subcontract workers who supplement the regular workforce.</i> <i>Data are compiled using the Group's HR management system.</i>	
GRI 102-9	Supply chain	• Pages 124 - 125	
GRI 102-10	Significant changes to the organisation and its supply chain	• Pages 6 - 17, 57, 78, 109 - 115, 123 - 127 <i>There were no significant changes in the company's supply chain structure or relationship with suppliers.</i>	
GRI 102-11	Precautionary principle or approach	• Page 63	
GRI 102-12	External initiatives	• Pages 15, 61, 63 - 64, 70 - 77, 111, 134, 143 - 147, 157 - 162	
GRI 102-13	Membership of associations	• Pages 63 - 64, 160, 162	
Strategy			
GRI 102-14	Statement from senior decision-maker	• Pages 6 - 17, 64	
GRI 102-15	Key impacts, risks, and opportunities	• Pages 6 - 17, 109 - 115, 65 - 69, 73 - 77, 124 - 125	

GRI STANDARDS: CORE OPTION CONTENT INDEX

Disclosure Number	Disclosure Title	Page Reference	Aligned Frameworks • UN SDG • IPEICA / API / IOGP
Ethics and Integrity			
GRI 102-16	Values, principles, standards, and norms of behavior	<ul style="list-style-type: none"> • Pages 1, 79 - 105 • Code of Business Conduct www.sembmarine.com/code-business-conduct • Supplier Code of Conduct www.sembmarine.com/supplier-code-of-conduct 	UN SDG 8, 16 IPEICA / API / IOGP: SE11, SE12
GRI 102-17	Mechanisms for advice and concerns about ethics	<ul style="list-style-type: none"> • Pages 101 - 102, 109 - 115 • Code of Business Conduct www.sembmarine.com/code-business-conduct • Supplier Code of Conduct www.sembmarine.com/supplier-code-of-conduct 	
Governance			
GRI 102-18	Governance structure	<ul style="list-style-type: none"> • Pages 48 - 53, 54, 64 • Sustainability Council www.sembmarine.com/sustainability/sustainability-at-sembcorp-marine 	UN SDG 8, 16
GRI 102-20	Executive-level responsibility for economic, environmental, and social topics	<ul style="list-style-type: none"> • Page 64 • Sustainability Council www.sembmarine.com/sustainability/sustainability-at-sembcorp-marine 	
GRI 102-22	Composition of the highest governance body and its committees	<ul style="list-style-type: none"> • Pages 48 - 53, 64, 82 • Sustainability Council www.sembmarine.com/sustainability/sustainability-at-sembcorp-marine 	
GRI 102-23	Chair of the highest governance body	<ul style="list-style-type: none"> • Pages 48 - 54, 79 - 80 	
GRI 102-24	Nominating and selecting the highest governance body	<ul style="list-style-type: none"> • Pages 85 - 91 	
GRI 102-25	Conflicts of interest	<ul style="list-style-type: none"> • Pages 85 - 86, 88 - 89, 102, 105 	
GRI 102-35	Remuneration policies	<ul style="list-style-type: none"> • Pages 92 - 96 	
GRI 102-36	Process for determining remuneration	<ul style="list-style-type: none"> • Pages 92 - 96 	
GRI 102-37	Stakeholders' involvement in remuneration	<ul style="list-style-type: none"> • Page 94 	
Stakeholder Engagement			
GRI 102-40	List of stakeholder groups	<ul style="list-style-type: none"> • Pages 73 - 77 	UN SDG 8, 17
GRI 102-41	Collective bargaining agreements	<ul style="list-style-type: none"> • Pages 146 - 147 	
GRI 102-42	Identifying and selecting stakeholders	<ul style="list-style-type: none"> • Page 64 	
GRI 102-43	Approach to stakeholder engagement	<ul style="list-style-type: none"> • Pages 64, 74 - 77 	
GRI 102-44	Key topics and concerns raised	<ul style="list-style-type: none"> • Pages 64, 74 - 77 	

Disclosure Number	Disclosure Title	Page Reference	Aligned Frameworks
Reporting Practice			
GRI 102-45	Entities included in the consolidated financial statements	• Pages 313 - 316	<ul style="list-style-type: none"> • UN SDG • IPIECA / API / IOGP
GRI 102-46	Defining report content and topic Boundaries	• Pages 64, 78, 124 - 125	
GRI 102-47	List of material topics	• Pages 65 - 69	
GRI 102-48	Restatements of information	• Pages 30, 136	
GRI 102-49	Changes in reporting	• Page 78	
GRI 102-50	Reporting period	<i>January - December 2018</i>	
GRI 102-51	Date of most recent report	<i>March 2018</i>	
GRI 102-52	Reporting cycle	<i>Yearly</i>	
GRI 102-53	Contact point for questions regarding the report	• Page 78	
GRI 102-54	Claims of reporting in accordance with the GRI Standards	• Page 78 <i>This report has been prepared in accordance with the GRI Standards: Core option.</i>	
GRI 102-55	GRI content index	• Pages 165 - 170	
GRI 102-56	External assurance	• Pages 171 - 172	
GRI 103: MANAGEMENT APPROACH			
GRI 103-1	Explanation of the material topic and its Boundary	• Pages 65 - 69, 78, 124 - 125	
GRI 103-2	The management approach and its components	• Pages 65 - 69	
GRI 103-3	Evaluation of the management approach	• Pages 63 - 69, 73 - 77, 97 - 102, 106 - 108	
SPECIFIC STANDARD DISCLOSURES			
Economic			
GRI 201, 205, 206	Management approach disclosures	• Pages 65 - 66	UN SDG 7, 8, 9, 14, 17
GRI 201-1	Direct economic value generated and distributed	• Pages 30, 36, 38, 157	IPIECA / API / IOGP: SE11, SE12
GRI 205-2	Communication and training about anti-corruption policies and procedures	• Pages 110 - 112	
GRI 206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	<i>No legal actions for anti-competitive behaviour, anti-trust, and monopoly practices.</i>	

GRI STANDARDS: CORE OPTION CONTENT INDEX

Disclosure Number	Disclosure Title	Page Reference	Aligned Frameworks
Environment			
GRI 301, 302, 303, 305, 306, 307	Management approach disclosures	• Page 67	UN SDG 3, 7, 12, 13, 14, 15
GRI 301-1	Materials used by weight or volume	• Pages 137 - 138	IPIECA / API / IOGP: E2, E3, E6, E9, E10
GRI 302-1	Energy consumption within the organisation	• Pages 135 - 136, 139	
GRI 302-4	Reduction of energy consumption	• Pages 135 - 136	
GRI 303-1	Interactions with water as a shared resource	• Pages 136 - 137, 139	
GRI 303-2	Management of water discharge-related impacts	• Page 137	
GRI 303-3	Water withdrawal	• Pages 137, 139	
GRI 305-1	Direct (Scope 1) GHG emissions	• Pages 135 - 136, 139	
GRI 305-2	Energy indirect (Scope 2) GHG emissions	• Pages 135 - 136, 139	
GRI 306-3	Significant spills	• Page 139	
GRI 307-1	Non-compliance with environmental laws and regulations	<i>No significant fines and non-monetary sanctions were received for non-compliance with environmental laws and/or regulations.</i>	
Social			
GRI 401, 403, 404, 405, 406, 408, 409, 413, 416	Management approach disclosures	• Pages 68 - 69	UN SDG 3, 4, 8, 9, 13, 14, 15, 17
GRI 401-1	New employee hires and employee turnover	• Page 145	IPIECA / API / IOGP: HS1, SE1, SE4, SE15, SE16, SE17
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	• Pages 147 - 148 <i>Benefits are applicable to full-time, contract and part-time employees, with the exception of temporary staff. Variable incentives and flexible benefits may differ depending on individual contracts and performance.</i>	
GRI 403-1	Occupational health and safety management system	• Pages 150 - 151	

Disclosure Number	Disclosure Title	Page Reference	Aligned Frameworks
			<ul style="list-style-type: none"> • UN SDG • IPIECA / API / IOGP
GRI 403-2	Hazard identification, risk assessment, and incident investigation	<ul style="list-style-type: none"> • Page 153 • The Right To Stop Work www.sembmarine.com/sustainability/safety 	UN SDG 3, 4, 8, 9, 13, 14, 15, 17
GRI 403-3	Occupational health services	<ul style="list-style-type: none"> • Page 156 	IPIECA / API / IOGP: HS1, SE1, SE4, SE15, SE16, SE17
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	<ul style="list-style-type: none"> • Page 151 	
GRI 403-5	Worker training on occupational health and safety	<ul style="list-style-type: none"> • Pages 142 - 144 • Training www.sembmarine.com/sustainability/safety 	
GRI 403-6	Promotion of worker health	<ul style="list-style-type: none"> • Pages 149, 156 	
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	<ul style="list-style-type: none"> • Pages 122, 124 - 125, 131 • Code of Business Conduct www.sembmarine.com/code-business-conduct • Supplier Code of Conduct www.sembmarine.com/supplier-code-of-conduct 	
GRI 403-8	Workers covered by an occupational health and safety management system	<ul style="list-style-type: none"> • Pages 150 - 151 • Risk & Safety Management Systems www.sembmarine.com/sustainability/safety 	
GRI 403-9	Work-related injuries	<ul style="list-style-type: none"> • Page 152 <p><i>Sembcorp Marine reports on Accident Severity Rate, Accident Frequency Rate and Workplace Injury Rate in alignment with Singapore Ministry of Manpower's industry benchmarking metrics.</i></p>	
GRI 404-2	Programmes for upgrading employee skills and transition assistance programmes	<ul style="list-style-type: none"> • Pages 142 - 145, 149 	
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	<ul style="list-style-type: none"> • Page 147 	

GRI STANDARDS: CORE OPTION CONTENT INDEX

Disclosure Number	Disclosure Title	Page Reference	Aligned Frameworks
GRI 405-1	Diversity of governance bodies and employees	<ul style="list-style-type: none"> Pages 48 - 54, 140 - 141 <p><i>There is 1 female director (representing 9%) of Sembcorp Marine's Board. All 11 directors are in the 50 years and above age group.</i></p> <p><i>Other indicators of workforce diversity are not significant or relevant.</i></p>	<ul style="list-style-type: none"> UN SDG IPEICA / API / IOGP <p>UN SDG 3, 4, 8, 9, 13, 14, 15, 17</p> <p>IPEICA / API / IOGP: HS1, SE1, SE4, SE15, SE16, SE17</p>
GRI 406-1	Incidents of discrimination and corrective actions taken	<p><i>No reports were received of discrimination or exploitative labour practices relating to the Group's operations or suppliers. The company's operations and supply chain are not considered to have significant risks of child, forced or compulsory labour.</i></p>	
GRI 408-1	Operations and suppliers at significant risk for incidents of child labour		
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour		
GRI 413-1	Operations with local community engagement, impact assessments, and development programmes	<ul style="list-style-type: none"> Page 157 <p><i>Relevant local community engagement activities are conducted by all operating units during the course of business.</i></p>	
GRI 416-1	Assessment of the health and safety impacts of product and service categories	<ul style="list-style-type: none"> Page 122 	

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON SUSTAINABILITY INFORMATION OF SEMBCORP MARINE LTD

ATTENTION TO THE BOARD OF DIRECTORS OF SEMBCORP MARINE LTD

We have been engaged by Sembcorp Marine Ltd (the "Company") to undertake a limited assurance engagement in respect of the selected sustainability information in the 2018 Sustainability Report of the Company described below for the year ended 31 December 2018 (the "Identified Sustainability Information").

Our assurance engagement was with respect to the Company's disclosures for the Identified Sustainability Information in the 2018 Sustainability Report.

Identified Sustainability Information

The Identified Sustainability Information for the year ended 31 December 2018 is set out below:

- GRI 201-1: Direct economic value generated and distributed
- GRI 205-2: Communication and training about anti-corruption policies and procedures
- GRI 206-1: Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices
- GRI 301-1: Materials used by weight or volume
- GRI 302-1: Energy consumption within the organization
- GRI 305-1: Direct (Scope 1) GHG emissions
- GRI 305-2: Energy indirect (Scope 2) GHG emissions
- GRI 306-3: Significant spills
- GRI 307-1: Non-compliance with environmental laws and regulations
- GRI 401-1: New employee hires and employee turnover
- GRI 401-2: Benefits provided to fulltime employees that are not provided to temporary or part-time employees

- GRI 404-2: Programmes for upgrading employee skills and transition assistance programmes
- GRI 404-3: Percentage of employees receiving regular performance and career development reviews
- GRI 405-1: Diversity of governance bodies and employees
- GRI 406-1: Incidents of discrimination and corrective actions taken
- GRI 408-1: Operations and suppliers at significant risk for incidents of child labour
- GRI 409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labour
- GRI 413-1: Operations with local community engagement, impact assessments, and development programmes
- GRI 416-1: Assessment of the health and safety impacts of product and service categories

Our assurance engagement was with respect to the year ended 31 December 2018. We have not performed any procedures with respect to (i) earlier periods; and (ii) any other elements included in the Company's Sustainability Report, and in the annual report, website and other publications, and therefore do not express any conclusion thereon.

Reporting Criteria

The Identified Sustainability Information has been assessed against relevant criteria in the Global Reporting Initiative ("GRI") Sustainability Reporting Standards (the "Reporting Criteria").

Management's Responsibility for the Identified Sustainability Information

Management of the Company is responsible for the preparation of the

Identified Sustainability Information in accordance with the Reporting Criteria. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Identified Sustainability Information that is free from material misstatement, whether due to fraud or error.

Practitioner's Independence and Quality Control

We have complied with the independence and other ethical requirements of the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Singapore Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Identified Sustainability Information based on the procedures we have performed and the evidence we have obtained. We performed our limited assurance engagement in accordance with Singapore Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits and Reviews of Historical Financial Information (the "Standard"). This Standard requires that we plan and perform our work to form the conclusion about whether the Identified Sustainability Information is

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON SUSTAINABILITY INFORMATION OF SEMBCORP MARINE LTD

free from material misstatement. The extent of our procedures depends on our professional judgement and our assessment of the engagement risk.

A limited assurance engagement involves assessing the suitability in the circumstances of the Company's use of the Reporting Criteria as the basis for the preparation of the Identified Sustainability Information, assessing the risks of material misstatement of the Identified Sustainability Information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Identified Sustainability Information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures selected included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. Given the circumstances of the engagement, we also performed the following:

- interviewed management and personnel in Risk Management, Corporate Strategy, Corporate Secretariat, Investor Relations, Finance, Operations (including Health, Safety and Environment) and Human Resources in relation to the Identified Sustainability Information;

- obtained an understanding of how the Identified Sustainability Information is gathered, collated and aggregated internally;
- performed limited substantive testing, on a selective basis, of the Identified Sustainability Information i) to verify the assumptions, estimations and computations made in relation to the Identified Sustainability Information; and ii) to check that data had been appropriately measured, recorded, collated and reported, to the extent we considered necessary and appropriate to provide sufficient evidence for our conclusion; and
- assessed the disclosure and presentation of the Identified Sustainability Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion about whether the Company's Identified Sustainability Information has been prepared, in all material respects, in accordance with the Reporting Criteria.

Inherent Limitations

In designing these procedures, we considered the system of internal controls in relation to the Identified Sustainability Information and reliance has been placed on internal controls where appropriate. Because of the

inherent limitations in any accounting and internal control system, errors and irregularities may nevertheless occur and not be detected.

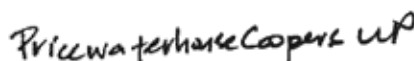
Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Identified Sustainability Information for the financial year ended 31 December 2018 is not prepared, in all material respects, in accordance with the Reporting Criteria.

Purpose and Restriction on Distribution and Use

This report, including our conclusion, has been prepared solely for the Company in accordance with the agreement between us. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our work or this report.

Yours faithfully



PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore
8 March 2019





FINANCIAL

STATEMENTS

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DIRECTORS' STATEMENT

Year ended 31 December 2018

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 31 December 2018.

In our opinion:

- (a) the financial statements set out on pages 198 to 331 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50, Singapore Financial Reporting Standards (International) and International Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

DIRECTORS

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

Tan Sri Mohd Hassan Marican	Chairman
Wong Weng Sun	President and CEO
Ron Foo Siang Guan	
Koh Chiap Khiong	
Eric Ang Teik Lim	
Gina Lee-Wan	
Bob Tan Beng Hai	
Neil McGregor	
William Tan Seng Koon	
Patrick Daniel	(Appointed on 20 April 2018)
Tan Wah Yeow	(Appointed on 10 December 2018)

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the 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 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 (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2019	At beginning of the year	At end of the year	At 21/01/2019
Tan Sri Mohd Hassan Marican							
Sembcorp Marine Ltd	Ordinary shares (Note 1)	296,300	371,500	371,500	–	–	–
Sembcorp Industries Ltd	Ordinary shares (Note 1)	79,400	94,300	94,300	–	–	–

DIRECTORS' STATEMENT

Year ended 31 December 2018

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2019	At beginning of the year	At end of the year	At 21/01/2019
Wong Weng Sun							
Sembcorp Marine Ltd	Ordinary shares	3,609,259	3,637,934	3,637,934	–	–	–
	Conditional award of 375,000 performance shares to be delivered after 2017 (Note 2a)	Up to 562,500	–	–	–	–	–
	Conditional award of 638,000 performance shares to be delivered after 2018 (Note 2b)	Up to 957,000	Up to 957,000	Up to 957,000	–	–	–
	Conditional award of 550,000 performance shares to be delivered after 2019 (Note 2c)	Up to 825,000	Up to 825,000	Up to 825,000	–	–	–
	Conditional award of 481,000 performance shares to be delivered after 2020 (Note 2d)	–	Up to 721,500	Up to 721,500	–	–	–

DIRECTORS' STATEMENT

Year ended 31 December 2018

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2019	At beginning of the year	At end of the year	At 21/01/2019
Wong Weng Sun (cont'd)							
Sembcorp Marine Ltd (cont'd)	Conditional award of 85,000 restricted shares to be delivered after 2015 (Note 3a)	12,750	–	–	–	–	–
	Conditional award of 127,500 restricted shares to be delivered after 2016 (Note 3b)	12,750	6,375	6,375	–	–	–
	Conditional award of 191,000 restricted shares to be delivered after 2017 (Note 3c)	Up to 286,500	19,100	19,100	–	–	–
	Conditional award of 181,000 restricted shares to be delivered after 2018 (Note 3d)	Up to 271,500	Up to 271,500	Up to 271,500	–	–	–
	Conditional award of 233,000 restricted shares to be delivered after 2018 (Note 4)	–	Up to 349,500	Up to 349,500	–	–	–

DIRECTORS' STATEMENT

Year ended 31 December 2018

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2019	At beginning of the year	At end of the year	At 21/01/2019
Wong Weng Sun (cont'd)							
Sembcorp Industries Ltd	Ordinary shares	79,000	79,000	79,000	–	–	–
Ron Foo Siang Guan							
Sembcorp Marine Ltd	Ordinary shares	254,780	282,680	282,680	28,000	28,000	28,000
Sembcorp Industries Ltd	Ordinary shares	82,820	82,820	82,820	–	–	–
Koh Chiap Khiong							
Sembcorp Marine Ltd	Ordinary shares (Note 6)	123,200	148,700	148,700	–	–	–
Sembcorp Industries Ltd	Ordinary shares (Note 6)	509,433	589,395	589,395	–	–	–
	Conditional award of 105,000 performance shares to be delivered after 2017 (Note 2a)	Up to 157,500	–	–	–	–	–
	Conditional award of 133,000 performance shares to be delivered after 2018 (Note 2b)	Up to 199,500	Up to 199,500	Up to 199,500	–	–	–

DIRECTORS' STATEMENT

Year ended 31 December 2018

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2019	At beginning of the year	At end of the year	At 21/01/2019
Koh Chiap Khiong (cont'd)							
Sembcorp Industries Ltd (cont'd)	Conditional award of 100,000 performance shares to be delivered after 2019 (Note 2c)	Up to 150,000	Up to 150,000	Up to 150,000	–	–	–
	Conditional award of 225,000 performance shares to be delivered after 2020 (Note 2d)	–	Up to 337,500	Up to 337,500	–	–	–
	Conditional award of 65,000 restricted shares to be delivered after 2015 (Note 5a)	27,082	–	–	–	–	–
	Conditional award of 85,000 restricted shares to be delivered after 2016 (Note 5b)	68,000	34,000	34,000	–	–	–

DIRECTORS' STATEMENT

Year ended 31 December 2018

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2019	At beginning of the year	At end of the year	At 21/01/2019
Koh Chiap Khiong (cont'd)							
Sembcorp Industries Ltd (cont'd)	Conditional award of 96,000 restricted shares to be delivered after 2017 (Note 5c)	Up to 144,000	37,760	37,760	–	–	–
	Conditional award of 100,000 restricted shares to be delivered after 2018 (Note 5d)	Up to 150,000	Up to 150,000	Up to 150,000	–	–	–
	Subordinated Perpetual Security issued on 21 Aug 2013 under the \$2.5 Billion Multicurrency Debt Issuance Programme (Note 7)	Principal Amount: \$250,000	–	–	–	–	–
Gina Lee-Wan							
Sembcorp Marine Ltd	Ordinary shares	49,500	69,800	69,800	–	–	–
Bob Tan Beng Hai							
Sembcorp Marine Ltd	Ordinary shares	61,500	91,400	91,400	–	–	–

DIRECTORS' STATEMENT

Year ended 31 December 2018

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2019	At beginning of the year	At end of the year	At 21/01/2019
Neil McGregor							
Sembcorp Marine Ltd	Ordinary shares	–	15,700	15,700	–	–	–
Sembcorp Industries Ltd	Ordinary shares	33,900	159,400	159,400	–	–	–
	Conditional award of 429,553 performance shares to be delivered after 2019 (Note 2c)	Up to 644,330	Up to 644,330	Up to 644,330	–	–	–
	Conditional award of 638,000 performance shares to be delivered after 2020 (Note 2d)	–	Up to 957,000	Up to 957,000	–	–	–
	Conditional award of 416,667 restricted shares to be delivered after 2018 (Note 5d)	Up to 625,001	Up to 625,001	Up to 625,001	–	–	–
William Tan Seng Koon							
Sembcorp Marine Ltd	Ordinary shares	–	16,900	16,900	–	–	–

DIRECTORS' STATEMENT

Year ended 31 December 2018

DIRECTORS' INTERESTS (CONT'D)

Note 1: The 371,500 Sembcorp Marine Ltd shares and 94,300 Sembcorp Industries Ltd shares are held in the name of Citibank Nominees Singapore Pte Ltd.

Note 2: The actual number to be delivered will depend on the achievement of set targets over a 3-year period as indicated below. Achievement of targets below threshold level will mean no performance shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional performance shares awarded could be delivered.

- (a) Period from 2015 to 2017*
- (b) Period from 2016 to 2018
- (c) Period from 2017 to 2019
- (d) Period from 2018 to 2020

* For this period, no shares earned based on achievement factor at the end of the prescribed performance period, the conditional awards covering the period has thus lapsed.

Note 3: The actual number to be delivered will depend on the achievement of set targets at the end of 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.

- (a) Period from 2014 to 2015*
- (b) Period from 2015 to 2016**
- (c) Period from 2016 to 2017***
- (d) Period from 2017 to 2018

* For this period, 12,750 shares (the final release of 1/3 of the 38,250 shares) were vested under the award on 28 March 2018. The 1st and 2nd release of 12,750 shares each have been vested on 28 March 2016 and 28 March 2017 respectively.

** For this period, 6,375 shares (2nd release of 1/3 of the 19,125 shares) were vested under the award on 28 March 2018 and the remaining 6,375 shares will be vested in year 2019. The 1st release of 6,375 shares has been vested on 28 March 2017.

*** For this period, 9,550 shares (1st release of 1/3 of the 28,650 shares) were vested under the award on 28 March 2018 and the remaining 19,100 shares will be vested in year 2019/2020.

Note 4: The actual number to be delivered will depend on the achievement of set targets over one financial year performance period from 1 January 2018 to 31 December 2018. 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.

Note 5: The actual number to be delivered will depend on the achievement of set targets at the end of 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.

- (a) Period from 2014 to 2015*
- (b) Period from 2015 to 2016**
- (c) Period from 2016 to 2017***
- (d) Period from 2017 to 2018

* For this period, 27,082 shares (the final release of 1/3 of the 81,250 shares) were vested under the award on 28 March 2018. The 1st and 2nd release of 27,084 shares each have been vested in 2016 and 2017 respectively.

** For this period, 34,000 shares (2nd release of 1/3 of the 102,000 shares) were vested under the award on 28 March 2018 and the remaining 34,000 shares will be vested in year 2019. The 1st release of 34,000 shares has been vested on 28 March 2017.

*** For this period, 18,880 shares (1st release of 1/3 of the 56,640 shares) were vested under the award on 28 March 2018 and the remaining 37,760 shares will be vested in year 2019/2020.

DIRECTORS' STATEMENT

Year ended 31 December 2018

DIRECTORS' INTERESTS (CONT'D)

Note 6: The 148,700 Sembcorp Marine Ltd shares and 589,395 Sembcorp Industries Ltd shares are held in the name of DBS Nominees Pte Ltd.

Note 7: Subordinated Perpetual Securities and Fixed Rate Notes issued under the \$2.5 Billion Multicurrency Debt Issuance Programme ("MDIP") of Sembcorp Industries Ltd and Sembcorp Financial Services Pte. Ltd., a related company of Sembcorp Industries Group. The Subordinated Perpetual Securities issued on 21 August 2013 under the MDIP of Sembcorp Industries Ltd has been redeemed on 21 August 2018.

Except as disclosed in this statement, 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.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2019.

Except as disclosed under the "Share-based Incentive Plans" section of this statement, 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 27(a) and 39(b) 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 ("SCM PSP 2010") and Restricted Share Plan ("SCM RSP 2010") (collectively, the "2010 Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 20 April 2010.

The Executive Resource and 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:

Tan Sri Mohd Hassan Marican	Chairman
Eric Ang Teik Lim	
William Tan Seng Koon	
Patrick Daniel	(Appointed on 20 April 2018)

The SCM RSP 2010 is the incentive scheme for directors and employees of the Company and its subsidiaries (the "Group") whereas the SCM 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.

DIRECTORS' STATEMENT

Year ended 31 December 2018

SHARE-BASED INCENTIVE PLANS (CONT'D)

The Company designates Sembcorp Industries Ltd as the Parent Group.

The SCM RSP 2010 is intended to apply a broad base of senior executives as well as to the non-executive directors, while the SCM 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 SCM RSP 2010 and the SCM 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.

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 associates 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 is as follows:

(a) Performance Share Plan

Under the Performance Share Plan ("SCM 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.

Award granted until 2017

Under the Performance Share Plan ("SCM PSP 2010"), the awards granted conditional on performance targets are set based on corporate objectives at the start of each rolling three-year performance qualifying period. The performance criteria for the performance shares are calibrated based on Wealth Added, Total Shareholder Return and Earnings per Share for awards granted in 2017.

Award granted in 2018 and onwards

In 2018, following the review of the performance targets, the performance levels will be calibrated based on Return on Capital Employed, Total Shareholder Return and Earnings per Share. For awards granted in 2018 and onwards, both market-based and non-market-based performance conditions are taken into account.

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.

DIRECTORS' STATEMENT

Year ended 31 December 2018

SHARE-BASED INCENTIVE PLANS (CONT'D)

(a) Performance Share Plan (cont'd)

Award granted in 2018 and onwards (cont'd)

To create alignment between senior management and other employees at the time of vesting, SCM PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2018 to 2020 will be vested to the senior management participants only if the restricted shares for the performance period 2020 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.

The details of the movement of the performance shares of the Company awarded during the year are as follows:

Performance Shares participants	At 1 January	Movements during the year			At 31 December
		Conditional performance shares awarded	Conditional performance shares lapsed	Performance shares lapsed arising from targets not met	
2018					
Director of the Company					
Wong Weng Sun	1,563,000	481,000	–	(375,000)	1,669,000
Key executives of the Group	3,170,000	687,000	(598,000)	(840,000)	2,419,000
	4,733,000	1,168,000	(598,000)	(1,215,000)	4,088,000
2017					
Director of the Company					
Wong Weng Sun	1,513,000	550,000	–	(500,000)	1,563,000
Key executives of the Group	3,000,000	1,050,000	–	(880,000)	3,170,000
	4,513,000	1,600,000	–	(1,380,000)	4,733,000

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2015 to 2017 (2017: performance period 2014 to 2016), there were no (2017: nil) performance shares released via the issuance of treasury shares.

In 2018, there were 1,215,000 (2017: 1,380,000) performance shares that lapsed for under-achievement of the performance targets for the performance period 2015 to 2017 (2017: 2014 to 2016).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at 31 December 2018, was 4,088,000 (2017: 4,733,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 6,132,000 (2017: 7,099,500) performance shares.

DIRECTORS' STATEMENT

Year ended 31 December 2018

SHARE-BASED INCENTIVE PLANS (CONT'D)

(b) Restricted Share Plan

Award granted until 2017

Under the Restricted Share Plan ("SCM 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 Capital Employed and Earnings before Interest and Taxes for awards granted in 2016 and 2017.

Award granted in 2018 and onwards

In 2018, under the Restricted Share Plan ("SCM RSP 2010"), the awards granted conditional on performance targets will be set based on corporate objectives at the start of the one-year performance qualifying period. The performance criteria for the restricted shares will be calibrated based on Earnings before Interest and Taxes only for awards granted in 2018 and onwards.

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 the SCM 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 Marine Challenge Bonus.

A specific number of restricted shares shall be awarded at the end of the respective 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 respective performance cycle, with no further vesting conditions.

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

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 SCM RSP 2010.

From 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Mr Wong Weng Sun, who is the President & CEO, and who does not receive any directors' fees). In 2018, 2017 and 2016, the awards granted consisted 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 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 from (and including) the day on which the shares are first quoted ex-dividend after the Annual General Meeting ("AGM") (or, if the resolution to approve the final dividend is not approved, over the 14 trading days immediately following the date of the 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.

DIRECTORS' STATEMENT

Year ended 31 December 2018

SHARE-BASED INCENTIVE PLANS (CONT'D)

(b) Restricted Share Plan (cont'd)

The details of the movement of the restricted shares of the Company awarded during the year are as follows:

Restricted Shares participants	At 1 January	Movements during the year				At 31 December
		Conditional restricted shares awarded	Restricted shares lapsed arising from targets not met	Conditional restricted shares released	Conditional restricted shares lapsed	
2018						
Directors of the Company						
Tan Sri Mohd						
Hassan Marican	–	75,200	–	(75,200)	–	–
Wong Weng Sun	397,500	233,000	(162,350)	(28,675)	–	439,475
Ron Foo Siang Guan	–	27,900	–	(27,900)	–	–
Koh Chiap Khiong	–	25,500	–	(25,500)	–	–
Gina Lee-Wan	–	20,300	–	(20,300)	–	–
Bob Tan Beng Hai	–	29,900	–	(29,900)	–	–
Neil McGregor	–	15,700	–	(15,700)	–	–
William Tan Seng Koon	–	16,900	–	(16,900)	–	–
Former director of the Company						
	–	64,400	–	(64,400)	–	–
Other executives	14,985,913	7,615,188	(5,915,800)	(883,228)	(624,821)	15,177,252
	15,383,413	8,123,988	(6,078,150)	(1,187,703)	(624,821)	15,616,727
2017						
Directors of the Company						
Tan Sri Mohd						
Hassan Marican	–	104,200	–	(104,200)	–	–
Wong Weng Sun	374,600	181,000	(108,375)	(49,725)	–	397,500
Ajaib Haridass	–	49,000	–	(49,000)	–	–
Ron Foo Siang Guan	–	44,300	–	(44,300)	–	–
Lim Ah Doo	–	53,300	–	(53,300)	–	–
Koh Chiap Khiong	–	40,800	–	(40,800)	–	–
Gina Lee-Wan	–	26,900	–	(26,900)	–	–
Bob Tan Beng Hai	–	37,300	–	(37,300)	–	–
Former director of the Company						
	–	44,300	–	(44,300)	–	–
Other executives	13,341,542	7,595,350	(3,814,942)	(1,337,117)	(798,920)	14,985,913
	13,716,142	8,176,450	(3,923,317)	(1,786,942)	(798,920)	15,383,413

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2016 to 2017, a total of 395,199 (2017: Nil) restricted shares were released. For awards in relation to the performance period 2015 to 2016, a total of 198,575 (2017: 266,891) restricted shares were released. For awards in relation to the performance period 2014 to 2015, a total of 318,129 (2017: 386,942) restricted shares were released. In 2017, 733,009 restricted shares were released for awards in relation to the performance period 2013 to 2014. In 2018, there were 275,800 (2017: 400,100) restricted shares released to non-executive directors. The restricted shares were released via the issuance of treasury shares.

