sembcorp marine

SEMBCORP MARINE LTD
("SCM", "Sembcorp Marine" or the "Company")
(Incorporated in the Republic of Singapore)
Company Registration No. 196300098Z

The information in this gatefold is a summary of the Proposed Combination and is qualified by, and should be read in conjunction with, the full information contained in the rest of this Circular. In the event of any inconsistency or conflict between the information of this gatefold and this Circular, the information set out in this Circular shall prevail.

The Chinese version of this gatefold is translated from the English version. If there are any discrepancies or conflicts between the English and Chinese versions, please refer to the English version.

此文件的中文版翻译自英文版。若中、英文版本之间存在任何差异或冲突，一切将以英文版为准。

Financial Adviser to Sembcorp Marine

CREDIT SUISSE

Credit Suisse (Singapore) Limited
(Incorporated in the Republic of Singapore)
Company Registration No. 197702363D

Independent Financial Adviser to the Independent Directors of the Company

PROVENANCECAPITAL

Provenance Capital Pte. Ltd.
(Incorporated in the Republic of Singapore)
Company Registration No. 200309056E

Independent Valuer to the Independent Directors of the Company

Deloitte.

Deloitte & Touche Financial Advisory Services Pte. Ltd.
(Incorporated in the Republic of Singapore)
Company Registration No. 200205727K

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED COMBINATION WITH KEPPEL OFFSHORE & MARINE LTD

If you are in any doubt about its contents or the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers immediately.

CIRCULAR IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF KEPPEL OFFSHORE & MARINE LTD FOR A CONSIDERATION TO BE SATISFIED BY THE ALLOTMENT AND ISSUANCE OF SUCH NUMBER OF NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY, REPRESENTING 54 PER CENT. OF THE TOTAL ISSUED SHARE CAPITAL OF THE COMPANY IMMEDIATELY FOLLOWING THE PROPOSED COMBINATION AT AN ISSUE PRICE OF S$0.122 PER SHARE, BEING A VERY SUBSTANTIAL ACQUISITION UNDER CHAPTER 10 OF THE SGX-ST LISTING MANUAL

YOUR VOTE COUNTS

IMPORTANT DATES AND TIMES FOR SHAREHOLDERS	
Last date and time for lodgement of EGM Proxy Form	13 February 2023 at 11.00 a.m.
Last date to pre-register online to attend the SCM EGM	13 February 2023 at 11.00 a.m.
Date and time of the SCM EGM	16 February 2023 at 11.00 a.m.

This Circular (together with the Notice of EGM and the EGM Proxy Form) may also be accessed at the following URLs:

https://www.sembmarine.com/extraordinary-general-meeting

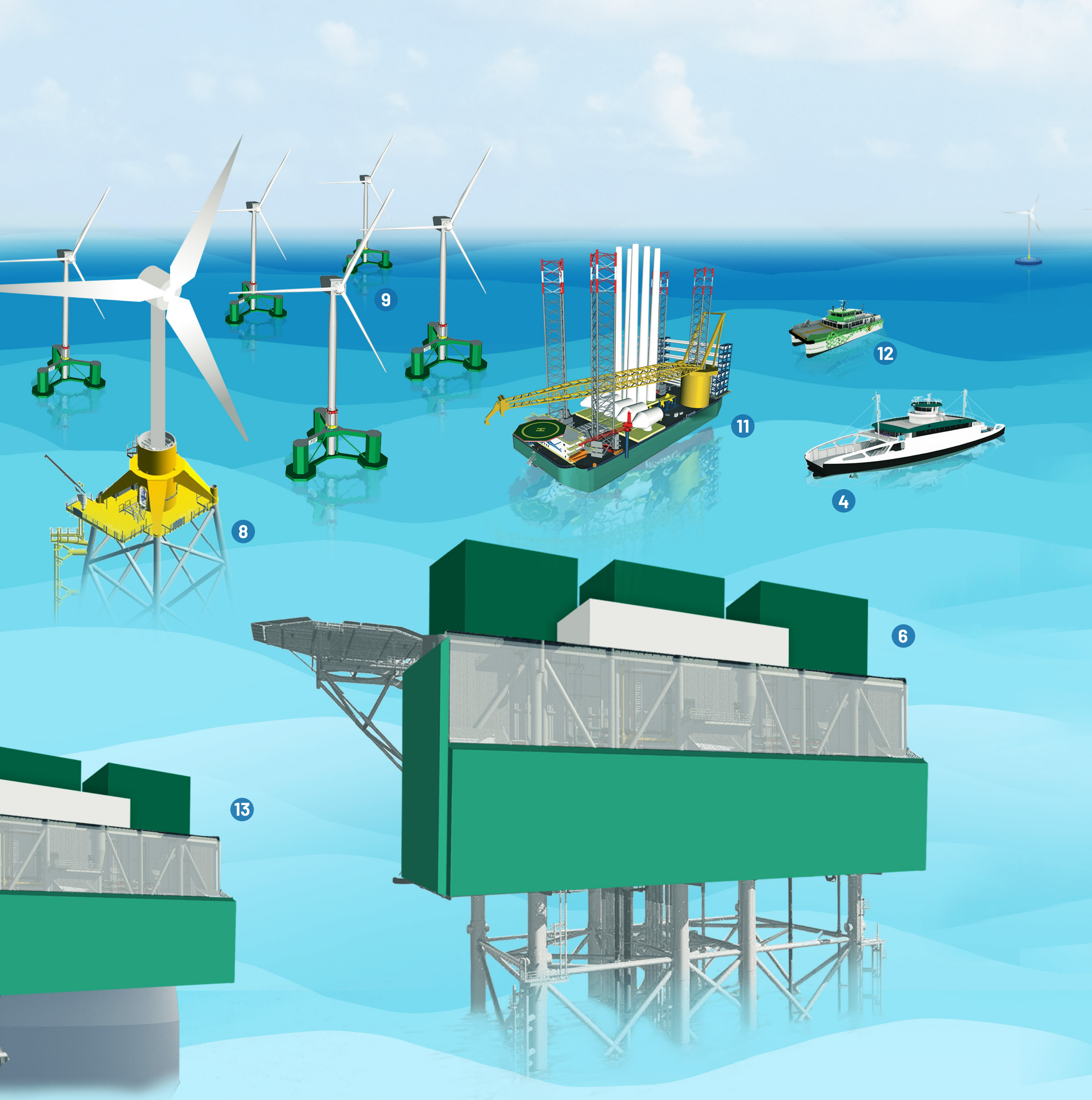
https://www.sgx.com/securities/company-announcements

If you have sold or transferred all your SCM Shares, please refer to the "Important Information" section of this Circular on the next actions you should take.

The Singapore Exchange Securities Trading Limited ("SGX-ST") assumes no responsibility for the correctness or accuracy of any of the statements made, reports contained or opinions expressed in this Circular.

This Circular has been prepared solely for the purpose of seeking SCM Shareholders' approval for the Proposed Combination and may not be relied upon by any person other than the SCM Shareholders or for any other purpose.

All capitalised terms shall, if not otherwise defined, have the meanings ascribed to them in this Circular.



CLEANER O&M SOLUTIONS

1 Wind Electrification FPSO
2 Carbon Capture Utilisation Storage (CCUS)
3 LNG Bunker Vessel
4 Battery-powered Roll-on/Roll-off Passenger (Ropax) Ferry
5 Wind Assisted Vessel

OFFSHORE RENEWABLES

6 Fixed Wind Farm Substation – High Voltage Direct Current (HVDC)
7 Floating Wind Farm HVDC Substation
8 Bottom-fixed Wind Solution
9 Semi-submersible Floating Wind Solution
10 Circular Hull Floating Wind Solution
11 Offshore Wind Turbine Installation Vessel
12 Hydrogen-fuelled Wind Farm Crew Transfer Vessel

NEW ENERGY

13 Energy Hub – H_2 | NH_3 Generation
14 Ammonia (NH_3) Carrier
15 Hydrogen (H_2) Bunker Vessel
16 Carbon Dioxide (CO_2) Carrier

A GLOBAL PLAYER PROVIDING INNOVATIVE ENGINEERING SOLUTIONS FOR THE OFFSHORE, MARINE AND ENERGY INDUSTRIES, WITH AN INCREASING FOCUS ON CLEAN AND RENEWABLE ENERGY SOLUTIONS

1

BACKGROUND AND RATIONALE OF THE PROPOSED COMBINATION

Creating a premier global player offering offshore renewables, new energy and cleaner offshore & marine solutions with synergies from the combined operational and engineering capabilities to deliver long-term value creation

CHALLENGING ECONOMIC CONDITIONS	RESULTING IN
Prolonged and severe industry downturn since 2015	Stronger competition for a shrinking pool of projects
Rapid global energy transition towards renewables and clean energy	Increased level of debt across the industry and necessary equity issuances to strengthen financial positions
Significant disruptions caused by the COVID-19 pandemic	Consolidation within the industry to achieve greater scale and synergies

RATIONALE FOR THE PROPOSED COMBINATION

- Creation of a premier global player offering offshore renewables, new energy, and cleaner offshore & marine solutions
- Leveraging combined technical and engineering abilities, in-house design and R&D know-how to carry out a wider scope of work
- Established track records to reinforce the Enlarged Group's distinctive intellectual property and thought leadership in complex projects
- Synergies from the combined operational and engineering capabilities are expected to deliver long-term value creation for shareholders

合并提案的背景和意向

凭借结合营运和工程实力的协同效应，打造一家以岸外可再生能源、新能源和更清洁岸外与海事业方案见称的顶尖全球企业，为实现长期价值

具挑战性的经济状况

- 自2015年，整个行业长期严重衰退
- 全球能源呈献迅速转型，趋向再生能源和清洁能源的趋势
- 2019冠状病毒疫情暴发所带来的显著破坏性影响

因而导致

- 市场上的项目持续缩减，起着加剧竞争的效应
- 业内债务和附加股的发行数额有所增加，以加强财务状况
- 行业内出现整合现象，以提升规模和协同效应

合并提案的意向

- 以打造一家以岸外可再生能源、新能源和更清洁岸外与海事业方案见称的顶尖全球企业
- 凭借结合技术和工程实力、内部设计和研发专有知识的能力，以进行更广泛的项目要求
- 稳健记录有助加强扩大后的集团在实行复杂项目时所需的独有知识产权和引导思维
- 结合营运和工程实力所给予的协同效应预计将为胜科海事股东创造长期价值

2

WHAT WILL THE ENLARGED GROUP LOOK LIKE?

ENLARGED GROUP TO CAPITALISE ON THE ENERGY TRANSITION

OFFSHORE RENEWABLES

- Scaling footprint in offshore wind energy where global expenditures are expected to reach ~S$260 billion[1]
- Participation across the value chain, including substations and wind turbine installation vessels

NEW ENERGY

- Targeted investments in development of new energy solutions, including hydrogen, ammonia and carbon capture technologies
- Eventual aim of building successful franchises in these areas for the decades ahead

CLEANER O&M SOLUTIONS

- Serving demand for floating production systems and other offshore oil & gas solutions where global expenditures are expected to reach ~S$290 billion[1]
- Focus on innovation and new technologies to reduce carbon footprint

1 According to market research for 2021 to 2030 by a leading global management consultancy

Three zero-emission fully battery-operated Roll-on/Roll-off Passenger (Ropax) Ferries designed, built and optimised by Sembcorp Marine

扩大后的集团概况将如何？

扩大后的集团将把握能源转型趋势

岸外可再生能源

- 于预计全球支出将达约2,600亿新元[1]的离岸风电能源领域中，扩展足迹
- 参与整个价值链的活动，包括变电站和风力发电机安装船

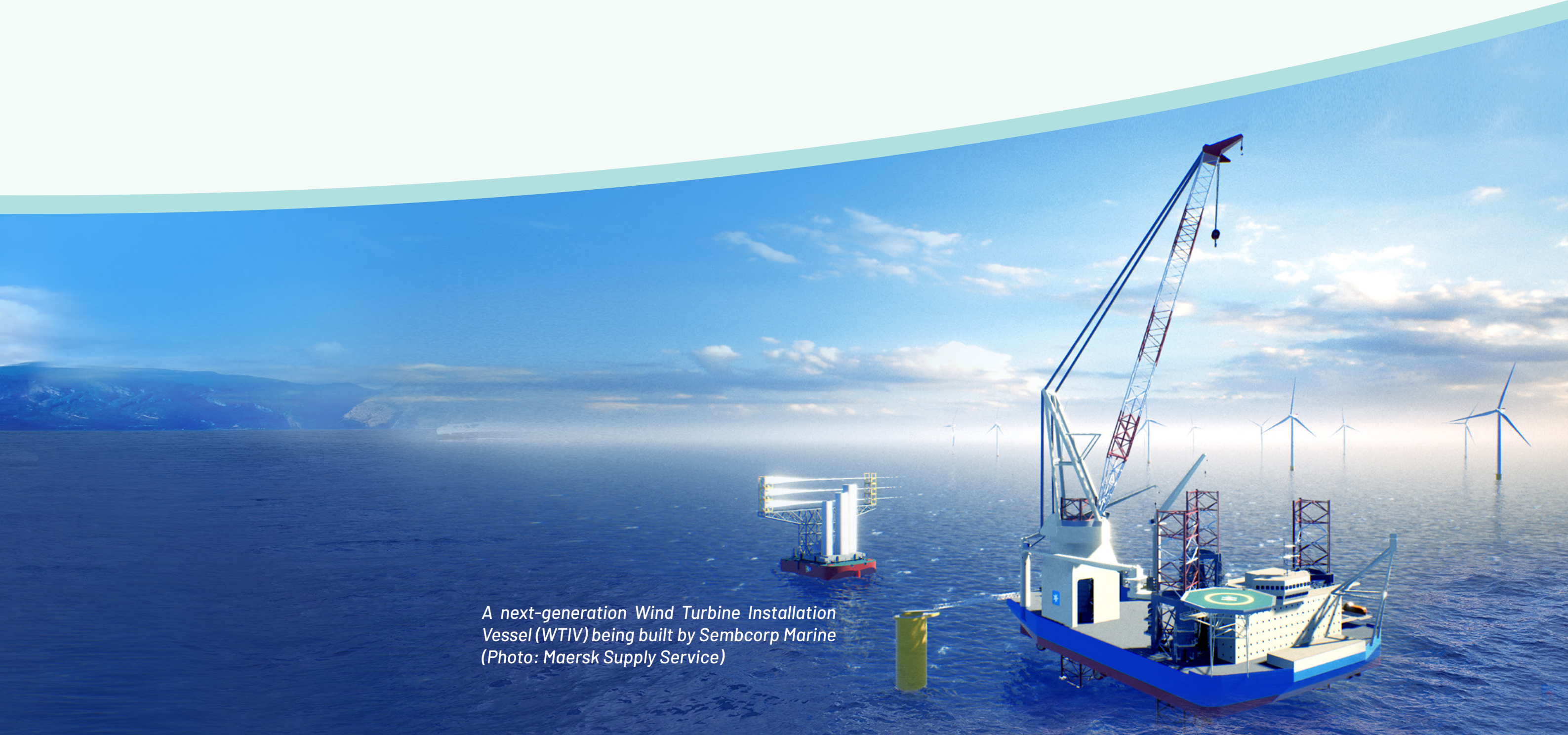
新能源

- 指定投资发展新能源方案，包括氢气、氨和碳捕获技术
- 在未来数十年里实现于这些领域打造成功的特许专营权的最终目标

更清洁岸外与海事业方案

- 针对性地发展预计全球支出将达约 2,900亿新元[1]的浮式生产系统和其他岸外油气方案，以迎合市场需求
- 专注于创新和开发新技术，以减少碳足迹

1 根据一家领先的全球管理咨询机构提供的2021年至2030年市场调查数据



A next-generation Wind Turbine Installation Vessel (WTIV) being built by Sembcorp Marine (Photo: Maersk Supply Service)

3

HOW WILL THE ENLARGED GROUP BE POSITIONED TO NAVIGATE THE ONGOING ENERGY TRANSITION?