DIRECTORS' STATEMENT

Year ended 31 December 2018

SHARE-BASED INCENTIVE PLANS (CONT'D)

(b) Restricted Share Plan (cont'd)

In 2018, there were 6,078,150 (2017: 3,923,317) restricted shares that lapsed for under-achievement of the performance targets for the performance period 2016 to 2017 (2017: performance period 2015 to 2016).

The total number of restricted shares outstanding, including awards achieved but not released, as at 31 December 2018, was 15,616,727 (2017: 15,383,413). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 14,817,138 (2017: 14,674,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 22,225,707 (2017: 22,011,000) restricted shares.

Sembcorp Marine Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2016 to 2017 (2017: performance period 2015 to 2016), a total of \$789,088 (2017: \$454,284), equivalent to 354,774 (2017: 248,950) notional restricted shares, were paid.

A total of 2,520,117 (2017: 3,074,000) notional restricted shares were awarded on 23 August 2018 (2017: 26 May 2017) 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 31 December 2018, was 4,684,737 (2017: 5,230,850). 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 7,027,106 (2017: 7,846,275).

(c) 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 statement are:

Ron Foo Siang Guan	Chairman
Koh Chiap Khiong	
Eric Ang Teik Lim	(Appointed on 21 February 2018)
Patrick Daniel	(Appointed on 20 April 2018)
Tan Wah Yeow	(Appointed on 10 December 2018)

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 evaluation of the Company's internal accounting control system.

The Audit Committee performs 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.

DIRECTORS' STATEMENT

Year ended 31 December 2018

AUDIT COMMITTEE (CONT'D)

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;
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange);
- internal audit plans and internal audit reports; and
- whistle-blowers' disclosures.

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.

In appointing our auditors for the Company, subsidiaries and significant associates, we have complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange.

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



Tan Sri Mohd Hassan Marican
Chairman



Wong Weng Sun
Director

Singapore
4 March 2019

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sembcorp Marine Ltd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Sembcorp Marine Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 198 to 331.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act"), Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of property, plant and equipment and intangible assets (the "shipyard assets")

(Refer to Notes 4, 12 and 44 to the financial statements: Property, plant and equipment of \$4,179,257,000 and Intangible assets of \$208,934,000)

Risk:

The Group's shipyard assets were subject to impairment test assessments, owing to the continued difficult market conditions impacting the offshore and marine sector.

The Group's largest yard assets and facilities are (i) the integrated yards, which include the individual yard locations in Singapore, the sub-contracting yards in Indonesia and the United Kingdom (the Singapore cash generating unit) and (ii) the yard in Brazil (Brazil cash generating unit). Such shipyard assets are measured at cost less accumulated depreciation and impairment loss. An impairment loss exists when the net carrying amount of the shipyard assets is in excess of its recoverable amount, which is defined as the higher of the asset's fair value less costs of disposal, and value in use. As the fair values of these shipyard assets are not readily determinable, the Group measures the recoverable amount based on value in use, using the discounted cash flow technique.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Semcorp Marine Ltd

The determination of the recoverable amounts of these cash generating units involves a high degree of judgement and is subject to significant estimation uncertainties, principally, the forecast order book. The forecast order book includes a diversified portfolio of long-term contracts whose contract pricing takes into account prevailing market conditions and the outlook of the oil and gas industry, which are inherently subject to estimation uncertainties.

As the Brazil cash generating unit is not yet fully operational, and there is limited track record of historical contract awards and performance, the Group has factored in the long term fundamentals of the oil and gas sector in Brazil to project the future order book. Accordingly, the future order book considers the projected capital expenditure of state-owned and international oil majors covering exploration and production projects that would lead to new build orders, regulations governing local content requirements, as well as forecast movements in oil prices in the foreseeable future projected by industry analysts. The long-term returns of the Brazil cash generating unit, however, can also be significantly impacted by political risk.

The outcome of the impairment tests on the shipyard assets for the Singapore cash generating unit and Brazil cash generating unit shows that the recoverable amounts are in excess of the net carrying amounts attributable to these cash generating units.

Our response:

We assessed the Group's process for identifying and reviewing the cash generating units subject to impairment testing.

We reviewed the key assumptions supporting the value-in-use calculations to arrive at the recoverable amounts of these cash generating units. We compared the forecast order book to firm commitments secured from customers, management approved budgets built from the Group's past and actual experiences, prevailing industry trends, and industry analysts' reports. We compared the discount rates to market observable data including market and country risk premiums and any asset-specific risk premium.

We also reviewed available qualitative information from industry analysts, projected capital expenditure by oil majors supporting the projection of orders, and regulations on local content requirements. We assessed the related disclosures on key assumptions applied in determining the recoverable amounts of the cash generating units.

Our findings:

The Group has a process for identifying and reviewing the cash generating units for impairment testing. The impairment assessments have incorporated the known relevant considerations as at the reporting date. The disclosures describing the inherent degree of estimation uncertainties and the sensitivity of the assumptions applied are appropriate. If unfavourable changes to these assumptions occur, this could lead to lower operating cash inflows and material impairment outcomes which might in turn affect the financial position and performances of the Group.

Recognition of revenue from construction contracts with customers

(Refer to Notes 26, 44 and 46 to the financial statements: Revenue of \$4,887,866,000)

Risk:

One of the Group's significant revenue streams is derived from long-term construction contracts.

In accordance with SFRS(I) 15 *Revenue from Contracts with Customers*, the analysis of whether these contracts comprise of one or more performance obligations, and whether the performance obligations are satisfied over time or at a point in time, are areas requiring critical judgement by the Group. The requirements of SFRS(I) 15 were applied retrospectively when the standard became effective from 1 January 2018, accordingly similar analysis were required of the ongoing contracts during the year ended 31 December 2017.

The Group accounts for revenue recognised over time from long-term construction contracts based on percentage of completion method, which involves estimation uncertainties around the stage of physical activities completed.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sembcorp Marine Ltd

Further, owing to the continued difficult market conditions impacting the offshore and marine sector, significant judgement is involved in evaluating collectability of the contract consideration and recoverability of trade receivables and contract balances in relation to contracts with customers.

As at the reporting date, there were also certain contracts subject to deferral in delivery or scope variations ("contract modifications"). In accordance with SFRS(I) 15, the analysis of whether such contract modifications result in separate performance obligations involve management judgement and estimates.

Our response:

- We reviewed the Group's estimation process (including the approval of project budget, monitoring of project costs and activities, and management's review of project's stage of completion and milestones achieved with customers) used in determining the amounts of revenue recognised in the financial statements.
- We reviewed the terms and conditions of contracts and contract modifications, along with discussions with management, to assess if management's identification of performance obligations and timing of revenue recognition is fair, and to identify the relevant adjustments on revenue recognition arising from the adoption of SFRS(I) 15 and contract modifications during the year.
- We reviewed the contractual terms and work status of the projects, along with discussions with management and checked that contract revenue was recognised according to the percentage of completion of each project measured by the stage of completion of physical activities.
- We reviewed the credit review assessment prepared by management for the customers with significant new contracts, and we analysed current on-going negotiations and settlements of significant contracts subject to modifications, to identify if the collectability of contract consideration is probable.
- We assessed the adequacy of disclosures in describing the areas of judgement and estimation uncertainties involving revenue recognition in relation to long-term construction contracts with customers.

Our findings:

The Group has a process to determine the amounts of revenue recognised in the financial statements.

We found the basis over identification of performance obligations and timing of satisfaction of performance obligations to be fair. The relevant adjustments on revenue for the adoption of SFRS(I) 15 and contract modifications were appropriately considered.

We found that the measurement of percentage of completion used by the Group for revenue recognition appropriately reflects the status of and progress of the projects; and revenue was recognised only when collectability of the amounts was assessed by management to be probable.

We found the disclosures in describing the areas of judgement and inherent degree of estimation uncertainties involved, to be appropriate.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sembcorp Marine Ltd

Recoverability of trade receivables and contract balances in relation to contracts with customers

(Refer to Notes 9, 11, 15 and 44 to the financial statements: Trade receivables of \$1,350,993,000, Contract assets of \$998,666,000 and Contract costs of \$328,690,000)

Risk:

The Group has significant trade receivables, contract assets and contract costs in relation to contracts with customers. These include trade receivables balances with certain customers on deferred payment schemes, which provide the customers with credit terms of more than twelve months from the year end date, and interest is charged on these outstanding balances.

In accordance with SFRS(I) 9 *Financial Instruments*, the Group is required to recognise loss allowances on expected credit losses on financial assets and contract assets. The determination of the loss allowances requires significant judgement and estimates to determine whether the financial asset is credit impaired, and the best estimate of the ultimate realisation of the amounts receivable from customers and contract assets from customer contracts.

Under SFRS(I) 15 *Revenue from Contracts with Customers*, contract costs are recognised up to amounts the Group expects to recover. Accordingly, judgement is required in assessing whether the customers will be able to fulfil their contractual obligations in regards to their purchase of the assets.

In relation to certain contracts with a customer that had filed for bankruptcy protection, revenues from these contracts continue to be suspended, with no additional adjustments on receivables and contract balances recorded for the current year, following contract provisions recorded in the previous years. As at the date of this report, the outcome arising from the bankruptcy protection filing and consequential restructuring remains a highly judgemental matter. Accordingly, there is a risk of a material adjustment to the carrying amounts of these contracts depending on events and circumstances that may occur in future periods.

Our response:

- We reviewed the Group's estimation process used in determining the amounts of loss allowance recognised on expected credit losses on financial assets and contract assets.
- We reviewed the significant inputs to management's assessment of the amounts of loss allowance recognised on expected credit losses, and considered the reasonableness of the inputs by reference to the recent credit review assessments prepared by management.
- We reviewed the re-forecast of each significant contract and enquired with management on any current on-going negotiations that may impair the recoverability of significant receivables and contract balances.
- We assessed the adequacy of disclosures in describing the areas of judgement and estimation uncertainties involving recoverability of receivables and contract balances in relation to contracts with customers.

Our findings:

The Group has a process to assess credit risk and to determine the amounts of loss allowance to recognise on expected credit losses on trade receivables and contract assets.

The judgements applied by management around the recovery of receivables and contract balances, as well as those contracts belonging to customers undergoing financial restructuring, were relevant under the facts and circumstances currently made available to the Group.

We found the disclosures in describing the areas of judgement and inherent degree of estimation uncertainties involved, to be appropriate.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sembcorp Marine Ltd

Acquisition of subsidiary and intellectual property rights

(Refer to Note 38 to the financial statements)

Risk:

During the year, the Group completed an acquisition of a subsidiary and intangible assets from Sevan Marine ASA ("Sevan Marine"). With the acquisition completed, the litigation between the Group and Sevan Marine relating to an infringement of intellectual property rights of the Group was terminated.

Judgement is required in determining the classification of the acquisition as one of assets or a business combination. In accounting for a business combination, estimates are also required in performing the purchase price allocation of the fair value of identifiable assets acquired and liabilities assumed, and settlement of the litigation.

The Group has used provisional amounts of purchase price allocation for the accounting of acquisition of subsidiary and intellectual property rights, and has a one year measurement period from acquisition date to complete the acquisition accounting. Fair value adjustments may arise on the completion of final purchase price allocation due to the estimation uncertainty involved.

Our response:

- We examined the terms and conditions of the sales and purchase agreement and other related documents in relation to the transaction to determine if the classification of the acquisition is appropriate.
- We reviewed management's assessment of the provisional purchase price allocation and performed a re-computation of the residual goodwill derived by management.
- We assessed the adequacy of disclosures in describing the areas of judgement in determining the classification of the acquisition of subsidiary and intellectual property rights and estimation uncertainty on the provisional amounts recognised pending the completion of the final purchase price allocation.

Our findings:

The judgement applied by management in the classification of the acquisition was fair, and the estimates by management used in the provisional purchase price allocation to the respective assets acquired and liabilities assumed were appropriately supported under the information currently available to the Group.

We found the disclosures in describing the areas of judgement and inherent degree of estimation uncertainties involved, to be appropriate.

Litigation, claims and other contingencies

Risk:

The Group is subject to operational, business and political risks in certain countries in which it operates. These risks could give rise to litigation, claims and other contingencies (collectively, the "contingencies") which could have a significant financial impact if the potential exposures were to materialise. Ad-hoc Committees, if formed for any specific purpose, may conduct independent investigations on allegations that have potential impact on the business and the Group's financial statements, and recommend decisions as considered appropriate in connection with the independent investigations.

The determination by management of whether, and how much, to provide and/or disclose for such contingencies is highly judgemental.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sembcorp Marine Ltd

Our response:

We assessed the Group's process for identifying and monitoring significant adverse developments arising from contingencies and where appropriate, legal, regulatory and political developments. We have reviewed the terms of reference of Ad-hoc Committees formed.

We evaluated management's assessment of the likely outcome and potential exposures arising from all significant contingencies and allegations subject to on-going investigations; and considered the requirements for any provision and related disclosures. Our work included:

- Assessment of the progress of all significant contingencies, including reviewing the Group's public announcements and the underlying basis for the announcements made;
- Consideration of any evidence of legal disputes which we were made aware;
- Holding discussions with management, the Group's in-house legal counsel and Ad-hoc Committee, and reviewing pertinent correspondence between the parties involved and relevant reports issued by third parties;
- Obtaining independent legal confirmation letters from and discussing with the Group's external lawyers handling these issues to confirm the fact patterns which we have been advised; and
- Involvement of specialists to look into any on-going investigation work commissioned by the Ad-hoc Committee to support management's conclusions.

Our findings:

We found that the Group has a process for identifying and monitoring potential exposures arising from legal, regulatory and political developments as well as determination of the appropriate measurement and/or disclosures of such contingencies in the Group's financial statements. From our audit procedures performed, we found the liabilities recognised and disclosures on contingencies to be appropriate.

Other Information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the following sections prior to the date of this auditors' report:

- Chairman and CEO's Report
- Group Financial Review
- Operations Review
- Directors' Statement

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sembcorp Marine Ltd

The other sections in the annual report, as listed below, are expected to be made available to us after that date:

- 2018 Highlights
- Our Integrated Global Platform
- Significant Events
- Awards and Accolades
- Board of Directors
- Senior Management
- Corporate Structure
- Corporate Directory
- Shareholders' Information
- Investor Relations
- Approach to Sustainability
- Board Statement on Sustainability Report
- Corporate Governance
- Risk Management
- Sustaining Competitiveness
- Environmental Sustainability
- Human Capital
- Total Workplace Safety and Health
- Community Engagement
- SGX Sustainability Reporting Index
- GRI Standards: Core option content index
- Independent Practitioner's Limited Assurance Report on Sustainability Information of Sembcorp Marine Ltd
- Supplementary Information
- Major Properties

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sembcorp Marine Ltd

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act, SFRS(I)s and IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sembcorp Marine Ltd

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditors' report is Ang Fung Fung.



KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

4 March 2019

BALANCE SHEETS

As at 31 December 2018

	Note	Group			Company		
		31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Non-current assets							
Property, plant and equipment	4	4,179,257	3,995,019	3,986,667	57,988	79,418	90,497
Investment properties	5	–	–	–	13,870	17,190	19,006
Investments in subsidiaries	6	–	–	–	1,786,386	1,483,520	964,886
Interests in associates and joint ventures	7	66,533	67,965	74,816	–	–	–
Other financial assets	8	2,881	46,150	67,783	–	18,894	40,612
Trade and other receivables	9	1,136,124	168,740	53,095	31,719	31,725	36,605
Contract costs	15	–	128,399	–	–	–	–
Intangible assets	12	208,934	179,201	202,125	122	184	184
Deferred tax assets	13	23,223	13,919	72,763	–	–	–
		5,616,952	4,599,393	4,457,249	1,890,085	1,630,931	1,151,790
Current assets							
Inventories	14	80,171	95,773	73,947	–	–	–
Trade and other receivables	9	690,550	640,481	547,677	107,163	117,283	61,099
Contract costs	15	328,690	2,358,054	2,607,564	–	–	–
Contract assets	11	998,666	652,361	440,832	–	–	–
Tax recoverable		10,568	11,192	8,530	–	846	5,536
Assets held for sale	16	1,657	–	182,215	–	–	107,369
Other financial assets	8	12,283	33,571	51,737	–	–	–
Cash and cash equivalents	17	837,724	1,301,000	1,216,971	79,584	55,126	24,482
		2,960,309	5,092,432	5,129,473	186,747	173,255	198,486
Total assets		8,577,261	9,691,825	9,586,722	2,076,832	1,804,186	1,350,276
Current liabilities							
Trade and other payables	18	1,532,746	1,604,218	1,873,839	24,706	26,433	23,890
Contract liabilities	20	139,731	1,135,661	667,665	–	–	–
Provisions	21	16,875	27,755	15,337	–	6,771	6,771
Other financial liabilities	22	9,809	1,449	18,317	–	–	–
Current tax payable		7,591	24,868	36,817	5,304	–	–
Interest-bearing borrowings	23	1,055,979	852,737	1,363,961	50,483	474	–
		2,762,731	3,646,688	3,975,936	80,493	33,678	30,661
Net current assets		197,578	1,445,744	1,153,537	106,254	139,577	167,825
Non-current liabilities							
Deferred tax liabilities	13	52,808	61,545	85,673	4,975	11,070	12,963
Provisions	21	120,861	70,014	65,279	26,094	18,036	18,036
Contract liabilities	20	–	75,497	240,700	–	–	–
Other financial liabilities	22	10,162	5,713	26,397	–	–	–
Interest-bearing borrowings	23	3,173,451	3,247,386	2,791,014	951	1,394	–
Other long-term payables	18	108,813	104,807	90,567	5,574	6,779	6,324
		3,466,095	3,564,962	3,299,630	37,594	37,279	37,323
Total liabilities		6,228,826	7,211,650	7,275,566	118,087	70,957	67,984
Net assets		2,348,435	2,480,175	2,311,156	1,958,745	1,733,229	1,282,292
Equity attributable to owners of the Company							
Share capital	24	484,288	484,288	484,288	484,288	484,288	484,288
Other reserves	25	(51,027)	(30,704)	38,764	(23,770)	(27,831)	(21,459)
Revenue reserve		1,878,423	1,985,392	1,742,472	1,498,227	1,276,772	819,463
		2,311,684	2,438,976	2,265,524	1,958,745	1,733,229	1,282,292
Non-controlling interests	33	36,751	41,199	45,632	–	–	–
Total equity		2,348,435	2,480,175	2,311,156	1,958,745	1,733,229	1,282,292

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2018

	Note	2018 \$'000	Group 2017 \$'000
Turnover	26	4,887,866	3,034,767
Cost of sales		(4,884,772)	(2,689,004)
Gross profit		3,094	345,763
Other operating income		49,608	63,705
Other operating expenses		(2,811)	(5,021)
General and administrative expenses		(102,214)	(98,737)
Operating (loss)/profit	27	(52,323)	305,710
Finance income	28	55,026	22,807
Finance costs	28	(101,356)	(95,522)
Non-operating income	29	141	64,803
Non-operating expenses	29	–	(13,309)
Share of results of associates and joint ventures, net of tax	30	(2,385)	(3,617)
(Loss)/profit before tax		(100,897)	280,872
Tax credit/(expense)	31	22,531	(24,817)
(Loss)/profit for the year		(78,366)	256,055
(Loss)/profit attributable to:			
Owners of the Company		(74,131)	260,183
Non-controlling interests	33	(4,235)	(4,128)
(Loss)/profit for the year		(78,366)	256,055
Earnings per share (cents)	34		
Basic		(3.55)	12.45
Diluted		(3.55)	12.45

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	Group 2018 \$'000	2017 \$'000
(Loss)/profit for the year		(78,366)	256,055
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		9,000	(51,290)
Net change in fair value of cash flow hedges		(43,906)	30,498
Net change in fair value of cash flow hedges transferred to profit or loss		10,387	(1,347)
Net change in fair value of available-for-sale financial assets		–	30,791
Change in fair value of available-for-sale financial assets transferred to profit or loss	8	–	(32,299)
Realisation of reserve upon disposal of assets held for sale		–	(20,484)
Realisation of reserve upon disposal of a subsidiary		–	(217)
		(24,519)	(44,348)
Items that may not be reclassified subsequently to profit or loss:			
Net change in fair value of equity investments at fair value through other comprehensive income (FVOCI)		(11,339)	–
Other comprehensive income for the year, net of tax	32	(35,858)	(44,348)
Total comprehensive income for the year		(114,224)	211,707
Total comprehensive income attributable to:			
Owners of the Company		(109,854)	215,861
Non-controlling interests	33	(4,370)	(4,154)
Total comprehensive income for the year		(114,224)	211,707

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the Company										
	Share capital \$'000	Reserve for own shares \$'000	Capital reserves \$'000	Currency translation reserve \$'000	Share-based payments reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revenue reserve \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Group											
At 31 December 2017	484,288	(3,451)	(13,011)	(17,732)	(27,894)	35,917	447	2,019,609	2,478,173	41,199	2,519,372
As previously stated	-	-	-	(4,980)	-	-	-	(34,217)	(39,197)	-	(39,197)
Adjustment on initial application of SFRS(I) 15, net of tax (Note 46)	484,288	(3,451)	(13,011)	(22,712)	(27,894)	35,917	447	1,985,392	2,438,976	41,199	2,480,175
Adjusted balance at 31 December 2017	-	-	-	-	-	-	(447)	(641)	(1,088)	-	(1,088)
Adjustment on initial application of SFRS(I) 9, net of tax (Note 46)	484,288	(3,451)	(13,011)	(22,712)	(27,894)	35,917	-	1,984,751	2,437,888	41,199	2,479,087
Adjusted balance at 1 January 2018	-	-	-	-	-	-	-	(74,131)	(74,131)	(4,235)	(78,366)
Total comprehensive income for the year											
Loss for the year	-	-	-	-	-	-	-	(74,131)	(74,131)	(4,235)	(78,366)
Other comprehensive income											
Foreign currency translation differences for foreign operations	-	-	-	9,135	-	-	-	-	9,135	(135)	9,000
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	-	-	-	(43,906)	-	-	(43,906)	-	(43,906)
Net change in fair value of equity investments at FVOCI	-	-	-	-	-	10,387	-	-	10,387	-	10,387
Reclassification of reserve on disposal of equity investments at FVOCI	-	-	-	-	-	-	(11,339)	-	(11,339)	-	(11,339)
Total other comprehensive income for the year	-	-	-	9,135	-	(33,519)	-	(11,339)	(35,723)	(135)	(35,858)
Total comprehensive income for the year	-	-	-	9,135	-	(33,519)	-	(85,470)	(109,854)	(4,370)	(114,224)
Transactions with owners of the Company, recognised directly in equity											
Contributions by and distributions to owners of the Company											
Purchase of treasury shares	-	(916)	-	-	-	-	-	-	(916)	-	(916)
Issue of treasury shares	-	2,216	-	-	(1,702)	-	-	-	514	-	514
Dividends paid to											
- owners of the Company (Note 35)	-	-	-	-	-	-	-	(20,888)	(20,888)	-	(20,888)
- non-controlling interests	-	-	-	-	-	-	-	-	-	(78)	(78)
Unclaimed dividends	-	-	-	-	-	-	-	30	30	-	30
Share-based payments	-	-	-	-	4,910	-	-	-	4,910	-	4,910
Total contributions by and distributions to owners of the Company	-	1,300	-	-	3,208	-	-	(20,858)	(16,350)	(78)	(16,428)
At 31 December 2018	484,288	(2,151)	(13,011)	(13,577)	(24,686)	2,398	-	1,878,423	2,311,684	36,751	2,348,435

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

Group	Attributable to owners of the Company										
	Share capital \$'000	Reserve for own shares \$'000	Capital reserves \$'000	Currency translation reserve \$'000	Share-based payments reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revenue reserve \$'000	Total controlling interests \$'000	Non-controlling interests \$'000	Total equity \$'000
At 1 January 2017	484,288	(566)	11,514	65,394	(30,158)	6,766	1,955	2,022,796	2,561,989	45,632	2,607,621
As previously stated	-	-	-	(16,141)	-	-	-	(280,324)	(296,465)	-	(296,465)
Adjustment on initial application of SFRS(I) 15, net of tax (Note 46)	484,288	(566)	11,514	49,253	(30,158)	6,766	1,955	1,742,472	2,265,524	45,632	2,311,156
Adjusted balance at 1 January 2017	-	-	-	-	-	-	-	260,183	260,183	(4,128)	256,055
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	(51,418)	-	-	-	-	(51,418)	128	(51,290)
Foreign currency translation differences for foreign operations	-	-	-	-	-	30,498	-	-	30,498	-	30,498
Net change in fair value of cash flow hedges	-	-	-	-	-	(1,347)	-	-	(1,347)	-	(1,347)
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	30,791	-	30,791	-	30,791
Change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	-	-	-	(32,299)	-	(32,299)	-	(32,299)
Realisation of reserve upon disposal of assets held for sale	-	-	-	(20,484)	-	-	-	-	(20,484)	-	(20,484)
Realisation of reserve upon disposal of a subsidiary (Note 37)	-	-	-	(63)	-	-	-	-	(63)	(154)	(217)
Total other comprehensive income for the year	-	-	-	(71,965)	-	29,151	(1,508)	-	(44,322)	(26)	(44,348)
Total comprehensive income for the year	-	-	-	(71,965)	-	29,151	(1,508)	260,183	215,861	(4,154)	211,707
Transactions with owners of the Company, recognised directly in equity	-	(5,942)	-	-	-	-	-	-	(5,942)	-	(5,942)
Purchase of treasury shares	-	3,057	-	-	(2,370)	-	-	-	687	-	687
Issue of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Dividends paid to	-	-	-	-	-	-	-	(41,794)	(41,794)	-	(41,794)
- owners of the Company (Note 35)	-	-	-	-	-	-	-	-	-	(279)	(279)
- non-controlling interests	-	-	-	-	-	-	-	6	6	-	6
Unclaimed dividends	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	4,634	-	-	-	4,634	-	4,634
Transfer of reserves	-	-	(24,525)	-	-	-	-	24,525	-	-	-
Total contributions by and distributions to owners of the Company	-	(2,885)	(24,525)	-	2,264	-	-	(17,263)	(42,409)	(279)	(42,688)
At 31 December 2017	484,288	(3,451)	(13,011)	(22,712)	(27,894)	35,917	447	1,985,392	2,438,976	41,199	2,480,175

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Group	
	2018	2017
	\$'000	\$'000
Cash flows from operating activities		
(Loss)/profit for the year	(78,366)	256,055
Adjustments for:		
Finance income	(55,026)	(22,807)
Finance costs	101,356	95,522
Depreciation of property, plant and equipment	170,752	170,048
Amortisation of intangible assets	24,694	22,868
Share of results of associates and joint ventures, net of tax	2,385	3,617
(Gain)/loss on disposal of property, plant and equipment, net	(2,371)	863
(Gain)/loss on disposal of intangible assets	(106)	13
Gain on disposal of subsidiaries	–	(753)
Gain on disposal of assets held for sale	–	(46,816)
Gain on disposal of other financial assets	(27)	–
Gain on disposal of available-for-sale financial asset	–	(17,200)
Assumption of liabilities on behalf of a joint venture	–	11,000
Fair value adjustment on hedging instruments	1,713	(1,623)
Fair value adjustment on firm commitments under fair value hedge	692	3,454
Net change in fair value of financial assets measured through profit or loss	(114)	–
Impairment losses on available-for-sale financial assets	–	2,275
Impairment losses on property, plant and equipment	4,663	–
Share-based payment expenses	5,833	6,149
Property, plant and equipment written off	58	500
Inventories written down, net	432	56
Contract costs written back, net	–	(19,678)
Allowance for doubtful debts and bad debts, net	2,673	167
Tax (credit)/expense	(22,531)	24,817
Operating profit before working capital changes	156,710	488,527
Changes in working capital:		
Inventories	15,170	(21,287)
Contract costs	2,157,763	140,789
Contract assets	(346,305)	(211,529)
Contract liabilities	(1,071,427)	302,793
Trade and other receivables	(1,023,301)	(182,719)
Trade and other payables	(10,076)	(372,628)
Cash (used in)/generated from operations	(121,466)	143,946
Interest income received	55,107	11,392
Interest paid	(97,899)	(93,081)
Tax paid	(5,726)	(12,610)
Net cash (used in)/generated from operating activities	(169,984)	49,647
Cash flows from investing activities		
Purchase of property, plant and equipment (Note (a))	(343,395)	(177,892)
Proceeds from sale of property, plant and equipment	7,643	1,482
Proceeds from sale of intangible assets	168	42
Acquisition of subsidiary and intellectual property rights, net of cash acquired (Note 38)	(54,594)	–
Proceeds from disposal of a subsidiary	–	50
Proceeds from disposal of equity investments at FVOCI	6,861	–
Proceeds from disposal of equity investments at FVTPL	835	–
Proceeds from disposal of available-for-sale financial asset	–	36,033
Proceeds from divestment of asset held for sale	–	205,690
Net cash (used in)/generated from investing activities	(382,482)	65,405

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Group	
	2018	2017
	\$'000	\$'000
Cash flows from financing activities		
Proceeds from borrowings	1,101,622	465,809
Repayment of borrowings	(990,635)	(441,039)
Repayment of finance lease	(512)	(512)
Purchase of treasury shares	(916)	(5,942)
Dividends paid to owners of the Company	(20,888)	(41,794)
Dividends paid to non-controlling interests of subsidiaries	(78)	(279)
Unclaimed dividends	30	6
Net cash generated from/(used in) financing activities	88,623	(23,751)
Net (decrease)/increase in cash and cash equivalents	(463,843)	91,301
Cash and cash equivalents at beginning of the year	1,301,000	1,216,971
Effect of exchange rate changes on balances held in foreign currencies	16	(7,272)
Cash and cash equivalents at end of the year (Note 17)	837,173	1,301,000

- (a) During the year, purchase of property, plant and equipment includes payment of \$2,188,000 on prior year's accrued capital expenditure for the Brazil yard (2017: includes payment of \$1,373,000 on 2016's accrued capital expenditure for the Brazil yard).

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 4 March 2019.

1. DOMICILE AND ACTIVITIES

Sembcorp Marine Ltd (the "Company") is a company incorporated in the Republic of Singapore and has its registered office at 29 Tanjong Kling Road, Singapore 628054.

The Company's immediate holding company is Sembcorp Industries Ltd and the ultimate holding company is Temasek Holdings (Private) Limited.

The financial statements comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates and joint ventures.

The principal activities of the Company are the provision of management services and investment holding. The principal activities of the subsidiaries, associates and joint ventures are stated in Note 45.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements are prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRSs). SFRS(I) are issued by the Accounting Standards Council, which comprise standards and interpretations that are equivalent to IFRSs issued by the International Accounting Standards Board. All references to SFRS(I)s and IFRSs are subsequently referred to as SFRS(I)s in these financial statements unless otherwise specified. These are the Group's first financial statements prepared in accordance with SFRS(I), and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows of the Group is provided in Note 46.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the accounting policies below.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand (\$'000), unless otherwise stated.

2.4 Use of estimates and judgements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) balance sheets at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) *Business combinations*

Acquisitions from 1 January 2017

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Deferred consideration comprises obligations to pay specific amounts at future dates. Deferred consideration is recognised and measured at fair value at the acquisition date and included in the consideration transferred. The unwinding of any interest element of deferred consideration is recognised in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Acquisitions before 1 January 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

Acquisitions prior to 1 January 2010

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(ii) *Non-controlling interests*

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I).

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their own capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of net assets of the subsidiary.

Prior to 1 January 2010, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

(iii) *Subsidiaries*

Subsidiaries are those entities that are controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary even if this results in the non-controlling interests having a deficit balance.

(iv) *Loss of control*

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as financial asset at fair value through other comprehensive income depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(v) *Associates*

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

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has significant influence over another entity. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Associates are accounted for using the equity method of accounting from the date that significant influence commences until the date that significant influence ceases and are recognised initially at cost. The cost of investments includes transaction costs. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment (including any other unsecured receivables, that in substance, form part of the Group's net investment in the associate) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or made payments on its behalf to satisfy obligations of the associate that the Group has guaranteed or otherwise committed on behalf of.

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

(vi) *Joint ventures*

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement.

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

Joint ventures are accounted for using the equity method of accounting from the date that joint control commences until the date that joint control ceases.

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

(vii) *Transactions eliminated on consolidation*

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

(viii) *Accounting for subsidiaries, associates and joint ventures*

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies

(i) *Foreign currency transactions and balances*

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

- Foreign currency monetary assets and liabilities are retranslated to the functional currency using exchange rates at that date;
- Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using exchange rate at the date of the transaction; and
- Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at exchange rates at the date the fair value was determined.

Foreign currency differences arising from the settlement or from translation of monetary items are recognised in profit or loss.

Foreign currency differences arising on retranslation are recognised directly in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:

- Equity instruments designated at fair value through other comprehensive income (FVOCI) (2017: Available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss));
- A financial liability designated as a hedge of net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

(ii) *Foreign operations*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies (cont'd)

(ii) *Foreign operations (cont'd)*

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

(iii) *Net investment in a foreign operation*

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

3.3 Property, plant and equipment

(i) *Owned assets*

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

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

Cost may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

(ii) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment is recognised in the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and its costs can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised as an expense when incurred.

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

(iii) *Disposals*

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

(iv) *Leasehold land*

Operating leasehold land has been capitalised as part of property, plant and equipment and is depreciated over the lease period in which the future economic benefits embodied in the assets are expected to be consumed.

(v) *Finance lease assets*

Finance leases are those leasing agreements with terms of which the Group assumes substantially all the risks and rewards of ownership. Property, plant and equipment acquired by way of such leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

Finance charges are charged directly to profit or loss.

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

(vi) *Provision for restoration costs*

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

(vii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is recognised as an expense in profit or loss on a straight-line basis over their estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years are as follows:

Leasehold land	Lease period of 3 to 60 years
Buildings	3 to 50 years
Quays and dry docks	6 to 60 years
Marine vessels	7 to 25 years
Cranes and floating docks	3 to 30 years
Plant, machinery and tools	3 to 30 years
Motor vehicles	3 to 10 years
Furniture and office equipment	3 to 10 years
Utilities and fittings	10 to 30 years
Computer equipment	1 to 5 years

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

No depreciation is provided on freehold land or construction-in-progress.

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

3.4 Investment properties

Investment properties are properties held for long-term rental yields or for capital appreciation, or both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives ranging from 45 to 60 years or the lease period of 15 to 16 years. The assets' depreciation methods, useful lives and residual values are reviewed, if not insignificant, annually, and adjusted if appropriate. No depreciation is provided on the freehold land.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Investment properties (cont'd)

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as additions when it increases the future economic benefits, embodied in the specific asset to which it relates, and its costs can be measured reliably. The carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvements is recognised as an expense when incurred.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

3.5 Intangible assets

(i) *Goodwill*

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, less the net amount recognised (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures, respectively. An impairment loss on such investments is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investments.

Goodwill is tested for impairment on an annual basis in accordance with Note 3.12.

(ii) *Intellectual property rights*

Intellectual property rights are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 10 years.

(iii) *Subsequent expenditure*

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

(iv) *Amortisation*

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial assets

(i) *Recognition and initial measurement*

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instruments.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, in the case of financial asset not carried at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) *Classification and subsequent measurement*

Policies applicable from 1 January 2018:

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect on initial recognition to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis. The Group's equity investments are classified as FVOCI.

Financial assets at FVTPL

All other financial assets not classified as at amortised cost or FVOCI as described above are measured at FVTPL. This includes derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial assets (cont'd)

(ii) *Classification and subsequent measurement (cont'd)*

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held because this best reflects the way the business is managed and information is provided to Management. The information considered includes:

- the stated policies and objectives for the respective financial assets and the operation of those policies in practice;
- how the performance of the respective financial assets is evaluated and reported to the Group's Management;
- the risks that affect the performance of the business model and how those risks are managed; and
- the frequency, volume and timing of disposals of investments in prior periods, the reasons for such disposals and its expectations about future activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing and amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- prepayment features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial assets (cont'd)

(ii) *Classification and subsequent measurement (cont'd)*

Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. For derivatives designated as hedging instruments, see Note 8.

Financial assets at amortised cost

The assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Policies applicable from 1 January 2018:

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Policies applicable before 1 January 2018:

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

(a) *Financial assets at fair value through profit or loss*

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

Financial assets designated at fair value through profit or loss comprise unquoted securities that otherwise would have been classified as available-for-sale.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial assets (cont'd)

(ii) *Classification and subsequent measurement (cont'd)*

Subsequent measurement and gains and losses (cont'd)

(b) *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date for which they are classified as non-current assets. Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Receivables with a short duration are not discounted. Loans and receivables are included in trade and other receivables in the balance sheet.

Loans and receivables comprise cash and cash equivalents, trade and other receivables excluding prepayments and advances to suppliers.

(c) *Available-for-sale financial assets*

Other financial assets held by the Group that are either designated in this category or not classified in any other category, are classified as being available-for-sale. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. They are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences, are recognised directly in other comprehensive income. When these investments are derecognised, the cumulative gain or loss previously recognised directly in other comprehensive income, or part thereof, is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Available-for-sale financial assets comprise equity shares and unit trusts.

(d) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its balance sheet, but retains either all or substantially all of its risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial assets (cont'd)

(ii) *Classification and subsequent measurement (cont'd)*

Subsequent measurement and gains and losses (cont'd)

(e) *Offsetting*

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(f) *Cash and cash equivalents*

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

3.7 Impairment of financial assets and contract assets

Policies applicable from 1 January 2018:

The Group recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortised cost; and
- contract assets (as defined in SFRS(I) 15).

Loss allowance of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected credit life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified Approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General Approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of financial assets and contract assets (cont'd)

General Approach (cont'd)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without due costs or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and forward-looking information.

If the credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset remains outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- breach of contract such as a default or past due outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend;
- the restructuring of a loan or advanced by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation or is having significant financial difficulty; or
- the disappearance of an active market for a security because of financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of financial assets and contract assets (cont'd)

Presentation of loss allowance for ECLs in the balance sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policies applicable before 1 January 2018:

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of financial assets and contract assets (cont'd)

Policies applicable before 1 January 2018: (cont'd)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Reversals of impairment

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

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

3.8 Derivatives

Derivatives are used to manage exposures to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivatives are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are re-measured at fair value and any changes in its fair value are recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant changes in the fair value depends on the nature of the item being hedged as described in Note 3.9.

3.9 Hedging activities

Policies applicable from 1 January 2018:

At inception or upon reassessment of the arrangement, the Group documents, at the inception of the transaction, the relationship between the hedging instruments and hedged items, together with the methods that will be used to assess the effectiveness of the hedge relationship as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, the economic relationship between the hedged item and the hedging instrument, including whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items. Hedging relationships designated under FRS 39 that were still existing as at 31 December 2017 are treated as continuing hedges and hedge documentations were aligned accordingly to the requirements of SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Hedging activities (cont'd)

(i) *Fair value hedges*

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

(ii) *Cash flow hedges*

Where a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised directly in other comprehensive income and presented in the hedging reserve in equity. The ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is reclassified from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated changes in fair value that were recognised directly in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Policies applicable before 1 January 2018:

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. For all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit or loss. Furthermore, for cash flow hedges that were terminated before 2017, forward points were recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Inventories

Inventories consist mainly of steel and other materials used for ship and rig repair, building and conversion and are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3.11 Government grants

Asset related grants are credited to a deferred asset grant account at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as other income on the straight-line basis over the estimated useful lives of the relevant assets.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

3.12 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of cash generating units) and then, to reduce the carrying amount of the other assets in the cash generating unit (group of cash generating units) on a *pro rata* basis.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment of non-financial assets (cont'd)

(i) *Calculation of recoverable amount*

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, cash generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of cash generating units that are expected to benefit from the synergies of the combination.

(ii) *Reversals of impairment*

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

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

Goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or joint venture may be impaired.

3.13 Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group classifies financial liabilities as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantively different, in which case a new financial liability based on the modified terms is recognised at fair value.

Financial assets and liabilities are offset and the net amount presented in the balance sheets when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Non-derivative financial liabilities (cont'd)

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.14 Employee benefits

(i) *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent that the prepayment will lead to, for example, a reduction in future payment or a cash refund.

(ii) *Long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Long-term employee benefits are reported in "other long-term payables".

(iii) *Short-term employee benefits*

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

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

(iv) *Staff retirement benefits*

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits (cont'd)

(v) *Equity and equity-related compensation benefits*

Share Option Plan

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

The proceeds received net of any directly attributable transaction costs are credited to share capital when new shares are issued. The amount in the share-based payments reserve is retained when the option is exercised or expires.

Where treasury shares are issued, the difference between the cost of treasury shares and the proceeds received net of any directly attributable costs are transferred to share-based payments reserve.

Performance Share Plan

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

The fair value of the compensation cost is measured at grant date and amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. In estimating the fair value of the compensation cost, market-based performance conditions are taken into account. From 2014 onwards, awards granted have both market-based and non-market-based performance conditions. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates, irrespective of whether this performance condition is satisfied.

The share-based payments reserve relating to the performance shares released is transferred to share capital when new shares are issued. When treasury shares are issued, the cost of treasury shares is transferred to share-based payments reserve.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits (cont'd)

(v) *Equity and equity-related compensation benefits (cont'd)*

Restricted Share Plan

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

The fair value of the compensation cost is measured at grant date and are then amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. Awards granted have non-market based performance conditions. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates.

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

The share-based payments reserve relating to the restricted shares released is transferred to share capital when new shares are issued. When treasury shares are issued, the cost of treasury shares is transferred to share-based payments reserve.

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

(vi) *Cash-related compensation benefits*

Sembcorp Marine Challenge Bonus

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Provisions

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

3.16 Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to business combinations, or to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Share capital

Ordinary shares are classified as equity.

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

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

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

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

3.18 Dividends

Dividends on ordinary shares are recognised when they are approved for payments. Dividends on ordinary shares classified as equity are accounted for as movements in revenue reserve.

3.19 Revenue

(i) *Contract revenue*

The Group builds specialised assets for customers through fixed price contracts. Contracts relating to services for ship and rig repair, building, conversion and overhaul represents a single performance obligation ("PO"), due to the inter-dependence of services provided in these contracts.

Revenue is recognised when the control over the specialised asset has been transferred to the customer and performance obligations are fulfilled. At contract inception, the Group assesses whether the Group transfers control of the asset over time or at a point in time by determining if its performance creates an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date for ship and rig building and conversion, or where the Group's performance creates or enhances an asset that the customer controls as the asset is being created or enhanced for ship and rig repairs and overhaul.

The specialised asset has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the specialised asset. The stage of completion is typically assessed by reference to surveys of work performed (output method), which is commensurate with the pattern of transfer of control to the customer.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Revenue (cont'd)

(i) *Contract revenue (cont'd)*

For certain contracts where the Group does not have enforceable right to payment, revenue is recognised only when the completed specialised asset is delivered to the customers and the customers have accepted it in accordance with the contract. On signing of the contract, customers are usually required to make an advance payment that is non-refundable if the contract is cancelled. The advance payment is presented as contract liability. No financing component has been recognised on these advance payments as the payment terms are for reasons other than financing. Where extended payment terms are granted to customers, interest is charged and recognised as finance income.

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, the Group recognises a financing component using a discount rate that reflects this as a separate financing transaction with the customer at contract inception. If the period between transfer and payment is one year or less, the Group elects the practical expedient not to adjust for significant financing component.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled to in exchange for transferring the promised goods or services. The transaction price may be fixed or variable, and is adjusted for time value of money if the contract includes a significant financing component. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Certain contracts include standard warranty terms as guarantee on the performance of the asset. The warranty is recognised as a provision, based on estimated claims made from historical data, from known and expected warranty work and contractual obligation for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made.

The Group accounts for modifications to the scope and price of a contract as separate contracts if the modification adds distinct goods or services at their stand-alone selling prices. For contract modifications that add distinct goods or services but not at their stand-alone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations to be satisfied. For contract modifications that do not add distinct goods or services, the Group accounts for the modifications as continuation of the original contract and recognises as a cumulative adjustment to revenue at the date of modification.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceeds the payments received, a contract asset is recognised. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional. If the payments received exceed the value of the goods transferred, a contract liability is recognised.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Revenue (cont'd)

(i) *Contract revenue (cont'd)*

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (e.g. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

(ii) *Income on goods sold and services rendered*

Revenue from goods sold and services rendered in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. Revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO on the basis of the relative stand-alone selling prices of the promised goods or services and excludes goods and services or other sales taxes. Trade discounts or variable considerations are allocated to one or more, but not all, of the POs if they relate specifically to those POs.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled to in exchange for transferring the promised goods or services. The transaction price may be fixed or variable, and is adjusted for time value of money if the contract includes a significant financing component. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue may be recognised at a point in time or over time following the satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of the PO.

(iii) *Charter hire and rental income*

Charter hire and rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

3.20 Dividend and finance income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance income is recognised in profit or loss as it accrues, using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Leases

The Group determines whether an arrangement is or contains a lease at inception.

At the inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

(i) *Operating lease*

When entities within the Group are lessees of an operating lease

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

When entities within the Group are lessors of an operating lease

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

(ii) *Finance lease*

When entities within the Group are lessors of a finance lease

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

3.22 Finance costs

Finance costs comprise of interest expense on borrowings, amortisation of capitalised transaction costs and transaction costs written off. Interest expense and similar charges are expensed in profit or loss in the period using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset. The interest component of finance lease payments is recognised in profit or loss using the effective interest method. Termination of interest rate swaps are recognised in profit or loss.

In calculating the interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to gross basis.

3.23 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise awards of share options granted to employees.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.24 Segment reporting

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

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.25 Financial guarantee contracts

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

3.26 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.27 Assets held for sale

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings		Construction- in-progress ⁽¹⁾	Docks and quays	Marine vessels ⁽²⁾	Plant, machinery and tools	Others ⁽³⁾	Total ⁽⁴⁾
	Freehold	Leasehold						
Cost	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2017	147,452	918,889	1,235,022	1,220,042	293,293	1,267,479	163,614	5,245,791
Translation adjustments	580	(9,144)	4,968	3,011	(14,364)	(4,553)	(1,358)	(20,860)
Additions	451	15,230	166,770	–	29	5,779	5,196	193,455
Reclassifications	18,749	52,273	(568,451)	283,777	8	211,329	2,315	–
Transfer to prepayment	–	–	(595)	–	–	–	–	(595)
Disposals	–	(179)	–	(2,302)	–	(3,360)	(1,791)	(7,632)
Disposal of subsidiaries	(1,688)	(1,335)	–	–	–	(2,264)	(233)	(5,520)
Balance at 31 December 2017	165,544	975,734	837,714	1,504,528	278,966	1,474,410	167,743	5,404,639
Balance at 1 January 2018	165,544	975,734	837,714	1,504,528	278,966	1,474,410	167,743	5,404,639
Translation adjustments	2,933	1,933	9,803	4,293	3,157	3,536	360	26,015
Additions	35	2,401	318,360	8,118	1,499	9,124	2,704	342,241
Reclassifications	72,621	–	(99,294)	439	–	26,145	89	–
Disposals	(4,644)	(420)	(7)	(212)	–	(7,303)	(1,197)	(13,783)
Balance at 31 December 2018	236,489	979,648	1,066,576	1,517,166	283,622	1,505,912	169,699	5,759,112

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Land and buildings		Construction- in-progress ⁽¹⁾	Docks and quays	Marine vessels ⁽²⁾	Plant, machinery and tools	Others ⁽³⁾	Total ⁽⁴⁾
	Freehold	Leasehold						
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accumulated depreciation and impairment losses								
Balance at 1 January 2017	9,631	259,112	-	228,989	50,892	614,551	95,949	1,259,124
Translation adjustments	(66)	(3,554)	-	(71)	(1,996)	(3,965)	(1,130)	(10,782)
Depreciation for the year	5,404	38,245	-	38,482	11,388	59,068	17,461	170,048
Reclassifications	160	(160)	-	-	(205)	221	(16)	-
Disposals	-	(87)	-	(476)	-	(2,504)	(1,720)	(4,787)
Disposal of subsidiaries	(611)	(1,237)	-	-	-	(1,948)	(187)	(3,983)
Balance at 31 December 2017	14,518	292,319	-	266,924	60,079	665,423	110,357	1,409,620
Balance at 1 January 2018	14,518	292,319	-	266,924	60,079	665,423	110,357	1,409,620
Translation adjustments	193	860	-	330	658	951	281	3,273
Depreciation for the year	3,350	37,166	-	45,648	11,145	57,991	15,452	170,752
Disposals	(862)	(271)	-	(212)	-	(5,919)	(1,189)	(8,453)
Impairment losses	-	-	-	-	4,663	-	-	4,663
Balance at 31 December 2018	17,199	330,074	-	312,690	76,545	718,446	124,901	1,579,855
Carrying amounts								
At 1 January 2017	137,821	659,777	1,235,022	991,053	242,401	652,928	67,665	3,986,667
At 31 December 2017	151,026	683,415	837,714	1,237,604	218,887	808,987	57,386	3,995,019
At 31 December 2018	219,290	649,574	1,066,576	1,204,476	207,077	787,466	44,798	4,179,257

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Docks \$'000	Plant, machinery and tools \$'000	Others ⁽³⁾ \$'000	Total \$'000
Company Cost				
Balance at 1 January 2017	160,505	2,240	36,596	199,341
Additions	–	–	2,540	2,540
Balance at 31 December 2017	160,505	2,240	39,136	201,881
Balance at 1 January 2018	160,505	2,240	39,136	201,881
Additions	–	–	22	22
Balance at 31 December 2018	160,505	2,240	39,158	201,903
Accumulated depreciation				
Balance at 1 January 2017	98,731	1,703	8,410	108,844
Depreciation for the year	6,927	67	6,625	13,619
Balance at 31 December 2017	105,658	1,770	15,035	122,463
Balance at 1 January 2018	105,658	1,770	15,035	122,463
Depreciation for the year	15,127	134	6,191	21,452
Balance at 31 December 2018	120,785	1,904	21,226	143,915
Carrying amounts				
At 1 January 2017	61,774	537	28,186	90,497
At 31 December 2017	54,847	470	24,101	79,418
At 31 December 2018	39,720	336	17,932	57,988

The property, plant and equipment comprise mainly shipyards assets attributable to the "rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding" operating segment. Within this operating segment, there are two key cash generating units in Singapore and Brazil. These property, plant and equipment, together with certain intangible assets were tested for impairment and described in Note 44.

- (1) During the year, interest charge of \$12,186,000 (2017: \$53,288,000; 1 January 2017: \$117,250,000) was capitalised as construction-in-progress.
- (2) The existing 5-year time charter contract of the Group's marine accommodation vessel ended during the year. As the Group expects to recover the value of the accommodation vessel through continuing use on a charter basis, the Group used the discounted cash flow projections to determine the recoverable amount. The cash flows projection took into account the expected renewal rates based on prevailing market conditions. The renewal rates have been adjusted assuming a certain level of discount from the contractual rates under the last charter contract but factored another 2% inflationary adjustment till the end of the economic useful life of the vessel. The assumed operating cost is based on approved budget and adjusted for inflation at 2% per annum throughout the cash flow periods. The utilisation rate is assumed to be at 95% throughout the cash flow periods; and the terminal value is based on expected scrap value at the end of the economic useful life of the vessel. These cash flows are then discounted using the weighted average cost of capital determined to be at 12.66% (2017: 9.55%; 1 January 2017: 9.55%). Based on the Group's assessment of the recoverable amount of the marine accommodation vessel of \$196,463,000, impairment loss of \$4,663,000 (2017: Nil) was recognised in the current year's profit or loss. The above assumptions are inherently judgemental. Any unfavourable changes to the above assumptions would lead to additional impairment.
- (3) Others comprise motor vehicles, furniture and office equipment, utilities and fittings, and computer equipment.
- (4) During the year, property, plant and equipment included additional provision for restoration costs amounting to \$1,083,000 (2017: \$14,608,000) (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Change in estimates

As part of the Group's transformation and yard consolidation strategy, the Group is scheduled to move out completely from its yard at Tanjong Kling Road ("Tanjong Kling Yard") by end 2019 and return the yard to the Government ahead of its original schedule. Accordingly, the Group has revised its estimates for the useful lives of certain assets at Tanjong Kling Yard in 2018. The effect of these changes on depreciation expense in current and future periods on assets currently held is as follows:

	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	Later \$'000
Group						
Increase/(decrease) in depreciation expense and decrease/(increase) in profit before tax	10,978	43,902	(9,554)	(9,382)	(9,194)	(26,750)
Company						
Increase/(decrease) in depreciation expense and decrease/(increase) in profit before tax	9,769	39,079	(8,542)	(8,370)	(8,182)	(23,754)

5. INVESTMENT PROPERTIES

	Company	
	2018 \$'000	2017 \$'000
Cost		
Balance at 1 January and 31 December	62,664	62,664
Accumulated depreciation		
Balance at 1 January	45,474	43,658
Depreciation for the year	3,320	1,816
Balance at 31 December	48,794	45,474
Carrying amounts		
At 1 January	17,190	19,006
At 31 December	13,870	17,190

The investment properties of the Company are used by the Group in carrying out its principal activities and are reclassified as property, plant and equipment at the Group. In 2018, the Company revised its estimates for the useful lives of these assets and the effects are included in the Group's balances in Note 4.

The following amounts are recognised in profit or loss:

	Company	
	2018 \$'000	2017 \$'000
Rental income	(35,573)	(27,299)
Operating expenses arising from rental of investment properties	30,824	21,939

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Year ended 31 December 2018

6. INVESTMENTS IN SUBSIDIARIES

	31 December 2018 \$'000	Company 31 December 2017 \$'000	1 January 2017 \$'000
Unquoted shares, at cost	1,786,386	1,498,771	980,137
Allowance for impairment loss	–	(15,251)	(15,251)
	1,786,386	1,483,520	964,886

Details of the Company's subsidiaries are set out in Note 45.

7. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2018 \$'000	Group 31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	Company 31 December 2017 \$'000	1 January 2017 \$'000
Interests in associates	822	4,922	5,425	–	–	–
Less: allowance for impairment loss	(342)	(2,120)	(2,120)	–	–	–
	480	2,802	3,305	–	–	–
Interests in joint ventures	66,053	65,163	71,511	–	–	–
	66,533	67,965	74,816	–	–	–

The impairment loss on investment in associates relates mainly to one of the Group's associates whereby the Group independently and separately from the associate, performed an impairment analysis in accordance with SFRS(I) 1-28 *Investments in Associates and Joint Ventures* and SFRS(I) 1-36 *Impairment of Assets*. The Group continues to record an allowance of impairment loss of \$1,778,000 (2017: \$1,778,000; 1 January 2017: \$1,778,000) on this associate. The recoverable amount was estimated based on its value in use calculation. The Group applied the relief from royalty method to value the existing intellectual properties owned by the associate, and discounted the related cash flows at pre-tax discount rates of 6% to 25% (2017: 20% to 22%; 1 January 2017: 20% to 21%), depending on the life cycle of each intellectual property. These cash flows cover the projection periods ranging from 12 to 16 years, based on the remaining estimated useful life of the intellectual properties. As at the reporting date, the Group had reclassified this investment to asset held for sale (see Note 16).

In 2018 and 2017, the Group did not receive dividends from its associates and joint ventures.

Associates

Subsequent to the disposal of Cosco Shipyard Group Co., Ltd (which was completed in January 2017), no individual associates are considered to be material to the Group as at 31 December 2018. All are equity accounted. Summarised financial information of associates presented in aggregate, representing the Group's share, is as follows:

	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Carrying amount	480	2,802	3,305
Loss for the year	(665)	(503)	
Other comprehensive income	–	–	
Total comprehensive income	(665)	(503)	

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

7. INTERESTS IN ASSOCIATES AND JOINT VENTURES (CONT'D)

Joint ventures

The Group has a number of joint ventures that are individually immaterial to the Group. All are equity accounted. Summarised financial information of joint ventures presented in aggregate, representing the Group's share, is as follows:

	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Carrying amount	66,053	65,163	71,511
Loss for the year	(1,720)	(3,114)	
Other comprehensive income	599	(3,234)	
Total comprehensive income	(1,121)	(6,348)	

8. OTHER FINANCIAL ASSETS

	31 December 2018 \$'000	Group 31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	Company 31 December 2017 \$'000	1 January 2017 \$'000
(a) Non-current assets						
Available-for-sale financial assets:						
– Quoted equity shares, at fair value	–	18,200	51,667	–	18,200	40,075
– Unit trusts, at fair value	–	694	537	–	694	537
– Unquoted equity shares, at cost	–	2,642	2,642	–	–	–
	–	21,536	54,846	–	18,894	40,612
Financial assets at fair value through other comprehensive income:						
– Unquoted equity shares	2,642	–	–	–	–	–
Cash flow hedges:						
– Forward foreign currency contracts	239	24,614	12,514	–	–	–
– Interest rate swaps	–	–	423	–	–	–
	2,881	46,150	67,783	–	18,894	40,612

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

8. OTHER FINANCIAL ASSETS (CONT'D)

	Group			Company		
	31 December	31 December	1 January	31 December	31 December	1 January
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(b) Current assets						
Fair value hedges:						
– Firm commitments	–	692	4,146	–	–	–
Financial assets at fair value through profit or loss (mandatorily measured (2017: on initial recognition)):						
– Forward foreign currency contracts	–	–	18,829	–	–	–
Cash flow hedges:						
– Forward foreign currency contracts	11,949	32,423	27,160	–	–	–
– Interest rate swaps	334	456	1,602	–	–	–
	<u>12,283</u>	<u>33,571</u>	<u>51,737</u>	<u>–</u>	<u>–</u>	<u>–</u>

At 1 January 2018, the Group designated the investments in equity shares as at fair value through other comprehensive income, as these investments represent investments that the Group intends to hold for long-term strategic purposes. In 2017, these investments were classified as available-for-sale.

In 2017, the cumulative fair value loss of available-for-sale financial assets of \$2,275,000 (1 January 2017: \$8,978,000) previously resided in equity was reclassified to profit or loss, when the available-for-sale financial assets were impaired.

During the year, the Group disposed of its quoted equity shares to maximise returns after assessing the market outlook for the investment. The investment had been disposed in parts between March 2018 to May 2018, at total proceeds of \$6,861,000. The Group recorded an accumulated loss on disposal of \$3,502,000 in fair value reserve during the year, which had been transferred to revenue reserve as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

9. TRADE AND OTHER RECEIVABLES

Group	Note	31 December 2018			31 December 2017			1 January 2017		
		Non-current \$'000	Current \$'000	Total \$'000	Non-current \$'000	Current \$'000	Total \$'000	Non-current \$'000	Current \$'000	Total \$'000
Trade receivables		952,989	554,143	1,507,132	117,643	629,149	746,792	–	550,193	550,193
Amounts due from related parties	10	31,510	6,606	38,116	35,127	8,276	43,403	36,560	11,369	47,929
Staff loans	(a)	–	64	64	–	83	83	–	197	197
GST refundable		–	17,843	17,843	–	19,420	19,420	–	23,380	23,380
Interest receivable		–	293	293	–	374	374	–	218	218
Deposits		–	3,189	3,189	–	1,116	1,116	–	2,553	2,553
Sundry receivables		–	14,946	14,946	–	27,331	27,331	–	8,398	8,398
Unbilled receivables		–	11,235	11,235	–	22,344	22,344	–	16,206	16,206
Loan receivables	(b)	137,000	205,500	342,500	–	–	–	–	–	–
Recoverable		–	6,428	6,428	–	8,873	8,873	–	13,262	13,262
		1,121,499	820,247	1,941,746	152,770	716,966	869,736	36,560	625,776	662,336
Loss allowance		–	(161,488)	(161,488)	–	(165,581)	(165,581)	–	(172,689)	(172,689)
Financial assets at amortised cost (2017: Loans and receivables)		1,121,499	658,759	1,780,258	152,770	551,385	704,155	36,560	453,087	489,647
Prepayments and advances		14,625	31,791	46,416	15,970	89,096	105,066	16,535	94,590	111,125
		1,136,124	690,550	1,826,674	168,740	640,481	809,221	53,095	547,677	600,772

(a) Staff loans

Staff loans are unsecured and bear interest at 3.0% (2017: 3.0%; 1 January 2017: 3.0%) per annum.