Creation of a premier global player in Offshore Renewables, New Energy and Cleaner O&M Solutions

Capitalise on momentum in the ~S$260 billion[2] offshore wind market along with greater participation across the offshore, marine and energy value chain

Serving demand for floating production systems and other offshore oil & gas solutions where global expenditures are expected to reach ~S$290 billion[2]

Early investments in and building successful franchises around new energy sources including

- Hydrogen
- Ammonia
- Carbon capture technologies

Reduce carbon footprint through cleaner O&M solutions

Greater synergies from combined operational capabilities, engineering bench strength and track record

Reinforces Enlarged Group's distinctive intellectual property, thought leadership and rigorous project execution capabilities by leveraging combined expertise in

- Technical and engineering capabilities
- In-house design
- R&D know-how
- Track records of successful executions and deliveries

Generating greater economies of scale

Building a global footprint and integrating the operations in Singapore into a centre of excellence focused on high-value-added specialised projects and modules

2 According to market research for 2021 to 2030 by a leading global management consultancy

扩大后的集团将如何定位来驾驭目前的能源转型趋势？

打造一家以岸外可再生能源、新能源和更清洁岸外与海事业方案见称的顶尖全球企业

把握价值约2,600亿新元[2]的离岸风电市场趋势，并提高于岸外、海事和能源价值链中各个活动的参与程度

针对性地发展预计全球支出将达约 2,900 亿新元[2]的浮式生产系统和其他岸外油气方案，以迎合市场需求

针对新能源进行早期投资和打造成功的特许专营权，包括

» 氢气
» 氨
» 碳捕获技术

通过更清洁的海事业方案来减少碳足迹

综合营运实力、工程技术和优良记录所呈献的协同增效

通过利用以下综合专业技术来加强扩大后的集团的独有知识产权、引导思维和严峻的项目执行实力

» 技术和工程专业能力
» 内部设计
» 研发专有学问
» 成功执行和交付项目的良好记录

产生更大的规模经济效应

成立广泛的全球业务足迹，并将新加坡营运整合成为一个专注于高附加值专业项目和模块的卓越中心点

2 根据一家领先的全球管理咨询机构提供的2021年至2030年市场调查数据

4

WHAT ARE THE KEY ELEMENTS OF THE REVISED STRUCTURE AND TERMS?

Simplified Transaction Structure

- Sembcorp Marine will now directly acquire the Restructured KOM Group from KCL, following completion of the Asset Co Transaction and the KOM Restructuring
- Initial proposed Sembcorp Marine Scheme will not take place
- Sembcorp Marine will retain its listing status on the Mainboard of the SGX-ST and directly issue new Sembcorp Marine Shares to KCL (and/or directly to KCL Shareholders pursuant to the KCL Distribution)
- Following completion of the Proposed Combination, the Restructured KOM Group will become part of the Enlarged Group

Materially Improved Terms for Sembcorp Marine

- Improvement in agreed equity value exchange ratio (SCM:KOM) to 46:54 from 44:56
- Translates into S$378 million in value improvement for SCM Shareholders

Retained Stake

- KCL to retain a 5%[3] stake in Sembcorp Marine, instead of 10%

3 Upon completion of the Proposed Combination, KCL will retain a 5% stake (the "Retained Stake") in Sembcorp Marine. The Retained Stake will be placed in a segregated account for certain identified contingent liabilities for a period of up to 48 months from the completion of the Proposed Combination. This segregated account will be managed by an independent third-party who will have authority to monetise the Retained Stake based on pre-defined parameters

修订后的结构和条款的主要元素是什么?

简化的交易结构

- 在资产机构交易和吉宝岸外与海事重组完成后,胜科海事将直接向吉宝企业有限公司收购重组吉宝岸外与海事集团
- 初始的胜科海事提案计划将不会进行
- 胜科海事将保留其在新加坡交易所主板的上市地位,并直接向吉宝企业有限公司发行胜科海事新股
- 在合并提案完成后,重组吉宝岸外与海事集团将成为扩大后的集团的一部分

胜科海事将享有实质性的改善条款

- 协定的股权价值交换比率(胜科海事:吉宝岸外与海事)已从44:56提高至46:54
- 这相等于为胜科海事股东争取到3.78亿新元的价值提升

保留股权

- 吉宝企业有限公司将继续持有扩大后的集团之5%[3]股权,而非合并机构之10%股权

[3] 合并提案完成后,吉宝企业有限公司将保留胜科海事之5%股权(即“保留股权”)。保留股权将于合并提案完成后的48个月内,存放在一个独立账户中,以用于指定或然负债。该独立账户将由一名持有根据预定义参数将保留股权货币化的独立第三方管理

5

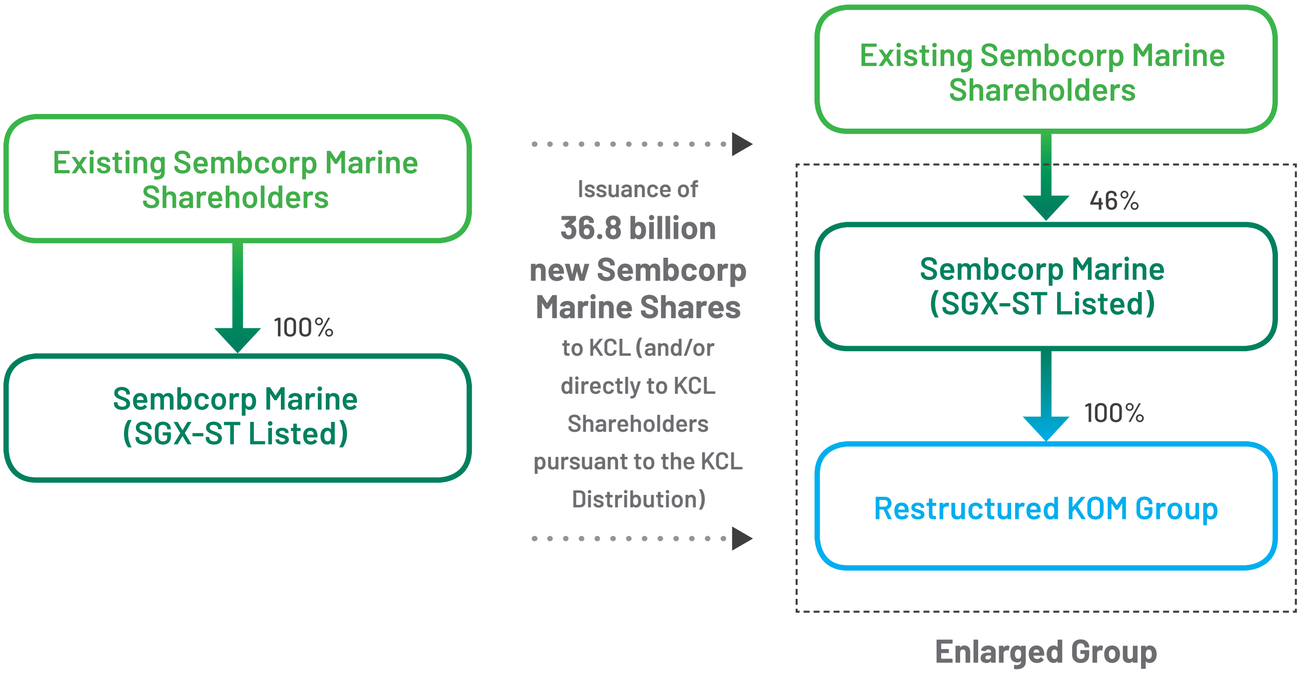
WHAT WILL HAPPEN TO MY SHAREHOLDING IF THE PROPOSED COMBINATION GOES THROUGH?

SCM will issue such number of new Sembcorp Marine Shares to KCL (and/or directly to KCL Shareholders pursuant to the KCL Distribution) representing 54% of the Sembcorp Marine Issued Share Capital immediately following completion of the Proposed Combination.

Existing Sembcorp Marine Shareholders will then own such number of Sembcorp Marine Shares representing 46% of the Sembcorp Marine Issued Share Capital. In turn, the Restructured KOM Group will become part of the Enlarged Group.

Based on 31,389,099,152 Sembcorp Marine Shares in issue (excluding 6,223 treasury shares) as at the Latest Practicable Date, 36,848,072,918 new Sembcorp Marine Shares will be issued.

For illustrative purposes, please refer to the diagram below:



Sembcorp Marine Tuas Boulevard Yard

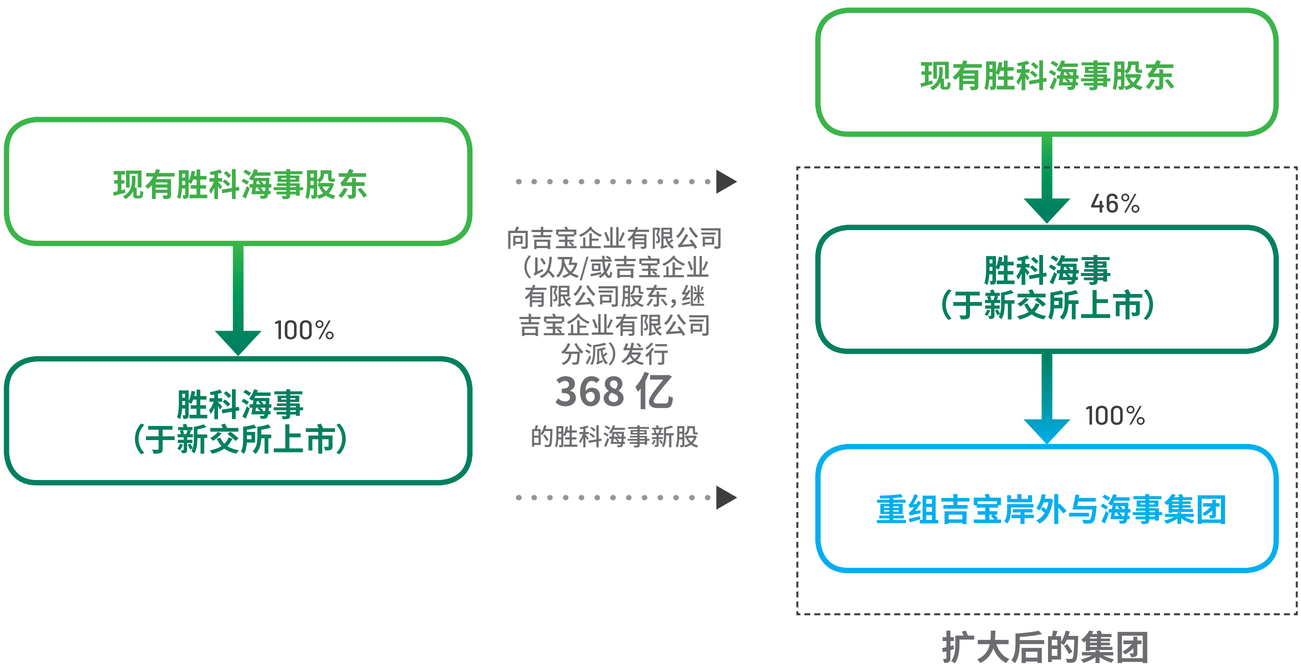
若合并提案通过，我的股份将会如何？

胜科海事将在合并提案完成后，立即向吉宝企业有限公司（以及/或吉宝企业有限公司股东，继吉宝企业有限公司分派）发行相等于占胜科海事已发行股本之54%的新胜科海事股票数量。

现有胜科海事股东届时将持占胜科海事集团已发行股本之46%的股票数量。随之，重组吉宝岸外与海事集团将成为扩大后的集团的一部分。

根据最后可行日期已发行的 31,389,099,152 胜科海事股票（不包括 6,223 存库股），36,848,072,918 的胜科海事新股即将被发行。

为说明用途，请参阅以下图标：



6

WHAT NEEDS TO HAPPEN FOR THE PROPOSED COMBINATION TO BE APPROVED AT THE SCM EGM?

Sembcorp Marine must achieve > 50% in value of approvals from its shareholders[4] for the acquisition of the Restructured KOM Group at the SCM EGM

7

WHAT HAPPENS IF THE PROPOSED COMBINATION DOES NOT GO THROUGH?

If the Proposed Combination does not go through, Sembcorp Marine is expected to face the following:

- Not being able to benefit through greater scale and synergies from:
  - » Larger operational scale
  - » Broader geographical footprint
  - » Enhanced capabilities that the Proposed Combination is expected to bring
- Instead, as a standalone entity, SCM would likely have to contend with:
  - » An even more competitive landscape where many offshore players have sought consolidation or were otherwise challenged by the radically changed fundamentals of the business and needs of customers
  - » Challenging global operating environment and additional upward inflationary pressures
  - » Various other factors, including the pace of recovery in the O&M sector and the continued impact of COVID-19, which may weigh on the SCM Group's overall liquidity
- No assurance that as a standalone entity, the SCM Group will continue to receive the necessary support from its banks, financiers and significant shareholder, Temasek Holdings (Private) Limited ("Temasek")

4 Excluding Startree Investments Pte. Ltd., an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited, which directly holds approximately 54.58% of the issued share capital of SCM

6

合并提案需要什么条件，才能在胜科海事特别股东大会上获批准？

胜科海事必须在胜科海事特别股东大会上获得其股东[4]超过价值之50% 的批准来收购重组吉宝岸外与海事集团

7

若合并提案没有通过将会如何？

若合并提案没有通过，胜科海事预计将面临以下情况：

- 无法通过以下途径，以扩大规模和协同效应的优势从中受益：
  - 更大型的营运规模
  - 更广泛的全球业务足迹
  - 合并提案预计将呈献的增强实力
- 保持独立企业状态的胜科海事很可能面对以下情况：
  - 一个更具挑战的环境，而许多岸外企业已呈献整合，或受其他业务改革或客户需求变化的影响
  - 艰巨挑战的全球营运环境和额外的通货膨胀压力
  - 各种其他因素，包括岸外与海事业的复苏步伐和2019冠状病毒疫情的持续影响均可能对胜科海事集团的整体流动性构成压力
- 胜科海事不能保证能以独立企业状态继续获得其银行、各金融企业和大股东淡马锡控股（私人）有限公司（即“淡马锡”）的支持

4 不包括Startree投资私人有限公司，一家直接持有胜科海事已发行股本之大约54.58%的淡马锡控股（私人）有限公司间接全资附属子公司

8

WHAT DOES THE IFA RECOMMEND?

After having regard to the considerations set out in the IFA Letter, and based on the information available to the IFA as at the Latest Practicable Date, the IFA has made certain recommendations to the Independent Directors, an extract of which is reproduced (in italics) below.

SCM Shareholders should read the following extract (in italics) in conjunction with, and in the context of, the IFA Letter in its entirety as set out in this Circular.

"Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, overall, on balance, we are of the view that the terms of the Proposed Combination are ***fair and reasonable****. Accordingly, we advise the Independent Directors to* ***recommend SCM Shareholders to vote in favour*** *of the Proposed Combination. Our opinion in relation to the Proposed Combination should be considered in the context of the entirety of this Letter and the Circular."*

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WHAT DO THE INDEPENDENT DIRECTORS RECOMMEND?

The Independent Directors, having considered the terms of the Proposed Combination, the rationale for the Proposed Combination, the opinion of the IFA in the IFA letter, the opinion of the Independent Valuer in the Valuation Letter on the Restructured KOM Group and the Supplemental Valuation Letter on the Restructured KOM Group, and the Risk Factors, ***recommend that the SCM Shareholders vote in favour*** of the resolution relating to the Proposed Combination.

SCM Shareholders should read both the Independent Directors' Recommendation and IFA Letter in conjunction with this Circular.

独立财务顾问如何建议?