(b) Loan receivables

The non-current loan receivables relates to loan extended to a customer. The loan bears interest at Libor plus 4% margin per annum upon physical delivery of a vessel to the customer, is unsecured and repayable after 2019.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

9. TRADE AND OTHER RECEIVABLES (CONT'D)

The impairment losses on trade receivables are as follows:

Group	31 December 2018		31 December 2017		1 January 2017					
	Gross \$'000	Impairment \$'000	Total \$'000	Gross \$'000	Impairment \$'000	Total \$'000				
Trade receivables	1,507,132	(156,139)	1,350,993	746,792	(160,807)	585,985	550,193	(168,852)	381,341	
Company	31 December 2018		31 December 2017		1 January 2017					
	Note	Non-current \$'000	Current \$'000	Total \$'000	Non-current \$'000	Current \$'000	Total \$'000	Non-current \$'000	Current \$'000	Total \$'000
Amounts due from related parties	10	31,719	90,197	121,916	31,725	102,833	134,558	36,605	56,117	92,722
GST refundable		-	11	11	-	-	-	-	-	-
Interest receivable		-	93	93	-	17	17	-	9	9
Sundry receivables		-	11,254	11,254	-	11,202	11,202	-	2,115	2,115
Loss allowance		-	101,555	133,274	31,725	114,052	145,777	36,605	58,241	94,846
Financial assets at amortised cost (2017: Loans and receivables)		-	-	-	-	-	-	-	-	-
Prepayments and advances		-	5,608	5,608	-	3,231	3,231	-	2,858	2,858
		31,719	107,163	138,882	31,725	117,283	149,008	36,605	61,099	97,704

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

10. AMOUNTS DUE FROM RELATED PARTIES

Group	Note	Associates and joint ventures		Related companies		Total	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Amounts due from:							
– Trade	(a)	1,220	1,354	1,864	1,893	4,825	3,247
– Non-trade	(b)	–	255	843	–	–	255
– Loans and advances	(c)	31,510	35,127	36,560	–	31,510	35,127
Amount due within 1 year	9	32,730	36,736	39,267	1,893	4,825	38,629
		(1,220)	(1,609)	(2,707)	(1,893)	(4,825)	(3,502)
	9	31,510	35,127	36,560	–	31,510	35,127

Company	Note	Subsidiaries		Associates and joint ventures		Related companies		Total	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Amounts due from:									
– Trade	(a)	24,228	23,382	20,286	–	32	8	24,257	23,390
– Non-trade	(b)	65,940	79,443	35,791	–	–	–	65,940	79,443
– Loans and advances	(c)	31,719	31,725	36,605	–	–	–	31,719	31,725
Amount due within 1 year		121,887	134,550	92,682	–	32	8	121,916	134,558
	9	(90,168)	(102,825)	(56,077)	–	(32)	(8)	(90,197)	(102,833)
	9	31,719	31,725	36,605	–	–	–	31,719	31,725

- (a) The trade amounts due from related parties are unsecured, repayable on demand and interest-free.
- (b) The non-trade amounts due from related parties comprise mainly payments made on their behalf which are unsecured, repayable on demand and interest-free.
- (c) At the Group and Company level, the loans and advances to related parties are unsecured and interest-free, except for \$31,510,000 (2017: \$33,090,000; 1 January 2017: \$34,460,000) of loan to a joint venture that bears interest rates ranging from 1.03% to 1.64% (2017: 0.75% to 0.97%; 1 January 2017: 0.67% to 1.19%) per annum. The loans and advances to related parties are repayable on demand, and settlement of loans and advances to these related parties is neither planned nor likely to occur in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

10. AMOUNTS DUE FROM RELATED PARTIES (CONT'D)

The impairment losses on amounts due from associates and joint ventures are as follows:

	31 December 2018		31 December 2017		1 January 2017	
	Gross \$'000	Impairment \$'000	Total \$'000	Gross \$'000	Impairment \$'000	Total \$'000
Group						
Amounts due from associates and joint ventures	38,079	(5,349)	32,730	41,510	(4,774)	36,736
				43,104	(3,837)	39,267

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

11. CONTRACT ASSETS

	Group		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Contract assets	998,666	652,361	440,832

The contract assets mainly relate to the Group's rights to consideration for work completed but not yet billed at reporting date on the long-term contracts for ship and rig building, conversion and repair. The contract assets are transferred to trade receivables when the rights become unconditional. Significant changes in the contract assets balances during the year are as follows:

	2018 \$'000	2017 \$'000
Transfer from contract assets recognised at the beginning of the year to receivables	(452,879)	(356,751)
Recognition of revenue, net of recognised in receivables	799,306	568,773
Impairment loss on contract assets	(160)	–

12. INTANGIBLE ASSETS

	Note	Goodwill \$'000	Club memberships \$'000	Intellectual property rights \$'000	Total \$'000
Group Cost					
Balance at 1 January 2017		13,738	916	228,725	243,379
Translation adjustments		(21)	–	(1)	(22)
Disposals		–	(264)	–	(264)
Balance at 31 December 2017		13,717	652	228,724	243,093
Balance at 1 January 2018		13,717	652	228,724	243,093
Translation adjustments		5	–	(144)	(139)
Acquisition of subsidiary and intellectual property rights	38	–	–	54,604	54,604
Disposals		–	(62)	–	(62)
Balance at 31 December 2018		13,722	590	283,184	297,496
Accumulated amortisation and impairment losses					
Balance at 1 January 2017		2,579	677	37,998	41,254
Translation adjustments		(21)	–	–	(21)
Amortisation for the year		–	–	22,868	22,868
Disposals		–	(209)	–	(209)
Balance at 31 December 2017		2,558	468	60,866	63,892

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

12. INTANGIBLE ASSETS (CONT'D)

	Goodwill \$'000	Club memberships \$'000	Intellectual property rights \$'000	Total \$'000
Group				
Accumulated amortisation and impairment losses				
Balance at 1 January 2018	2,558	468	60,866	63,892
Translation adjustments	5	–	(29)	(24)
Amortisation for the year	–	–	24,694	24,694
Balance at 31 December 2018	2,563	468	85,531	88,562
Carrying amounts				
At 1 January 2017	11,159	239	190,727	202,125
At 31 December 2017	11,159	184	167,858	179,201
At 31 December 2018	11,159	122	197,653	208,934
Company				
Cost				
Balance at 1 January			652	652
Disposals			(62)	–
Balance at 31 December			590	652
Accumulated impairment losses				
Balance at 1 January and 31 December			468	468
Carrying amounts				
At 1 January			184	184
At 31 December			122	184

NOTES TO THE FINANCIAL STATEMENTS

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12. INTANGIBLE ASSETS (CONT'D)

Amortisation

The amortisation of intangible assets amounting to \$24,694,000 (2017: \$22,868,000) is included in cost of sales.

Goodwill

Impairment testing for goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments. The aggregate carrying amounts of goodwill allocated to each segment are as follows:

	31 December	Group	
	2018	31 December	1 January
	\$'000	2017	2017
	\$'000	\$'000	\$'000
Rigs and floaters, repairs & upgrades, offshore platforms, and specialised shipbuilding	10,136	10,136	10,136
Others	1,023	1,023	1,023
Total	11,159	11,159	11,159

Intellectual property rights

Intellectual property rights relate to acquired patents for the Jurong Espadon Drillship, Satellite Services Platform offshore designs, re-deployable modularised LNG and LPG solutions, and geostationary cylindrical hull design.

Impairment test assessment

The goodwill and intellectual property rights are attributed to the "rigs and floaters, repairs & upgrades, offshore platforms and specialised shipbuilding" operating segment. Within this operating segment, there are two key cash generating units in Singapore and Brazil subject to impairment test described in Note 44. Such goodwill and intellectual property rights are attributed to the Singapore cash generating unit.

NOTES TO THE FINANCIAL STATEMENTS

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13. DEFERRED TAX ASSETS AND LIABILITIES

Group	At 1 January 2017 \$'000	Recognised in profit or loss (Note 31) \$'000	Recognised in other comprehen- sive income (Note 32) \$'000	Disposal of subsidiaries \$'000	Translation adjustments/ Others \$'000	At 31 December 2017 \$'000	Recognised in profit or loss (Note 31) \$'000	Recognised in other comprehen- sive income (Note 32) \$'000	Translation adjustments/ Others \$'000	At 31 December 2018 \$'000
Deferred tax liabilities										
Property, plant and equipment	134,342	(13,828)	-	(54)	(42)	120,418	(8,811)	-	7	111,614
Interests in associates	420	(420)	-	-	-	-	-	-	-	-
Other financial assets	6,752	-	677	-	-	7,429	-	(5,780)	-	1,649
Intangible assets	44,300	(4,344)	-	-	-	39,956	(4,349)	-	-	35,607
Other items	333	(313)	-	-	-	20	(10)	-	-	10
	186,147	(18,905)	677	(54)	(42)	167,823	(13,170)	(5,780)	7	148,880
Deferred tax assets										
Property, plant and equipment	(1,054)	(1,865)	-	-	(101)	(3,020)	(833)	-	(17)	(3,870)
Trade and other receivables	(427)	(1,614)	-	-	-	(2,041)	1,451	-	(220)	(810)
Trade and other payables	(8,682)	558	-	-	-	(8,124)	(5,267)	-	-	(13,391)
Unutilised tax losses, capital and investment allowances	(92,389)	(1,856)	-	-	89	(94,156)	9,246	-	219	(84,691)
Provisions	(4,354)	(81)	-	-	-	(4,435)	(10,335)	-	-	(14,770)
Other financial liabilities	(5,292)	-	5,292	-	-	-	-	(960)	-	(960)
Other items	(61,039)	50,401	-	-	2,217	(8,421)	7,593	-	25	(803)
	(173,237)	45,543	5,292	-	2,205	(120,197)	1,855	(960)	7	(119,295)
Net deferred tax liabilities	12,910	26,638	5,969	(54)	2,163	47,626	(11,315)	(6,740)	14	29,585
Company										
Deferred tax liabilities										
Property, plant and equipment	14,680	(2,148)	-	-	-	12,532	(3,347)	-	-	9,185
Deferred tax assets										
Trade and other payables	-	-	-	-	-	-	(434)	-	-	(434)
Unutilised tax losses, capital and investment allowances	(708)	203	-	-	-	(505)	165	-	-	(340)
Provisions	(1,009)	52	-	-	-	(957)	(2,479)	-	-	(3,436)
	(1,717)	255	-	-	-	(1,462)	(2,748)	-	-	(4,210)
Net deferred tax liabilities	12,963	(1,893)	-	-	-	11,070	(6,095)	-	-	4,975

Other items include deferred tax assets of \$nil (2017: \$8,030,000, 1 January 2017: \$60,721,000) arising from transitional adjustments for trade income over-recognised in prior years due to the adoption of SFRS(I) 15.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

13. DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

Deferred tax liabilities and assets are set off when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting included in the balance sheets are as follows:

	Group			Company		
	31 December	31 December	1 January	31 December	31 December	1 January
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities	52,808	61,545	85,673	4,975	11,070	12,963
Deferred tax assets	(23,223)	(13,919)	(72,763)	–	–	–
	29,585	47,626	12,910	4,975	11,070	12,963

As at 31 December 2018, a deferred tax liability of \$11,061,000 (2017: \$12,455,000; 1 January 2017: \$13,298,000) for temporary difference of \$109,170,000 (2017: \$121,707,000; 1 January 2017: \$129,202,000) related to investments in subsidiaries was not recognised because the Group can control the timing of reversal of the taxable temporary differences for all subsidiaries and the temporary differences are not expected to reverse in the foreseeable future.

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2018	2017
	\$'000	\$'000
Deductible temporary differences	19	495
Tax losses	451,542	396,631
Capital allowances	307	355
	451,868	397,481

The deductible temporary differences, the remaining tax losses and the capital allowances do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of the above in accordance with Note 3.16 and under the following circumstances:

- Where they qualify for offset against the tax liabilities of member companies within the Group under the Loss Transfer System of Group Relief but the terms of the transfer have not been ascertained as at year end; and
- Where it is uncertain that future taxable profit will be available against which certain subsidiaries of the Group can utilise the benefits.

NOTES TO THE FINANCIAL STATEMENTS

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14. INVENTORIES

	31 December 2018 \$'000	Group 31 December 2017 \$'000	1 January 2017 \$'000
Raw materials	79,734	95,218	22,126
Finished goods	437	555	51,821
	80,171	95,773	73,947

In 2018, raw materials and changes in finished goods included as cost of sales amounted to \$669,811,000 (2017: \$614,154,000).

15. CONTRACT COSTS

	31 December 2018 \$'000	Group 31 December 2017 \$'000	1 January 2017 \$'000
Non-current assets			
Contract costs			
– Fulfilment cost	–	128,399	–
Current assets			
Contract costs			
– Fulfilment cost	328,690	2,358,054	2,607,564

In adopting SFRS(I) 15, costs incurred relating to ship and rig building that are to be sold upon completion had been capitalised as fulfilment cost for future performance obligations. These costs are expected to be recoverable and are amortised to the profit or loss when the related revenue is recognised. In 2018, \$2,286,647,000 (2017: \$204,477,000) was amortised and no impairment loss (2017: net write back of \$19,678,000) had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

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16. ASSETS HELD FOR SALE

	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Ecospec Global Technology Pte. Ltd.	1,657	–	–	–	–	–
Cosco Shipyard Group Co., Ltd	–	–	182,215	–	–	107,369
	1,657	–	182,215	–	–	107,369

Ecospec Global Technology Pte. Ltd.

On 15 January 2019, the Group's subsidiaries, Sembcorp Marine Repairs and Upgrades Pte. Ltd. ("SMRU") and Semb-Eco Pte. Ltd. ("Semb-Eco") entered into a share swap agreement with Ecospec Global Technology Pte. Ltd. ("EGT") and their shareholders Mr Chew Hwee Hong and Neonlite Investments Pte Ltd, to exchange 10,000,000 ordinary shares representing 20% of the issued share capital of EGT for 23,801,653 ordinary shares representing 45% of the issued share capital of Semb-Eco (the "Transaction"). As part of the Transaction, EGT will assign to SMRU certain of its intellectual property and proprietary rights for a consideration of approximately \$7,200,000.

In consequence, Semb-Eco, Semb-Eco Technology Pte. Ltd. and Semb-Eco R&D Pte. Ltd. will become wholly-owned subsidiaries of the Group, while EGT will cease to be an associated company of the Group.

Cosco Shipyard Group Co., Ltd

On 15 November 2016, the Company entered into a sale and purchase agreement with China Ocean Shipping (Group) Company to dispose of its 30% equity interest in Cosco Shipyard Group Co., Ltd ("CSG"), which was previously accounted for as an investment in associate. The interest in CSG has been reclassified as assets held for sale and measured at lower of the carrying amount and fair value less costs to sell. The sale was completed on 19 January 2017. There is cumulative translation reserve of \$20,236,000 recognised in other comprehensive income relating to CSG.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

17. CASH AND CASH EQUIVALENTS

	Note	Group			Company		
		31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Fixed deposits	(a)	249	153,081	145,306	–	–	–
Cash and bank balances	(b)	837,475	1,147,919	1,071,665	79,584	55,126	24,482
Cash and cash equivalents in the balance sheets		837,724	1,301,000	1,216,971	79,584	55,126	24,482
Bank overdrafts		(551)	–	–	–	–	–
Cash and cash equivalents in the consolidated statement of cash flows		837,173	1,301,000	1,216,971	79,584	55,126	24,482

- (a) Fixed deposits of the Group placed with financial institutions have maturity periods of 59 days (2017: 2 to 148 days; 1 January 2017: 3 to 149 days) from the financial year-end and interest rates at 6.26% (2017: 0.01% to 6.95%; 1 January 2017: 0.01% to 14.14%) per annum, which are also the effective interest rates.
- (b) Included in the Group's cash and bank balances at the balance sheet date are amounts of \$312,701,278 (2017: \$452,212,032; 1 January 2017: \$103,997,795) placed with a bank under the Group's cash pooling arrangement by the Company. During the year, the cash pooling balances earn interest rates ranging from 0.99% to 1.67% (2017: 0.66% to 1.09%; 1 January 2017: 0.71% to 1.26%) per annum, which are also the effective interest rates. The remaining bank balances during the year earn interest at floating rates based on daily bank deposit rates of up to 2.57% (2017: up to 1.25%; 1 January 2017: up to 0.99%) and up to 0.55% (2017: up to 0.50%; 1 January 2017: up to 0.50%) per annum, for the Group and the Company respectively, which are also the effective interest rates.

Included in the Group's cash and bank balances are amounts of \$294,999,000 (2017: \$374,517,000; 1 January 2017: \$542,658,000) placed with a related corporation. The Company's cash and bank balances of \$14,963,000 (2017: \$23,245,000; 1 January 2017: \$14,084,000) are also placed with a related corporation.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

18. TRADE AND OTHER PAYABLES

	Note	Group			Company		
		31 December	31 December	1 January	31 December	31 December	1 January
		2018	2017	2017	2018	2017	2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Current liabilities							
Trade and accrued payables ⁽¹⁾		1,479,997	1,551,352	1,803,167	13,544	14,446	10,644
Advance payments from customers		675	–	–	–	–	–
Amounts due to related parties	19	6,550	3,888	4,572	626	666	1,261
		1,487,222	1,555,240	1,807,739	14,170	15,112	11,905
Deposits received		1,852	1,869	2,163	26	26	26
GST payables		733	413	147	–	22	–
Interest payable ⁽²⁾		27,897	28,788	33,949	186	–	–
Other creditors		12,684	14,874	26,932	474	353	8,092
Accrued capital expenditure		103	894	1,290	–	–	–
Amounts due to related parties	19	2,255	2,140	1,619	9,850	10,920	3,867
		45,524	48,978	66,100	10,536	11,321	11,985
Total		1,532,746	1,604,218	1,873,839	24,706	26,433	23,890
(b) Non-current liabilities							
Other long-term payables ⁽³⁾		108,813	104,807	90,567	5,574	6,779	6,324

(1) Included in the Group's accrued payables are amounts of \$11,000,000 (2017: \$11,000,000; 1 January 2017: nil) relating to an assumption of liabilities on behalf of a joint venture.

(2) Included in the Group's interest payable are amounts of \$2,829,000 (2017: \$1,641,000; 1 January 2017: \$3,629,000) payable to a related corporation.

(3) Other long-term payables include deferred grants, accrued land lease and long-term employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

20. CONTRACT LIABILITIES

	31 December 2018 \$'000	Group 31 December 2017 \$'000	1 January 2017 \$'000
Non-current liabilities			
Contract liabilities	–	75,497	240,700
Current liabilities			
Contract liabilities	139,731	1,135,661	667,665

The contract liabilities primarily relate to the advance consideration received from customers amounting to \$35,740,000 for which revenue is recognised over time, and \$89,606,000 for which revenue is recognised at point in time.

Significant changes in the contract liabilities balances during the year are as follows:

	2018 \$'000	2017 \$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	(1,122,093)	(438,189)
Increases due to cash received, excluding amounts recognised as revenue during the year	51,985	777,580

21. PROVISIONS

	Retirement gratuities \$'000	Warranty \$'000	Restoration costs \$'000	Total \$'000
Group				
2018				
Balance at 1 January	928	20,853	75,988	97,769
Translation adjustments	(21)	(33)	43	(11)
Provision made during the year	142	64,478	1,083	65,703
Provision reversed during the year	–	(27,382)	(257)	(27,639)
Provision utilised during the year	(114)	–	(49)	(163)
Unwind of discount on restoration costs	–	–	2,077	2,077
Balance at 31 December	935	57,916	78,885	137,736
Provisions due:				
– within 1 year	179	16,696	–	16,875
– after 1 year but within 5 years	316	41,220	22,811	64,347
– after 5 years	440	–	56,074	56,514
	935	57,916	78,885	137,736

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

21. PROVISIONS (CONT'D)

	Retirement gratuities \$'000	Warranty \$'000	Restoration costs \$'000	Total \$'000
Group				
2017				
Balance at 1 January	1,183	18,384	61,049	80,616
Translation adjustments	(23)	(24)	(158)	(205)
Provision made during the year	171	10,795	14,608	25,574
Provision reversed during the year	(18)	(8,302)	–	(8,320)
Provision utilised during the year	(385)	–	–	(385)
Disposal of subsidiaries	–	–	(280)	(280)
Unwind of discount on restoration costs	–	–	769	769
Balance at 31 December	928	20,853	75,988	97,769
31 December 2017				
Provisions due:				
– within 1 year	131	20,853	6,771	27,755
– after 1 year but within 5 years	470	–	21,990	22,460
– after 5 years	327	–	47,227	47,554
	928	20,853	75,988	97,769
1 January 2017				
Provisions due:				
– within 1 year	182	8,384	6,771	15,337
– after 1 year but within 5 years	975	–	6,815	7,790
– after 5 years	26	10,000	47,463	57,489
	1,183	18,384	61,049	80,616

	Restoration costs		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Company			
Balance at 1 January	24,807	24,807	24,807
Unwind of discount	1,287	–	–
Balance at 31 December	26,094	24,807	24,807
Provisions due:			
– within 1 year	–	6,771	6,771
– after 5 years	26,094	18,036	18,036
	26,094	24,807	24,807

Warranty

Provision for warranties relate to contracts with contractual warranty terms. The provision for warranty is based on estimates made from historical warranty data associated with similar projects and adjusted by weighting all possible outcomes by their associated probabilities.

The non-current portion of the provision for warranty is for contracts with contractual warranty periods that will lapse within 2 to 3 years from the reporting date.

Restoration costs

Restoration costs relate to cost of dismantling and removing assets and restoring the premises to its original condition as stipulated in the operating lease agreements. The Group expects to incur the liability upon termination of the leases.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

22. OTHER FINANCIAL LIABILITIES

	Group		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
(a) Current liabilities			
Financial liabilities at fair value through profit or loss (mandatorily measured (2017: on initial recognition)):			
– Forward foreign currency contracts	–	–	11,595
Cash flow hedges:			
– Forward foreign currency contracts	9,806	–	6,722
– Interest rate swaps	3	1,449	–
	9,809	1,449	18,317
(b) Non-current liabilities			
Cash flow hedges:			
– Forward foreign currency contracts	3,748	–	23,305
– Interest rate swaps	6,414	5,713	3,092
	10,162	5,713	26,397

23. INTEREST-BEARING BORROWINGS

Note	Group			Company		
	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Current liabilities						
Unsecured term loans	1,054,945	852,263	1,363,961	50,000	–	–
Finance lease liabilities	483	474	–	483	474	–
Bank overdrafts	551	–	–	–	–	–
	1,055,979	852,737	1,363,961	50,483	474	–
Non-current liabilities						
Unsecured term loans (a)	3,172,500	3,245,992	2,791,014	–	–	–
Finance lease liabilities	951	1,394	–	951	1,394	–
	3,173,451	3,247,386	2,791,014	951	1,394	–
	4,229,430	4,100,123	4,154,975	51,434	1,868	–

Of the Group's interest-bearing borrowings, \$661,000,000 (2017: \$677,060,000; 1 January 2017: \$764,472,000) were borrowed from a related corporation.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

23. INTEREST-BEARING BORROWINGS (CONT'D)

Effective interest rates and maturity of liabilities

	31 December 2018 %	Group 31 December 2017 %	1 January 2017 %
Floating rate loans	2.52 – 7.35	1.70 – 12.40	1.59 – 16.05
Fixed rate loans	2.19 – 5.53	1.68 – 5.62	1.55 – 16.09
Notes	2.95 – 3.85	2.95 – 3.85	2.95 – 3.85

	31 December 2018 \$'000	Group 31 December 2017 \$'000	1 January 2017 \$'000
Within 1 year	1,055,979	852,737	1,363,961
After 1 year but within 5 years	2,848,451	2,922,386	2,466,014
After 5 years	325,000	325,000	325,000
Total borrowings	4,229,430	4,100,123	4,154,975

(a) Unsecured term loans

Included in the unsecured term loans are the following notes of the Group:

On 18 August 2014, the Company updated its \$2,000,000,000 Multicurrency Multi-issuer Debt Issuance Programme (the "Programme") to include perpetual securities as one of the debt instruments under the Programme.

Under the updated Programme, the Company, together with its subsidiaries – Jurong Shipyard Pte Ltd, Sembcorp Marine Repairs and Upgrades Pte Ltd and Sembcorp Marine Offshore Platforms Pte Ltd ("Issuing Subsidiaries"), may from time to time issue notes (the "Notes") and/or perpetual securities (the "Perpetual Securities", and together with the Notes, the "Securities") denominated in Singapore dollars and/or any other currency as the relevant Issuer and the relevant dealer may agree. The obligations in respect of Securities issued by the Issuing Subsidiaries will be unconditionally and irrevocably guaranteed by the Company.

In 2014, Jurong Shipyard Pte Ltd issued the following medium term notes under the Programme:

	Nominal interest rate	Year of issue	Year of maturity	Principal amount \$'000
S\$ medium term notes	2.95%	2014	2021	275,000
S\$ medium term notes	3.85%	2014	2029	325,000
				600,000

As at 31 December 2018, an amount of \$167,500,000 (2017: \$167,500,000; 1 January 2017: \$167,500,000) for the medium term notes maturing in 2021 was subscribed by a related corporation.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

23. INTEREST-BEARING BORROWINGS (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Interest-bearing borrowings* \$'000	Finance lease liabilities \$'000	Total \$'000
Group			
Balance at 1 January 2018	4,098,255	1,868	4,100,123
Cash flows			
Cash payments	(990,635)	(512)	(991,147)
Cash proceeds	1,101,622	–	1,101,622
Non-cash items			
Capitalised borrowing cost	–	78	78
Foreign exchange movement	18,203	–	18,203
Balance at 31 December 2018	4,227,445	1,434	4,228,879
Balance at 1 January 2017			
Balance at 1 January 2017	4,154,975	–	4,154,975
Cash flows			
Cash payments	(441,039)	(512)	(441,551)
Cash proceeds	465,809	–	465,809
Non-cash items			
Capitalised borrowing cost	–	52	52
New finance lease	–	2,328	2,328
Foreign exchange movement	(81,490)	–	(81,490)
Balance at 31 December 2017	4,098,255	1,868	4,100,123

* Excluding finance lease liabilities and bank overdrafts.

24. SHARE CAPITAL

	Group and Company No. of ordinary shares	
	2018	2017
Issued and fully paid, with no par value:		
Balance at 1 January and 31 December	2,089,760,107	2,089,760,107

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

The Company issued 1,187,703 (2017: 1,786,942) treasury shares during the year pursuant to its share based incentive plans (Note 36).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

25. OTHER RESERVES

	Note	Group			Company		
		31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
Distributable							
Reserve for own shares	(a)	(2,151)	(3,451)	(566)	(2,151)	(3,451)	(566)
Non-distributable							
Currency translation reserve	(b)	(13,577)	(22,712)	49,253	–	–	–
Share-based payments reserve	(c)	(24,686)	(27,894)	(30,158)	(22,579)	(25,787)	(28,051)
Fair value reserve	(d)	–	447	1,955	–	447	6,198
Hedging reserve	(e)	2,398	35,917	6,766	–	–	–
Capital reserves	(f)	(13,011)	(13,011)	11,514	960	960	960
		(51,027)	(30,704)	38,764	(23,770)	(27,831)	(21,459)

- (a) Reserve for own shares comprises the cost of the Company's shares held by the Company. As at 31 December 2018, the Company holds 1,162,484 (2017: 1,850,187; 1 January 2017: 437,029) of its own shares as treasury shares.
- (b) The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group.
- (c) Share-based payments reserve comprises the cumulative value of services received from employees recorded on grant of equity-settled share options, performance shares and performance based restricted shares. The expense for service received is recognised over the performance period and/or vesting period.
- (d) Fair value reserve includes the cumulative net change in fair value of equity investments at FVOCI (2017: available-for-sale investments) until the investments are derecognised.
- (e) Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.
- (f) Capital reserves comprise mainly reserves arising from acquisition and disposals of non-controlling interests that do not result in a change of control.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

26. TURNOVER

Turnover represents sales from the various activities described in Note 1 and Note 45, including the revenue recognised on contracts relating to rigs & floaters, repairs & upgrades and offshore platforms.

	Group	
	2018	2017
	\$'000	\$'000
Contract revenue	4,831,789	2,967,085
Charter hire income	47,873	57,437
Services rendered	2,915	3,717
Sale of goods	5,289	6,528
	4,887,866	3,034,767

The amount of revenue recognised during the year from performance obligation satisfied or partially satisfied in previous periods, mainly due to change in estimate for the transaction price is \$nil (2017: \$5,934,000).

(a) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major product and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 43).

	Reportable segments			
	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding \$'000	Ship chartering \$'000	Others \$'000	Total \$'000
Primary geographical markets				
2018				
Singapore	145,375	–	8,204	153,579
Japan	339,829	–	–	339,829
United Kingdom	195,484	–	–	195,484
Norway	1,627,871	–	–	1,627,871
France	488,606	–	–	488,606
The Netherlands	349,641	47,873	–	397,514
Brazil	243,344	–	–	243,344
U.S.A.	1,183,777	–	–	1,183,777
Other countries	257,862	–	–	257,862
Total	4,831,789	47,873	8,204	4,887,866
2017				
Singapore	262,311	–	10,227	272,538
Rest of Asia, Australia & India	202,747	–	9	202,756
United Kingdom	744,792	–	–	744,792
Norway	242,214	–	–	242,214
France	223,535	–	–	223,535
The Netherlands	534,076	57,437	–	591,513
Brazil	213,192	–	–	213,192
U.S.A.	177,005	–	–	177,005
Mexico	175,409	–	–	175,409
Other countries	191,804	–	9	191,813
Total	2,967,085	57,437	10,245	3,034,767

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

26. TURNOVER (CONT'D)

(a) Disaggregation of revenue from contracts with customers (cont'd)

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding \$'000	Reportable segments		Total \$'000
		Ship chartering \$'000	Others \$'000	
Major product and service lines				
2018				
Ship and rig building or conversion	4,147,900	–	–	4,147,900
Repair, maintenance and related services	476,304	–	–	476,304
Offshore platforms	184,234	–	–	184,234
Charter hire	–	47,873	–	47,873
Services rendered	–	–	2,915	2,915
Sale of goods	–	–	5,289	5,289
Others	23,351	–	–	23,351
Total	4,831,789	47,873	8,204	4,887,866
Timing of revenue recognition				
Control transferred over time	2,437,934	47,873	2,915	2,488,722
Control transferred at a point in time	2,393,855	–	5,289	2,399,144
Total	4,831,789	47,873	8,204	4,887,866
2017				
Ship and rig building or conversion	1,717,656	–	–	1,717,656
Repair, maintenance and related services	499,322	–	–	499,322
Offshore platforms	732,056	–	–	732,056
Charter hire	–	57,437	–	57,437
Services rendered	–	–	3,717	3,717
Sale of goods	–	–	6,528	6,528
Others	18,051	–	–	18,051
Total	2,967,085	57,437	10,245	3,034,767
Timing of revenue recognition				
Control transferred over time	2,439,395	57,437	3,717	2,500,549
Control transferred at a point in time	527,690	–	6,528	534,218
Total	2,967,085	57,437	10,245	3,034,767

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

26. TURNOVER (CONT'D)

(b) Transaction price allocated to remaining performance obligation

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at reporting date:

Reportable segments	Estimated based on expected project progress			Total \$'000
	Within the next 12 months \$'000	Between 1 to 5 years \$'000	More than 5 years \$'000	
2018				
Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding	2,175,205	912,654	–	3,087,859

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about remaining performance obligations at 31 December 2018 that have an original expected duration of one year or less, as allowed by SFRS(I) 15.

The Group applies the practical expedient in paragraph C5(c) of SFRS(I) 15 as well and does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue for the year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

27. OPERATING (LOSS)/PROFIT

The following items have been included in arriving at operating (loss)/profit:

	Note	Group 2018 \$'000	2017 \$'000
Amortisation of intangible assets	12	24,694	22,868
Audit fees paid/payable			
– auditors of the Company		501	555
– other member firms of KPMG International		334	272
– other auditors		12	44
Non-audit fees paid/payable			
– auditors of the Company		44	56
– other member firms of KPMG International		24	23
– other auditors		864	557
Allowance for doubtful debts and bad debts, net		2,673	167
Depreciation of property, plant and equipment	4	170,752	170,048
Fair value adjustment on hedging instruments		1,713	(1,623)
Fair value adjustment on firm commitments under fair value hedge		692	3,454
Foreign currency exchange gain, net		(8,593)	(20,719)
(Gain)/loss on disposal of property, plant and equipment, net		(2,371)	863
(Gain)/loss on disposal of intangible assets		(106)	13
Impairment losses on property, plant and equipment		4,663	–
Inventories written down, net		432	56
Contract costs written back		–	(19,678)
Operating lease expenses		38,968	45,111
Property, plant and equipment written off		58	500
Staff costs	(a)	414,689	460,717
(a) Staff costs			
Salaries and bonus		338,162	372,916
Defined contribution plan		22,998	26,709
Equity-settled share-based payments		4,910	4,634
Cash-settled share-based payments		923	1,515
Directors' fee		2,271	2,260
Other employee benefits		45,425	52,683
		414,689	460,717

NOTES TO THE FINANCIAL STATEMENTS

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28. FINANCE INCOME AND FINANCE COSTS

	Group	
	2018	2017
	\$'000	\$'000
Finance income		
Interest income from:		
– Trade receivables and contracts with customers	46,320	16,782
– Fixed deposits and bank balances	8,262	5,732
– Joint venture	444	293
	55,026	22,807
Finance costs		
Interest paid and payable to:		
– Bank and others	95,822	92,312
– Commitment and facility fee	3,457	2,441
Unwind of discount on restoration costs	2,077	769
	101,356	95,522

29. NON-OPERATING INCOME AND NON-OPERATING EXPENSES

	Group	
	2018	2017
	\$'000	\$'000
Non-operating income:		
– Gain on disposal of assets held for sale	–	46,816
– Gain on disposal of a subsidiary	–	787
– Gain on disposal of other financial asset	27	–
– Gain on disposal of available-for-sale financial asset	–	17,200
– Net change in fair value of financial assets measured through profit or loss	114	–
	141	64,803
Non-operating expenses:		
– Loss on disposal of a subsidiary	–	34
– Impairment losses on available-for-sale financial assets	–	2,275
– Assumption of liabilities on behalf of a joint venture	–	11,000
	–	13,309

30. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

		Group	
	Note	2018	2017
		\$'000	\$'000
Share of loss before tax for the year		(2,170)	(3,221)
Share of tax for the year		(215)	(396)
	31	(2,385)	(3,617)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

31. TAX (CREDIT)/EXPENSE

	Note	Group 2018 \$'000	2017 \$'000
Current tax expense			
Current year		11,257	25,414
Over provided in prior years		(22,473)	(27,235)
		(11,216)	(1,821)
Deferred tax expense			
Movements in temporary differences		(28,862)	17,397
Under provided in prior years		17,547	9,241
		(11,315)	26,638
Tax (credit)/expense		(22,531)	24,817
Reconciliation of effective tax rate			
(Loss)/profit for the year		(78,366)	256,055
Tax (credit)/expense		(22,531)	24,817
Share of results of associates and joint ventures	30	2,385	3,617
(Loss)/profit before share of results of associates and joint ventures, and tax expense		(98,512)	284,489
Tax calculated using Singapore tax rate of 17% (2017: 17%)		(16,747)	48,364
Exempt income, capital gains and tax incentives/concessions		(5,794)	(40,747)
Effect of different tax rates in foreign jurisdictions		795	243
Tax adjustment on changes in undistributed profits from foreign entities		222	(56)
Effect on utilisation of deferred tax assets not previously recognised		(2,674)	(1,525)
Non-deductible expenses		5,320	10,661
Over provision in respect of prior years		(4,926)	(17,994)
Deferred tax assets not recognised		1,250	25,864
Others		23	7
Tax (credit)/expense		(22,531)	24,817

As at 31 December 2018, certain subsidiaries have unutilised tax losses and capital and investment allowances of \$451,849,000 (2017: \$396,986,000) and other deductible temporary differences of \$19,000 (2017: \$495,000) available for set-off against future taxable income subject to the tax provisions and agreement by the relevant tax authorities of the various jurisdictions.