经考虑独立财务顾问函件中所列之因素，以及根据于最近期的可行日期所获得之信息，独立财务顾问已向独立董事提出若干建议，其中摘录呈献于下。

胜科海事股东应连同该通告所载之独立财务顾问函件的全文，细阅以下摘录。

*“根据我们的分析和一并仔细斟酌于最近期的可行日期所获得之信息后，纵观整体，我们认为合并提案的条款是**公平与合理**的。因此，我们建议独立懂事推荐胜科海事股东**投票表决同意**合并提案。我们针对合并提案的建议应该连同本函件和通告的全文一并斟酌。”*

独立董事如何建议?

独立懂事在考虑合并提案的条款和意向、独立财务顾问在其函件中所发表的意见、独立估值师在重组吉宝岸外与海事集团的估值函中的观点和补充估值函中的观点，以及风险因素后，**建议胜科海事股东投票表决同意**合并提案的相关动议。

胜科海事股东应连同通告，一起细读独立董事的建议和独立财务顾问的函件。

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WHAT DO I NEED TO DO?

You now have this Circular

PRE-REGISTER
for the online SCM EGM

by 11.00 a.m. on 13 February 2023 via the URL at **https://conveneagm.sg/SEMBMARINE-EGM2023**

You may submit your questions, if any, via the above URL or by mail or email to SCM's Share Registrar[5]

+

VOTE
on the Proposed Combination

Voting may be done: (i) live by you or your proxy/proxies via electronic means; or (ii) by appointing the Chairman of the SCM EGM as proxy to vote on your behalf at the SCM EGM

If done via proxy, the EGM Proxy Form must: (i) reach the Company's Share Registrar[5]; or (ii) be submitted via the URL at **https://conveneagm.sg/SEMBMARINE-EGM2023**, in either case by 11.00 a.m. on 13 February 2023

ONLINE SCM EGM
at 11.00 a.m. on 16 February 2023

TWO POSSIBLE OUTCOMES

OUTCOME 1
SCM Shareholders approve the Proposed Combination at the SCM EGM

SCM will directly acquire the Restructured KOM Group

OR

OUTCOME 2
SCM Shareholders do not approve the Proposed Combination at the SCM EGM

SCM will remain as a standalone entity

5 KCK CorpServe Pte. Ltd. at 1 Raffles Place, One Raffles Place (Tower 2) #04-63, Singapore 048616 or sembmarine-egm@kckcs.com.sg

我需要做什么?

您现在持有这份通告

预先登记
网上胜科海事特别股东大会

网上特别股东大会:请在2023年2月13日上午11点之前,访问网址 **https://conveneagm.sg/SEMBMARINE-EGM2023**进行登记

您可通过以上网址,或邮寄或电邮方式,呈交对大会动议的疑问(如有)至胜科海事的股份过户登记处[5]

投票表决
合并提案

投票可通过以下方式进行:(i) 委任代表或亲自通过电子方式于现场进行投票;或 (ii) 委任胜科海事特别股东大会主席,代表您在胜科海事特别股东大会投票

若通过委任代表方式投票,特别股东大会委任表格必须于2023年2月13日上午11点之前:(i)呈交至公司的股份过户登记处[5];或 (ii)通过网站 **https://conveneagm.sg/SEMBMARINE-EGM2023**呈交

网上胜科海事特别股东大会
2023年2月16日上午11点

两种可能的结果

结果 1
胜科海事股东
在特别股东大会上
批准合并提案

胜科海事将直接收购该重组吉宝岸外与海事集团

或

结果 2
胜科海事股东
在特别股东大会上
不批准合并提案

胜科海事将继续保持其独立企业的状态

5 KCK CorpServe Pte. Ltd. 位于 1 Raffles Place, One Raffles Place (Tower 2) #04-63, Singapore 048616 或 sembmarine-egm@kckcs.com.sg

HOW CAN I VOTE ON THE RESOLUTION TABLED AT THE SCM EGM?

You may exercise your voting rights by:

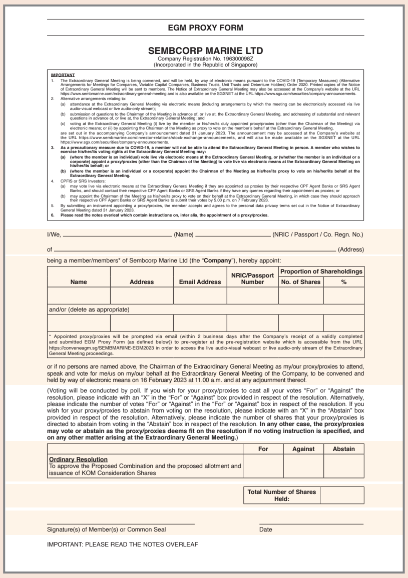
- Voting live via electronic means at the SCM EGM
- Voting via proxy/proxies
  - » Appointing a proxy/proxies to vote on your behalf
  - » Appointing the Chairman of the SCM EGM to vote on your behalf

Please observe the dates outlined in **IMPORTANT DATES AND TIMES** and the indicative timetable set out in this Circular and the notes thereunder

STEP 1: LOCATE THE EGM PROXY FORM

A printed copy of the EGM Proxy Form will be sent to members. The EGM Proxy Form may also be accessed (i) at the Company's website **https://www.sembmarine.com/extraordinary-general-meeting**; or (ii) via SGXNET at **https://www.sgx.com/securities/company-announcements**; or (iii) via the pre-registration website which is accessible from the URL **https://conveneagm.sg/SEMBMARINE-EGM2023**

STEP 2: COMPLETE THE EGM PROXY FORM



EGM PROXY FORM

SEMBCORP MARINE LTD

Company Registration No. 196300098Z

(Incorporated in the Republic of Singapore)

IMPORTANT

1. The Extraordinary General Meeting is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of Extraordinary General Meeting will be sent to members. The Notice of Extraordinary General Meeting may also be accessed at the Company's website at the URL https://www.sembmarine.com/extraordinary-general-meeting and is also available on the SGXNET at the URL https://www.sgx.com/securities/company-announcements.
2. Alternative arrangements relating to:
   (a) attendance at the Extraordinary General Meeting via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream);
   (b) submission of questions to the Chairman of the Meeting in advance of, or live at, the Extraordinary General Meeting, and addressing of substantial and relevant questions in advance of, or live at, the Extraordinary General Meeting; and
   (c) voting at the Extraordinary General Meeting (i) live by the member or his/her/its duly appointed proxy/proxies (other than the Chairman of the Meeting) via electronic means; or (ii) by appointing the Chairman of the Meeting as proxy to vote on the member's behalf at the Extraordinary General Meeting,
   are set out in the accompanying Company's announcement dated 31 January 2023. The announcement may be accessed at the Company's website at the URL https://www.sembmarine.com/investor-relations/stock-exchange-announcements, and will also be made available on the SGXNET at the URL https://www.sgx.com/securities/company-announcements.
3. **As a precautionary measure due to COVID-19, a member will not be able to attend the Extraordinary General Meeting in person. A member who wishes to exercise his/her/its voting rights at the Extraordinary General Meeting may:**
   (a) (where the member is an individual) vote live via electronic means at the Extraordinary General Meeting, or (whether the member is an individual or a corporate) appoint a proxy/proxies (other than the Chairman of the Meeting) to vote live via electronic means at the Extraordinary General Meeting on his/her/its behalf; or
   (b) (where the member is an individual or a corporate) appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the Extraordinary General Meeting.
4. CPFIS or SRS Investors:
   (a) may vote live via electronic means at the Extraordinary General Meeting if they are appointed as proxies by their respective CPF Agent Banks or SRS Agent Banks, and should contact their respective CPF Agent Banks or SRS Agent Banks if they have any queries regarding their appointment as proxies; or
   (b) may appoint the Chairman of the Meeting as his/her/its proxy to vote on their behalf at the Extraordinary General Meeting, in which case they should approach their respective CPF Agent Banks or SRS Agent Banks to submit their votes by 5.00 p.m. on 7 February 2023.
5. By submitting an instrument appointing a proxy/proxies, the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 31 January 2023.
6. **Please read the notes overleaf which contain instructions on, inter alia, the appointment of a proxy/proxies.**

I/We, ______________ (Name) ______________ (NRIC / Passport / Co. Regn. No.)

of ______________________________ (Address)

being a member/members* of Sembcorp Marine Ltd (the "**Company**"), hereby appoint:

Name	Address	Email Address	NRIC/Passport Number	Proportion of Shareholdings	
				No. of Shares	%
and/or (delete as appropriate)					

* Appointed proxy/proxies will be prompted via email (within 2 business days after the Company's receipt of a validly completed and submitted EGM Proxy Form (as defined below)) to pre-register at the pre-registration website which is accessible from the URL https://conveneagm.sg/SEMBMARINE-EGM2023 in order to access the live audio-visual webcast or live audio-only stream of the Extraordinary General Meeting proceedings.

or if no persons are named above, the Chairman of the Extraordinary General Meeting as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company, to be convened and held by way of electronic means on 16 February 2023 at 11.00 a.m. and at any adjournment thereof.

(Voting will be conducted by poll. If you wish for your proxy/proxies to cast all your votes "For" or "Against" the resolution, please indicate with an "X" in the "For" or "Against" box provided in respect of the resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box in respect of the resolution. If you wish for your proxy/proxies to abstain from voting on the resolution, please indicate with an "X" in the "Abstain" box provided in respect of the resolution. Alternatively, please indicate the number of shares that your proxy/proxies is directed to abstain from voting in the "Abstain" box in respect of the resolution. **In any other case, the proxy/proxies may vote or abstain as the proxy/proxies deems fit on the resolution if no voting instruction is specified, and on any other matter arising at the Extraordinary General Meeting.**)

	For	Against	Abstain
Ordinary Resolution To approve the Proposed Combination and the proposed allotment and issuance of KOM Consideration Shares			

Total Number of Shares Held:	

Signature(s) of Member(s) or Common Seal ______ Date ______

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

A Fill in your name and particulars

B Proxy voting may be done: (i) live by appointed proxy/proxies; or (ii) by appointing the Chairman of the SCM EGM as proxy, to vote on your behalf at the SCM EGM

C Indicate in the box labelled FOR, AGAINST or ABSTAIN your vote in respect of the resolution. ***Note:*** *In the absence of specific directions in respect of the resolution, the proxy/proxies may vote or abstain as the proxy/proxies deem(s) fit on the resolution*

D Indicate the number of SCM Shares you hold

E If you are an individual, you or your attorney MUST SIGN and indicate the date

STEP 3: SUBMIT THE COMPLETED EGM PROXY FORM

If submitted by post, the EGM Proxy Form must be lodged at the office of the Company's Share Registrar, **KCK CorpServe Pte. Ltd. at 1 Raffles Place, One Raffles Place (Tower 2) #04-63, Singapore 048616**

If submitted electronically, the EGM Proxy Form must be submitted via (i) email to the Company's Share Registrar at **sembmarine-egm@kckcs.com.sg**; or (ii) the online process through the pre-registration website which is accessible from the URL **https://conveneagm.sg/SEMBMARINE-EGM2023**

- The EGM Proxy Form must reach the Company's Share Registrar by 11.00 a.m. on 13 February 2023, being 72 hours before the time appointed for the SCM EGM
- CPFIS Investors and SRS Investors should note that they (i) may vote live via electronic means at the SCM EGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Agent Banks, and should contact their respective CPF Agent Banks or SRS Agent Banks if they have any queries regarding their appointment as proxies; or (ii) may appoint the Chairman of the SCM EGM as proxy to attend, speak and vote on their behalf at the SCM EGM, in which case they should approach their respective CPF Agent Banks or SRS Agent Banks to submit their votes by 5.00 p.m. on 7 February 2023

我能如何投票表决在胜科海事特别股东大会上所提出的动议?

您可通过以下方式行使您的投票权利:

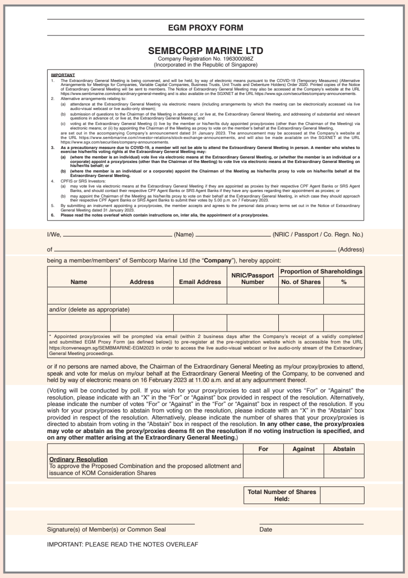
- 通过电子方式于胜科海事特别股东大会现场投票
- 通过委任代表方式投票
  - » 委任代表人代表您投票
  - » 委任胜科海事特别股东大会主席代表您投票

请遵守以下所列的重要日期和时间,以及本通告所注明的指示性时间表和下列备注

步骤1: 索取特别股东大会委任表格

特别股东大会委任表格的影印版已邮寄给您。特别股东大会委任表格也可通过以下网站下载 (i) 公司的网站 **https://www.sembmarine.com/extraordinary-general-meeting**;或 (ii) 从新交所网站**https://www.sgx.com/securities/company-announcements**;或(iii) 预先登记网站**https://conveneagm.sg/SEMBMARINE-EGM2023**

步骤2: 填妥特别股东大会委任表格



A 请填写您的姓名和资料

B 委任投票可通过以下方式进行:(i) 委任代表现场投票;或 (ii) 委任胜科海事特别股东大会主席,代表您在胜科海事特别股东大会投票

C 请在赞成、反对或弃权的格子里针对指定动议投票。***注:若无指定投票指示,委任代表可针对该动议和任何在胜科海事特别股东大会上所提出的事项酌情投票或弃权投票***

D 请注明您所持有的胜科海事股票数量

E 若您是以个人身份投票,您或您的代理人必须签名和注明日期

步骤3: 呈交填妥的特别股东大会委任表格

若通过邮寄方式呈交,特别股东大会委任表格必须寄至公司的股份过户登记处 **KCK CorpServe Pte. Ltd. at 1 Raffles Place, One Raffles Place (Tower 2) #04-63, Singapore 048616**

若通过电子方式呈交,委任表格必须 (i) 电邮至公司的股份过户登记处 **sembmarine-egm@kckcs.com.sg**;或 (ii) 从预先登记网站 **https://conveneagm.sg/SEMBMARINE-EGM2023**进行在线提交

- 委任表格必须于2023年2月13日上午11点(即特别股东大会举行时间前的72小时)之前呈交至公司的股份过户登记处
- 公积金投资计划和退休辅助计划投资者应注:(i)他们可通过电子方式于胜科海事特别股东大会现场投票,若他们被各自公积金代理银行或退休辅助计划的代理银行委任为代表。有关任何被委任为代表的疑问,他们应该联络各自公积金代理银行或退休辅助计划的代理银行询问;或 (ii)他们可委任胜科海事特别股东大会的主席为代表来出席胜科海事特别股东大会,并发言和投票。有关于此,他们需联络各自的公积金代理银行或退休辅助计划的代理银行,指示他们于2023年2月7日下午5点之前代交表决

YOUR VOTE COUNTS

Your support will enable SCM to strengthen its financial position, win new projects, augment its technological capabilities and maintain its competitive edge, and continue to expand strategically into the high-growth clean and renewable energy segment. Thank you.

您的一票至关重要

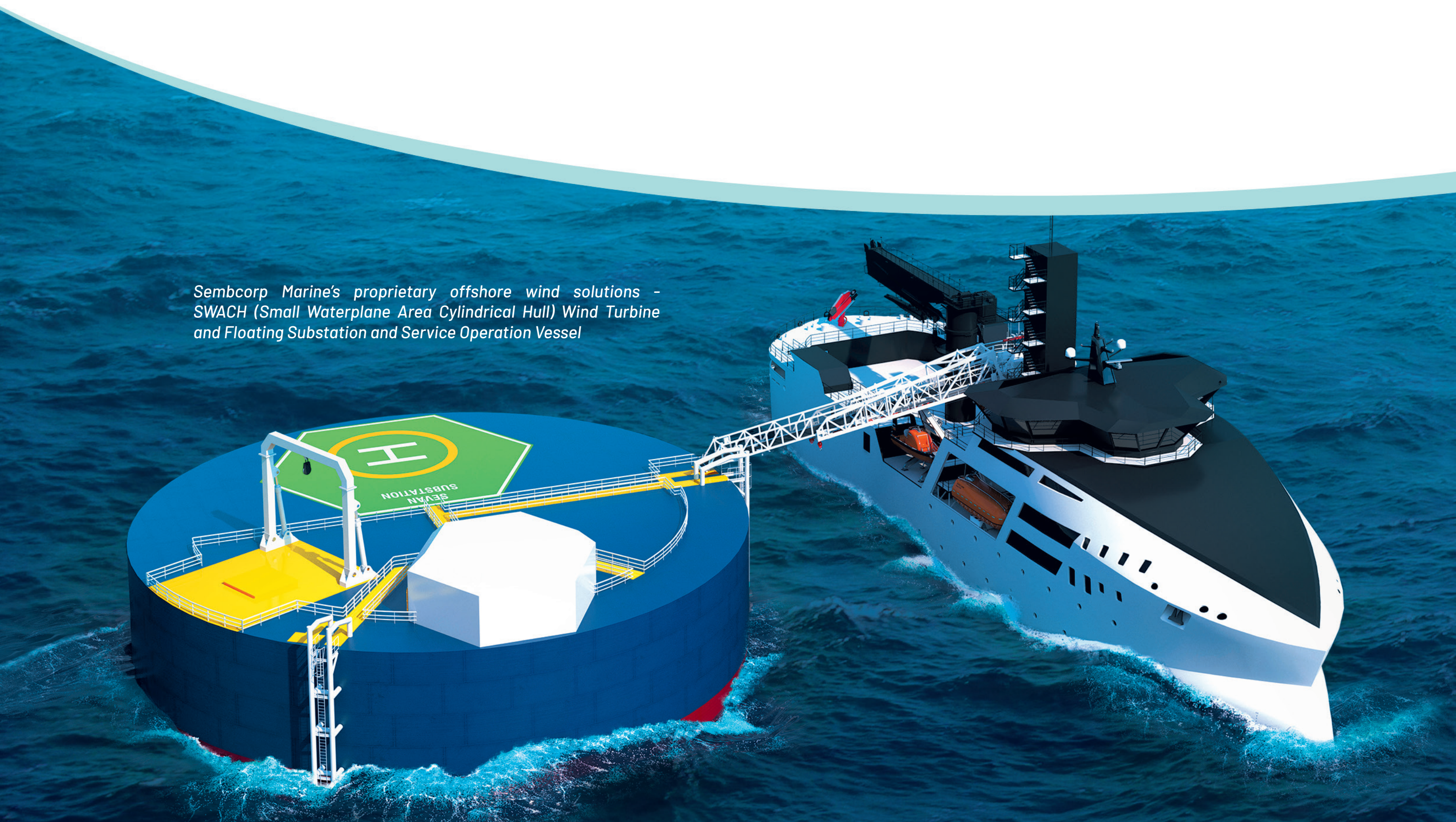
您的支持将帮助胜科海事加强财务状况、履行现有项目义务和争取新项目合约、加强其核心工程和技术实力并保持竞争优势，以及继续战略性扩展进军高增长的清洁和可再生能源行业。谢谢。

WHO CAN I CONTACT FOR ASSISTANCE?

You may get in touch with our Financial Adviser Credit Suisse (Singapore) Limited at:
Tel: +65 6212 2000 (from 9.00 a.m. to 6.00 p.m., Monday to Friday)

我能联系谁来寻求协助?

您能通过以下号码联系胜科海事的财务顾问瑞士信贷(新加坡)有限公司:
电话:+65 6212 2000 (星期一至星期五，早上9点至傍晚6点)



Sembcorp Marine's proprietary offshore wind solutions - SWACH (Small Waterplane Area Cylindrical Hull) Wind Turbine and Floating Substation and Service Operation Vessel

The SCM Group currently offers one-stop engineering solutions for the global O&M and energy industries, with an increasing focus on renewable and clean energy solutions. Principal activities currently include the provision of turnkey solutions for complex projects across the rigs and floaters segments, the performing of one-stop repair and upgrade solutions for all types of O&M vessels and structures, the provision of design and construction solutions for various offshore platforms, and the provision of design and construction solutions for high-performance specialised vessels.

With the Proposed Combination, the Enlarged Group is expected to become a premier global player for the green energy and renewables solutions markets. It is expected to focus on the following segments: offshore renewables, new energy, and cleaner O&M solutions. The Enlarged Group is also expected to benefit from synergies arising from various areas such as greater economies of scale, a combined technical and engineering ability, as well as in-house design and R&D know-how, to expand its suite of technological capabilities and to carry out a wider scope of work. All of this is expected to be backed by a track record of successful executions and deliveries that reinforces the Enlarged Group's distinctive intellectual property and thought leadership in complex projects.

The Enlarged Group will create greater value for all stakeholders. As a single organisation, the collective workforce will benefit from expanded opportunities for career development and growth in the areas of renewables, new energy and cleaner O&M solutions. It will also strengthen Singapore's position as a maritime and offshore & marine hub.

World's first zero-emission green ammonia-fuelled tanker designed by Sembcorp Marine for Grieg Edge

IMPORTANT INFORMATION

If you have sold or transferred all of your shares in the capital of SCM, you should immediately forward this Circular, the Notice of EGM and the accompanying EGM Proxy Form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

This Circular has been prepared solely for the purpose of seeking SCM Shareholders' approval for the Proposed Combination and may not be relied upon by any person other than the SCM Shareholders or for any other purpose. Persons to whom a copy of this Circular has been issued shall not circulate to any other person, reproduce or otherwise distribute this Circular or any information herein for any purpose whatsoever nor permit or cause the same to occur.

The distribution of this Circular into jurisdictions other than Singapore may be prohibited or restricted by law and SCM reserves the right not to send such document to the Overseas Shareholders in such jurisdiction. Persons into whose possession this Circular comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Overseas Shareholders who are in doubt about their positions should consult their own professional advisers in the relevant jurisdictions.

This Circular does not constitute, and is not intended to be, an offer to sell, or a notice, circular or advertisement calling or drawing attention to or soliciting an offer to subscribe for or to buy any securities in any jurisdiction. This Circular has been prepared solely for the purpose of seeking SCM Shareholders' approval for the Proposed Combination and may not be relied upon by any person other than the SCM Shareholders or for any other purpose.

Nothing contained herein is, or may be relied upon as, a promise or representation as to the future performance, financial position or policies of the Company, the SCM Group, KOM and/or the Restructured KOM Group. The delivery of this Circular shall not, under any circumstance, constitute a continuing representation, or give rise to any implication or suggestion, that there has not been or there will not be any change in the affairs of the Company, the SCM Group, KOM and/or the Restructured KOM Group or in the information herein since the Latest Practicable Date. Where any such changes occur after the Latest Practicable Date, the Company may, if required by the Listing Manual or if the Company deems it necessary or desirable to do so, make an announcement of the same on the SGXNET. Please take note of any such announcement. You shall, upon the release of such an announcement, be deemed to have notice of such changes.

You are advised to consult your stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional advisers immediately if you are in any doubt as to any aspect of the Proposed Combination, including the tax implications of approving the same. None of the Company, the SCM Group, KOM and/or the Restructured KOM Group or any other persons involved in the Proposed Combination accepts responsibility for any tax effects of, or any liabilities resulting from, the Proposed Combination.

This Circular may include market and industry data and information that have been obtained from, *inter alia*, internal studies, where appropriate, as well as publicly available information and industry publications. There can be no assurance as to the accuracy or completeness of such information. While the Company has taken reasonable steps to ensure that the information is extracted accurately, the

Company has not independently verified any of the data from third party sources or ascertained the underlying bases or assumptions relied upon therein.

In this Circular, references to information having been extracted from published or otherwise publicly available sources or obtained from a named source refers to information that has been extracted from those sources and/or reproduced in this Circular. The Company has not independently verified any of such information or ascertained the underlying bases or assumptions relied upon therein. Such information extracted may not have been specifically prepared for the purposes of this Circular and may not be updated to the Latest Practicable Date. Information in this Circular relating to the KOM Group which has been extracted from published or otherwise publicly available sources or obtained from a named source may be in respect of KOM or the KOM Group prior to the completion of the KOM Restructuring and/or the Asset Co Transaction.

The SCM EGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. As a precautionary measure due to COVID-19, SCM Shareholders and persons who hold SCM Shares through relevant intermediaries (as defined in section 181 of the Companies Act 1967 of Singapore) will not be able to attend the SCM EGM in person. Instead, alternative arrangements have been put in place to allow SCM Shareholders to participate at the SCM EGM by (a) observing and/or listening to the SCM EGM proceedings via live audio-visual webcast or live audio-only stream; (b) submitting questions to the Chairman of the SCM EGM in advance of or live at the SCM EGM; and/or (c) voting at the SCM EGM live by the SCM Shareholders themselves or their duly appointed proxy/proxies (other than the Chairman of the SCM EGM) via electronic means or appointing the Chairman of the SCM EGM as proxy to vote on their behalf at the SCM EGM. SCM Shareholders should refer to the Company's announcement dated 31 January 2023 in relation to such arrangements, which is available on SGXNET and the Company's website, for further information. A printed copy of this Circular will NOT be sent to members but printed copies of the Notice of EGM and the EGM Proxy Form will be sent to members.

SCM Shareholders should note that the Company may make further changes to the SCM EGM arrangements (including but not limited to any applicable alternative arrangements as may be prescribed or permitted (as the case may be) under applicable law as well as other guidelines issued by the relevant authorities) as the situation evolves. SCM Shareholders are advised to keep abreast of any such changes as may be announced by the Company from time to time on SGXNET and the Company's website.

Your attention is also drawn to the indicative timetable set out on page 9 of this Circular and the notes thereunder.

CONTENTS

DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated or the context otherwise requires:

"**1H2021**"	:	Financial period comprising the first six months of FY2021
"**1H2022**"	:	Financial period comprising the first six months of FY2022
"**2022 SCM AGM**"	:	The last AGM of SCM held on 20 April 2022
"**AGM**"	:	Annual general meeting of SCM
"**Amended and Restated Combination Framework Agreement**"	:	The Combination Framework Agreement, as amended and restated by the amendment and restatement deed dated 27 October 2022 entered into between SCM, KCL and the Combined Entity, in relation to the Proposed Combination
"**Asset Co**"	:	Has the meaning ascribed to it in paragraph 5.1.1(i) of the Letter to Shareholders of this Circular
"**Asset Co Transaction**"	:	Has the meaning ascribed to it in paragraph 5.1.1(i) of the Letter to Shareholders of this Circular
"**Audited Financial Statements of the KOM Group**"	:	The audited consolidated financial statements of the KOM Group for the applicable FY
"**Audited Financial Statements of the SCM Group**"	:	The audited consolidated financial statements of the SCM Group for the applicable FY
"**Auditors**"	:	The Auditors to the Company, KPMG LLP
"**Board**"	:	The board of directors of the Company as at the date of this Circular
"**Business Day**"	:	Means any day (except Saturday, Sunday and any public holidays in Singapore) on which banks are open for general business in Singapore
"**CDP**"	:	The Central Depository (Pte) Limited
"**Closing Date**"	:	The date of completion of the Proposed Combination
"**Code**"	:	The Singapore Code on Take-overs and Mergers
"**Combination Framework Agreement**"	:	The combination framework agreement dated 27 April 2022 entered into amongst the Company, the Combined Entity and KCL, in relation to the proposed combination of the businesses of SCM and KOM
"**Combined Entity**"	:	Bayberry Limited
"**Companies Act**"	:	Companies Act 1967 of Singapore
"**Company**" or "**SCM**" or "**Sembcorp Marine**"	:	Sembcorp Marine Ltd
"**Condensed Interim Financial Statements of the SCM Group**"	:	The condensed interim financial statements of the SCM Group for the applicable financial period

"**Circular**"	:	This Circular dated 31 January 2023 issued by the Company to the SCM Shareholders, and any other document(s) which may be issued by or on behalf of the Company to amend, revise, supplement or update this document from time to time
"**Constitution**"	:	The Constitution of the Company, as amended from time to time
"**CPF**"	:	The Central Provident Fund
"**CPF Agent Banks**"	:	Agent banks included under the CPFIS
"**CPFIS**"	:	CPF Investment Scheme
"**CPFIS Investors**"	:	Investors who purchased SCM Shares using their CPF savings under the CPFIS
"**Directors**" or "**SCM Directors**"	:	The directors of SCM, as at the date of this Circular
"**EGM Proxy Form**"		The accompanying proxy form for the SCM EGM as set out in this Circular
"**Enlarged Group**"	:	The group of companies comprising the SCM Group and the Restructured KOM Group, following completion of the Proposed Combination
"**EPS**"	:	Earnings per share
"**Existing SCM Shareholders**" or "**Existing Sembcorp Marine Shareholders**"	:	The SCM Shareholders immediately prior to the completion of the Proposed Combination
"**Financial Adviser**"	:	Credit Suisse (Singapore) Limited, the financial adviser to SCM in relation to the Proposed Combination
"**FY**"	:	Financial year comprising the period from 1 January to 31 December
"**FY2015**"	:	FY ended 31 December 2015
"**FY2017**"	:	FY ended 31 December 2017
"**FY2018**"	:	FY ended 31 December 2018
"**FY2019**"	:	FY ended 31 December 2019
"**FY2020**"	:	FY ended 31 December 2020
"**FY2021**"	:	FY ended 31 December 2021
"**FY2022**"	:	FY ended 31 December 2022
"**IFA**"	:	Provenance Capital Pte. Ltd., the independent financial adviser to the Independent Directors to advise the Independent Directors in respect of their recommendations to the SCM Shareholders in relation to the Proposed Combination
"**IFA Letter**"	:	Letter from the IFA dated 31 January 2023 containing the advice of the IFA to the Independent Directors in respect of their recommendations to the SCM Shareholders in relation to the Proposed Combination

"**Independent Directors**"	:	The SCM Directors who are considered independent for the purposes of making the recommendations to SCM Shareholders on the Proposed Combination, being all of the SCM Directors as at the date of this Circular
"**Independent Reporting Accountants**"	:	The Independent Reporting Accountants to the Company, KPMG LLP
"**Independent Valuer**"	:	Deloitte & Touche Financial Advisory Services Pte. Ltd.
"**Issue Price**"	:	The issue price of each KOM Consideration Share, being S$0.122 per share
"**Joint Financial Adviser**"	:	DBS Bank Ltd., the joint financial adviser to SCM and KOM with respect to the relative ratios assessment of SCM and KOM
"**KCL**"	:	Keppel Corporation Limited
"**KCL 27 April 2022 Announcement**"	:	The announcement made by KCL on the SGXNET on 27 April 2022 entitled: "Proposed Combination of Keppel Offshore & Marine Ltd and Sembcorp Marine Ltd; Proposed Distribution *in specie* of New Combined Entity Shares"
"**KCL 27 October 2022 Announcement**"	:	The announcement made by KCL on the SGXNET on 27 October 2022 entitled: "The Proposed Combination of Keppel Offshore & Marine Ltd and Sembcorp Marine Ltd – Change in Transaction Structure and Terms; The Proposed Distribution *in specie* of Sembcorp Marine Ltd Shares"
"**KCL Announcements**"	:	The KCL 27 April 2022 Announcement and the KCL 27 October 2022 Announcement, collectively
"**KCL Circular**"	:	The circular dated 23 November 2022 issued by KCL to KCL Shareholders, which may be accessed at the following URL: https://links.sgx.com/FileOpen/3.%20GCAT_Circular.ashx?App=Announcement&FileID=739584, and any other document(s) which may be issued by or on behalf of KCL to amend, revise, supplement or update such document from time to time. For the avoidance of doubt, the KCL Circular is not incorporated by reference into this Circular
"**KCL Distribution**"	:	Has the meaning ascribed to it in paragraph 5.1.3 of the Letter to Shareholders of this Circular
"**KCL EGM**"	:	The extraordinary general meeting held by KCL on 8 December 2022 in relation to, *inter alia*, the Proposed Combination
"**KCL Group**"	:	KCL and its subsidiaries
"**KCL Shareholders**"	:	Registered holders of KCL Shares in the Register of Members of KCL, except that where the registered holder is CDP, the term "**KCL Shareholders**" shall, in relation to such KCL Shares and where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP and into whose Securities Accounts those KCL Shares are credited