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Year ended 31 December 2018

32. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income are set out below:

	2018			2017		
	Before tax \$'000	Tax expense \$'000	Net of tax \$'000	Before tax \$'000	Tax expense \$'000	Net of tax \$'000
Group						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation differences for foreign operations	9,000	–	9,000	(51,290)	–	(51,290)
Net change in fair value of cash flow hedges	(52,774)	8,868	(43,906)	36,743	(6,245)	30,498
Net change in fair value of cash flow hedges transferred to profit or loss	12,515	(2,128)	10,387	(1,623)	276	(1,347)
Net change in fair value of available-for-sale financial assets	–	–	–	30,791	–	30,791
Change in fair value of available-for-sale financial assets transferred to profit or loss	–	–	–	(32,299)	–	(32,299)
Realisation of reserve upon disposal of assets held for sale	–	–	–	(20,484)	–	(20,484)
Realisation of reserve upon disposal of a subsidiary	–	–	–	(217)	–	(217)
	(31,259)	6,740	(24,519)	(38,379)	(5,969)	(44,348)
Items that may not be reclassified subsequently to profit or loss:						
Net change in fair value of equity investments at FVOCI	(11,339)	–	(11,339)	–	–	–
Other comprehensive income	(42,598)	6,740	(35,858)	(38,379)	(5,969)	(44,348)

33. NON-CONTROLLING INTERESTS

The following subsidiaries have material non-controlling interests:

Name of company	Country of incorporation	Operating segment	Ownership interests held by non-controlling interests		
			31 December 2018 %	31 December 2017 %	1 January 2017 %
Gravifloat AS	Norway	Engineering and related services	44	44	44

The following summarises the financial information of each of the Group's subsidiaries with material non-controlling interest, based on their respective (consolidated) financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

33. NON-CONTROLLING INTERESTS (CONT'D)

	Gravifloat AS \$'000	Other individually immaterial subsidiaries \$'000	Intra-group elimination \$'000	Total \$'000
31 December 2018				
Revenue	–			
Loss for the year	(10,121)			
Other comprehensive income	(16)			
Total comprehensive income	(10,137)			
Attributable to non-controlling interests:				
Loss for the year	(4,453)	218	–	(4,235)
Other comprehensive income	(7)	(128)	–	(135)
Total comprehensive income	(4,460)	90	–	(4,370)
Non-current assets	96,398			
Current assets	11			
Non-current liabilities	(24,104)			
Current liabilities	(20)			
Net assets	72,285			
Net assets attributable to non-controlling interests	31,805	4,946	–	36,751
Cash flows from operating activities	–*			
Cash flows from investing activities	–*			
Cash flows from financing activities	–*			
Net decrease in cash and cash equivalents	–*			
31 December 2017				
Revenue	–			
Loss for the year	(10,090)			
Other comprehensive income	(36)			
Total comprehensive income	(10,126)			
Attributable to non-controlling interests:				
Loss for the year	(4,440)	312	–	(4,128)
Other comprehensive income	(16)	(10)	–	(26)
Total comprehensive income	(4,456)	302	–	(4,154)
Non-current assets	109,879			
Current assets	10			
Non-current liabilities	(27,467)			
Current liabilities	–			
Net assets	82,422			
Net assets attributable to non-controlling interests	36,265	4,934	–	41,199
Cash flows from operating activities	–*			
Cash flows from investing activities	–*			
Cash flows from financing activities	–*			
Net decrease in cash and cash equivalents	–*			

* Amount is immaterial to meaningfully disclose it.

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Year ended 31 December 2018

33. NON-CONTROLLING INTERESTS (CONT'D)

	Gravifloat AS \$'000	Other individually immaterial subsidiaries \$'000	Intra-group elimination \$'000	Total \$'000
1 January 2017				
Non-current assets	123,368			
Current assets	10			
Non-current liabilities	(30,830)			
Current liabilities	–			
Net assets	92,548			
Net assets attributable to non-controlling interests	40,721	4,911	–	45,632

34. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the loss attributable to owners of the Company of \$74,131,000 (2017: profit attributable to owners of the Company of \$260,183,000) by the weighted average number of ordinary shares outstanding of 2,088,437,000 (2017: 2,089,523,000) as follows:

	Group	
	2018 \$'000	2017 \$'000
(Loss)/profit attributable to owners of the Company	(74,131)	260,183
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	2,089,760	2,089,760
Effect of share options exercised, performance shares and restricted shares released	617	937
Effect of own shares held	(1,940)	(1,174)
Weighted average number of ordinary shares during the year	2,088,437	2,089,523

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34. EARNINGS PER SHARE (CONT'D)

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the loss attributable to owners of the Company of \$74,131,000 (2017: profit attributable to owners of the Company of \$260,183,000) by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 2,088,437,000 (2017: 2,089,523,000) as follows:

	Group	
	2018 \$'000	2017 \$'000
(Loss)/profit attributable to owners of the Company	(74,131)	260,183
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	2,088,437	2,089,523
Effect of dilutive share options	–	–
Weighted average number of ordinary shares during the year	2,088,437	2,089,523

For the purpose of calculating diluted earnings per ordinary share, the weighted average number of ordinary shares outstanding is adjusted for the effects of dilutive potential ordinary shares, which comprise awards of share options granted to employees. All share options have expired on 2 October 2016.

For share options, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than the fair value (average share price during the year). The difference between the weighted average number of shares to be issued at the exercise prices under the options and the weighted average number of shares that would have been issued at the fair value based on assumed proceeds from the issue of these shares are treated as ordinary shares issued for no consideration. The number of such shares issued for no consideration is added to the number of ordinary shares outstanding in the computation of diluted earnings per share. No adjustment is made to the profit attributable to owners of the Company. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

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Year ended 31 December 2018

35. DIVIDENDS

During the year, the directors had approved a final ordinary one-tier tax exempt dividend of 1.0 cent per share amounting to a net dividend of \$20,888,000 in respect of the year ended 31 December 2017, based on the number of issued shares as at 31 December 2017.

No dividends had been declared or proposed in respect of the year ended 31 December 2018.

	Group and Company	
	2018	2017
	\$'000	\$'000
Dividends paid		
Interim one-tier tax-exempt dividend of 1.0 cent per share in respect of year 2017	–	20,897
Final one-tier tax-exempt dividend of 1.0 cent per share in respect of year 2017 (2017: 1.0 cent per share in respect of year 2016)	20,888	20,897
	<u>20,888</u>	<u>41,794</u>

36. SHARE-BASED INCENTIVE PLANS

The Company's Performance Share Plan ("SCM PSP 2010") and Restricted Share Plan ("SCM RSP 2010") (collectively, the "2010 Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 20 April 2010.

The Executive Resource and 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:

Tan Sri Mohd Hassan Marican	Chairman
Eric Ang Teik Lim	
William Tan Seng Koon	
Patrick Daniel	(Appointed on 20 April 2018)

The SCM RSP 2010 is the incentive scheme for directors and employees of the Company and its subsidiaries (the "Group") whereas the SCM 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 Company designates Sembcorp Industries Ltd as the Parent Group.

The SCM RSP 2010 is intended to apply a broad base of senior executives as well as to the non-executive director, while the SCM 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 SCM RSP 2010 and the SCM PSP 2010 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

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Year ended 31 December 2018

36. SHARE-BASED INCENTIVE PLANS (CONT'D)

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.

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 associates 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 is as follows:

(a) Performance Share Plan

Fair value of Performance Shares

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

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

<u>Date of grant</u>	<u>23 August 2018</u>	<u>26 May 2017</u>
Fair value at measurement date	\$1.94	\$1.45
Assumptions under the Monte Carlo model		
Share price	\$1.93	\$1.69
Expected volatility:		
Sembcorp Marine Ltd	39.8%	35.1%
Morgan Stanley Capital International ("MSCI") AC Asia Pacific excluding Japan Industrials Index	12.2%	14.0%
Correlation with MSCI	41.5%	44.0%
Risk-free interest rate	1.9%	1.3%
Expected dividend	1.8%	2.9%

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

During the year, the Group charged \$2,072,000 (2017: \$1,921,000) to profit or loss based on the fair value of the performance shares at the grant date being expensed over the vesting period.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

36. SHARE-BASED INCENTIVE PLANS (CONT'D)

(b) Restricted Share Plan

Fair value of Restricted Shares

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

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

<u>Date of grant</u>	<u>23 August 2018</u>	<u>26 May 2017</u>
Fair value at measurement date	\$1.78	\$1.50
Assumptions under the Monte Carlo model		
Share price	\$1.93	\$1.69
Expected volatility:		
Sembcorp Marine Ltd	39.8%	35.1%
Risk-free interest rate	0.6% - 1.9%	1.1% - 1.4%
Expected dividend	1.8%	2.9%

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

During the year, the Group charged \$2,838,000 (2017: \$2,713,000) to profit or loss based on the fair value of restricted shares at the grant date being expensed over the vesting period.

Fair value of Sembcorp Marine Challenge Bonus

During the year, the Group charged \$923,000 (2017: \$1,515,000) to profit or loss based on the market values of the shares at the balance sheet date. The fair value of the compensation cost is based on the notional number of restricted shares awarded for the Sembcorp Marine Challenge Bonus and the market price at the vesting date.

37. DISPOSAL OF SUBSIDIARIES

2017

- (i) On 7 April 2017, the Company's wholly owned subsidiary, Jurong Shipyard Pte Ltd divested its 70% interest in Shanghai Guofeng Marine Engineering & Technology Co. Ltd. to the remaining individual shareholders, Zhao Wei Ming and Zhao Gang, for a cash consideration of RMB 5,800,000 (\$1,177,100); and recognised a gain of \$787,000 in non-operating income.
- (ii) On 1 November 2017, the Company's wholly owned subsidiary, Jurong Shipyard Pte Ltd divested its 100% interest in Jurong Autoblaster Services Pte. Ltd. to Zingametall (S) Pte Ltd, for a cash consideration of \$349,943; and recognised a loss of \$34,000 in non-operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

38. ACQUISITION OF SUBSIDIARY AND INTELLECTUAL PROPERTY RIGHTS

During the year, the Company's wholly-owned subsidiary, Sembcorp Marine Integrated Yard ("SMIY"), acquired the title to all of Sevan Marine ASA ("Sevan Marine")'s intellectual property, and 95% of the shares of HiLoad LNG AS ("HiLoad"), a Sevan Marine subsidiary. The intellectual property acquired relates mainly to patents for the geostationary cylindrical hull design. In addition, SMIY acquired the balance 5% equity interest in HiLoad from a minority shareholder. Consequently, the intangible asset and financial statements of HiLoad were consolidated into the Group's financial statements.

Effect of acquisition

Revenue and profit contribution

The revenue and profit contribution from this new acquisition were not material.

Had the acquired businesses been consolidated from 1 January 2018, the contribution to the Group's consolidated revenue and consolidated profit for the year ended 31 December 2018 would not have been significantly impacted.

Consideration transferred

The final allocation of the purchase price to the identifiable assets acquired and liabilities assumed in the business combination is currently being determined and has not been completed at the reporting date.

The following table summarises the acquisition date provisional fair value of each major class of consideration transferred:

		2018 \$'000
(a)	<i>Effect on cash flows of the Group</i>	
	Cash paid	54,619
	Less: Cash and cash equivalents in subsidiary acquired	(25)
	Cash outflow on acquisition	54,594
		At fair value \$'000
(b)	<i>Identifiable assets acquired and liabilities assumed</i>	
	Intangible assets	12 54,604
	Trade and other receivables	5
	Cash and cash equivalents	25
	Total assets	54,634
	Trade and other payables	15
	Total liabilities	15
	Net identifiable assets	54,619
	Consideration transferred for the business	54,619

Acquisition-related costs

The acquisition-related costs incurred in relation to the acquisition were immaterial, but charged to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

39. RELATED PARTIES

(a) Related party transactions

The Group had the following outstanding balances and significant transactions with related parties during the year:

	Outstanding balances		Significant transactions	
	Group		Group	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Immediate holding company				
Management fee payable	(500)	(250)	(250)	(250)
Others	–	–	72	253
Related corporations				
Sales	37	1,893	201	286
Purchases	(1,321)	(802)	(41,814)	(36,636)
Payment on behalf	–	–	105	97
Rental income	–	–	7	–
Finance income	–	–	1,185	1,275
Finance costs	(2,829)	(1,641)	(22,133)	(18,482)
Others	–	–	–	(7)
Associates and joint ventures				
Sales	1,220	1,354	–	2
Purchases	(4,729)	(2,836)	(7,786)	(4,428)
Finance income	–	–	444	293
Payment on behalf	–	–	–	2
Loans and advances	31,510	35,127	–	–
Others	(2,255)	(1,885)	(72)	30

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

39. RELATED PARTIES (CONT'D)

(b) Compensation of key management personnel

During the year, the Group considers the directors of the Company (including the President & Chief Executive Officer of the Company), the Executive Vice President & Head of Singapore Yard Operations, the Director of Group Finance, the Executive Vice President & Head of Rigs & Floaters, the Chief Financial Officer and the Chief Human Resource Officer of the Company to be key management personnel in accordance with SFRS(I) 1-24 *Related Party Disclosures*.

In 2017, the Group considered the directors of the Company (including the President & Chief Executive Officer of the Company), the Chief Operating Officer of the Company, the Executive Vice President & Head of Singapore Yard Operations, the Director of Group Finance, the Executive Vice President & Head of Rigs & Floaters and the Chief Financial Officer of the Company to be key management personnel in accordance with SFRS(I) 1-24 *Related Party Disclosures*.

These persons have the authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation is as follows:

	Group	
	2018	2017
	\$'000	\$'000
Directors' fees and remuneration	4,184	4,533
Other key management personnel remuneration	2,959	3,333
	7,143	7,866
Fair value of share-based compensation	2,514	1,651

Remuneration includes salary (which includes allowances, fees and other emoluments) and bonuses (which includes AWS, discretionary bonus and performance targets bonus).

In addition to the above, the Company provides medical benefits to all employees including key management personnel.

The Group adopts an incentive compensation plan, which is tied to the creation of Economic Value Added ("EVA"), as well as to attainment of individual and Group performance goals for its key executives. A "bonus bank" is used to hold incentive compensation credited in any year. Typically, one-third of the available balance is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank in future will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the bonus bank.

The fair value of share-based compensation relates to performance shares and restricted shares granted that were charged to profit or loss.

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Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's activities expose it to market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk.

As part of the Group's Enterprise Risk Management framework, the Group's treasury policies and financial authority limits are documented and reviewed periodically. The policies set out the parameters for management of Group liquidity, counterparty risk, foreign exchange and derivative transactions and financing.

The Group utilises foreign exchange contracts, interest rate swaps and various financial instruments to manage exposures to interest rate and foreign exchange risks arising from operating, financing and investment activities. Exposures to foreign currency risks are also hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount where possible. All such transactions must involve underlying assets or liabilities and no speculative transactions are allowed.

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

(a) **Market risk**

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and reduce market risk exposures within acceptable parameters.

(i) **Interest rate risk**

The Group's exposure to market risk for changes in interest rate environment relates mainly to its debt obligations.

The Group's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts and long-term and short-term borrowings.

The Group's risk management policy is to ensure that at least 50% of its debt portfolio is at fixed interest rates. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps to hedge the variability in cash flows attributable to the floating interest rates.

The Group designates the interest rate swaps in their entirety to hedge its interest rate risk and applies a hedge ratio of 1:1. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item by looking at the critical terms.

In these hedge relationships, the main source of ineffectiveness is the effect of the counterparties' and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates.

At 31 December 2018, the Group had interest rate swaps with an aggregate notional amount of \$1,300,020,000 (2017: \$678,474,000; 1 January 2017: \$1,000,163,000). The Group receives a variable interest rate and pays a fixed rate interest ranging from 2.19% to 5.53% (2017: 2.19% to 3.10%; 1 January 2017: 0.98% to 3.10%) per annum on the notional amount. Interest rate swaps with notional amounts of \$300,000,000 (2017: \$nil; 1 January 2017: \$300,000,000) were entered with a related corporation.

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40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(i) Interest rate risk (cont'd)

Sensitivity analysis

It is estimated that 50 basis points ("bp") change in interest rate at the reporting date would increase/ (decrease) equity and profit before tax by the following amounts. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit before tax		Equity	
	50 bp Increase \$'000	50 bp Decrease \$'000	50 bp Increase \$'000	50 bp Decrease \$'000
Group				
31 December 2018				
Variable rate financial instruments	(4,791)	4,791	6,663	(6,754)
31 December 2017				
Variable rate financial instruments	(6,893)	6,893	4,969	(5,046)
Company				
31 December 2018				
Variable rate financial instruments	396	(396)	–	–
31 December 2017				
Variable rate financial instruments	274	(274)	–	–

(ii) Foreign currency risk

The Group operates globally and is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company and its subsidiaries. The currencies in which these transactions are primarily denominated in are Singapore dollars ("SGD"), United States dollars ("USD"), Euros ("EUR"), Pounds sterling ("GBP") and Brazilian Real ("BRL"). Such risks are hedged either by forward foreign currency contracts in respect of actual or forecasted currency exposures which are reasonably certain or hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount. Forward foreign currency contracts with notional amounts of \$154,339,000 (2017: \$159,819,000; 1 January 2017: \$302,682,000) were entered with a related corporation.

The Group's risk management policy is to hedge 50% to 100% of its estimated net foreign currency exposure in respect of its forecasted project cash inflows and outflows over the lifespans of the projects.

The Group designates the forward foreign currency contracts in their entirety to hedge its foreign currency risk and applies a hedge ratio of 1:1. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item by looking at the critical terms.

In these hedge relationships, the main sources of ineffectiveness may be due to:

- the effect of the counterparties' and the Group's own credit risk on the fair value of the forward foreign currency contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in the timing of the hedged transactions.

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40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

The summary of quantitative data about the Group's exposure to foreign currency risk as provided to the management of the Group based on its risk management policy is as follows:

	SGD \$'000	USD \$'000	EUR \$'000	GBP \$'000	BRL \$'000	Others \$'000	Total \$'000
Group							
31 December 2018							
Financial assets							
Cash and cash equivalents	5,763	183,593	3,471	7,874	1,823	2,865	205,389
Trade and other receivables	16,177	1,358,576	26,347	1,317	7,887	6,696	1,417,000
	21,940	1,542,169	29,818	9,191	9,710	9,561	1,622,389
Financial liabilities							
Trade and other payables	(122,932)	(328,140)	(56,296)	(5,574)	(79,886)	(16,698)	(609,526)
Interest-bearing borrowings	(20)	(427,440)	–	–	–	–	(427,460)
	(122,952)	(755,580)	(56,296)	(5,574)	(79,886)	(16,698)	(1,036,986)
Net financial (liabilities)/assets	(101,012)	786,589	(26,478)	3,617	(70,176)	(7,137)	585,403
Add: Contract assets	–	954,376	764	2,898	–	8,841	966,879
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(2,717)	157,100	(221,173)	(20,693)	54,609	(101,085)	(133,959)
Less: Foreign currency forward contracts	–	(1,189,368)	–	–	–	–	(1,189,368)
Net currency exposure	(103,729)	708,697	(246,887)	(14,178)	(15,567)	(99,381)	228,955
31 December 2017							
Financial assets							
Cash and cash equivalents	6,349	173,016	14,166	127,059	2,192	5,458	328,240
Trade and other receivables	24,630	636,169	3,916	4,097	9,109	2,192	680,113
Other financial assets	–	–	–	–	–	18,200	18,200
	30,979	809,185	18,082	131,156	11,301	25,850	1,026,553
Financial liabilities							
Trade and other payables	(74,796)	(222,330)	(55,899)	(9,334)	(116,940)	(11,046)	(490,345)
Interest-bearing borrowings	–	(140,982)	–	–	(95,094)	–	(236,076)
	(74,796)	(363,312)	(55,899)	(9,334)	(212,034)	(11,046)	(726,421)
Net financial (liabilities)/assets	(43,817)	445,873	(37,817)	121,822	(200,733)	14,804	300,132
Add: Contract assets	4,626	633,872	–	–	–	–	638,498
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(135)	515,386	(245,588)	30,931	(28,402)	(43,048)	229,144
Less: Foreign currency forward contracts	–	(814,308)	3,664	(166,887)	–	–	(977,531)
Net currency exposure	(39,326)	780,823	(279,741)	(14,134)	(229,135)	(28,244)	190,243

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

	SGD \$'000	USD \$'000	EUR \$'000	GBP \$'000	BRL \$'000	Others \$'000	Total \$'000
Group							
1 January 2017							
Financial assets							
Cash and cash equivalents	4,357	290,725	32,933	240,962	–	17,239	586,216
Trade and other receivables	7,838	656,746	27,316	19,655	–	3,883	715,438
Other financial assets	–	–	–	–	–	20,475	20,475
	12,195	947,471	60,249	260,617	–	41,597	1,322,129
Financial liabilities							
Trade and other payables	(84,367)	(221,665)	(56,277)	(19,285)	(36,690)	(50,041)	(468,325)
Interest-bearing borrowings	–	(970,863)	–	–	–	–	(970,863)
	(84,367)	(1,192,528)	(56,277)	(19,285)	(36,690)	(50,041)	(1,439,188)
Net financial (liabilities)/assets	(72,172)	(245,057)	3,972	241,332	(36,690)	(8,444)	(117,059)
Add: Contract assets	8,468	433,101	10,500	11,318	–	29,800	493,187
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(1,138)	506,218	(350,732)	389,118	79,316	(244,466)	378,316
Less: Foreign currency forward contracts	–	(960,869)	44,728	(688,229)	–	–	(1,604,370)
Net currency exposure	(64,842)	(266,607)	(291,532)	(46,461)	42,626	(223,110)	(849,926)

The Company's gross exposure to foreign currencies is as follows:

	USD \$'000	Others \$'000	Total \$'000
Company			
31 December 2018			
Financial assets			
Cash and cash equivalents	2,355	–	2,355
Trade and other receivables	1	–	1
	2,356	–	2,356
31 December 2017			
Financial assets			
Cash and cash equivalents	2,110	–	2,110
Other financial assets	–	18,200	18,200
	2,110	18,200	20,310
1 January 2017			
Financial assets			
Cash and cash equivalents	57	–	57
Other financial assets	–	20,475	20,475
	57	20,475	20,532

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

Sensitivity analysis

A 10% strengthening of the following currencies against the functional currencies of the Company and its subsidiaries at the balance sheet date would have increased/(decreased) equity and profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of firm commitments (not subject to fair value hedges) and highly probable forecast transactions in foreign currencies. The analysis is performed on the same basis for 2017.

	Group		Company	
	Equity \$'000	Profit before tax \$'000	Equity \$'000	Profit before tax \$'000
2018				
SGD	–	(10,101)	–	–
USD	(94,125)	180,623	–	236
EUR	–	(2,571)	–	–
GBP	–	651	–	–
BRL	–	(7,018)	–	–
Others	–	171	–	–
2017				
SGD	–	(3,919)	–	–
USD	(63,855)	107,975	–	211
EUR	–	(3,416)	–	–
GBP	(5,382)	3,183	–	–
BRL	–	(20,073)	–	–
Others	1,820	(340)	1,820	–

A 10% weakening of the above currencies against the functional currencies of the Company and its subsidiaries at the balance sheet date would have equal but opposite effects on the above currencies to the amounts shown above, on the basis that all other variables remain constant, except for amounts of \$1,820,000 in 2017 relating to other currency which would be recognised in profit before tax instead of equity, on the basis of impairment found on the equity securities.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(iii) Price risk

In 2017, the Group was exposed to equity securities and unit trusts price risk because of the investments held by the Group which are classified on the consolidated balance sheet at FVOCI and FVTPL respectively (2017: available-for-sale).

Sensitivity analysis

If prices for equity securities and unit trusts increase by 10%, assuming all other variables are held constant, the equity and profit before tax would have increased by the amounts shown below:

	Group 2017 \$'000	Company 2017 \$'000
Equity	1,889	1,889
Profit before tax	–	–

If prices for equity securities and unit trusts decrease by 10%, assuming all other variables are held constant, the equity and profit before tax would have decreased by the amounts shown below (on the basis of impairment found on the equity securities):

	Group 2017 \$'000	Company 2017 \$'000
Equity	(69)	(69)
Profit before tax	(1,820)	(1,820)

As at 31 December 2018, the Group is not exposed to significant price risk as its quoted equity securities and unit trust was disposed during the year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(iv) Cash flow hedges

At 31 December 2018, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates:

	Forward contract rate \$	Interest rate %	Maturity		
			Within 1 year \$'000	Between 1 to 5 years \$'000	More than 5 years \$'000
2018					
Foreign currency risk					
Forward foreign					
currency contracts					
– SGD/USD	1.32 to 1.42	–	966,046	223,321	–
Interest rate risk					
Interest rate swaps					
– Float-to-fixed	–	2.19 to 3.10	213,020	1,087,000	–

The amounts at the reporting date relating to items designated as hedged items were as follows:

	Cash flow hedge reserve for continuing hedges \$'000
2018	
Foreign currency risk	
Sales receipts	7,552
Interest rate risk	
Variable rate borrowings	(5,154)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(iv) Cash flow hedges (cont'd)

The amounts related to items designated as hedging instruments and hedge ineffectiveness were as follows:

	2018		During the year 2018					
	Nominal Amount \$'000	Assets \$'000	Liabilities \$'000	Line item in the balance sheet where the hedging instrument is included	Change in value of hedging instrument recognised in OCI \$'000	Hedge ineffectiveness recognised in profit or loss \$'000	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from hedging reserve to profit or loss because of the reclassification \$'000
Foreign currency risk								
Forward foreign currency contracts	1,189,367	12,188	13,554	Other financial assets, other financial liabilities	(44,318)	1,421	Other operating income, other operating expenses	8,966
Interest rate risk								
Interest rate swaps	1,300,020	334	6,417	Other financial assets, other financial liabilities	412	-	Other operating income, other operating expenses	-

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(iv) Cash flow hedges (cont'd)

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting:

	2018 \$'000
Cash flow hedge reserve	
Balance at 1 January	35,917
Changes in fair value:	
Foreign currency risk	(53,395)
Interest rate risk	621
Amount reclassified to profit or loss:	
Foreign currency risk	12,515
Tax on movements on reserves during the year	6,740
Balance at 31 December	2,398

Comparative information under FRS 39

Interest rate risk

At 31 December 2017, the Group had interest rate swaps with an aggregate notional amount of \$678,474,000 (1 January 2017: \$1,000,163,000), which was designated as cash flow hedges. The Group receives a variable interest rate and pays a fixed rate interest ranging from 2.19% to 3.10% (1 January 2017: 0.98% to 3.10%) per annum on the notional amount. Interest rate swaps with notional amounts of \$nil (1 January 2017: \$300,000,000) are taken with a related corporation.

Foreign currency risk

Forward foreign currency contracts with notional amounts of \$981,195,000 (1 January 2017: \$2,060,005,000) and \$159,819,000 (1 January 2017: \$302,682,000) respectively are taken with a related corporation.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk

The Group monitors its exposure to credit risks arising from sales to trade customers on an on-going basis, and credit evaluations are done on customers that require credit. The credit quality of customers is assessed after taking into account its financial position and past experience with the customers.

The Group only deals with pre-approved customers and financial institutions with good credit rating. To minimise the Group's counterparty risk, the Group enters into derivative transactions only with creditworthy institutions. Cash and fixed deposits are placed in banks and financial institutions with good credit rating.

The Group assumes that credit risk of a financial asset has increased significantly when the financial asset remains outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk is the carrying amount of each financial asset, including derivatives, in the balance sheets.

The Group's and the Company's maximum exposure to credit risk for financial assets at amortised cost (2017: loans and receivables) and contract assets at the balance sheet date is as follows:

	Note	Group			Company		
		31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
By business activity							
Rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding		2,768,969	1,327,243	912,306	–	–	–
Ship chartering		12	9,171	10,573	–	–	–
Others		9,943	20,102	7,600	133,274	145,777	94,846
		2,778,924	1,356,516	930,479	133,274	145,777	94,846
Financial assets at amortised cost (2017: loans and receivables) and contract assets							
Non-current*	9	1,121,499	152,770	36,560	31,719	31,725	36,605
Current	9,11	1,657,425	1,203,746	893,919	101,555	114,052	58,241
		2,778,924	1,356,516	930,479	133,274	145,777	94,846

* Not past due.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

The age analysis of financial assets at amortised cost (2017: loans and receivables) and contract assets for the Group is as follows:

	Gross 31 December 2018 \$'000	Impairment 31 December 2018 \$'000	Gross 31 December 2017 \$'000	Impairment 31 December 2017 \$'000	Gross 1 January 2017 \$'000	Impairment 1 January 2017 \$'000
Group						
Not past due	2,692,583	160	1,257,964	–	822,540	–
Past due 0 to 3 months	34,462	117	27,769	68	29,659	2,170
Past due 3 to 6 months	16,237	167	38,651	53	47,090	364
Past due 6 to 12 months	4,060	313	24,849	483	29,652	428
More than 1 year	193,230	160,891	172,864	164,977	174,227	169,727
	2,940,572	161,648	1,522,097	165,581	1,103,168	172,689
Company						
Not past due	133,274	–	145,777	–	94,846	–

Expected credit loss (ECL) assessment for customers with credit ratings (or equivalent) as at 1 January 2018 and 31 December 2018

The Group allocates exposure from key customers to a credit risk grade based on data that is determined to be indicative of the risk of loss (including but not limited to external ratings if available, audited financial statements to calculate the internal risk rating using the Altman Z-score method, and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from Standards and Poor's.

ECL rate is calculated based on probabilities of default and loss given default. Lifetime probabilities of default for individual customers are based on external ratings from Bloomberg L.P. adjusted for time horizon of the credit exposure, or historical data supplied by Standards and Poor's for each credit rating. The Group monitors changes in credit risk through on-going review of customer credit worthiness and by tracking published external credit ratings.