"**KCL Shares**"	:	The issued and paid-up ordinary shares in the capital of KCL
"**KOM**"	:	Keppel Offshore & Marine Ltd
"**KOM Consideration Shares**"	:	Such number of new SCM Shares to be issued to KCL (and/or directly to KCL Shareholders pursuant to the KCL Distribution) as consideration for the transfer of the entire issued share capital of KOM from KCL to SCM, representing 54 per cent. of the total issued share capital of SCM immediately following the completion of the Proposed Combination
"**KOM Group**"	:	KOM and its subsidiaries
"**KOM Identified Contingent Liabilities**"	:	Has the meaning ascribed to it in paragraph 5.5.1 of the Letter to Shareholders of this Circular
"**KOM Restructuring**"	:	Has the meaning ascribed to it in paragraph 5.1.1(ii) of the Letter to Shareholders of this Circular
"**Latest Practicable Date**"	:	20 January 2023, being the latest practicable date prior to the issuance of this Circular
"**Listing Manual**"	:	The Listing Manual of the SGX-ST
"**Long-Stop Date**"	:	30 June 2023, or such later date as the Company and KCL may agree
"**Market Day**"	:	A day on which the SGX-ST is open for the trading of securities
"**MAS**"	:	The Monetary Authority of Singapore
"**Master Services Agreement**"	:	The master services agreement to be entered into on completion of the Asset Co Transaction among KOM and Asset Co, amongst others, as further described in paragraph 8 of the Letter to Shareholders of this Circular
"**NAV**"	:	Net asset value
"**Notice of EGM**"	:	The notice of extraordinary general meeting as set out in this Circular
"**NTA**"	:	Net tangible asset
"**O&M**"	:	Offshore and marine
"**Out of Scope Assets**"	:	Has the meaning ascribed to it in paragraph 5.1.1(ii) of the Letter to Shareholders of this Circular
"**Overseas Shareholders**"	:	SCM Shareholders whose registered addresses for service of notices and other documents in the Depository Register are outside Singapore
"**Party**"	:	Each party to the Combination Framework Agreement and the Amended and Restated Combination Framework Agreement, as the case may be, being the Company, the Combined Entity and KCL
"**Proposed Board**"	:	The new board of directors of the Company on completion of the Proposed Combination, as set out in paragraph 2 of **Appendix F** to this Circular

"**Proposed Chief Executive Officer**"	:	Mr Chris Ong Leng Yeow, the new Chief Executive Officer of the Company on completion of the Proposed Combination, as set out in paragraph 2 of **Appendix F** to this Circular
"**Proposed Combination**"	:	The proposed combination of the businesses of SCM and KOM, by way of the acquisition by SCM of the entire issued and paid-up share capital of KOM pursuant to the terms and conditions of the Amended and Restated Combination Framework Agreement
"**Proposed Combination Conditions**"	:	Has the meaning ascribed to it in paragraph 5.3.1 of the Letter to Shareholders of this Circular
"**Proposed New Directors**"	:	The new directors proposed to be appointed to the Proposed Board on completion of the Proposed Combination, as set out in paragraph 2 of **Appendix F** to this Circular
"**Register of Members**"	:	The register of members of the Company or KCL, as the case may be
"**Restructured KOM Group**", and each, a "**Restructured KOM Group Company**" or "**KOM In-Scope Entity**"	:	The entities within the KOM Group, excluding such entities to be transferred pursuant to the Asset Co Transaction and the KOM Restructuring
"**Retained Stake**"	:	Has the meaning ascribed to it in paragraph 5.1.3 of the Letter to Shareholders of this Circular
"**Risk Factors**"	:	Has the meaning ascribed to it in paragraph 4 of the Letter to Shareholders of this Circular
"**SCM 27 April 2022 Announcement**"	:	The announcement made by the Company on the SGXNET on 27 April 2022 entitled "Announcement on the Proposed Combination of Sembcorp Marine Ltd and Keppel Offshore & Marine Ltd"
"**SCM 27 October 2022 Announcement**"	:	The announcement made by the Company on the SGXNET on 27 October 2022 entitled "Proposed Combination of Sembcorp Marine Ltd and Keppel Offshore & Marine Ltd – Revision of Transaction Structure and Terms", a copy of which is set out in **Appendix M** to this Circular
"**SCM EGM**" or "**Extraordinary General Meeting**"	:	The extraordinary general meeting to be held by the Company, including any adjournment thereof
"**SCM EGM Questions Deadline**"	:	Has the meaning ascribed to it in paragraph 16.3.2 of the Letter to Shareholders of this Circular
"**SCM Group**" and each, a "**SCM Group Company**"	:	SCM and its subsidiaries
"**SCM Issued Share Capital**" or "**Sembcorp Marine Issued Share Capital**"	:	The issued share capital of SCM
"**SCM PSP 2020**"	:	The Sembcorp Marine Performance Share Plan 2020 approved and adopted by the SCM Shareholders on 20 May 2020

"**SCM RSP 2020**"	:	The Sembcorp Marine Restricted Share Plan 2020 approved and adopted by the SCM Shareholders on 20 May 2020
"**SCM Share Awards**"	:	The outstanding awards granted under and pursuant to the terms of the SCM PSP 2020 or SCM RSP 2020, of which there are none as at the Latest Practicable Date
"**SCM Shareholders**" or "**Sembcorp Marine Shareholders**"	:	Registered holders of SCM Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term "**SCM Shareholders**" or "**Sembcorp Marine Shareholders**" shall, in relation to such SCM Shares and where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP and into whose Securities Accounts those SCM Shares are credited
"**SCM Share Plans**"	:	The SCM PSP 2020 and the SCM RSP 2020, collectively
"**SCM Shares**" or "**Sembcorp Marine Shares**"	:	The issued and paid-up ordinary shares in the capital of SCM
"**Securities Account**"	:	The relevant securities account maintained by a Depositor with CDP but does not include a securities sub-account
"**Segregated Account**"	:	Has the meaning ascribed to it in paragraph 5.5 of the Letter to Shareholders of this Circular
"**Segregated Account Agent**"	:	Has the meaning ascribed to it in paragraph 6 of the Letter to Shareholders of this Circular
"**Segregated Period**"	:	Has the meaning ascribed to it in paragraph 6.1.4 of the Letter to Shareholders of this Circular
"**SFA**"	:	The Securities and Futures Act 2001 of Singapore
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**SGXNET**"	:	A system network used by listed companies to send information and announcements to the SGX-ST, or any other system network prescribed by the SGX-ST
"**Side Letter**"	:	The side letter dated 31 January 2023 entered into between SCM and KCL, in relation to the Amended and Restated Combination Framework Agreement
"**SRS**"	:	Supplementary Retirement Scheme
"**SRS Agent Banks**"	:	Approved banks with whom SRS Investors hold their accounts under the SRS
"**SRS Investors**"	:	Investors who purchased SCM Shares under the SRS
"**Startree**"	:	Startree Investments Pte. Ltd.
"**substantial shareholder**"		A person which has an interest in one or more voting shares of a company and the total votes attached to that share, or those shares, is not less than 5 per cent. of the total votes attached to all the voting shares in the company

"**Supplemental Valuation Letter on the Restructured KOM Group**"	:	The supplemental valuation letter on the Restructured KOM Group dated 31 January 2023 issued by the Independent Valuer as set out in **Appendix B** to this Circular
"**Temasek**"	:	Temasek Holdings (Private) Limited
"**Transitional Services Arrangement**"		Has the meaning ascribed to it in paragraph 7 of the Letter to Shareholders of this Circular
"**Unaudited Pro Forma Financial Information of the Enlarged Group**"	:	The unaudited pro forma financial information of the Enlarged Group for the applicable financial period, assuming the Proposed Combination is completed
"**Unaudited Pro Forma Financial Information of the Restructured KOM Group**"	:	The unaudited pro forma financial information of the Restructured KOM Group for the applicable financial period, assuming the Asset Co Transaction and the KOM Restructuring is completed
"**Valuation Letter on the Restructured KOM Group**"	:	The Valuation Letter dated 31 January 2023 on the Restructured KOM Group as set out in **Appendix B** to this Circular
"**VWAP**"	:	Volume-weighted average price
<u>**Units and Currencies**</u>		
"**S$**" and "**cents**"	:	Singapore dollars and cents, respectively, being the lawful currency of the Republic of Singapore
"**US$**"	:	U.S. dollars, being the lawful currency of the U.S.

The expressions "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the same meanings ascribed to them respectively in Section 81SF of the SFA. The expressions "**subsidiary**" and "**related corporations**" shall have the same meanings ascribed to them respectively in Sections 5 and 6 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words indicating a specific gender shall, where applicable, include the other genders (male, female or neuter). References to persons shall, where applicable, include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference in this Circular to any enactment or statutory provision is a reference to that enactment or statutory provision as for the time being amended, modified, supplemented or re-enacted. Any word defined under the Companies Act, the SFA, the Listing Manual or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the meaning ascribed to that word under the Companies Act, the SFA, the Listing Manual or that modification, as the case may be, unless the context otherwise requires.

Any reference to a time of day and date in this Circular shall be a reference to Singapore time and date respectively, unless otherwise specified.

References to “**you**”, “**your**” and “**yours**” in this Circular are, as the context so determines, to SCM Shareholders (including persons whose SCM Shares are deposited with CDP or who have purchased the SCM Shares on the SGX-ST).

Any discrepancies in the figures included in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown in totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

In this Circular, the total number of SCM Shares as at the Latest Practicable Date is 31,389,105,375 (including 6,223 treasury shares). Unless otherwise specified, all references to a percentage shareholding in the capital of the Company in this Circular are based on 31,389,099,152 SCM Shares (excluding 6,223 treasury shares) in the issued share capital of the Company as at the Latest Practicable Date.

Any reference to a website or any website directly or indirectly linked to such websites in this Circular is not incorporated by reference into this Circular and should not be relied upon.

INDICATIVE TIMETABLE

Notice of EGM	:	**31 January 2023**
SCM Shareholders, and where applicable, their appointed proxies, may begin to pre-register at the URL https://conveneagm.sg/SEMBMARINE-EGM2023 for the live audio-visual webcast or live audio-only stream of the SCM EGM	:	From 31 January 2023 at 11.00 p.m.
Last date for CPFIS Investors and SRS Investors to approach their respective CPF Agent Banks or SRS Agent Banks to submit their votes if they wish to appoint the Chairman of the SCM EGM as proxy	:	7 February 2023 at 5.00 p.m.
Last date and time for submission of substantial and relevant questions for the SCM EGM	:	7 February 2023 at 5.00 p.m.
Last date and time for lodgement of EGM Proxy Form		13 February 2023 at 11.00 a.m.
Last date and time to pre-register online to attend the SCM EGM	:	13 February 2023 at 11.00 a.m.
Date and time of the SCM EGM	**:**	**16 February 2023 at 11.00 a.m.**
Completion of the Asset Co Transaction (to take place prior to completion of the KOM Restructuring and the Proposed Combination)	*:*	*On or prior to 28 February 2023*
Completion of the KOM Restructuring (to take place prior to completion of the Proposed Combination)	*:*	*On or prior to 28 February 2023*
Completion of the Proposed Combination	*:*	*On or prior to 28 February 2023*[1]
Crediting of the KOM Consideration Shares to KCL Shareholders pursuant to the KCL Distribution	*:*	*To be announced by KCL*

You should note that save for (i) the latest date and time for the lodgement of the EGM Proxy Form, (ii) the latest date and time for the online pre-registration to attend the SCM EGM, (iii) the latest date and time for the submission of substantial and relevant questions relating to the resolution to be tabled for approval at the SCM EGM and (iv) the date and time of the SCM EGM, the above timetable is indicative only and may be subject to change. The actual dates of the events in italics will be announced in due course by way of SGXNET announcements released on the SGX-ST.

[1] Subject to timing for SGX-ST and CDP logistics for the issuance of the KOM Consideration Shares. The Asset Co Transaction, KOM Restructuring and completion of the Proposed Combination form part of a series of composite steps to be undertaken in sequence. If the Asset Co Transaction and the KOM Restructuring are not completed, the Proposed Combination cannot proceed.

Notes:

(1) The SCM EGM will be convened and held by way of electronic means as a precautionary measure due to COVID-19. Accordingly, SCM Shareholders will not be able to attend the SCM EGM in person.

SCM Shareholders may cast their votes at the SCM EGM (i) live by SCM Shareholders themselves or their duly appointed proxies (other than the Chairman of the SCM EGM) via electronic means; or (ii) by appointing the Chairman of the SCM EGM as proxy to attend, speak and vote on their behalf at the SCM EGM.

(2) The EGM Proxy Form must be submitted to the Company in the following manner:

(i) if submitted by post, be lodged at the office of the Company's Share Registrar, KCK CorpServe Pte. Ltd., at 1 Raffles Place, One Raffles Place (Tower 2) #04-63, Singapore 048616; or

(ii) if submitted electronically, be submitted via (a) email to the Company's Share Registrar at sembmarine-egm@kckcs.com.sg; or (b) the online process through the pre-registration website which is accessible from the URL https://conveneagm.sg/SEMBMARINE-EGM2023.

in each case, by 11.00 a.m. on 13 February 2023, being 72 hours before the time appointed for holding the SCM EGM.

An SCM Shareholder who wishes to submit an instrument of proxy must first download (where necessary), complete and sign the EGM Proxy Form (i) before submitting it by post to the address provided above; (ii) before scanning and sending it by email to the email address provided above; or (iii) before submitting it via the pre-registration website. In the alternative, a member may download, complete and authorise the EGM Proxy Form by way of the affixation of an electronic signature, before sending it by email to the email address provided above.

The proxy/proxies may vote or abstain as the proxy/proxies deem(s) fit on the resolution if no voting instruction is specified, and on any other matter arising at the SCM EGM.

In view of COVID-19, SCM Shareholders are strongly encouraged to submit completed EGM Proxy Forms electronically via email or appoint a proxy/proxies via the online process through the pre-registration website which is accessible from the URL https://conveneagm.sg/SEMBMARINE-EGM2023.

CORPORATE INFORMATION

Directors	:	Tan Sri Mohd Hassan Marican *(Chairman, Non-Executive and Non-Independent Director)* Yap Chee Keong *(Deputy Chairman, Non-Executive and Independent Director)* Wong Weng Sun *(President & Chief Executive Officer, Executive and Non-Independent Director)* Bob Tan Beng Hai *(Non-Executive and Lead Independent Director)* Gina Lee-Wan *(Non-Executive and Independent Director)* William Tan Seng Koon *(Non-Executive and Independent Director)* Patrick Daniel *(Non-Executive and Independent Director)* Tan Wah Yeow *(Non-Executive and Independent Director)* Koh Chiap Khiong *(Non-Executive and Non-Independent Director)*
Joint Company Secretaries	:	Tan Yah Sze Kem Huey Lee Sharon
Registered Office	:	80 Tuas South Boulevard Singapore 637051
Share Registrar	:	KCK CorpServe Pte. Ltd. 1 Raffles Place One Raffles Place (Tower 2) #04-63 Singapore 048616
Financial Adviser to the Company	:	Credit Suisse (Singapore) Limited 1 Raffles Link #03/04-01 South Lobby Singapore 039393
Joint Financial Adviser to the Company and KOM with respect to the relative ratios assessment of the Company and KOM	:	DBS Bank Ltd. 12 Marina Boulevard, Level 46 Marina Bay Financial Centre Tower 3 Singapore 018982
Independent Financial Adviser to the Independent Directors	:	Provenance Capital Pte. Ltd. 96 Robinson Road #13-01 SIF Building Singapore 068899

Auditors and Independent Reporting Accountants to the Company	:	KPMG LLP 12 Marina View #15-01, Asia Square Tower 2 Singapore 018961
Independent Valuer	:	Deloitte & Touche Financial Advisory Services Pte. Ltd. 6 Shenton Way #33-00 OUE Downtown Singapore 068809
Legal Adviser to the Company	:	Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements contained in this Circular, including statements in announcements, press releases and oral statements, that are made or may be made by the Company or its officers or employees, that are not statements of historical fact, constitute "forward-looking statements". Forward-looking statements, including but not limited to statements as to the Company's, the SCM Group's, KOM's and/or the Restructured KOM Group's revenue, profitability, costs, expected industry trends, prospects, future plans, strategy and other matters discussed in this Circular regarding matters that are not historical facts, are only predictions. Some but not all forward-looking statements can be identified by terms such as "anticipate", "believe", "could", "estimate", "expect", "forecast", "if", "intend", "may", "plan", "possible", "probable", "project", "should", "will" and "would" or similar words. All statements regarding the Company's, the SCM Group's, KOM's and/or the Restructured KOM Group's expected financial position, performance, business strategy, plans and prospects are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's, the SCM Group's, KOM's and/or the Restructured KOM Group's actual future results, performance or achievements to be materially different from any future results, performance or achievements expected in, expressed or implied by such forward-looking statements. These risks, uncertainties and other factors may include matters not yet known to the Company, the SCM Group, KOM and/or the Restructured KOM Group or not yet currently considered material by the Company, the SCM Group, KOM and/or the Restructured KOM Group.

The risks and uncertainties faced may cause the Company's, the SCM Group's, KOM's and/or the Restructured KOM Group's actual future results, performance or achievements to be materially different from those expected in, or expressed or implied by, the forward-looking statements or financial information set out in this Circular, and thus, undue reliance must not be placed on them. None of the Company, the SCM Group, KOM, the Restructured KOM Group nor any other party involved in the Proposed Combination represents or warrants that the Company's, the SCM Group's, KOM's and/or the Restructured KOM Group's actual future results, performance or achievements will be as discussed in those statements or financial information.

The Company, the SCM Group, KOM and the Restructured KOM Group and all parties involved in the Proposed Combination, disclaim any responsibility to update any of those forward-looking statements or information or publicly announce any revisions to them to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future. However, the Company is, or will be, as the case may be, subject to the relevant provisions of the Listing Manual and the SFA regarding disclosure of information.

LETTER TO SHAREHOLDERS

SEMBCORP MARINE LTD

(Incorporated in the Republic of Singapore)
Company Registration No. 196300098Z

Directors	**Registered Office**
Tan Sri Mohd Hassan Marican *(Chairman, Non-Executive and Non-Independent Director)* Yap Chee Keong *(Deputy Chairman, Non-Executive and Independent Director)* Wong Weng Sun *(President & Chief Executive Officer, Executive and Non-Independent Director)* Bob Tan Beng Hai *(Non-Executive and Lead Independent Director)* Gina Lee-Wan *(Non-Executive and Independent Director)* William Tan Seng Koon *(Non-Executive and Independent Director)* Patrick Daniel *(Non-Executive and Independent Director)* Tan Wah Yeow *(Non-Executive and Independent Director)* Koh Chiap Khiong *(Non-Executive and Non-Independent Director)*	80 Tuas South Boulevard Singapore 637051

31 January 2023

To : The shareholders of Sembcorp Marine Ltd

Dear Sir / Madam

1. INTRODUCTION

1.1 Announcement of the Memorandum of Understanding. On 24 June 2021, SCM announced that it had entered into a non-binding memorandum of understanding with KCL to explore a potential combination of SCM and KOM, a wholly-owned subsidiary of KCL.

1.2 The Proposed Combination. On 27 April 2022, the Company announced that it had entered into the Combination Framework Agreement in relation to the proposed combination of the businesses of SCM and KOM.

On 27 October 2022, the Company announced it had entered into an amendment and restatement deed amending and restating the Combination Framework Agreement and setting out the revised terms on which the Proposed Combination will be effected. Pursuant to the terms of the Amended and Restated Combination Framework Agreement, SCM and KCL have agreed to take certain steps to effect the proposed combination of the businesses of SCM and KOM, and to record their respective obligations relating to, *inter alia*, the implementation of such proposed combination. Under the Amended and Restated Combination Framework Agreement, the Parties intend to achieve the Proposed Combination, such that KOM becomes a wholly-owned subsidiary of SCM following completion of the Proposed Combination.

A summary of the key revised terms in the Amended and Restated Combination Framework Agreement is set out in the table below. Further details can be found in the SCM 27 October 2022 Announcement, a copy of which can be found at **Appendix M** to this Circular.

Item	Previous structure and terms under the Combination Framework Agreement dated 27 April 2022	Revised structure and terms under the Amended and Restated Combination Framework Agreement dated 27 October 2022
Transaction structure	SCM will undertake an internal restructuring exercise via the Sembcorp Marine Scheme[2], whereby the Combined Entity would acquire all the shares of SCM via a scheme of arrangement under the Companies Act. SCM will be delisted from SGX-ST and the Combined Entity will be listed on the Mainboard of the SGX-ST.	Sembcorp Marine Scheme will not take place. SCM will remain as the entity listed on the SGX-ST.
	Proposed Combination will take place via the Keppel O&M Scheme[3], whereby the Combined Entity will combine with KOM via a scheme of arrangement under the Companies Act.	Proposed Combination will take place by way of the transfer of all the issued shares of KOM to SCM.
Agreed equity value exchange ratio	Immediately following completion of Proposed Combination: • KCL and its shareholders: 56 per cent. of the total issued share capital of the Combined Entity • Existing SCM Shareholders: 44 per cent. of the total issued share capital of the Combined Entity	Immediately following completion of Proposed Combination: • KCL and its shareholders: 54 per cent. of the total issued share capital of SCM • Existing SCM Shareholders: 46 per cent. of the total issued share capital of SCM
Retained Stake	KCL to retain 10 per cent. of the shares in the Combined Entity on a fully diluted basis post-completion of the Proposed Combination, to fund claims by the Combined Entity, if any, relating to certain identified contingent liabilities.	KCL to retain 5 per cent. of the SCM Shares on a fully diluted basis post-completion of the Proposed Combination, to fund claims by SCM, if any, relating to certain identified contingent liabilities.

[2] "**Sembcorp Marine Scheme**" is defined in the SCM 27 October 2022 Announcement as the internal restructuring of SCM through a scheme of arrangement involving a one-for-one exchange of SCM shares for Combined Entity shares and the transfer of SCM's listing status to the Combined Entity.

[3] "**Keppel O&M Scheme**" is defined in the SCM 27 October 2022 Announcement as the acquisition of KOM by the Combined Entity to be paid for via issuance of new shares of the Combined Entity.

In addition, a copy of each of the SCM 27 April 2022 Announcement and the SCM 27 October 2022 Announcement is available on the website of the SGX-ST at https://www.sgx.com/securities/company-announcements.

1.3 **Very Substantial Acquisition.** The Proposed Combination constitutes a "very substantial acquisition" as defined under Chapter 10 of the Listing Manual which is subject to, *inter alia*, the approval of the SGX-ST and the SCM Shareholders at the SCM EGM. Please refer to paragraph 9 of this Letter to Shareholders for further details.

1.4 **Purpose of this Circular.** The purpose of this Circular is to provide SCM Shareholders with information relating to the Proposed Combination and to seek SCM Shareholders' approval for the Proposed Combination at the SCM EGM.

1.5 **The SCM EGM.** The SCM EGM, notice of which is set out in this Circular, will be convened and held by way of electronic means at 11.00 a.m. on 16 February 2023 for the purpose of considering and, if thought fit, passing with or without any modifications, the resolution relating to the Proposed Combination as set out in the Notice of EGM.

2. INFORMATION ON THE COMPANY AND THE RESTRUCTURED KOM GROUP AND THE ENLARGED GROUP

2.1 The Company

The Company is a public limited company incorporated in Singapore on 25 April 1963. The Company was officially listed on the Mainboard of the SGX-ST on 18 September 1987. The SCM Group offers one-stop engineering solutions for the global O&M and energy industries, with an increasing focus on renewable and clean energy solutions. As at the Latest Practicable Date, SCM has an issued and paid-up share capital of S$4,088,002,197.10, comprising 31,389,105,375 SCM Shares (including 6,223 treasury shares).

Please refer to **Appendix D** to this Circular for further details on the Company.

2.2 KCL

2.2.1 **Principal activities.** KCL is a public limited company incorporated in Singapore on 3 August 1968. KCL was officially listed on the Mainboard of the SGX-ST on 24 October 1980. The KCL Group provides solutions for sustainable urbanisation, focusing on four key areas comprising energy & environment, urban development, connectivity and asset management, with sustainability at the core of its strategy[4].

2.2.2 **Board of directors.** As at the Latest Practicable Date, the board of directors of KCL comprises the following:

(i) Mr Danny Teoh (Non-Executive and Non-Independent Chairman);
(ii) Mr Loh Chin Hua (Chief Executive Officer and Executive Director);
(iii) Mr Till Vestring;
(iv) Ms Veronica Eng;
(v) Mr Jean-François Manzoni;
(vi) Mr Teo Siong Seng;

[4] Information obtained and/or extracted from the website of KCL at https://www.kepcorp.com/en/ on 10 January 2023.

(vii) Mr Tham Sai Choy;
(viii) Mrs Penny Goh;
(ix) Mr Shirish Apte;
(x) Mr Olivier Pascal Marius Blum; and
(xi) Mr Jimmy Ng Hwee Kim.

2.2.3 **Shares**. As at the Latest Practicable Date, based on information publicly available to SCM, there is a total of 1,751,959,918 issued KCL Shares (excluding treasury shares).

2.2.4 **Temasek's shareholding.** As at the Latest Practicable Date, Temasek has a direct interest in 371,408,292 KCL Shares[5], which is equivalent to approximately 21.20 per cent. of the total number of KCL Shares (excluding treasury shares)[6].

2.3 KOM and the Restructured KOM Group

KOM is a company incorporated in Singapore on 6 February 1999 and is a direct wholly-owned subsidiary of KCL. The principal activities of KOM and its subsidiaries consist of offshore rig design, construction and repair, ship repair and conversion, and specialised shipbuilding[7]. As at the Latest Practicable Date, KOM has an issued and paid-up share capital of S$339,716,498, comprising 664,556,126 issued ordinary shares in the capital of KOM.

Prior to the completion of the Proposed Combination, KCL will procure that KOM undertakes the Asset Co Transaction and the KOM Restructuring. Following the completion of the Asset Co Transaction and the KOM Restructuring, the existing KOM Group will become the Restructured KOM Group. As at the Latest Practicable Date, the list of entities within the Restructured KOM Group which will be transferred to SCM on completion of the Proposed Combination is set out in paragraph 5 of **Appendix E** to this Circular. Please refer to paragraph 5.1.1 of this Letter to Shareholders for further details on the Asset Co Transaction and the KOM Restructuring.

Please refer to **Appendix E** to this Circular for further details on KOM and the Restructured KOM Group.

2.4 The Enlarged Group

Following completion of the Proposed Combination, KOM will become a wholly-owned subsidiary of SCM. Please refer to **Appendix F** to this Circular for further details of the Enlarged Group.

3. RATIONALE FOR THE PROPOSED COMBINATION

3.1 Background

3.1.1 The O&M sector has faced a prolonged and severe downturn since 2015, exacerbated by the rapid global transition towards renewables and clean energy, as well as significant disruptions during the COVID-19 pandemic. Amid this downturn, competition for a shrinking pool of projects has intensified, contributing to an increased level of debt

[5] As at the Latest Practicable Date, Temasek holds a direct interest in 371,408,292 ordinary shares in the issued and paid-up capital of KCL. This excludes interests held by Temasek's independently-managed portfolio companies.
[6] Based on 1,751,959,918 issued KCL Shares (excluding treasury shares) as at the Latest Practicable Date.
[7] Information obtained and/or extracted from the KCL Circular.

across the industry and necessary equity issuances to strengthen financial positions. Additionally, many offshore players have sought consolidation to achieve the scale and synergies needed to become more competitive and build a sustainable order book.

3.1.2 The long-term outlook for the O&M sector is shifting amid the energy transition. Growing commitments by governments and companies around the world seeking to achieve net zero carbon emissions are driving increasing demand for renewable and clean energy solutions. These include areas such as offshore wind, hydrogen and ammonia, in which both KOM and SCM have built their respective capabilities and track records in the past few years.

3.2 Creation of a Premier Global Player for the Renewables and Green Energy Solutions Markets

Against this backdrop, the Proposed Combination will create a premier global player with a deep engineering heritage to offer products, services and solutions in the following areas:

3.2.1 **Offshore Renewables:** Building on the existing wins to date to scale up the Enlarged Group's footprint in offshore wind energy, a sector that is expected to see global expenditures of S$260 billion between 2021 and 2030[8], with participation across the value chain, including substations, small waterplane area cylindrical hulls and wind turbine installation vessels;

3.2.2 **New Energy:** Making select early investments in new energy sources, such as hydrogen and ammonia, and in carbon capture technologies, with a view to building successful franchises in these areas for the decades ahead; and

3.2.3 **Cleaner O&M solutions:** Contributing to energy production and resiliency by continuing to serve the demand for floating production systems, such as floating production storage and offloading (FPSO) units, and other offshore oil & gas solutions, estimated to amount to a S$290 billion opportunity in terms of market size[8] above, through focusing on innovating and applying new technologies to reduce the carbon footprint of such structures.

3.3 Greater Synergies from Combined Operational Capabilities, Engineering Bench Strength and Track Record

The Enlarged Group is envisaged to unlock synergies from the integration of two established industry players by:

3.3.1 Leveraging the combined technical and engineering abilities, as well as in-house design and research and development know-how, to expand its suite of technological capabilities and to carry out a wider scope of work;

3.3.2 Combining the respective track records of successful executions and deliveries, and reinforcing the Enlarged Group's distinctive intellectual property and thought leadership in complex projects;

[8] According to market research for 2021 to 2030 by a leading global management consultancy.

3.3.3 Building a global footprint and integrating the operations in Singapore into a centre of excellence focused on high-value-added, specialised projects and modules; and

3.3.4 Generating greater economies of scale and developing more rigorous project execution capabilities.

The Enlarged Group will create greater value for all stakeholders. As a single organisation, the collective workforce will benefit from expanded opportunities for career development and growth in the areas of renewables, new energy and cleaner O&M solutions. It will also strengthen Singapore's position as both a maritime and offshore and marine hub.

As a significant shareholder of both SCM and KCL, Temasek has given its full support for the Proposed Combination. Temasek agrees that the Proposed Combination will be transformational for both O&M companies, while reinforcing Singapore's position as both a maritime and O&M hub. Temasek joins both companies in asking for the support of their shareholders for the Proposed Combination as they believe that it is the best way to deliver long term value creation for shareholders and other stakeholders. As stated in paragraph 15.2.2 of this Letter to Shareholders, Startree, being the relevant Temasek entity holding the SCM Shares, will abstain from voting on the resolution relating to the Proposed Combination at the SCM EGM.