Loss rates are adjusted for current conditions and the Group's view of economic conditions over the expected lives of the receivables only if these factors have a significant impact to the credit loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

The following table provides information about the exposure to credit risk and ECLs for financial assets at amortised cost and contract assets for customers with credit ratings (or equivalent):

	Credit impaired	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
2018				
Group				
Receivables measured at lifetime ECL				
– Trade receivables	Yes	158,715	158,715	–
Receivables measured at lifetime ECL				
– Trade receivables and contract assets	No	2,532,900	1,904	2,530,996
Company				
Receivables measured at lifetime ECL				
– Trade receivables	No	–	–	–

There were no trade and other receivables and contract assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets.

Expected credit loss assessment for customers (allowance matrix) as at 1 January 2018 and 31 December 2018

The Group uses an allowance matrix to measure the ECLs of trade receivables for customers not allocated specific credit ratings, which comprises large number of small balances.

Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through succession stages of delinquency to write-off.

Loss rates are based on actual credit loss experience over the past 5 years adjusted for current conditions and the Group's view of economic conditions over the expected lives of the receivables only if these factors have a significant impact to the credit loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

The following table provides information about the exposure to credit risk and ECLs for financial assets at amortised cost and contract assets for customers with no credit rating or no representative credit rating or equivalent:

	Credit impaired	Weighted average loss rate %	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
2018					
Group					
Not past due	No	–	228,908	–	228,908
Past due 0 to 3 months	No	–	10,077	–	10,077
Past due 3 to 6 months	No	5.47	2,302	126	2,176
Past due 6 to 12 months	No	11.64	1,581	184	1,397
More than 1 year	No	11.81	6,089	719	5,370
Total			248,957	1,029	247,928
Company					
Not past due	No	–	133,274	–	133,274

Comparative information under FRS 39

The age analysis of loans and receivables and contract assets as at 31 December 2017 is as follows:

	31 December 2017		1 January 2017	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
Group				
Not past due	1,257,964	–	822,540	–
Past due 0 to 3 months	27,769	68	29,659	2,170
Past due 3 to 6 months	38,651	53	47,090	364
Past due 6 to 12 months	24,849	483	29,652	428
More than 1 year	172,864	164,977	174,227	169,727
Total	1,522,097	165,581	1,103,168	172,689
Company				
Not past due	145,777	–	94,846	–

The allowance account in respect of loans and receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset. As at 31 December 2017 and 1 January 2017, the impairment allowance relates mainly to one customer whose creditworthiness has deteriorated and is currently undergoing financial restructuring. Accordingly, the outstanding past due receivables owing from this customer have been fully provided for.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

Movements in the allowance for impairment of financial assets at amortised cost (2017: loans and receivables) and contract assets are as follows:

	Group Lifetime ECL \$'000
Balance at 1 January 2018 per FRS 39	165,581
Adjustments on initial application of SFRS(I) 9	1,310
Balance at 1 January 2018 under SFRS(I) 9	166,891
Currency translation difference	(7,916)
Impairment loss recognised	3,162
Loss allowance written back	(489)
Balance at 31 December 2018	161,648

	Group \$'000
Balance at 1 January 2017 per FRS 39	172,689
Currency translation difference	(6,921)
Allowance made	1,285
Allowance utilised	(316)
Allowance written back	(1,118)
Disposal of subsidiaries	(38)
Balance at 31 December 2017	165,581

The total net impairment loss of \$2,673,000 (2017: \$167,000) have been recognised in the general and administrative expenses.

Non-trade amounts due from subsidiaries

The Company held non-trade receivables from its subsidiaries of \$65,940,000 (2017: \$79,443,000; 1 January 2017: \$35,791,000). These balances are amounts lent to subsidiaries to satisfy short-term funding requirements. The Company uses a similar approach for assessment of ECLs for these receivables to those used for debt investments. Impairment on these balances has been measured on the lifetime ECL basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk

The Group manages its liquidity risk with the view to maintaining a healthy level of cash and cash equivalents appropriate to the operating environment and expected cash flows of the Group. Liquidity requirements are maintained within the credit facilities established and are adequate and available to the Group to meet its obligations. The Group will continue to take steps to manage cost, cash flows and gearing to address its financial position. While the majority of contracts and new orders are secured on progressive payment terms, future new orders may result in increased working capital needs.

The table below analyses the maturity profile of the Group's and Company's financial instruments (including derivatives) based on contractual undiscounted cash inflows/(outflows), including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount \$'000	Cash flows			
		Contractual cash flows \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
Group					
31 December 2018					
Derivative financial liabilities					
Interest rate swaps	(6,417)	(5,807)	(2,863)	(2,944)	–
Forward foreign currency contracts	(13,554)				
– Inflow		778,332	600,099	178,233	–
– Outflow		(791,886)	(609,905)	(181,981)	–
Derivative financial assets					
Interest rate swaps	334	251	251	–	–
Forward foreign currency contracts	12,188				
– Inflow		411,035	365,947	45,088	–
– Outflow		(398,847)	(353,998)	(44,849)	–
Non-derivative financial liabilities					
Trade and other payables**	(1,501,589)	(1,501,589)	(1,501,589)	–	–
Interest-bearing borrowings#	(4,257,327)	(4,566,897)	(1,166,026)	(3,004,567)	(396,304)
	(5,766,365)	(6,075,408)	(2,668,084)	(3,011,020)	(396,304)
31 December 2017					
Derivative financial liabilities					
Interest rate swaps	(7,162)	(6,913)	(4,010)	(2,903)	–
Derivative financial assets					
Interest rate swaps	456	715	468	247	–
Forward foreign currency contracts	57,037				
– Inflow		981,195	453,762	527,433	–
– Outflow		(924,158)	(421,339)	(502,819)	–
Non-derivative financial liabilities					
Trade and other payables**	(1,573,148)	(1,619,627)	(1,619,627)	–	–
Interest-bearing borrowings#	(4,128,911)	(4,426,787)	(1,137,663)	(2,880,273)	(408,851)
	(5,651,728)	(5,995,575)	(2,728,409)	(2,858,315)	(408,851)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (cont'd)

	Carrying amount \$'000	Cash flows			
		Contractual cash flows \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
Group					
1 January 2017					
Derivative financial liabilities					
Interest rate swaps	(3,092)	(2,498)	(3,237)	739	–
Forward foreign currency contracts	(41,622)				
– Inflow		1,132,401	318,093	814,308	–
– Outflow		(1,174,023)	(336,410)	(837,613)	–
Derivative financial assets					
Interest rate swaps	2,025	466	216	250	–
Forward foreign currency contracts	58,503				
– Inflow		688,228	521,530	166,698	–
– Outflow		(629,725)	(475,541)	(154,184)	–
Non-derivative financial liabilities					
Trade and other payables**	(1,837,580)	(2,137,104)	(2,137,104)	–	–
Interest-bearing borrowings#	(4,188,924)	(4,504,950)	(1,465,426)	(2,618,161)	(421,363)
	(6,010,690)	(6,627,205)	(3,577,879)	(2,627,963)	(421,363)

* Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grants, accrued land lease and long-term employee benefits.

The carrying amount of trade and other payables excludes finance costs payable while the interest-bearing borrowings include finance costs payable, for the purposes of presentation of this liquidity table.

	Carrying amount \$'000	Cash flows			
		Contractual cash flows \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
Company					
31 December 2018					
Non-derivative financial liabilities					
Trade and other payables**	(24,494)	(24,494)	(24,494)	–	–
Interest-bearing borrowings#	(51,620)	(52,332)	(51,309)	(1,023)	–
	(76,114)	(76,826)	(75,803)	(1,023)	–
31 December 2017					
Non-derivative financial liabilities					
Trade and other payables*	(26,385)	(26,385)	(26,385)	–	–
Interest-bearing borrowings	(1,868)	(1,868)	(474)	(1,394)	–
	(28,253)	(28,253)	(26,859)	(1,394)	–
1 January 2017					
Non-derivative financial liabilities					
Trade and other payables*	(23,864)	(23,864)	(23,864)	–	–

* Excludes deposits received, Goods and Services Tax and long-term employee benefits.

The carrying amount of trade and other payables excludes finance costs payable while the interest-bearing borrowings include finance costs payable, for the purposes of presentation of this liquidity table.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (cont'd)

The following table indicates the periods in which the cash flow associated with derivatives that are cash flow hedges are expected to impact profit or loss and the fair value of the related hedging instruments:

	Carrying amount \$'000	Cash flows		
		Contractual cash flows \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000
Group				
31 December 2018				
Derivative financial liabilities				
Interest rate swaps	(6,417)	(5,807)	(2,863)	(2,944)
Forward foreign currency contracts	(13,554)			
– Inflow		778,332	600,099	178,233
– Outflow		(791,886)	(609,905)	(181,981)
Derivative financial assets				
Interest rate swaps	334	251	251	–
Forward foreign currency contracts	12,188			
– Inflow		411,035	365,947	45,088
– Outflow		(398,847)	(353,998)	(44,849)
	(7,449)	(6,922)	(469)	(6,453)
31 December 2017				
Derivative financial liabilities				
Interest rate swaps	(7,162)	(6,913)	(4,010)	(2,903)
Derivative financial assets				
Interest rate swaps	456	715	468	247
Forward foreign currency contracts	57,037			
– Inflow		981,195	453,762	527,433
– Outflow		(924,158)	(421,339)	(502,819)
	50,331	50,839	28,881	21,958
1 January 2017				
Derivative financial liabilities				
Interest rate swaps	(3,092)	(2,498)	(3,237)	739
Forward foreign currency contracts	(30,027)			
– Inflow		1,055,509	241,201	814,308
– Outflow		(1,085,536)	(247,923)	(837,613)
Derivative financial assets				
Interest rate swaps	2,025	466	216	250
Forward foreign currency contracts	39,674			
– Inflow		506,151	339,453	166,698
– Outflow		(466,477)	(312,293)	(154,184)
	8,580	7,615	17,417	(9,802)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimation of fair values

SFRS(I) 7 establishes a fair value hierarchy that prioritises the inputs used to measure fair value. The three levels of the fair value input hierarchy defined by SFRS(I) 7 are as follows:

- Level 1 – Fair values are measured based on quoted prices (unadjusted) from active markets for identical financial instruments.
- Level 2 – Fair values are measured using inputs, other than those used for Level 1, that are observable for the financial instruments either directly (prices) or indirectly (derived from prices).
- Level 3 – Fair values are measured using inputs which are not based on observable market data (unobservable input).

Securities

The fair value of financial assets at fair value through profit or loss, and fair value through other comprehensive income, is based on quoted market prices (bid price) in an active market at the balance sheet date without any deduction for transaction costs. If the market for a quoted financial asset is not active, and for unquoted financial assets, the Group establishes fair value by using other valuation techniques.

Derivatives

The fair value of forward exchange contracts is accounted for based on the difference between the contractual price and the current market price.

The fair value of interest rate swaps is the indicative amount that the Group is expected to receive or pay to terminate the swap with the swap counterparties at the balance sheet date.

Non-derivative non-current financial assets and liabilities

Fair values determined for non-derivative non-current financial assets and liabilities are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date. This includes determination for fair value disclosure purpose as well.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

For financial instruments that are not actively traded in the market, the fair value is determined by independent third party or using valuation techniques where applicable. The Group may use a variety of methods and make assumptions that are based on existing market conditions at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used to estimate the fair value for medium term notes for disclosure purpose. Other techniques, such as estimated discounted cash flows, are used to determine the fair value for the remaining financial instruments. Where discounted cash flow techniques are used, the management will estimate the future cash flows and use relevant market rate as the discount rate at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimation of fair values (cont'd)

Non-current amount due from related parties

Fair values are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date.

Fair value hierarchy

The following table sets forth by level within the fair value hierarchy of the financial assets and liabilities that were accounted for at fair value on a recurring basis as of 31 December 2018. These financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgement, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Financial assets and liabilities carried at fair value

	Fair value measurement using:			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Group				
At 31 December 2018				
Financial assets at fair value through other comprehensive income				
– Unquoted equity shares	–	–	2,642	2,642
Derivative financial assets	–	12,522	–	12,522
Derivative financial liabilities	–	(19,971)	–	(19,971)
Total	–	(7,449)	2,642	(4,807)
At 31 December 2017				
Available-for-sale financial assets	18,200	694	–	18,894
Derivative financial assets	–	58,185	–	58,185
	18,200	58,879	–	77,079
Derivative financial liabilities	–	(7,162)	–	(7,162)
Total	18,200	51,717	–	69,917
At 1 January 2017				
Available-for-sale financial assets	51,667	537	–	52,204
Derivative financial assets	–	64,674	–	64,674
	51,667	65,211	–	116,878
Derivative financial liabilities	–	(44,714)	–	(44,714)
Total	51,667	20,497	–	72,164
Company				
At 31 December 2017				
Available-for-sale financial assets	18,200	694	–	18,894
At 1 January 2017				
Available-for-sale financial assets	40,075	537	–	40,612

In 2018 and 2017, there were no transfers between the different levels of the fair value hierarchy.

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Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimation of fair values (cont'd)

*Assets and liabilities not carried at fair value but for which fair values are disclosed**

	Fair value measurement using:			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Group				
At 31 December 2018				
Interest-bearing borrowings	–	(3,135,851)	–	(3,135,851)
At 31 December 2017				
Interest-bearing borrowings	–	(3,218,321)	–	(3,218,321)
At 1 January 2017				
Interest-bearing borrowings	–	(2,725,253)	–	(2,725,253)

* Excludes financial assets and liabilities whose carrying amounts measured on the amortised cost basis that approximate their fair values due to their short-term nature frequent repricing, and/or where the effect of discounting is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheets are as follows:

Group	Note	Mandatorily at FVTPL \$'000	Fair value – hedging instruments \$'000	FVOCI – Unquoted equity shares \$'000	Financial assets at amortised cost \$'000	Other financial liabilities \$'000	Total carrying amount \$'000	Fair value \$'000
At 31 December 2018								
Cash and cash equivalents	17	–	–	–	837,724	–	837,724	837,724
Trade and other receivables*	9	–	–	–	1,762,415	–	1,762,415	1,762,415
Financial assets at fair value through other comprehensive income								
– Unquoted equity shares	8(a)	–	–	2,642	–	–	2,642	2,642
Cash flow hedges								
– Forward foreign currency contracts	8(a)&(b)	–	12,188	–	–	–	12,188	12,188
– Interest rate swaps	8(b)	–	334	–	–	–	334	334
		–	12,522	2,642	2,600,139	–	2,615,303	2,615,303
Trade and other payables**	18	–	–	–	–	1,529,486	1,529,486	1,529,486
Cash flow hedges								
– Forward foreign currency contracts	22(a)&(b)	–	13,554	–	–	–	13,554	13,554
– Interest rate swaps	22(a)&(b)	–	6,417	–	–	–	6,417	6,417
Interest-bearing borrowings								
– Short-term borrowings	23	–	–	–	–	1,055,979	1,055,979	1,055,979
– Long-term borrowings	23	–	–	–	–	3,173,451	3,173,451	3,135,851
		–	19,971	–	–	5,758,916	5,778,887	5,741,287

* Excludes Goods and Services Tax.

** Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grants, accrued land lease and long-term employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair value versus carrying amounts (cont'd)

	Note	Designated at fair value \$'000	Fair value – hedging instruments \$'000	Available- for-sale \$'000	Loans and receivables \$'000	Other financial liabilities within the scope of FRS 39 \$'000	Total carrying amount \$'000	Fair value \$'000
Group								
At 31 December 2017								
Cash and cash equivalents	17	–	–	–	1,301,000	–	1,301,000	1,301,000
Trade and other receivables*	9	–	–	–	649,608	–	649,608	649,608
Available-for-sale financial assets								
– Equity shares	8(a)	–	–	18,200	–	–	18,200	18,200
– Unit trusts	8(a)	–	–	694	–	–	694	694
Fair value hedges								
– Firm commitments	8(b)	–	–	–	692	–	692	692
Cash flow hedges								
– Forward foreign currency contracts	8(a)&(b)	–	57,037	–	–	–	57,037	57,037
– Interest rate swaps	8(b)	–	456	–	–	–	456	456
		–	57,493	18,894	1,951,300	–	2,027,687	2,027,687
Trade and other payables**	18	–	–	–	–	1,601,936	1,601,936	1,601,936
Cash flow hedges								
– Interest rate swaps	22(a)&(b)	–	7,162	–	–	–	7,162	7,162
Interest-bearing borrowings								
– Short-term borrowings	23	–	–	–	–	852,737	852,737	852,737
– Long-term borrowings	23	–	–	–	–	3,247,386	3,247,386	3,218,321
		–	7,162	–	–	5,702,059	5,709,221	5,680,156

* Excludes Goods and Services Tax.

** Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grants, accrued land lease and long-term employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair value versus carrying amounts (cont'd)

	Note	Designated at fair value \$'000	Fair value – hedging instruments \$'000	Available- for-sale \$'000	Loans and receivables \$'000	Other financial liabilities within the scope of FRS 39 \$'000	Total carrying amount \$'000	Fair value \$'000
Group								
At 1 January 2017								
Cash and cash equivalents	17	–	–	–	1,216,971	–	1,216,971	1,216,971
Trade and other receivables*	9	–	–	–	429,707	–	429,707	429,707
Available-for-sale financial assets								
– Equity shares	8(a)	–	–	51,667	–	–	51,667	51,667
– Unit trusts	8(a)	–	–	537	–	–	537	537
Financial assets at fair value through profit or loss								
– Forward foreign currency contracts	8(b)	–	18,829	–	–	–	18,829	18,829
Fair value hedges								
– Firm commitments	8(b)	–	–	–	4,146	–	4,146	4,146
Cash flow hedges								
– Forward foreign currency contracts	8(a)&(b)	–	39,674	–	–	–	39,674	39,674
– Interest rate swaps	8(a)&(b)	–	2,025	–	–	–	2,025	2,025
		–	60,528	52,204	1,650,824	–	1,763,556	1,763,556
Trade and other payables**	18	–	–	–	–	1,871,529	1,871,529	1,871,529
Financial liabilities at fair value through profit or loss								
– Forward foreign currency contracts	22(a)	–	11,595	–	–	–	11,595	11,595
Cash flow hedges								
– Forward foreign currency contracts	22(a)&(b)	–	30,027	–	–	–	30,027	30,027
– Interest rate swaps	22(b)	–	3,092	–	–	–	3,092	3,092
Interest-bearing borrowings								
– Short-term borrowings	23	–	–	–	–	1,363,961	1,363,961	1,363,961
– Long-term borrowings	23	–	–	–	–	2,791,014	2,791,014	2,725,253
		–	44,714	–	–	6,026,504	6,071,218	6,005,457

* Excludes Goods and Services Tax.

** Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grants, accrued land lease and long-term employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair value versus carrying amounts (cont'd)

	Note	Financial assets at amortised cost \$'000	Other financial liabilities \$'000	Total carrying amount \$'000	Fair value \$'000
Company					
At 31 December 2018					
Cash and cash equivalents	17	79,584	–	79,584	79,584
Trade and other receivables*	9	133,263	–	133,263	133,263
		212,847	–	212,847	212,847
Trade and other payables**	18	–	24,680	24,680	24,680
At 31 December 2017					
Cash and cash equivalents	17	–	55,126	55,126	55,126
Trade and other receivables*	9	–	145,777	145,777	145,777
Available-for-sale financial assets					
– Equity shares	8(a)	18,200	–	18,200	18,200
– Unit trusts	8(a)	694	–	694	694
		18,894	200,903	219,797	219,797
Trade and other payables**	18	–	–	26,385	26,385
At 1 January 2017					
Cash and cash equivalents	17	–	24,482	24,482	24,482
Trade and other receivables*	9	–	94,846	94,846	94,846
Available-for-sale financial assets					
– Equity shares	8(a)	40,075	–	40,075	40,075
– Unit trusts	8(a)	537	–	537	537
		40,612	119,328	159,940	159,940
Trade and other payables**	18	–	–	23,864	23,864

* Excludes Goods and Services Tax.

** Excludes deposits received, Goods and Services Tax and long-term employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

40. FINANCIAL INSTRUMENTS (CONT'D)

(f) Capital management

The Group aims to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders. The Group monitors Economic Value Added attributable to shareholders, which the Group defines as net operating profit after tax less capital charge excluding non-controlling interests. Management also monitors the level of dividends paid to ordinary shareholders.

The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Capital is defined as equity attributable to the equity holders. The Group's debt to capitalisation ratio as at the balance sheet date was as follows:

	31 December 2018 \$'000	Group 31 December 2017 \$'000	1 January 2017 \$'000
Debt	4,229,430	4,100,123	4,154,975
Total equity	2,348,435	2,480,175	2,311,156
Total debt and equity	6,577,865	6,580,298	6,466,131
Debt-to-capitalisation ratio	0.64	0.62	0.64

There were no changes in the Group's approach to capital management during the year.

The Group is required to maintain consolidated net borrowings to consolidated net assets (less dividends, goodwill and other intangible assets) ratio of not more than 1.75. This externally imposed capital requirement has been complied with at each quarter in the financial year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

41. CONTINGENT LIABILITIES

The Group is subject to various litigation, regulatory and arbitration matters in the normal course of business. The Group rigorously defends against the claims and, in the opinion of management, the resolution of these matters will not have a material effect on the financial position of the Group.

Corporate guarantees

	Company	
	2018	2017
	\$'000	\$'000
Unsecured corporate guarantees granted in respect of:		
– Performance of subsidiaries	4,996,361	3,692,999
– Unsecured term loans by subsidiaries	861,650	650,000
– Unsecured short term loans by a subsidiary	–	82,533
– Unsecured revolving credit facilities by subsidiaries	1,930,176	1,483,755
– Unsecured bonds issued by a subsidiary	600,000	600,000

The Company has provided guarantees to banks to secure banking facilities provided to wholly-owned subsidiaries, Jurong Shipyard Pte Ltd and Estaleiro Jurong Aracruz Ltda. These financial guarantee contracts are accounted for as insurance contracts.

The principal risk to which the Company is exposed is credit risk in connection with guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

Estimates of the Company's obligation arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions made may well vary from actual experience so that the actual liability may vary considerably from the best estimates. As of balance sheet date, there is no provision made in respect of the obligations as the Company believes it is remote that these corporate guarantees will be called upon.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

42. COMMITMENTS

Commitments not provided for in the financial statements are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
(a) <i>Approved capital commitment:</i>				
– Approved capital expenditure commitment	265,704	53,248	–	–
(b) <i>Minimum lease rental payable in respect of land and buildings:</i>				
– Within 1 year	18,093	17,994	10,625	10,622
– After 1 year but within 5 years	36,270	49,520	24,978	38,326
– After 5 years	465,523	340,658	48,587	46,934
	519,886	408,172	84,190	95,882

The leases do not provide for contingent rents and lease terms do not contain restrictions on the Group activities concerning dividends, additional debt or further leasing. Certain leases contain escalation clauses to reflect market rentals.

Certain leases include renewal options for additional lease period of 10 to 30 years and at rental rates based on prevailing market rates.

The Group leases out its marine vessel. Up till the termination of lease in November 2018, the marine vessel had been on long term charter hire under an agreement with initial lease term of 5 years, and an option to extend for another 5 years. The future minimum lease receivable under non-cancellable lease is as follows:

	Group	
	2018 \$'000	2017 \$'000
Within 1 year	–	38,933

43. OPERATING SEGMENTS

(a) Business segments

The Group has two reportable segments, which are the Group's strategic business units. The strategic business units are managed separately because of their different business activities. The two reportable segments are: (i) rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding; and (ii) ship chartering.

The accounting policies are described in Note 3. Inter-segment sales and transfers are carried out on an arm's length basis. Segment assets consist primarily of property, plant and equipment, intangible assets, current assets and exclude inter-segment balances. Segment liabilities comprise mainly operating liabilities and exclude inter-segment balances. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's President & CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Other operations include bulk trading in marine engineering related products; provision of harbour tug services to port users; collection and treatment of used copper slag, and the processing and distribution of copper slag for blast cleaning purposes.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

43. OPERATING SEGMENTS (CONT'D)

(a) Business segments (cont'd)

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
31 December 2018					
Turnover					
Sales to external parties	4,831,789	47,873	8,204	–	4,887,866
Inter-segment sales	–	–	210,133	(210,133)	–
Total	4,831,789	47,873	218,337	(210,133)	4,887,866
Results					
Segment results	(49,395)	(2,673)	(255)	–	(52,323)
Finance income	54,838	–	188	–	55,026
Finance costs	(99,470)	(1,836)	(50)	–	(101,356)
Non-operating income	–	–	141	–	141
Share of results of associates and joint ventures, net of tax	(927)	(2,643)	1,185	–	(2,385)
(Loss)/profit before tax	(94,954)	(7,152)	1,209	–	(100,897)
Tax credit/(expense)	22,837	–	(306)	–	22,531
(Loss)/profit for the year	(72,117)	(7,152)	903	–	(78,366)
Assets					
Segment assets	7,844,064	250,736	382,137	–	8,476,937
Investments in associates and joint ventures	4,581	51,068	10,884	–	66,533
Deferred tax assets	22,597	–	626	–	23,223
Tax recoverable	10,099	–	469	–	10,568
Total assets	7,881,341	301,804	394,116	–	8,577,261
Liabilities					
Segment liabilities	5,899,865	70,049	198,513	–	6,168,427
Deferred tax liabilities	52,724	–	84	–	52,808
Current tax payable	6,329	–	1,262	–	7,591
Total liabilities	5,958,918	70,049	199,859	–	6,228,826
Capital expenditure	342,216	–	25	–	342,241

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

43. OPERATING SEGMENTS (CONT'D)

(a) Business segments (cont'd)

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
31 December 2018					
Significant non-cash items					
Depreciation and amortisation	181,218	13,579	649	–	195,446
Fair value adjustment on hedging instruments	1,713	–	–	–	1,713
Fair value adjustment on firm commitments under fair value hedge	692	–	–	–	692
Impairment losses on property, plant and equipment	–	4,663	–	–	4,663
Property, plant and equipment written off	58	–	–	–	58
Inventories written down/(written back), net	447	–	(15)	–	432
Allowance for doubtful debts and bad debts, net	2,673	–	–	–	2,673
Net change in fair value of financial assets measured through profit or loss	–	–	(114)	–	(114)
Gain on disposal of other financial assets	–	–	(27)	–	(27)
31 December 2017					
Turnover					
Sales to external parties	2,967,085	57,437	10,245	–	3,034,767
Inter-segment sales	–	–	88,381	(88,381)	–
Total	2,967,085	57,437	98,626	(88,381)	3,034,767
Results					
Segment results	294,512	13,230	(2,032)	–	305,710
Finance income	22,657	–	150	–	22,807
Finance costs	(93,473)	(2,049)	–	–	(95,522)
Non-operating income	–	–	64,803	–	64,803
Non-operating expenses	–	–	(13,309)	–	(13,309)
Share of results of associates and joint ventures, net of tax	(914)	(3,669)	966	–	(3,617)
Profit before tax	222,782	7,512	50,578	–	280,872
Tax (expense)/credit	(25,136)	–	319	–	(24,817)
Profit for the year	197,646	7,512	50,897	–	256,055
Assets					
Segment assets	9,280,800	246,025	71,924	–	9,598,749
Investments in associates and joint ventures	5,181	53,085	9,699	–	67,965
Deferred tax assets	13,293	–	626	–	13,919
Tax recoverable	11,192	–	–	–	11,192
Total assets	9,310,466	299,110	82,249	–	9,691,825

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

43. OPERATING SEGMENTS (CONT'D)

(a) Business segments (cont'd)

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
31 December 2017					
Liabilities					
Segment liabilities	7,017,542	81,551	26,144	–	7,125,237
Deferred tax liabilities	61,390	–	155	–	61,545
Current tax payable	24,335	–	533	–	24,868
Total liabilities	7,103,267	81,551	26,832	–	7,211,650
Capital expenditure	193,295	–	160	–	193,455
Significant non-cash items					
Depreciation and amortisation	182,627	9,230	1,059	–	192,916
Gain on disposal of assets held for sale	–	–	(46,816)	–	(46,816)
Gain on disposal of subsidiaries, net	–	–	(753)	–	(753)
Gain on disposal of available-for-sale financial asset	–	–	(17,200)	–	(17,200)
Assumption of liabilities on behalf of a joint venture	–	–	11,000	–	11,000
Fair value adjustment on hedging instruments	(1,623)	–	–	–	(1,623)
Fair value adjustment on firm commitments under fair value hedge	3,454	–	–	–	3,454
Property, plant and equipment written off	470	–	30	–	500
Impairment losses on available-for-sale financial assets	–	–	2,275	–	2,275
Inventories written down, net	56	–	–	–	56
Contract costs written back, net	(19,678)	–	–	–	(19,678)
Allowance for doubtful debts and bad debts, net	148	–	19	–	167

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

43. OPERATING SEGMENTS (CONT'D)

(b) Geographical segments

The Group operates in 12 (2017: 12; 1 January 2017: 12) countries and principally in the Republic of Singapore. Pricing of inter-segment sales and transfers are carried out on an arm's length basis.

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.

	Turnover from external customers \$'000	Non-current assets ⁽¹⁾ \$'000	Total assets \$'000	Capital expenditure \$'000
31 December 2018				
Singapore	153,579	3,587,067	6,279,436	250,316
Japan	339,829	–	–	–
Rest of Asia, Australia & India	84,113	145,318	177,109	3,002
Middle East & Africa	10,575	–	–	–
United Kingdom	195,484	4,224	5,351	52
Norway	1,627,871	136,607	147,491	30
France	488,606	59	2,048	25
The Netherlands	397,514	196,465	251,296	–
Rest of Europe	73,749	56	742	27
Brazil	243,344	1,520,998	1,711,554	88,776
U.S.A.	1,183,777	54	2,234	13
Other countries	89,425	–	–	–
Total	4,887,866	5,590,848	8,577,261	342,241
31 December 2017				
Singapore	272,538	2,588,497	7,485,554	94,694
Rest of Asia, Australia & India	202,756	153,441	228,378	1,779
Middle East & Africa	65,706	–	–	–
United Kingdom	744,792	5,121	8,525	727
Norway	242,214	147,865	153,172	–
The Netherlands	591,513	207,575	246,058	–
Rest of Europe	284,118	89	2,330	38
Brazil	213,192	1,432,718	1,562,241	96,213
U.S.A.	177,005	4,018	5,567	4
Other countries	240,933	–	–	–
Total	3,034,767	4,539,324	9,691,825	193,455

(1) Non-current assets presented consist of property, plant and equipment, investments in associates and joint ventures, trade and other receivables, contract costs and intangible assets.

(c) Major customers

In 2018, turnover from two (2017: three) customers of the Group's rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding segment represents approximately 42 per cent (2017: 60 per cent) of the Group's total turnover.

NOTES TO THE FINANCIAL STATEMENTS

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44. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Information on other significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Information about the assumptions and their risk factors relating to goodwill impairment are disclosed in Note 44(d).

(b) Taxes

Current tax

The Group is subject to taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for taxes. In determining the amount of current and deferred taxes, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due.

There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. The Group believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the taxes and deferred tax provisions in the period in which such determination is made. The tax expense is disclosed in Note 31.

Deferred tax assets

Certain subsidiaries of the Group have tax benefits arising from unutilised tax losses, tax credits and deductible temporary differences, which are available for set-off against future taxable profits. Of these, the utilisation of these tax benefits, for which deferred tax asset was recognised, is presumed on the Group's ability to generate taxable profits in the foreseeable future. This is, however, highly dependent on macroeconomic conditions impacting the offshore and marine sector, expected movements and recovery of oil prices, and financial strength of the Group's customers, which would then significantly affect the realisability of these deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

44. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key sources of estimation uncertainty (cont'd)

(c) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 60 years. The carrying amounts of the Group's property, plant and equipment are set out in Note 4. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets; therefore future depreciation charges could be revised.