If the Proposed Combination does not proceed, as a standalone entity, SCM can continue to pursue its normal course of business and operations. However, it will not be able to benefit from greater scale and synergies from the larger operational scale, broader geographical footprint and enhanced capabilities that the Proposed Combination is expected to bring. Instead, as a standalone entity, SCM would have to navigate an even more competitive landscape where many offshore players have sought consolidation or were otherwise challenged by the radically changed fundamentals of the business and needs of customers. The challenging and competitive global operating environment coupled with additional upward pressure on inflation and various other factors, including the pace of recovery in the O&M sector and the continued impact of COVID-19, may weigh on the SCM Group's overall liquidity, and there is no assurance that as a standalone entity, the SCM Group would continue to receive the necessary support from its banks, financiers and significant shareholder, Temasek.

4. RISK FACTORS

An investment in the SCM Shares in connection with the Proposed Combination involves a number of risks, some of which could be substantial, including market, liquidity, credit, operational, legal and regulatory risks relating to the Enlarged Group.

SCM Shareholders should evaluate carefully the information set out in **Appendix C** to this Circular (collectively, "**Risk Factors**"), and the other information in this Circular before deciding on the Proposed Combination and how to cast their votes at the SCM EGM. SCM Shareholders should consider the Risk Factors in light of their own investment objectives, risk appetite and financial circumstances. If you are in any doubt as to the action that you should take, you should consult your legal, financial, tax or other professional adviser immediately. You are responsible for your own investment choices.

The Risk Factors are not the only risks which SCM and/or the Enlarged Group will face and/or currently faces. Some risks are not yet known to the SCM Group, and/or the Restructured KOM Group, and there may be others which they currently believe are not material but may subsequently turn out to be so. Factors that affect the price of SCM Shares may change and the Risk Factors should not be construed as a comprehensive listing of all the risks and the listing is not set out in any particular order.

Following completion of the Proposed Combination, if any of the Risk Factors develops into actual events, the financial position, results, cash flow, performance, business operations and prospects of the Enlarged Group could be, directly or indirectly, materially and adversely affected. In the event that any of the foregoing occurs, the trading price of the SCM Shares could fluctuate and/or decline and SCM Shareholders may lose all or part of their investment in the SCM Shares.

This Circular also contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results could differ materially from those anticipated or implied in these forward-looking statements as a result of certain Risk Factors.

If and when there are any material developments which warrant disclosure, the Board will make an announcement on the SGX-ST in accordance with the Listing Manual.

5. THE PROPOSED COMBINATION

5.1 Summary of Key Steps for the Proposed Combination. Pursuant to the terms and conditions of the Amended and Restated Combination Framework Agreement, the Proposed Combination is proposed to be effected as follows:

5.1.1 Asset Co Transaction and KOM Restructuring.

(i) On 24 June 2021, KCL announced that as a separate but connected transaction relating to the Proposed Combination, KCL had entered into a non-binding memorandum of understanding with Kyanite Investment Holdings Pte Ltd, an indirect wholly-owned subsidiary of Temasek, pursuant to which KOM would divest KOM's legacy rig assets and associated receivables (the "**Asset Co Transaction**") to a newly established asset holding company ("**Asset Co**"). KCL, KOM, Asset Co and others had, on 27 April 2022, also entered into the agreement for the Asset Co Transaction (which was amended and restated on 27 October 2022). The Proposed Combination will be subject to the Asset Co Transaction taking place. Details of the Asset Co Transaction are set out in the KCL Announcements and paragraph 3 of the KCL Circular[9].

(ii) Prior to the completion of the Proposed Combination, KCL will procure that KOM undertake the following restructuring of KOM (the "**KOM Restructuring**"). KCL will complete the Asset Co Transaction whereby KCL will sell KOM's legacy rigs and associated receivables to Asset Co. In addition, certain out of scope assets (the "**Out of Scope Assets**") comprising mainly KOM's interests in Floatel International Ltd and Dyna-Mac Holdings Ltd will be retained by KCL pursuant to a restructuring of KOM prior to the completion of the Proposed Combination. A full list of the Out of Scope Assets is set out in Part 2 of Appendix A of the KCL Circular. Immediately prior to the completion of the Proposed Combination, KOM will pay S$500 million in cash to settle

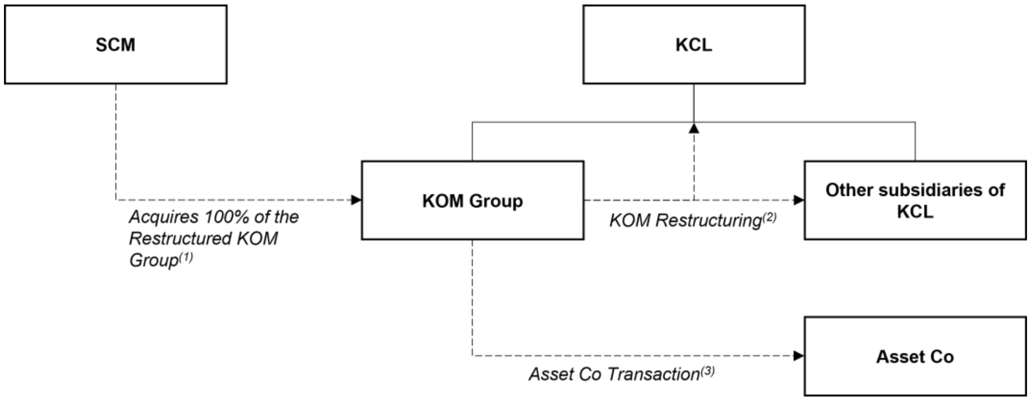
[9] For the avoidance of doubt, any reference to the KCL Announcements in this Circular is not an incorporation by reference of the KCL Announcements into this Circular.

outstanding interest and make a partial redemption of certain perpetual securities previously issued to KCL.

The Company and KCL have commercially agreed that the Out of Scope Assets are assets that are deemed non-core to the business of SCM after the Proposed Combination and are not assets required by the Restructured KOM Group to carry out core offshore and marine business and hence, will be retained as non-core investments for the KCL Group instead of being transferred to SCM.

Further information on the Restructured KOM Group is set out in **Appendix E** to this Circular and further details of the Asset Co Transaction and the KOM Restructuring are set out in the KCL Announcements and paragraphs 3 and 4 of the KCL Circular.

The diagram below shows the Restructured KOM Group that will be acquired by SCM on completion of the Proposed Combination, following completion of the Asset Co Transaction and the KOM Restructuring.



Notes:

(1) SCM directly acquires 100 per cent. of the Restructured KOM Group from KCL, following completion of the Asset Co Transaction and the KOM Restructuring.

(2) Out of Scope Assets, which includes KOM's interests in Floatel International Ltd and Dyna-Mac Holdings Ltd, to be retained by the KCL Group pursuant to the KOM Restructuring. For further details on the KOM Restructuring, please refer to paragraph 4 of the KCL Circular.

(3) Transfer of KOM's legacy rigs and associated receivables to Asset Co pursuant to the Asset Co Transaction. For further details on the Asset Co Transaction, please refer to paragraph 3 of the KCL Circular.

5.1.2 **Proposed Combination.** On 27 October 2022, the Parties entered into the Amended and Restated Combination Framework Agreement pursuant to which KCL will transfer the entire issued share capital of KOM in exchange for the KOM Consideration Shares to be issued to KCL (and/or directly to KCL Shareholders pursuant to the KCL Distribution), being 54 per cent. of the SCM Issued Share Capital immediately following the completion of the Proposed Combination.

5.1.3 **Distribution in Specie by KCL.** Prior to the completion of the Proposed Combination, KCL will seek approval[10] from the KCL Shareholders for KCL to distribute *in specie* the

[10] Please note that KCL Shareholders have approved the resolution relating to the KCL Distribution at the KCL EGM held on 8 December 2022.

KOM Consideration Shares (less such number of KOM Consideration Shares which is equal to 5 per cent. of the SCM Shares on a fully diluted basis post-completion of the Proposed Combination (the "**Retained Stake**")) to KCL Shareholders (the "**KCL Distribution**"). Subject to approval by the KCL Shareholders of the KCL Distribution, the KOM Consideration Shares (less the Retained Stake) are envisaged to be distributed by SCM on issuance to KCL Shareholders. Details of the KCL Distribution are set out in the KCL Announcements and the KCL Circular.

Upon completion of the above steps, KOM will be a wholly-owned subsidiary of SCM, and KCL Shareholders[11] will be shareholders of SCM. Following the KCL Distribution, Temasek, through Startree, will hold 35.5 per cent. and remain the largest shareholder of SCM.[12] Please refer to "Indicative Timetable" for further information.

5.2 Consideration

5.2.1 The Proposed Combination is based on a 50:50 enterprise value ratio between KOM and SCM. After taking into account the respective capital structures of the two companies, the S$500 million cash that KOM will pay to KCL immediately prior to the closing of the Proposed Combination, and other adjustments (including but not limited to adjustments to take into account the associated risks borne by the Enlarged Group due to the long-term nature and terms of the Master Services Agreement), the agreed equity value exchange ratio will result in SCM issuing the KOM Consideration Shares to KCL and its shareholders, being such number of SCM Shares representing 54 per cent. of the SCM Issued Share Capital immediately following the completion of the Proposed Combination. Existing SCM Shareholders will then own such number of SCM Shares representing 46 per cent. of the SCM Issued Share Capital. Based on 31,389,099,152 Shares in issue (excluding 6,223 treasury shares) as at the Latest Practicable Date, 36,848,072,918 KOM Consideration Shares will be issued[13].

As at the Latest Practicable Date, other than the issue of the KOM Consideration Shares on completion of the Proposed Combination, SCM does not envisage any significant change to the number of issued SCM Shares prior to the completion of the Proposed Combination.

5.2.2 The enterprise value ratio and the equity value exchange ratio were determined after taking into account an assessment conducted by DBS Bank Ltd., which acted as the Joint Financial Adviser to SCM and KOM with respect to the relative ratios assessment of SCM and KOM. The relative ratios were based on a discounted cash flow methodology approach conducted by DBS Bank Ltd., as well as the extensive negotiations and due diligence by the parties.

[11] KCL will also be a shareholder of SCM through KCL's holding of the Retained Stake.

[12] Based on 17,131,025,958 SCM Shares held by Startree Investments Pte. Ltd., an indirect wholly-owned subsidiary of Temasek, and 371,408,292 KCL Shares held directly by Temasek as at the Latest Practicable Date. This figure excludes interests held by Temasek's independently-managed portfolio companies. Based on 371,408,292 KCL Shares held directly by Temasek as at the Latest Practicable Date and details of the KCL Distribution set out in the KCL Circular, Temasek is expected to receive 7,088,339,820 SCM Shares pursuant to the KCL Distribution, which are expected to be transferred to Startree on the completion of the KCL Distribution.

[13] The number of KOM Consideration Shares to be issued on the Closing Date will depend on the number of issued SCM Shares (excluding treasury shares) as at the Closing Date but such number of KOM Consideration Shares will in any case represent 54 per cent. of the SCM Issued Share Capital on a fully diluted basis post-completion of the Proposed Combination.

5.2.3 In addition, the Independent Directors have separately engaged the Independent Valuer and the IFA in relation to the Proposed Combination. Please refer to paragraph 11 of this Letter to Shareholders for further details.

5.2.4 The Issue Price of the KOM Consideration Shares is S$0.122 per share. The Issue Price is based on the VWAP of the SCM Shares for the last ten trading days up to and including 26 April 2022, being the last trading day immediately prior to the signing of the Combination Framework Agreement.

5.2.5 Based on 36,848,072,918 KOM Consideration Shares and the Issue Price, the aggregate consideration for the Proposed Combination is approximately S$4.495 billion.

However, SCM Shareholders should note that the actual pro forma financial impact of the Proposed Combination on SCM's accounts will take into consideration, among other elements to be assessed in due course, the prevailing market price of the SCM Shares, at the time of completion of the transaction.

For example, the actual amount of the consideration to be recorded in the financial statements of the Enlarged Group will be determined based on the prevailing market price of the SCM Shares on the Closing Date, in accordance with the relevant accounting policy of SCM. As such, if the prevailing market price of the SCM Shares on the Closing Date is much higher than the Issue Price, the actual amount of the consideration for the Proposed Combination to be recorded in the financial statements of the Enlarged Group may differ significantly from the consideration of S$4.495 billion which is calculated based on 36,848,072,918 KOM Consideration Shares at the Issue Price of S$0.122 per share.

In addition, there may be goodwill arising from the Proposed Combination in view of the consideration for the Proposed Combination and the NTA of the Restructured KOM Group. The actual amount of goodwill can be determined only after a purchase price allocation exercise is completed, which takes into account the difference between (a) the fair value of the net identifiable assets acquired and liabilities assumed and (b) the actual amount of the consideration for the Proposed Combination (calculated based on the number of KOM Consideration Shares and the prevailing market price of the SCM Shares at the Closing Date).

Please refer to the Risk Factor *"There may be substantial goodwill arising from the Proposed Combination, which if subject to an impairment charge, may adversely affect the Enlarged Group's financial performance*" in **Appendix C** to this Circular for further details.

5.3 Conditions to the Proposed Combination[14]

5.3.1 **Conditions.** The completion of the Proposed Combination is conditional upon the satisfaction (or, where applicable, the waiver) of the conditions precedent set out at **Appendix G** to this Circular (the "**Proposed Combination Conditions**").

5.3.2 **Benefit of Proposed Combination Conditions.**

(i) **SCM's Benefit:** The Proposed Combination Conditions in paragraph 7 (in relation to the KCL Warranties) and paragraph 9 (in relation to there being no KOM Material Adverse Change (as defined in paragraph 9 of **Appendix G** to this Circular)) of **Appendix G** to this Circular are for the benefit of SCM only and may only be waived by SCM alone. The non-fulfilment of any of these Proposed Combination Conditions may be relied upon only by SCM. SCM may at any time and from time to time at its sole and absolute discretion waive any such non-fulfilment.

(ii) **KCL's Benefit:** The Proposed Combination Conditions in paragraph 6 (in relation to the SCM Warranties) and paragraph 8 (in relation to there being no SCM Material Adverse Change (as defined in paragraph 8 of **Appendix G** to this Circular)) of **Appendix G** to this Circular are for the benefit of KCL only and may only be waived by KCL alone. The non-fulfilment of any of these Proposed Combination Conditions may be relied upon only by KCL. KCL may at any time and from time to time at its sole and absolute discretion waive any such non-fulfilment.

(iii) **Mutual Benefit:** The Proposed Combination Conditions in paragraphs 1 to 5 of **Appendix G** to this Circular are for the benefit of both Parties and the non-fulfilment of any of these Proposed Combination Conditions is not capable of being waived by either or both of SCM and KCL.

In view of the date of despatch of this Circular (being 31 January 2023) falling within 45 days of the end of the financial year of SCM and KOM of 31 December 2022, SCM and KCL have, on 31 January 2023, entered into the Side Letter whereby SCM and KCL have agreed that in relation to the Proposed Combination Conditions as set out in paragraphs 8 and 9 of **Appendix G** to this Circular, the Subsequent Financials Accounts Date shall be 30 September 2022.