During the year, the Group revised its estimates of useful lives of certain assets at Tanjong Kling Yard. The effects of the changes are presented in Note 4.

(d) Impairment assessment of property, plant and equipment, intangible assets and associates

Impairment assessment of the Group's shipyards

Owing to the continuing difficult market conditions impacting the offshore and marine sector, there were indications that the Group's shipyards (the "cash generating units") might be impaired. Under the Group's formal impairment assessment of the individual cash generating units in: (i) Singapore (yards in Singapore, together with their sub-contracting yards in Indonesia and the United Kingdom); and (ii) Brazil, the recoverable amounts for the Group's individual cash generating units were determined using the value in use calculations.

The value in use calculation for the Group's cash generating units used discounted cash flow projections which took into account management's assessment of the forecasted order book over a period of 5 years for Singapore and Brazil (the "projection periods"), with applicable growth rates for Singapore and Brazil beyond the projection periods (up to a maximum of 40 years). Key drivers supporting the recoverable amounts include: forecasted order book, project margins which are projected with reference to historical experience, and terminal growth rate of less than 5%.

The cash flows are projected based on the Group's historical experience, market observable data surrounding the state-owned and international oil majors' capital commitment and projected capital expenditures in oil and gas production and exploration activities, regulations relating to local content requirements in Brazil, market expectations and developments for contract order prices, and other external analysts' forecast reports in oil price movements and demands for drilling and production solutions. These cash flows are then discounted using the applicable discount rates based on their pre-tax weighted average cost of capital of 6.6% (2017: 9.5%) and 12.46% (2017: 10.0%) for the Singapore cash generating unit and Brazil cash generating unit respectively; and the Group assessed that no impairment loss is required for these individual cash generating units.

The forecasted order book and the forecasted margins assumed in the value in use calculation is, however, subject to estimation uncertainties that may have a significant risk of resulting in material adjustments in any future periods affected.

The estimation uncertainties of the forecasted order book of the Singapore cash generating unit is, however, reduced by a certain level of order books already secured by the Group. Nevertheless, there are remaining estimation uncertainties surrounding the remaining unsecured order book, and forecast project margins, that may result in significant adjustments in the future periods.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

44. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key sources of estimation uncertainty (cont'd)

(d) Impairment assessment of property, plant and equipment, intangible assets and associates (cont'd)

Impairment assessment of the Group's shipyards (cont'd)

Certain phases of the Brazil cash generating unit are presently undergoing yard construction and the yard will gradually ramp up to its full operational capacity over the years. The Group has factored in the long-term fundamentals of the oil and gas industry in Brazil in their forecast. Changes in the recoverable amount are sensitive to impairment loss if the forecast order book and the forecasted margins beyond the near term were to deviate significantly from the original forecast. The recoverable amount of the Brazil cash generating unit is further subject to political risk and will be reviewed at regular intervals.

Changes to the assumptions used in relation to the above key drivers, such as delays and/or decrease in order book, and reduction in project margins could lead to lower operating cash inflows and material impairment outcomes, which might in turn affect the financial position and performance of the Group.

Impairment assessment of the Group's associate

The recoverable amount of the interest in an associate was estimated based on its value in use. In estimating the recoverable amount, the Group applied the relief from royalty method to value the existing intellectual properties owned by the associate. As the associate is a start-up owning various intellectual properties at different stages of their business life cycles, the discount rates applied by the Group range from 20% to 22%, to reflect the higher risks inherent in the forecasted cash flows. Any significant changes to these forecasted cash flows, caused by changes in the risk of returns of the intellectual properties may result in material adjustments on the associate's recoverable amounts in future periods.

(e) Provisions and contingent liabilities

Estimates of the Group's obligations arising from contracts that exist as at balance sheet date may be affected by future events, which cannot be predicted with any certainty. The assumptions and estimates are made based on the management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates.

Warranty

The provision for warranty is based on estimates from known and expected warranty work and contractual obligation for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made. Movements in provision for warranty are detailed in Note 21.

Site restoration costs

The provision for site restoration costs arising from operating leases is based on the best estimate of the costs to be incurred beyond the 12 months period provided by external consultants. Given the complexities involved in carrying out the restoration work on certain sites in the longer run, the actual costs may vary from the estimate.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Disclosure of contingent liabilities is detailed in Note 41.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

44. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key sources of estimation uncertainty (cont'd)

(f) Determination of net realisable value of inventories

The net realisable value of inventories is estimated by reference to contract prices. However, such net realisable value may not be the actual realisable value, arising from contract modifications, if any, which may result in other variable considerations. Such contract modifications may significantly affect the eventual realisable value of inventories; and there is a significant risk of resulting in a material adjustment to the carrying amounts of inventories in future periods.

Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

(a) Revenue recognition and assessment of risk of foreseeable losses on long term construction contracts

The Group has assessed its contracts relating to services for ship and rig repair, building, conversion and overhaul as a single performance obligation due to the inter-dependence of services provided in these contracts.

Significant judgement is required in determining whether the performance obligations are distinct. Such considerations include the Group's assessment of whether the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customers and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contracts.

For contracts with variable considerations (such as liquidated damages and discounts), the Group has applied judgement in determining the transaction price for the recognition of revenue. Such judgement includes assessment of the evaluation of any potential risks and factors which may affect the timely completion of the project as well as the quality of the output delivered to the customer.

The Group has recognised revenue on construction contracts, rigs & floaters, repairs & upgrades and offshore platforms based on the percentage of completion method in proportion to the stage of completion. The percentage of completion is assessed by reference to surveys of work performed. Significant judgement is required in determining the appropriate stage of completion for revenue recognition; and likewise, judgement is required in determining the triggering point of suspension of revenue recognition when it is no longer probable that inflow of economic benefits associated with the contracts will occur. Such considerations include the Group's assessment of the credit-worthiness of customers and an evaluation of the contract performance obligations discharged by the customers.

The Group conducts critical review of all its long term construction contracts regularly. Allowance is made where necessary to account for onerous contracts. To determine the total costs, the Group monitors and reviews constantly the progress of all long term construction contracts taking into consideration all inputs from both internal project managers and external customers. The review includes evaluating any potential risks and factors which may affect the contract price and timely completion of the construction contracts. The review also encompasses the cost analysis process whereby both actual costs incurred and future costs to complete are critically examined.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

44. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical accounting judgements in applying the Group's accounting policies (cont'd)

(b) Contract costs – fulfilment costs

For ship and rig building contracts with customers where revenue is recognised at a point in time (i.e. upon delivery to customer), the costs incurred during the construction phase are recognised as an asset (i.e. contract costs – fulfilment). Upon fulfilment of the performance obligation and recognition of revenue, these costs will be recognised in profit or loss. Significant judgement is required to determine if the contract costs recognised are expected to be recovered. Such judgement includes assessment of the evaluation of any potential risks and factors which may affect the customer ability to take delivery of the ship and rig. The review also encompasses the analysis of the industry outlook and the customers' financial health.

(c) Impairment of financial assets and contract assets

The Group follows the guidance of SFRS(I) 9 *Financial Instruments* in recognising loss allowances for expected credit losses on financial assets and contract assets.

The loss allowances for financial assets and contract assets are based on assumptions about risk of default and expected loss rates to be applied for the respective category of the financial assets and contract assets. The Group uses judgement in making these assumptions and selecting the input to the impairment calculation including credit default ratings, evaluation of the Group's past history of loss rate, existing market conditions as well as forward looking estimates at the end of each reporting period. The Group also evaluates, among other factors, financial restructuring (where relevant), credit-worthiness and financial health of and near-term business outlook of its customers, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

In assessing the segmenting of the customers for the loss allowance, judgement is involved in determining the credit-worthiness and financial health of its customers whose conditions are subject to changes, which may require changes in the customers' segmentation, which in turn may affect the level of loss allowance in future periods.

The carrying amounts of financial assets and contract assets are disclosed in the following notes:

- Note 8 – Other financial assets
- Note 9 – Trade and other receivables
- Note 11 – Contract assets

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

45. GROUP ENTITIES

Details of the Group's subsidiaries, associates and joint ventures are as follows:

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group	
			2018 %	2017 %
Subsidiaries				
Dolphin Shipping Company Private Limited ⁽¹⁾	Singapore	Ship owning and chartering	100	100
Gravifloat AS ⁽²⁾	Norway	Engineering and related services	56	56
Jurong Shipbuilders Private Limited ⁽¹⁾	Singapore	Investment holding	100	100
Jurong Shipyards Pte Ltd ⁽¹⁾	Singapore	Ship and rig repair, building, conversion and related services	100	100
PPL Shipyards Pte Ltd ⁽¹⁾	Singapore	Rig building, repair and related services	100	100
SCM Investment Holdings Pte Ltd ⁽¹⁾	Singapore	Struck off on 4 February 2019	100	100
Sembcorp Holdings, LLC. ⁽⁴⁾	United States of America	Investment holding	100	100
Sembcorp Marine Financial Services Pte. Ltd. ⁽¹⁾	Singapore	Acting as the finance and treasury centre for the Group	100	100
Sembcorp Marine Integrated Yard Pte. Ltd. ⁽¹⁾	Singapore	Ship and rig repair, building, conversion, offshore engineering and related services	100	100
Sembcorp Marine Technology Pte Ltd ⁽¹⁾	Singapore	In process of striking off	100	100
SembMarine Investment Pte Ltd ⁽¹⁾	Singapore	In process of striking off	100	100
SML Shipyards Pte Ltd ⁽¹⁾	Singapore	Ship repair and related services	100	100
Joint venture of Dolphin Shipping Company Private Limited				
Pacific Workboats Pte Ltd ⁽³⁾	Singapore	Ship leasing and marine surveying services	50	50
Subsidiaries of Jurong Shipyards Pte Ltd				
Dolphin Rig 1 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 2 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 3 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 4 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 5 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 6 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 7 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Estaleiro Jurong Aracruz Ltda ^{(2), a}	Brazil	Ship and rig repair, building, conversion and related services	100	100
JED Centre Sdn. Bhd. ⁽²⁾	Malaysia	Render services for engineering	100	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

45. GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group	
			2018 %	2017 %
Subsidiaries of Jurong Shipyard Pte Ltd (cont'd)				
Jurong do Brasil Prestacao de Servicos Ltda ⁽²⁾	Brazil	Ship and rig repair, building, conversion and related services	100	100
Jurong Marine Contractors Private Limited ⁽¹⁾	Singapore	Provision of contract services	100	100
Jurong Netherlands B.V. ⁽⁴⁾	Netherlands	Investment holding	100	100
Jurong Offshore Pte. Ltd. ⁽¹⁾	Singapore	Investment holding	100	100
Sembmarine SSP Inc ⁽⁴⁾	United States of America	In the business of engineering design, research and development, marketing and client services support centre	100	100
Subsidiaries of PPL Shipyard Pte Ltd				
Baker Marine Pte Ltd ⁽¹⁾	Singapore	Rig enhancement and upgrading services, engineering consultancy and project management, and supply of rig equipment and parts	100	100
Baker Marine Services (HK) Limited ⁽²⁾	Hong Kong	Provision of rig designs	100	100
Baker Marine Technology Inc. ⁽⁴⁾	United States of America	Engineering design, research and development, marketing and client services support centre	100	100
Subsidiaries of Sembcorp Holdings, LLC.				
Sabine Offshore Service, Inc. ⁽⁴⁾	United States of America	Inactive	100	100
Sembcorp-Sabine Industries, Inc. ⁽⁴⁾	United States of America	Investment holding	100	100
Sembcorp-Sabine Shipyard, Inc. ⁽⁴⁾	United States of America	Rig and vessel enhancement and upgrading services	100	100
Subsidiaries, associates and joint ventures of Sembcorp Marine Integrated Yard Pte. Ltd.				
Aquarius Brasil B.V. ⁽³⁾	Netherlands	Shipowner	100	100
Aragon AS ⁽²⁾	Norway	Process design and engineering	50	50
Bulk Trade Pte Ltd ⁽¹⁾	Singapore	Bulk trading	100	100
Ecospec Global Technology Pte. Ltd. ⁽³⁾	Singapore	Provision of environmental engineering services	20	20
HiLoad LNG AS ⁽²⁾	Norway	Design, development and engineering of LNG related offshore solutions	100	–
Joint Shipyard Management Services Pte Ltd ⁽¹⁾	Singapore	Managing dormitories	32	32
JPL Industries Pte Ltd ⁽¹⁾	Singapore	Processing and distribution of copper slag	85.8	85.8
JPL Concrete Products Pte Ltd ⁽¹⁾	Singapore	Production of concrete products	85.8	85.8
Jurong Marine Services Pte Ltd ⁽¹⁾	Singapore	Provision of tugging and sea transportation services	100	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

45. GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group	
			2018 %	2017 %
<i>Subsidiaries, associates and joint ventures of Sembcorp Marine Integrated Yard Pte. Ltd. (cont'd)</i>				
Karimun Shiprepair and Engineering Pte Ltd ⁽¹⁾	Singapore	Investment holding	100	100
LMG Marin AS ⁽²⁾	Norway	Ship design and engineering	100	100
LMG Marin France ⁽²⁾	France	Ship design and engineering	60	60
LMG Oilcraft AS ⁽²⁾	Norway	Ship design and engineering	100	100
Marine Housing Services Pte. Ltd. ⁽³⁾	Singapore	Provision of dormitory housing services	50	50
Midcon Designer Sp. Z.o.o. ⁽²⁾	Poland	Ship design and engineering	72.4	72.4
Pegasus Marine & Offshore Pte. Ltd. ⁽¹⁾	Singapore	Marine services	100	100
P.T. Karimun Sembawang Shipyard ⁽³⁾	Indonesia	Ship repair and related services	100	100
PT SMOE Indonesia ⁽²⁾	Indonesia	Engineering, construction and fabrication of offshore structures	90	90
PT SMOE Singgar Mulia Engineering ⁽²⁾	Indonesia	In liquidation	55	55
Semb-Eco Pte. Ltd. ⁽¹⁾	Singapore	Investment holding	55	55
Semb-Eco R&D Pte. Ltd. ⁽¹⁾	Singapore	Research and development, holding of patents	55	55
Semb-Eco Technology Pte. Ltd. ⁽¹⁾	Singapore	Manufacturing and commercialisation of patents	55	55
Sembawang Shipyard Project Services Pte Ltd ⁽¹⁾	Singapore	Marine services and rental of premises	100	100
Sembawang Shipyard (S) Pte Ltd ⁽¹⁾	Singapore	Investment holding	100	100
Sembmarine Kakinada Limited ⁽³⁾	India	Ship repair, conversion, building and related activities	40	40
Sembcorp Marine Contractors Pte. Ltd. ⁽¹⁾	Singapore	Provision of contract services	100	100
Sembcorp Marine Offshore Platforms Pte. Ltd. ⁽¹⁾	Singapore	Engineering, construction and fabrication of offshore structures	100	100
Sembcorp Marine Repairs & Upgrades Pte. Ltd. ⁽¹⁾	Singapore	Ship repair and related services	100	100
Sembcorp Marine Rigs & Floaters Pte. Ltd. ⁽¹⁾	Singapore	Ship and rig building, conversion and related services	100	100
Sembcorp Marine Solutions Pte. Ltd. ⁽¹⁾	Singapore	Provision of management and technical services	100	100
Sembcorp Marine Specialised Shipbuilding Pte. Ltd. ⁽¹⁾	Singapore	Shipbuilding, ship repair and related services	100	100
Sembmarine North Sea Limited ⁽²⁾	United Kingdom	In liquidation	100	100
Sembmarine SLP Limited ⁽²⁾	United Kingdom	Design, engineering, fabrication and installation of offshore platforms, modules and structures for the oil, gas and renewable energy industry	100	100
SES Engineering (M) Sdn Bhd ⁽²⁾	Malaysia	Fabrication of metal structures	100	100
SES Marine Services (Pte) Ltd ⁽¹⁾	Singapore	Marine services	100	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

45. GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group	
			2018 %	2017 %
<i>Subsidiaries, associates and joint ventures of Sembcorp Marine Integrated Yard Pte. Ltd. (cont'd)</i>				
Sevan SSP AS ⁽²⁾	Norway	Design, development, engineering and consulting related to offshore solutions	100	–
Shenzhen Chiwan Offshore Petroleum Engineering Company Ltd ⁽³⁾	People's Republic of China	Equipment inspection, repair and maintenance services for oil reconnoiter and exploitation in South China Sea	35	35
Straits Offshore Pte. Ltd. ⁽¹⁾	Singapore	Hook-up, commissioning and maintenance of offshore oil and gas production facilities	100	100
Straits Overseas Pte. Ltd. ⁽¹⁾	Singapore	Investment holding and engineering, construction and fabrication of offshore marine structures	100	100

(1) Audited by KPMG LLP, Singapore

(2) Audited by member firms of KPMG International in the respective countries

(3) Audited by other firms and not significant

(4) These companies are not required to be audited under the laws of their country of incorporation and not significant

a In 2017, the Company's wholly-owned subsidiary, Estaleiro Jurong Aracruz Ltda, changed its functional currency from the Brazilian Real to United States Dollar, in order to reflect the primary economic environment that the subsidiary currently operates in.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As stated in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) balance sheets at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- Requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- Requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- Requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- Requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for SFRS(I) 15 and SFRS(I) 9.

Summary of Quantitative Impact

The following table summarises the impact, net of tax, of the transition to SFRS(I) 15 and SFRS(I) 9 on the Group's and the Company's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018 and the Group's profit or loss and other comprehensive income for the year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

Balance Sheets

	As at 31 December 2017			As at 1 January 2018	
	As reported previously \$'000	SFRS(I) 15 \$'000	As reported presently \$'000	SFRS(I) 9 \$'000	As reported presently \$'000
Group					
Non-current assets					
Contract costs	–	128,399	128,399	–	128,399
Deferred tax assets	5,889	8,030	13,919	–	13,919
Others	4,457,075	–	4,457,075	–	4,457,075
	4,462,964	136,429	4,599,393	–	4,599,393
Current assets					
Inventories and work-in-progress	2,775,847	(2,680,074)	95,773	–	95,773
Trade and other receivables	566,874	73,607	640,481	(1,310)	639,171
Contract costs	–	2,358,054	2,358,054	–	2,358,054
Contract assets	–	652,361	652,361	–	652,361
Others	1,345,763	–	1,345,763	–	1,345,763
	4,688,484	403,948	5,092,432	(1,310)	5,091,122
Total assets	9,151,448	540,377	9,691,825	(1,310)	9,690,515
Current liabilities					
Trade and other payables	2,061,446	(457,228)	1,604,218	–	1,604,218
Excess of progress billings over work-in-progress	174,356	(174,356)	–	–	–
Contract liabilities	–	1,135,661	1,135,661	–	1,135,661
Others	906,809	–	906,809	–	906,809
	3,142,611	504,077	3,646,688	–	3,646,688
Non-current liabilities					
Deferred tax liabilities	61,545	–	61,545	(222)	61,323
Contract liabilities	–	75,497	75,497	–	75,497
Others	3,427,920	–	3,427,920	–	3,427,920
	3,489,465	75,497	3,564,962	(222)	3,564,740
Total liabilities	6,632,076	579,574	7,211,650	(222)	7,211,428
Net assets	2,519,372	(39,197)	2,480,175	(1,088)	2,479,087
Equity attributable to owners of the Company					
Share capital	484,288	–	484,288	–	484,288
Other reserves	(25,724)	(4,980)	(30,704)	(447)	(31,151)
Revenue reserve	2,019,609	(34,217) ⁽¹⁾	1,985,392	(641)	1,984,751
	2,478,173	(39,197)	2,438,976	(1,088)	2,437,888
Non-controlling interests	41,199	–	41,199	–	41,199
Total equity	2,519,372	(39,197)	2,480,175	(1,088)	2,479,087

(1) Amount relates to the reversal of cumulative profits of certain contracts, recognised in prior years according to previous revenue recognition policy under FRS 11, where such revenue and related costs of sales is recognised on delivery to customers on adoption of SFRS(I) 15.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

Balance Sheets (cont'd)

	As at 1 January 2017		
	As reported previously \$'000	SFRS(I) 15 \$'000	As reported presently \$'000
Group			
Non-current assets			
Deferred tax assets	12,042	60,721	72,763
Others	4,384,486	–	4,384,486
	4,396,528	60,721	4,457,249
Current assets			
Inventories and work-in-progress	3,066,884	(2,992,937)	73,947
Trade and other receivables	491,968	55,709	547,677
Contract costs	–	2,607,564	2,607,564
Contract assets	–	440,832	440,832
Others	1,459,453	–	1,459,453
	5,018,305	111,168	5,129,473
Total assets	9,414,833	171,889	9,586,722
Current liabilities			
Trade and other payables	2,120,447	(246,608)	1,873,839
Excess of progress billings over work-in-progress	193,403	(193,403)	–
Contract liabilities	–	667,665	667,665
Others	1,434,432	–	1,434,432
	3,748,282	227,654	3,975,936
Non-current liabilities			
Contract liabilities	–	240,700	240,700
Others	3,058,930	–	3,058,930
	3,058,930	240,700	3,299,630
Total liabilities	6,807,212	468,354	7,275,566
Net assets	2,607,621	(296,465)	2,311,156
Equity attributable to owners of the Company			
Share capital	484,288	–	484,288
Other reserves	54,905	(16,141)	38,764
Revenue reserve	2,022,796	(280,324) ⁽¹⁾	1,742,472
	2,561,989	(296,465)	2,265,524
Non-controlling interests	45,632	–	45,632
Total equity	2,607,621	(296,465)	2,311,156

(1) Amount relates to the reversal of cumulative profits of certain contracts, recognised in prior years according to previous revenue recognition policy under FRS 11, where such revenue and related costs of sales is recognised on delivery to customers on adoption of SFRS(I) 15.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

Consolidated Income Statement

Year ended 31 December 2017

	As reported previously \$'000	SFRS(I) 15 \$'000	As reported presently \$'000
Group			
Turnover	2,387,354	647,413 ⁽²⁾	3,034,767
Cost of sales	(2,326,848)	(362,156) ⁽²⁾	(2,689,004)
Gross profit	60,506	285,257	345,763
Other operating income	63,705	–	63,705
Other operating expenses	(5,021)	–	(5,021)
General and administrative expenses	(98,737)	–	(98,737)
Operating profit	20,453	285,257	305,710
Finance income	11,548	11,259	22,807
Finance costs	(95,522)	–	(95,522)
Non-operating income	64,803	–	64,803
Non-operating expenses	(13,309)	–	(13,309)
Share of results of associates and joint ventures, net of tax	(3,617)	–	(3,617)
(Loss)/profit before tax	(15,644)	296,516	280,872
Tax credit/(expense)	25,592	(50,409)	(24,817)
Profit for the year	9,948	246,107	256,055
Attributable to:			
Owners of the Company	14,076	246,107	260,183
Non-controlling interests	(4,128)	–	(4,128)
Profit for the year	9,948	246,107	256,055

(2) Amount relates mainly to the reversal of adjustments (in relation to contract terminations) recorded in 2017 set-off partially by reversal of revenue and related costs of sales for other contracts, recognised in 2017 according to previous policy under FRS 11, which is recognised on delivery to customers on adoption of SFRS(I) 15.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

	As reported previously \$'000	SFRS(I) 15 \$'000	As reported presently \$'000
Group			
Profit for the year	9,948	246,107	256,055
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations	(62,451)	11,161	(51,290)
Others	6,942	–	6,942
Other comprehensive income for the year, net of tax	(55,509)	11,161	(44,348)
Total comprehensive income	(45,561)	257,268	211,707
Total comprehensive income attributable to:			
Owners of the Company	(41,407)	257,268	215,861
Non-controlling interests	(4,154)	–	(4,154)
Total comprehensive income for the year	(45,561)	257,268	211,707

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

Balance Sheets

	As at 31 December 2017			As at 1 January 2018	
	As reported previously \$'000	SFRS(I) 15 \$'000	As reported presently \$'000	SFRS(I) 9 \$'000	As reported presently \$'000
Company					
Non-current assets					
Property, plant and equipment	79,418	–	79,418	–	79,418
Investment properties	17,190	–	17,190	–	17,190
Trade and other receivables	31,725	–	31,725	–	31,725
Others	1,502,598	–	1,502,598	–	1,502,598
	1,630,931	–	1,630,931	–	1,630,931
Current assets					
Trade and other receivables	117,283	–	117,283	–	117,283
Others	55,972	–	55,972	–	55,972
	173,255	–	173,255	–	173,255
Total assets	1,804,186	–	1,804,186	–	1,804,186
Current liabilities					
Trade and other payables	26,433	–	26,433	–	26,433
Others	7,245	–	7,245	–	7,245
	33,678	–	33,678	–	33,678
Non-current liabilities					
Deferred tax liabilities	11,070	–	11,070	–	11,070
Others	26,209	–	26,209	–	26,209
	37,279	–	37,279	–	37,279
Total liabilities	70,957	–	70,957	–	70,957
Net assets	1,733,229	–	1,733,229	–	1,733,229
Equity attributable to owners of the Company					
Share capital	484,288	–	484,288	–	484,288
Other reserves	(27,831)	–	(27,831)	(447)	(28,278)
Revenue reserve	1,276,772	–	1,276,772	447	1,277,219
Total equity	1,733,229	–	1,733,229	–	1,733,229

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

Balance Sheets (cont'd)

	As at 1 January 2017		
	As reported previously \$'000	SFRS(I) 15 \$'000	As reported presently \$'000
Company			
Non-current assets			
Property, plant and equipment	90,497	–	90,497
Investment properties	19,006	–	19,006
Trade and other receivables	36,605	–	36,605
Others	1,005,682	–	1,005,682
	<u>1,151,790</u>	<u>–</u>	<u>1,151,790</u>
Current assets			
Trade and other receivables	61,099	–	61,099
Others	137,387	–	137,387
	<u>198,486</u>	<u>–</u>	<u>198,486</u>
Total assets	<u>1,350,276</u>	<u>–</u>	<u>1,350,276</u>
Current liabilities			
Trade and other payables	23,890	–	23,890
Others	6,771	–	6,771
	<u>30,661</u>	<u>–</u>	<u>30,661</u>
Non-current liabilities			
Deferred tax liabilities	12,963	–	12,963
Others	24,360	–	24,360
	<u>37,323</u>	<u>–</u>	<u>37,323</u>
Total liabilities	<u>67,984</u>	<u>–</u>	<u>67,984</u>
Net assets	<u>1,282,292</u>	<u>–</u>	<u>1,282,292</u>
Equity attributable to owners of the Company			
Share capital	484,288	–	484,288
Other reserves	(21,459)	–	(21,459)
Revenue reserve	819,463	–	819,463
Total equity	<u>1,282,292</u>	<u>–</u>	<u>1,282,292</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

Notes to the reconciliation

(i) SFRS(I) 1

Upon adoption of SFRS(I) in 2018, the Group applied SFRS(I) 1 on 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 does not have a significant impact on the financial statements.

(ii) SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group has adopted SFRS(I) 15 in its financial statements for the year ended 31 December 2018, using the retrospective approach. As a result, the Group applied all of the requirements of SFRS(I) 15 retrospectively, except as described below, and the comparative period presented in the 2018 financial statements were restated.

The Group has used the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

The Group has used the practical expedients for variable considerations. This means that for contracts with variable consideration that were completed on or before the initial application date, the transaction price at the date of completion is used, rather than estimating the amount of variable consideration.

The Group has used the practical expedients for contract modifications. This means that for contracts that were modified before the beginning of the earliest period presented, the aggregate effect of all contract modifications when identifying separate performance obligations and determining and allocating the transaction price on transition are reflected.

The Group has used the practical expedients for performance obligation disclosures. This means that for periods presented before the initial application date, the amount of the transaction price allocated to the remaining performance obligations and an explanation of when that revenue was recognised are not disclosed.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

(ii) SFRS(I) 15 (cont'd)

The key impacts for the adoption of SFRS(I) 15 are described below.

Long-term contracts

(a) Timing of revenue and cost recognition

The Group previously recognised revenue from long-term contracts using the percentage of completion method, provided the outcome of the contract can be reliably estimated. Under SFRS(I) 15, the Group determined its long-term contracts from its rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding under the Group's operating segment, to constitute a single performance obligation, due to the inter-dependence of services provided in these contracts.

The Group does not have an alternative use for the specialised assets which are built to customer order.

When the Group has an enforceable right to payment for performance completed to date or where the Group's performance creates or enhances an asset that the customer controls as the asset is being created or enhanced, the Group continues to recognise revenue on these long-term contracts over time. The costs associated to fulfil the performance obligation are expensed as control of goods or services is transferred to the customer over time.

When the right to payment for performance completed to date cannot be enforced due to non-enforceability of right to payment for performance completed to date, the revenue and related costs of sales are recognised only when the constructed assets are delivered to customers.

(b) Contract costs

For long term contracts where the stage of completion is determined by reference to surveys of work done, contract costs are recognised as an expense in profit or loss using the percentage of completion method prior to the adoption of SFRS(I) 15.

On adoption of SFRS(I) 15, the costs incurred to fulfil the satisfied performance obligation are recognised in profit or loss as control of goods or services to the customer is transferred over time. As there is no direct linkage between the costs being expensed and the output measure used to determine revenue, this may result in volatile contract margin over the life cycle of the contracts for the long-term contracts.

Where the control of goods and services to the customer is transferred at a future point in time, the costs incurred to fulfil the future performance obligation are capitalised as they are recoverable, and presented as "Contract costs" within the balance sheet. The costs capitalised are recognised in profit or loss when the performance obligation is satisfied.

Consideration payable to customer

The Group previously offset certain payments made to customers for purchase of goods against revenue. Upon the adoption of SFRS(I) 15, such payments are treated as consideration payable to customer, and are recognised as an expense instead.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

(ii) SFRS(I) 15 (cont'd)

Long-term contracts (cont'd)

(b) Contract costs (cont'd)

Significant financing component

The Group has certain contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. In such cases, contract revenue contains a financing component. For contracts where financing components are determined to be significant, the transaction price is adjusted for the time value of money of the contracts.

(iii) SFRS(I) 9

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

Transition

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below:

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
 - The determination of the business model within which a financial asset is held.
 - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
 - The designation of investment in equity instruments that is not held for trading as at fair value through other comprehensive income (FVOCI).
 - The designation of investments in unit trusts and funds as at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

(iii) SFRS(I) 9 (cont'd)

Transition (cont'd)

- New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 *Financial Instruments: Recognition and Measurement* at 31 December 2017 that meet the criteria for hedge accounting under SFRS(I) 9 at 1 January 2018 were regarded as continuing hedging relationships.

(a) Classification and measurement of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – equity instrument; or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under SFRS(I) 9, refer to Notes 3.6 and 3.13.

The following table and accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018.

The effect of adopting SFRS(I) 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

(iii) SFRS(I) 9 (cont'd)

(a) Classification and measurement of financial assets and financial liabilities (cont'd)

	Note	Original classification under FRS 39	New classification under SFRS(I) 9	Original carrying amount under FRS 39 \$'000	New carrying amount under SFRS(I) 9 \$'000
Group					
At 1 January 2018					
Financial assets					
Cash and cash equivalents		Loans and receivables	Amortised cost	1,301,000	1,301,000
Trade and other receivables	(a)	Loans and receivables	Amortised cost	704,155	702,845
Equity shares	(b)	Available-for-sale	FVOCI – equity instruments	20,842	20,842
Unit trusts	(c)	Available-for-sale	FVTPL – equity instruments	694	694
Fair value hedges – Firm commitments		Loans and receivables	Amortised cost	692	692
Cash flow hedges					
– Forward foreign currency contracts		Fair value – hedging instruments	Fair value – hedging instruments	57,037	57,037
– Interest rate swaps		Fair value – hedging instruments	Fair value – hedging instruments	456	456
				2,084,876	2,083,566

(a) Trade receivables that were classified as loans and receivables under FRS 39 are now classified at amortised cost. Amount due from customers on construction contracts of \$73,607,000 was reclassified to trade receivables on the adoption of SFRS(I) 15. An increase of S\$1,310,000 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to SFRS(I) 9.

(b) The Group elected to present in OCI the changes in fair value of the AFS equity securities that are held by the Group because these investments are not held for trading.

(c) The Group's investments in unit trusts and funds, which was previously classified as available-for-sale financial assets, have been classified as at FVTPL on the adoption of SFRS(I) 9, and the fair value reserve relating to the fair value changes of the unit trusts and funds have been reclassified to revenue reserves. The amount reclassified as at 1 January 2018 is approximately \$447,000.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

(iii) SFRS(I) 9 (cont'd)

(b) Impairment

SFRS(I) 9 replaces the previous 'incurred loss' model with a forward-looking expected credit loss (ECL) model. The new impairment model will apply to financial assets measured at amortised cost or FVOCI (except for investments in equity instruments).

The Group applies the simplified approach and records lifetime ECL on its trade and other receivables and contract assets arising from the application of SFRS(I) 15.

For assets in the scope of the SFRS(I) 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of SFRS(I) 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows.

	Group \$'000
Loss allowance at 31 December 2017 under FRS 39	165,581
Additional impairment recognised at 1 January 2018	1,310
<u>Loss allowance at 1 January 2018 under SFRS(I) 9</u>	<u>166,891</u>

Additional information about how the Group and Company measure the allowance for impairment is described in Note 40 and 44.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

(iii) SFRS(I) 9 (cont'd)

(c) Hedging

The Group has elected to adopt the new general hedge accounting model in SFRS(I) 9. This requires the Group to ensure that the hedging relationship are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assess hedge effectiveness.

Applicable to financial statements for the year 2019 and thereafter

The following new SFRS(I)s, amendments to and interpretations of SFRS(I)s are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Applicable to 2020 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group's preliminary assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

(i) The Group as lessee

The Group and Company expect to measure lease liabilities by applying a single discount rate to their portfolio of warehouse and factory facilities leases. Furthermore, the Group and Company are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Group and Company are expected to use hindsight in determining the lease term.

The Group and Company expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments that are increased every five years to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application.

As at 1 January 2019, the Group and Company expect an increase in ROU assets of \$280,695,000, a decrease in property, plant and equipment of \$67,375,000, an increase in lease liabilities of \$331,626,000, a decrease in payables of \$96,320,000 and a decrease in retained earnings of \$21,986,000.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group's and the Company's finance leases. The Group and the Company do not expect the adoption of SFRS(I) 16 to impact their ability to maintain the Group's capital management ratio as described in Note 40.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

SFRS(I) 16 (cont'd)

(ii) The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

The Group and Company will reassess the classification of sub-leases in which the Group and Company are lessors. No significant impact is expected for other leases in which the Group and Company are lessors.

(iii) Transition

The Group and Company plan to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effects of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group and Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

SUPPLEMENTARY INFORMATION

Year ended 31 December 2018

(UNDER SGX-ST LISTING MANUAL REQUIREMENTS)

A. DIRECTORS' AND KEY EXECUTIVES' REMUNERATION EARNED FOR THE YEAR

Summary compensation table for the year ended 31 December 2018

Name of Director	Salary ¹ \$'000	Bonus Earned \$'000	Fair value of share-based compensation granted for the year ² \$'000	Directors' Fees Cash- based ³ \$'000	Share- based ⁴ \$'000	Brought Forward Bonus Bank ⁵ \$'000
Payable by the Company:						
Tan Sri Mohd Hassan Marican	–	–	–	378	162	–
Wong Weng Sun	811	508	1,348	–	–	2,306
Ron Foo Siang Guan	–	–	–	134	57	–
Koh Chiap Khiong ³	–	–	–	121	52	–
Eric Ang Teik Lim ³	–	–	–	203	–	–
Gina Lee-Wan	–	–	–	121	52	–
Bob Tan Beng Hai	–	–	–	176	75	–
Neil McGregor ³	–	–	–	102	43	–
William Tan Seng Koon	–	–	–	151	64	–
Patrick Daniel	–	–	–	78	33	–
Tan Wah Yeow	–	–	–	4	2	–
Ajaib Haridass	–	–	–	81	–	–
Lim Ah Doo	–	–	–	66	–	–

Name of Key Executive	Salary ¹ \$'000	Bonus Earned \$'000	Fair value of share-based compensation granted for the year ² \$'000	Directors' Fees Cash- based \$'000	Share- based \$'000	Brought Forward Bonus Bank ⁵ \$'000
Wang Zijian	434	233	387	–	–	73
Goh Khor Boon William	413	161	387	–	–	252
William Gu	348	287	387	–	–	(85)
Tan Cheng Tat	353	94	168	–	–	8
Chua San Lye	323	173	387	–	–	6

Notes:

- The amount shown is inclusive of basic salary, fixed allowances, AWS and other emoluments.
- The fair value of the share plans granted for the year is disclosed. The shares granted to key executives are contingent upon meeting performance measures. If these performance measures are not met, the key executive will not be vested with any shares.
- Cash portion of the Directors' fees for Mr Koh Chiap Khiong and Mr Neil McGregor, nominee Directors from Sembcorp Industries Ltd ("SCI"), will be paid to SCI. Mr Eric Ang Teik Lim's Director's fee will be paid entirely in cash to his employer, DBS Bank Ltd.

SUPPLEMENTARY INFORMATION

Year ended 31 December 2018

(UNDER SGX-ST LISTING MANUAL REQUIREMENTS)

A. DIRECTORS' AND KEY EXECUTIVES' REMUNERATION EARNED FOR THE YEAR (CONT'D)

4. 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 Sembcorp Marine Restricted Share Plan 2010.

For year 2018, the awards granted under the Sembcorp Marine Restricted Share Plan 2010 to all Directors as part of their Directors' fees (except for (i) Mr Wong Weng Sun, who is the President & CEO, and who does not receive any Directors' fees, and (ii) Mr Eric Ang Teik Lim) will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. These non-executive Directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer (currently S\$75,000), any excess may be sold as desired. These non-executive Directors can dispose of all of the shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive Director, (other than Mr Eric Ang Teik Lim) will be determined by reference to the volume-weighted average price of a share on the Singapore Exchange Securities Trading Limited (SGX-ST) over the 14 trading days immediately following the date of the Annual General Meeting. The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

5. The Brought Forward Bonus Bank is the outstanding balance of bonus as at 31 December 2018 (incorporating any adjustment made to the bank balance but excluding the bonus earned during the financial year). Typically, one-third of the accumulated bonus comprising Bonus Earned in the financial year and the Brought Forward Bonus is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the Bonus Bank.

Details on the share options, performance shares and restricted shares granted to the directors are set out in the Share-based Incentive Plans of the Directors' Report.

B. INTERESTED PERSON TRANSACTIONS

	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than \$100,000)	
	2018 \$'000	2017 \$'000
Transaction for the Sales of Goods and Services		
PSA International Pte Ltd and its associates	–	3,996
Transaction for the Purchase of Goods and Services		
Sembcorp Industries Limited and its associates	–	106
Management and Support Services		
Sembcorp Industries Limited	250	250
Total Interested Person Transactions	250	4,352

SUPPLEMENTARY INFORMATION

Year ended 31 December 2018

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Gina Lee-Wan	Bob Tan Beng Hai	Wong Weng Sun	Patrick Daniel	Tan Wah Yeow
Date of Appointment	20 April 2015	20 April 2015	1 May 2009	20 April 2018	10 December 2018
Date of Last re-election	18 April 2016	18 April 2016	18 April 2016	N.A.	N.A.
Age	62	67	57	64	58
Country of principal residence	Singapore	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	N.A.	N.A.	N.A.	N.A.	N.A.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Executive (President & CEO)	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Member of: • Board Risk Committee • Special Committee	Chairman of: • Board Risk Committee • Special Committee • Member of: • Executive Committee	Member of Executive Committee	Member of: • Audit Committee • Executive Resource & Compensation Committee	Member of Audit Committee
Professional Qualifications	Mrs Lee graduated from the University of Kent at Canterbury with B.A. Law (Hons) in 1979. She was then admitted to the Bar in England and Wales, Gray's Inn in 1980 and thereafter the Singapore Bar in 1981. 2019, Senior Accredited Specialist in Maritime and Shipping Law by the Singapore Academy of Law.	Mr Tan is a Fellow of the Institute of Chartered Accountants in England and Wales and the Singapore Institute of Directors.	Mr Wong holds a Bachelor of Mechanical Engineering (Marine) from Universiti Teknologi Malaysia and a Master of Business Administration from Oklahoma City University, USA.	Mr Daniel holds a BA (Honours) in Engineering Science and Economics from University College, Oxford and a Master of Public Administration from the John F. Kennedy School of Government at Harvard University.	Mr Tan holds a Bachelor of Science in Economics from the London School of Economics and Political Science. He is a Fellow of the Institute of Chartered Accountants of England & Wales and the Institute of Singapore Chartered Accountants.

SUPPLEMENTARY INFORMATION

Year ended 31 December 2018

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Gina Lee-Wan	Bob Tan Beng Hai	Wong Weng Sun	Patrick Daniel	Tan Wah Yeow
Working experience and occupation(s) during the past 10 years	Allen & Gledhill LLP – Co-Head of the Maritime & Aviation practice	Mr Tan retired in 2005.	Sembcorp Marine Ltd: – President & Chief Executive Officer	Singapore Press Holdings: – Editor-in-Chief, English, Malay, Tamil Media Group – Deputy Chief Executive Officer	KPMG LLP Singapore – Deputy Managing Partner – Head of KPMG Asia-Pacific Healthcare Practice
Shareholding interest in the listed issuer and its subsidiaries	Mrs Lee is the holder of 69,800 ordinary shares in Sembcorp Marine Ltd	Mr Tan is the holder of 91,400 ordinary shares in Sembcorp Marine Ltd	Mr Wong is the holder of 3,637,934 ordinary shares in Sembcorp Marine Ltd	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None	None	None	None
Conflict of interest (including any competing business)	No	No	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes	Yes
Past (for the last 5 years)	– Edge Group Pte. Ltd. – SEA Asia Singapore Pte. Ltd. – Singapore Maritime Foundation	– Singapore LNG Corporation Pte. Ltd. – SMRT Trains Ltd – SMRT Corporation Ltd	–	– Singapore Press Holdings subsidiaries	– Nil-
Present	Please refer to Mrs Lee's profile on page 51	Please refer to Mr Tan's profile on page 49	Please refer to Mr Wong's profile on page 48	Please refer to Mr Daniel's profile on page 52	Please refer to Mr Tan's profile on page 52

SUPPLEMENTARY INFORMATION

Year ended 31 December 2018

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Gina Lee-Wan	Bob Tan Beng Hai	Wong Weng Sun	Patrick Daniel	Tan Wah Yeow
Information required pursuant to Listing Rule 704(7) or Catalyst Rule 707(6)					
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No	No

SUPPLEMENTARY INFORMATION

Year ended 31 December 2018

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Gina Lee-Wan	Bob Tan Beng Hai	Wong Weng Sun	Patrick Daniel	Tan Wah Yeow
Information required pursuant to Listing Rule 704(7) or Catalyst Rule 707(6) (cont'd)					
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No	No

SUPPLEMENTARY INFORMATION

Year ended 31 December 2018

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Gina Lee-Wan	Bob Tan Beng Hai	Wong Weng Sun	Patrick Daniel	Tan Wah Yeow
<p>Information required pursuant to Listing Rule 704(7) or Catalyst Rule 707(6) (cont'd)</p> <p>(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?</p>	No	No	No	No	No
<p>(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?</p>	No	No	No	No	No
<p>(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?</p>	No	No	No	No	No

SUPPLEMENTARY INFORMATION

Year ended 31 December 2018

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Gina Lee-Wan	Bob Tan Beng Hai	Wong Weng Sun	Patrick Daniel	Tan Wah Yeow
Information required pursuant to Listing Rule 704(7) or Catalist Rule 707(6) (cont'd)					
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of -					
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No	No

SUPPLEMENTARY INFORMATION

Year ended 31 December 2018

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Gina Lee-Wan	Bob Tan Beng Hai	Wong Weng Sun	Patrick Daniel	Tan Wah Yeow
Information required pursuant to Listing Rule 704(7) or Catalyst Rule 707(6) (cont'd)					
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :- (cont'd)	No	No	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No	No

SUPPLEMENTARY INFORMATION

Year ended 31 December 2018

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Gina Lee-Wan	Bob Tan Beng Hai	Wong Weng Sun	Patrick Daniel	Tan Wah Yeow
<p>Disclosure applicable to appointment of Director only</p> <p>Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	N.A.	N.A.	N.A.	N.A.	N.A.

MAJOR PROPERTIES

Location	Description & Approximate Land Area	Tenure	Usage
Singapore Yards			
• Tanjong Kling Road	Land area: 491,056 m ² Buildings, workshops, drydocks and quays	10 years leasehold 10 years renewal (JTC Land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydock, berthage and workshops
• Admiralty Road East/ Admiralty Road West	Land area: 860,716 m ² Buildings, workshops, drydocks and quays	22 years leasehold	Ship repairs, ship conversion, offshore engineering and rig building including docks, berthage and workshops
• Pandan Road	Land area: 141,791 m ²	15 years leasehold (JTC Land)	Rig building, repairs, upgrading and fabrication including berthage and workshops
• Pandan Road	Land area: 9,182 m ²	30 years leasehold (JTC Land)	Steel fabrication and precision machining of components for offshore jack-up oil rigs
• Tuas Crescent	Land area: 58,226 m ²	9.5 years leasehold (JTC Land)	Fabrication of jack-up oil rigs and associated sub-structure modules
• Shipyard Road*	Land area: 63,300 m ² Buildings, workshops and drydocks	22 months tenancy (JTC Land)	Ship repairs and shipbuilding including drydocks, berthage and workshops
• Tuas Road*	Land area: 59,942 m ² Buildings, workshops, docks and quays	14 years leasehold (JTC Land)	Shipbuilding and fabrication including berthage and workshops
• Tuas South Boulevard Phase I	Land area: 733,104 m ² Docks, quays, workshops, buildings and berthage	30 plus 30 years leasehold (JTC land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydocks, berthage and workshops
• Tuas South Boulevard Phase II	Land area: 345,600 m ²	30 plus 30 years leasehold (JTC land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydocks, berthage and workshops
• Tuas South Boulevard Phase IIIa	Land area: 411,407.7 m ² (Pending final survey of land by JTC)	30 plus 30 years leasehold (JTC land)	Marine engineering activities including repair, conversion, upgrading and building of rigs, ships and offshore structures

* The properties are being prepared to be handed back to JTC following expiry of tenure.

MAJOR PROPERTIES

Location	Description & Approximate Land Area	Tenure	Usage
Overseas Yards			
P.T. Karimun Sembawang Shipyard			
<ul style="list-style-type: none"> Karimun Island, Indonesia 	Land area: 307,650 m ² Buildings, workshops and wharves	30 years leasehold with option for 20 years plus another option for 30 years	Ship repair and fabrication including berthage and workshop
Estaleiro Jurong Aracruz			
<ul style="list-style-type: none"> Municipality of Aracruz, State of Espirito Santo, Brazil 	Land area: 825,000 m ² Slipways, berthing quays, drydock, ancillary steel and piping facilities	Freehold	Drillships construction, building of semi-submersible rigs, FPSO integration, fabrication of topside modules, PSVs construction, drilling rig repairs and modification works
P.T. SMOE Indonesia			
<ul style="list-style-type: none"> Batam Island, Indonesia 	Land area: 815,036 m ² Workshops, office buildings and 547 metres of jetty for modules load-out	30 years leaseholds	Workshops and fabrication facilities
Miscellaneous			
JPL Industries			
<ul style="list-style-type: none"> Jurong Pier Road 	Land area: 27,783 m ²	20 years leasehold (JTC Land)	Copper slag recycling
SES Engineering Sdn Bhd			
<ul style="list-style-type: none"> Perindustrian Taman Johor, Johor Bahru 	Land area: 5,235 m ² Workshop and a 3-storey office building	Freehold	Metal Fabrication workshop
Sembmarine SLP Ltd			
<ul style="list-style-type: none"> Lowestoft, Suffolk, UK 	Land area: 55,000 m ² Workshops and office building	Freehold and leasehold land ranging from 22 to 99 years	Workshops and fabrication facilities
Mendon Spring			
<ul style="list-style-type: none"> Pasir Panjang 	9 units of 3-room apartment with built-in area of 99 m ² per unit	Freehold	Residential properties

SEMBCORP MARINE LTD

NOTICE OF ANNUAL GENERAL MEETING

(Incorporated in Singapore)
Company Registration No. 196300098Z

NOTICE IS HEREBY GIVEN THAT the 56th Annual General Meeting of Sembcorp Marine Ltd (the "Company") will be held at Stephen Riady Auditorium@NTUC, NTUC Centre, Level 7, One Marina Boulevard, Singapore 018989 on Tuesday, 16 April 2019 at 11.00 am to transact the following business:

ROUTINE BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December 2018 and the Auditors' Report thereon. **Resolution 1**

2. To re-elect the following directors, each of whom will retire by rotation pursuant to article 94 of the Company's Constitution and who, being eligible, has offered herself/himself for re-election:
 - (a) Mrs Gina Lee-Wan **Resolution 2**
 - (b) Mr Bob Tan Beng Hai **Resolution 3**
 - (c) Mr Wong Weng Sun **Resolution 4**

3. To re-elect the following directors, each of whom will cease to hold office pursuant to article 100 of the Company's Constitution and who, being eligible, has offered himself for re-election:
 - (a) Mr Patrick Daniel **Resolution 5**
 - (b) Mr Tan Wah Yeow **Resolution 6**

4. To approve directors' fees of up to S\$2,300,000 for the year ending 31 December 2019 (2018: up to S\$2,500,000). **Resolution 7**

5. To re-appoint KPMG LLP as the auditors of the Company and to authorise the directors to fix their remuneration. **Resolution 8**

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following resolutions which will be proposed as Ordinary Resolutions:

6. **Renewal of Share Issue Mandate** **Resolution 9**

That authority be and is hereby given to the directors to:

 - (a) (i) issue shares of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the directors may, in their absolute discretion deem fit; and

 - (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the directors while this Resolution was in force,

SEBCORP MARINE LTD

NOTICE OF ANNUAL GENERAL MEETING

(Incorporated in Singapore)

Company Registration No. 196300098Z

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 5% of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue or consolidation or subdivision of shares;and, in paragraph (1) above and this paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

7. Renewal of Share Plan Mandate

Resolution 10

That approval be and is hereby given to the directors to:

- (a) grant awards in accordance with the provisions of the Sembcorp Marine Performance Share Plan 2010 (the "**Performance Share Plan**") and/or the Sembcorp Marine Restricted Share Plan 2010 (the "**Restricted Share Plan**") (the Performance Share Plan and the Restricted Share Plan, together the "**Share Plans**"); and
- (b) allot and issue from time to time such number of ordinary shares of the Company as may be required to be delivered pursuant to the vesting of awards under the Share Plans,

SEMBCORP MARINE LTD

NOTICE OF ANNUAL GENERAL MEETING

(Incorporated in Singapore)

Company Registration No. 196300098Z

provided that:

- (1) the aggregate number of (i) new ordinary shares allotted and issued and/or to be allotted and issued, (ii) existing ordinary shares (including shares held in treasury) delivered and/or to be delivered, and (iii) ordinary shares released and/or to be released in the form of cash in lieu of ordinary shares, pursuant to the Share Plans, shall not exceed 7% of the total number of issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) from time to time; and
- (2) the aggregate number of ordinary shares under awards to be granted pursuant to the Share Plans during the period commencing from this Annual General Meeting and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 1% of the total number of issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) from time to time,

and in this Resolution, "subsidiary holdings" has the meaning given to it in the Listing Manual of the Singapore Exchange Securities Trading Limited.

8. Modifications to, and Renewal of, IPT Mandate

Resolution 11

That:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("**Chapter 9**") of the Singapore Exchange Securities Trading Limited, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in Appendix 1 to the Company's Letter to Shareholders dated 1 April 2019 (the "**Letter**") with any party who is of the class of interested persons described in Appendix 1 to the Letter, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;
- (b) the approval given in paragraph (a) above (the "**IPT Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and
- (c) the directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

SEMBCORP MARINE LTD

NOTICE OF ANNUAL GENERAL MEETING

(Incorporated in Singapore)

Company Registration No. 196300098Z

9. Renewal of Share Purchase Mandate

Resolution 12

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the "**Companies Act**"), the exercise by the directors of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and/or any other securities exchange on which the Shares may for the time being be listed and quoted ("**Other Exchange**"); and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, the Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange, as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the directors pursuant to the Share Purchase Mandate may be exercised by the directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held;

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; and

(iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"**Average Closing Price**" means the average of the last dealt prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST or, as the case may be, the Other Exchange, immediately preceding the date of market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five-day period;

"**date of the making of the offer**" means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the off-market purchase;

SEMBCORP MARINE LTD

NOTICE OF ANNUAL GENERAL MEETING

(Incorporated in Singapore)

Company Registration No. 196300098Z

"Maximum Limit" means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of the SGX-ST)); and

"Maximum Price", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed, whether pursuant to a market purchase or an off-market purchase, 105% of the Average Closing Price of the Shares; and

- (d) the directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

By Order of the Board

Tan Yah Sze/Chay Suet Yee
Company Secretaries
Sembcorp Marine Limited

1 April 2019
Singapore

SEMBCORP MARINE LTD

NOTICE OF ANNUAL GENERAL MEETING

(Incorporated in Singapore)

Company Registration No. 196300098Z

Explanatory Notes:

Resolutions 2 to 6 – Detailed information on these directors can be found under the Board of Directors, Corporate Governance Report and Supplementary Information sections in the Annual Report 2018.

Resolution 2 – Resolution 2 is to approve the re-election of Mrs Gina Lee-Wan, who will retire under article 94 of the Company's Constitution, as a director of the Company. Upon re-election, Mrs Lee will remain as a member of the Board Risk Committee and a member of the Special Committee. Mrs Lee is considered an independent director.

Resolution 3 – Resolution 3 is to approve the re-election of Mr Bob Tan Beng Hai, who will retire under article 94 of the Company's Constitution, as a director of the Company. Upon re-election, Mr Tan will remain as Chairman of the Board Risk Committee, Chairman of the Special Committee and a member of the Executive Committee. Mr Tan is considered an independent director.

Resolution 4 – Resolution 4 is to approve the re-election of Mr Wong Weng Sun, who will retire under article 94 of the Company's Constitution, as a director of the Company. Upon re-election, Mr Wong will remain as the President & CEO of the Company and a member of the Executive Committee. Mr Wong is considered a non-independent director.

Resolution 5 – Resolution 5 is to approve the re-election of Mr Patrick Daniel, who will cease to hold office under article 100 of the Company's Constitution, as a director of the Company. Upon re-election, Mr Daniel will remain as a member of the Audit Committee and a member of the Executive Resource & Compensation Committee. Mr Daniel is considered an independent director.

Resolution 6 – Resolution 6 is to approve the re-election of Mr Tan Wah Yeow, who will cease to hold office under article 100 of the Company's Constitution, as a director of the Company. Upon re-election, Mr Tan will remain as a member of the Audit Committee. Mr Tan is considered an independent director.

Resolution 7 – Resolution 7 is to approve the payment of an aggregate amount of S\$2,300,000 as directors' remuneration for the non-executive directors of the Company for the year ending 31 December 2019. The amount of directors' fees is computed based on the anticipated number of board and committee meetings for year 2019, assuming full attendance by all of the non-executive directors. In the event that the amount proposed is insufficient, approval will be sought at the next Annual General Meeting in year 2020 ("**2020 AGM**") before payments are made to directors for the shortfall. Directors and their associates will abstain from voting on Resolution 7.

The amount of directors' remuneration approved at the Annual General Meeting in year 2018 was S\$2,500,000. The total amount of directors' remuneration paid to the directors in year 2018 was S\$2,155,375, full details of which can be found on page 332 of the Annual Report 2018.

The current intention is that the directors' fees for the non-executive directors for year 2019 will comprise a cash component and a share component, with up to 30% being paid out in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010 (including any extension) or new/replacement plan. Any such award would typically consist of the grant of fully paid shares outright with no performance or vesting conditions attached, but with a selling moratorium. Under the directors' fee framework (which is set out on page 93 of the Annual Report 2018), non-executive directors are required to hold shares (including shares obtained by other means) worth at least the value of their basic retainer fee of S\$75,000; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

SEBNCORP MARINE LTD

NOTICE OF ANNUAL GENERAL MEETING

(Incorporated in Singapore)

Company Registration No. 196300098Z

The cash component of the directors' fees for year 2019 is intended to be paid half-yearly in arrears. The share component of the directors' fees for year 2019 is intended to be paid after the 2020 AGM has been held. The actual number of shares to be awarded to each non-executive director holding office at the time of the payment is intended to be determined by reference to the volume-weighted average price of a share on the Singapore Exchange Securities Trading Limited (the "SGX-ST") over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the 2020 AGM (or, if no final dividend is proposed at the 2020 AGM, or the resolution to approve any such final dividend is not approved at the 2020 AGM, over the 14 trading days immediately following the date of the 2020 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. A non-executive director who steps down before the payment of the share component will receive all of his directors' fees for year 2019 (calculated on a pro-rated basis, where applicable) in cash.

Resolution 9 – Resolution 9 is to empower the directors to issue shares of the Company and to make or grant Instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such Instruments, up to a number not exceeding 50% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings), of which up to 5% may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) at the time that Resolution 9 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 9 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares. As at 5 March 2019 (the "**Latest Practicable Date**"), the Company had 1,155,848 treasury shares and no subsidiary holdings.

Resolution 10 – Resolution 10 is to empower the directors to offer and grant awards pursuant to the Sembcorp Marine Performance Share Plan 2010 and the Sembcorp Marine Restricted Share Plan 2010 (collectively, the "**Share Plans**") and to issue ordinary shares of the Company pursuant to the vesting of awards granted pursuant to the Share Plans provided that: (a) the aggregate number of (i) new ordinary shares allotted and issued and/or to be allotted and issued, (ii) existing ordinary shares (including shares held in treasury) delivered and/or to be delivered, and (iii) ordinary shares released and/or to be released in the form of cash in lieu of ordinary shares, pursuant to the Share Plans, shall not exceed 7% of the total number of issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) from time to time; and (b) the aggregate number of ordinary shares under awards to be granted pursuant to the Share Plans during the period commencing from this Annual General Meeting and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 1% of the total number of issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) from time to time. Approval for the adoption of the Share Plans was given by shareholders at an Extraordinary General Meeting of the Company held on 20 April 2010. The grant of awards under the Share Plans will be made in accordance with their respective provisions.

Resolution 11 – Resolution 11 is to renew the mandate, as proposed to be modified, to enable the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual), or any of them, to enter into certain interested person transactions with specified classes of interested persons, as described in the Letter to Shareholders dated 1 April 2019 (the "**Letter**"). The proposed modifications are to expand certain of the general transactions which the EAR Group (as defined in Appendix 1 to the Letter) may enter into with Interested Persons (as defined in Appendix 1 to the Letter), in order to accommodate the overall expansion and growth of the EAR Group's activities and product range and also to align with the EAR Group's current presentation of its key businesses. Please refer to the Letter for more details.

Resolution 12 – Resolution 12 is to renew the mandate to enable the Company to purchase or otherwise acquire issued ordinary shares of the Company, on the terms and subject to the conditions set out in the resolution.

The Company intends to use internal and/or external sources of funds to finance the purchase or acquisition of its ordinary shares. The amount of financing required for the Company to purchase or acquire its ordinary shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of ordinary shares purchased or acquired, the price at which such ordinary shares were purchased or acquired and whether the ordinary shares purchased or acquired are held in treasury or cancelled.

SEMBCORP MARINE LTD

NOTICE OF ANNUAL GENERAL MEETING

(Incorporated in Singapore)

Company Registration No. 196300098Z

Based on the existing issued ordinary shares as at the Latest Practicable Date and excluding any ordinary shares held in treasury, the purchase by the Company of 10% of its issued ordinary shares (and disregarding the 1,155,848 ordinary shares held in treasury) will result in the purchase or acquisition of 208,860,425 ordinary shares.

In the case of both market purchases and off-market purchases by the Company and assuming that the Company purchases or acquires the 208,860,425 ordinary shares at the Maximum Price of S\$1.80 for one ordinary share (being the price equivalent to 105% of the average of the last dealt prices of the ordinary shares for the five consecutive market days on which the ordinary shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 208,860,425 ordinary shares is S\$375,948,765.

The financial effects of the purchase or acquisition of such ordinary shares by the Company pursuant to the proposed Share Purchase Mandate on the audited financial statements of the Group and the Company for the financial year ended 31 December 2018 based on these assumptions are set out in paragraph 3.7 of the Letter.

Please refer to the Letter for more details.

Notes:

- A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
 - A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

- A proxy need not be a member of the Company.
- The instrument appointing a proxy or proxies must be lodged at the office of the Company's Share Registrar, KCK Corpserve Pte. Ltd., at 333 North Bridge Road #08-00, KH Kea Building, Singapore 188721 not less than 72 hours before the time appointed for holding the Annual General Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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PROXY FORM

Sembcorp Marine Ltd
(Incorporated in Singapore)
Company Registration No. 196300098Z

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in Sembcorp Marine Ltd, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 1 April 2019.

I/We _____ (Name) _____ (NRIC/Passport/Co Regn No.)

of _____ (Address)

being a member/members of Sembcorp Marine Ltd (the "Company") hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

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as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the 56th Annual General Meeting of the Company to be held at Stephen Riady Auditorium@NTUC, NTUC Centre, Level 7, One Marina Boulevard, Singapore 018989 on Tuesday, 16 April 2019 at 11.00 am and at any adjournment thereof.

(Voting will be conducted by poll. Please indicate with a "v" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of the 56th Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the 56th Annual General Meeting.)

No.	Ordinary Resolutions	For	Against
	Routine Business		
1	To adopt the Directors' Statement and Audited Financial Statements		
2	To re-elect Mrs Gina Lee-Wan		
3	To re-elect Mr Bob Tan Beng Hai		
4	To re-elect Mr Wong Weng Sun		
5	To re-elect Mr Patrick Daniel		
6	To re-elect Mr Tan Wah Yeow		
7	To approve directors' fees for the year ending 31 December 2019		
8	To re-appoint KPMG LLP as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
9	To approve the renewal of the Share Issue Mandate		
10	To approve the renewal of the Share Plan Mandate		
11	To approve the modifications to, and renewal of, the Interested Person Transactions Mandate		
12	To approve the renewal of the Share Purchase Mandate		

Total Number of Shares Held	
------------------------------------	--

Signature(s) of Member(s) or Common Seal of Member(s)

Date

IMPORTANT: PLEASE READ NOTES OVERLEAF



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Notes:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be lodged at the office of the Company's Share Registrar, KCK Corpserve Pte. Ltd., at 333 North Bridge Road #08-00, KH Kea Building, Singapore 188721 not less than 72 hours before the time appointed for the Annual General Meeting.
5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting in person at the Annual General Meeting if he finds that he is able to do so. In such event, the relevant instrument appointing a proxy or proxies will be deemed to be revoked.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

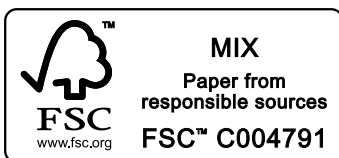
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Stamp

SEMBCORP MARINE LTD

c/o KCK Corpserve Pte. Ltd.
333 North Bridge Road
#08-00 KH Kea Building
Singapore 188721

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Co. Reg. No. 196300098Z