5.4 Termination[14]

5.4.1 **Right to Terminate.** The Amended and Restated Combination Framework Agreement may be terminated in the following circumstances:

(i) **Regulatory Action**: by either Party at any time on or prior to the Closing Date, if any court of competent jurisdiction or Governmental Authority has issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the Proposed Combination or any part thereof or the satisfaction of any of the Proposed Combination Conditions, or

[14] For the purposes of paragraph 5.3 and 5.4, all capitalised terms used and not defined in this section or in this Circular shall have the same meanings ascribed to them in the Amended and Restated Combination Framework Agreement and all references to Clauses and Schedules refer to the clauses and schedules of the Amended and Restated Combination Framework Agreement.

has refused to do anything necessary to permit the Proposed Combination or any part thereof or the satisfaction of any of the Proposed Combination Conditions and such order, decree, ruling, other action or refusal has become final and non-appealable;

(ii) **Breach or Prescribed Occurrence[15]:** either:

(a) by SCM any time on or prior to the Closing Date if (a) KCL is in breach of any of the KCL Warranties (other than the KCL Warranty in paragraph 3.2 of Schedule 4 to the Amended and Restated Combination Framework Agreement) which, whether singly or collectively with other breaches of any other KCL Warranty (other than the KCL Warranty in paragraph 3.2 of Schedule 4 to the Amended and Restated Combination Framework Agreement) or a KOM Prescribed Occurrence, has a Material Adverse Effect on the Restructured KOM Group or (b) a KOM Prescribed Occurrence has occurred which, whether singly or collectively with other KOM Prescribed Occurrences or a breach of any KCL Warranty (other than the KCL Warranty in paragraph 3.2 of Schedule 4 to the Amended and Restated Combination Framework Agreement), has a Material Adverse Effect on the Restructured KOM Group, and KCL fails to remedy such breach (if capable of remedy) within 30 days after being given notice by SCM to do so;

(b) by KCL any time on or prior to the Closing Date, if (a) SCM is in breach of any of the SCM Warranties (other than the SCM Warranty in paragraph 3.2 of Schedule 3 to the Amended and Restated Combination Framework Agreement) which, whether singly or collectively with other breaches of any other SCM Warranty (other than the SCM Warranty in paragraph 3.2 of Schedule 3 to the Amended and Restated Combination Framework Agreement) or a SCM Prescribed Occurrence, has a Material Adverse Effect on SCM or (b) an SCM Prescribed Occurrence has occurred which, whether singly or collectively with other SCM Prescribed Occurrences or a breach of any SCM Warranty (other than the SCM Warranty in paragraph 3.2 of Schedule 3 to the Amended and Restated Combination Framework Agreement), has a Material Adverse Effect on SCM, and SCM fails to remedy such breach (if capable of remedy) within 30 days after being given notice by KCL to do so;

(iii) **SCM Material Adverse Change:** by KCL prior to the date of the despatch of this Circular or the date of despatch of the KCL Circular (whichever is later), if there has been an SCM Material Adverse Change (as defined in paragraph 8 of **Appendix G**) or if there is a breach of the SCM Warranty in paragraph 3.2 of Schedule 3 to the Amended and Restated Combination Framework Agreement which (whether singly or collectively with other breaches of any other SCM Warranty or a SCM Prescribed Occurrence) has a Material Adverse Effect on SCM;

[15] "**Prescribed Occurrence**" has the meaning ascribed to it in **Appendix I** of this Circular.

(iv) **KOM Material Adverse Change:** by SCM prior to the date of the despatch of this Circular or the date of despatch of the KCL Circular (whichever is later), if there has been a KOM Material Adverse Change (as defined in paragraph 9 of **Appendix G**) or if there is a breach of the KCL Warranty in paragraph 3.2 of Schedule 4 to the Amended and Restated Combination Framework Agreement which (whether singly or collectively with other breaches of any other KCL Warranty or a KOM Prescribed Occurrence) has a Material Adverse Effect on the Restructured KOM Group;

(v) **Shareholders' Approval:** by either Party at any time on or prior to the Closing Date, if:

(a) the resolution in respect of the Proposed Combination by SCM is not approved (without amendment) by the requisite majority of the SCM Shareholders at the SCM EGM; or

(b) the resolutions in respect of the Proposed Combination, the Asset Co Transaction or the KCL Distribution are not approved (without amendment) by the requisite majority of the KCL Shareholders at the KCL EGM;[16]

5.4.2 **Non-fulfilment of Proposed Combination Conditions.** Notwithstanding anything contained in the Amended and Restated Combination Framework Agreement, the Amended and Restated Combination Framework Agreement shall terminate if any of the Proposed Combination Conditions has not been satisfied (or, where applicable, has not been waived) by the Long-Stop Date, provided that:

(i) the non-fulfilment of the Proposed Combination Condition in paragraph 6 of **Appendix G** to this Circular (in relation to the SCM Warranties) shall not terminate the Amended and Restated Combination Framework Agreement unless non-fulfilment has or would reasonably be expected to have a Material Adverse Effect on SCM; and

(ii) the non-fulfilment of the Proposed Combination Condition in paragraph 7 of **Appendix G** to this Circular (in relation to the KCL Warranties) shall not terminate the Amended and Restated Combination Framework Agreement unless non-fulfilment results in or would reasonably be expected to have a Material Adverse Effect on the Restructured KOM Group.

5.4.3 **Effect of Termination:** In the event of termination of the Amended and Restated Combination Framework Agreement pursuant to the events described in this paragraph 5.4:

(i) the Amended and Restated Combination Framework Agreement (other than the Surviving Provisions[17] which shall survive termination of the Amended and

[16] Please note that KCL Shareholders have approved the resolutions relating to the Proposed Combination, the Asset Co Transaction and the KCL Distribution at the KCL EGM held on 8 December 2022.

[17] "**Surviving Provisions**" is defined in the Amended and Restated Combination Framework Agreement as Clauses 1, 7.3, and 14 to 19 (excluding Clause 17.12). These clauses are Clause 1 (Definitions and Interpretation), Clause 7.3 (Effects of Termination), Clause 14 (No Partnership), Clause 15 (Confidentiality), Clause 16 (Notices), Clause 17 (Miscellaneous), Clause 18 (Contracts (Rights of Third Parties) Act and Clause 19 (Governing Law and Dispute Resolution).

Restated Combination Framework Agreement) shall cease to have any further force or effect as between the Parties;

(ii) the Parties shall be released and discharged from their respective obligations under the Amended and Restated Combination Framework Agreement; and

(iii) no Party shall have any claim against the other Parties under the Amended and Restated Combination Framework Agreement, save in respect of the Surviving Provisions.

5.5 Retained KOM Consideration Shares

5.5.1 KCL will retain the Retained Stake post-completion of the Proposed Combination. The Retained Stake will be placed in a segregated account (the "**Segregated Account**") to fund claims by SCM against KCL, if any, relating to certain identified contingent liabilities (the "**KOM Identified Contingent Liabilities**") for a period of up to 48 months from the completion of the Proposed Combination. Such claims, if any, by SCM against KCL in relation to the KOM Identified Contingent Liabilities, are subject to certain de minimis thresholds before a claim can be made. This Segregated Account will be managed by an independent third party who will have authority to monetise the Retained Stake based on pre-defined parameters. Please refer to paragraph 6 of this Letter to Shareholders for further details on the Segregated Account.

5.5.2 SCM has separately agreed to indemnify KCL for claims against SCM, if any, in respect of certain other identified contingent liabilities for a period of up to 24 months from the completion of the Proposed Combination. Such claims, if any, by KCL against SCM in relation to these other identified contingent liabilities, are subject to certain de minimis thresholds before a claim can be made.

5.6 Restrictions on Conduct of Business

5.6.1 Subject to the completion of the Proposed Combination, KCL has undertaken to SCM that it shall not for three years following the completion of the Proposed Combination, directly or indirectly carry on any of the following businesses:

(i) provision of design, engineering, procurement, construction (including full EPC or EPCIC), installation and/or commissioning of all vessels, rigs, platforms, modules and structures for use nearshore or offshore;

(ii) repair, upgrades, conversion of all vessel types, rigs, platforms, or units and structures for use nearshore or offshore;

(iii) shipyard operations and the provision of ancillary services to shipyards generally,

provided that KCL is not prohibited from any development, design, engineering procurement, operation and maintenance, and/or investment in near-shore infrastructure, such as near-shore power solutions, waste-to-energy, water treatment and desalination plants, data centres, floating cities and coastal defence.

For the avoidance of doubt, the Transitional Services Arrangement and Master Services Agreement are not prohibited by these restrictions.

5.6.2 In addition, under the terms of the Proposed Combination, KCL has also agreed to non-solicit undertakings for a period of three years relating to certain identified customers, suppliers and employees.

5.7 Undertakings of SCM and KOM

Appendix H to this Circular sets out the undertakings of SCM and KOM in relation to the Proposed Combination pursuant to the terms of the Amended and Restated Combination Framework Agreement.

5.8 Re-constitution of the Board and appointment of Chief Executive Officer

5.8.1 On completion of the Proposed Combination, the Board will be re-constituted as set out in paragraph 2.1 of **Appendix F** and Mr Chris Ong Leng Yeow, the current Chief Executive Officer of KOM, will be appointed as the new Chief Executive Officer of the Company. The composition of the re-constituted Board will be in compliance with the relevant practice guidance under the Code of Corporate Governance 2018.

5.8.2 This year marks the 60th anniversary of SCM. Over these six decades, the Company has taken strategic steps to evolve and transform. From its humble beginning in ship repairs, the Company is today internationally recognised as an innovative solutions provider in the offshore, marine and renewable energy sectors.

The Company's transformation strategy in the last decade has been to:

(i) diversify into new product segments and provide innovative solutions across the offshore, marine, and energy value chains through investments in R&D and game-changing facilities;

(ii) make strategic acquisitions of intellectual property, technologies and engineering talent; and

(iii) develop and operate a purpose-built integrated yard with a centralised work-efficient layout to optimise docking and berthing, and maximise operational synergies and production efficiency.

In June 2010, the Company marked a major milestone in its growth and expansion strategy with the ground-breaking of Singapore's first integrated yard facility at Tuas South Boulevard. After the new yard commenced operation in 2013, the industry went into a prolonged and deep cyclical downturn from 2015. This was further exacerbated by the global energy transition and the unprecedented COVID-19 pandemic. Notwithstanding this, the Company has journeyed through this very difficult period and continues to transform itself to seize opportunities in the new energy landscape.

The Company's Chairman, Tan Sri Mohd Hassan Marican, joined the Board in 2011 and was appointed Chairman from 2014. During his nine-year tenure as Chairman, he led the Board and Management in shaping the strategic vision for the Company, navigating through the longest down cycle of the offshore and marine industry, and re-positioning the Company as a long-term global leader in innovative engineering solutions for cleaner offshore and marine, renewables and new energy.

The Company's President and Chief Executive Officer, Wong Weng Sun, joined the Company in 1988 and was appointed Chief Executive Officer in 2009. The completion of the Proposed Combination is an opportune time for Mr Wong to step down from his role. However, it is intended that he will remain as a Senior Adviser to the Proposed Board for an interim period to facilitate a smooth transition.

Mr Wong has been instrumental in shaping the strategic thrusts of the Company, initiating its significant transformation, building the Company to its current stature and positioning it at the centre of the global shift towards a low-carbon economy. The Company is today recognised for its high standards of project execution and integration, its global footprint with world-class integrated facilities and synergistic operations, and its future-ready capabilities and knowhow to deliver a broad suite of products and solutions. Mr Wong has also personally established the Company's partnerships with global industry leaders.

Except for Mr Yap Chee Keong who joined the Board in 2021, upon completion of the Proposed Combination, the rest of the Board will also step down to allow for a re-constitution of the Board.

Having successfully delivered all its key projects, built up a sizable net order book of more than S$7 billion[18], and with its strategic yard capabilities and technology bench strength, the Company is well positioned for the new board to steward the Enlarged Group to greater heights.

5.8.3 Additional Information

Information on the working experience, qualifications and particulars of the Proposed New Directors (including the Proposed Chief Executive Officer) is set out in paragraph 2 of **Appendix F** to this Circular.

6. SEGREGATED ACCOUNT

6.1 Pursuant to the terms of the Amended and Restated Combination Framework Agreement, in the event that the KOM Identified Contingent Liabilities have not been fully and finally settled prior to the date that the last of the Proposed Combination Conditions (other than the conditions in paragraphs 3, 4, 6 and 7 of **Appendix G** to this Circular) has been satisfied, the Retained Stake shall be transferred to the Segregated Account for the purposes of satisfying any of such KOM Identified Contingent Liabilities. In relation to the foregoing, SCM and KCL have agreed, *inter alia*, that:

6.1.1 SCM and KCL will jointly agree on a segregated account agent (the "**Segregated Account Agent**") to be solely appointed by KCL on and from the Closing Date, to effect and administer the arrangements relating to the Segregated Account;

6.1.2 neither SCM nor KCL will have day-to-day authority over encashment of the Retained Stake in the Segregated Account. The Retained Stake will be sold down by the

[18] See the Company's announcement dated 15 November 2022 titled "Sembcorp Marine Interim Business Update for 3Q/9M2022".

Segregated Account Agent in a measured and orderly manner based on pre-agreed parameters. KCL will retain discretion to approve block sales proposed by the Segregated Account Agent falling outside of the pre-agreed parameters. The proceeds from the encashment of the Retained Stake shall be used to satisfy any claims by SCM against KCL for the KOM Identified Contingent Liabilities for a period of up to 48 months from the Closing Date;

6.1.3 KCL shall retain all voting and economic rights in respect of the Retained Stake in the Segregated Account during the Segregated Period, provided that any economic entitlements and benefits attributable to KCL arising from the Retained Stake shall be transferred to and retained in the Segregated Account;

6.1.4 unless sold by the Segregated Account Agent pursuant to the sale programme, the Retained Stake shall be retained in the Segregated Account for the duration not exceeding 48 months after the Closing Date (the "**Segregated Period**"); and

6.1.5 any balance of the Retained Stake that is not sold and/or any cash proceeds from the encashment of the Retained Stake remaining in the Segregated Account shall be returned to KCL, unless the cash amounts had been used to satisfy any KOM Identified Contingent Liabilities prior to the expiry of the Segregated Period.

6.2 The sole and exclusive remedy of SCM for any claims in relation to the KOM Identified Contingent Liabilities is for the value which has been realised from the Retained Stake in accordance with the arrangements relating to the Segregated Account as summarised in this paragraph 6.

7. TRANSITIONAL SERVICES ARRANGEMENT

Pursuant to the terms of the Amended and Restated Combination Framework Agreement, SCM and KCL acknowledge that certain entities within Restructured KOM Group, as at the Latest Practicable Date, receive corporate support services and yard operation support services from the KCL Group or from an entity not within the Restructured KOM Group. Accordingly, KCL has agreed, pursuant to the terms of the Amended and Restated Combination Framework Agreement, where reasonably required and if so requested by SCM, to continue to provide transitional support services (the "**Transitional Services Arrangement**") for such entities within the Restructured KOM Group for a period of up to 12 months following the Closing Date.

Details of the Transitional Services Arrangement as extracted from the KCL Circular are set out below. All capitalised terms used in the extract below have the meaning given to them in the KCL Circular.

"*5.6* *<u>Post-Closing transactions between the Company and SCM</u>*

*Certain KOM In-Scope Entities currently receive corporate services and operation support services from the KCL Group. So as to ensure a smooth transition post-Closing, the Company will enter into a transitional services agreement with KOM or a KOM In-Scope Entity (the "**<u>Transitional Services Agreement</u>**") to provide transitional support services to the KOM In-Scope Entities. As agreed in the Amended and Restated Combination Framework Agreement, the Company shall provide the transitional services on the same terms as that previously provided to the KOM In-Scope Entities by the Company before 27 April 2022, being the date on which the*

Combination Framework Agreement was executed, for such period as SCM may require, up to a period of 12 months after Closing.

The scope of transitional services that may be provided by the KCL Group to the KOM In-Scope Entities under the Transitional Services Agreement will include, amongst others:

(a) finance and payroll services, including processing of employees' payroll, supplier invoice, customer billing, travel and expense claims, book closing and updating of master data records. The fees payable by the KOM In-Scope Entities for such services shall be on a transaction-based chargeback mechanism dependent on the rate per transaction and the volume of the transactions involved;

(b) technology services, including the continued use of certain software licences relating among others, enterprise resource planning and systems, applications and products and electronic signing, as well as supporting the audit coordination relating to information technology. The fees payable by the KOM In-Scope Entities for such technology services shall be on a cost recovery basis with a mark-up not exceeding 10%; and

(c) cybersecurity services, including cybersecurity advisory support, detecting network anomalies, reviewing implementation for new systems and the monitoring and testing of new email architecture. The fees payable by the KOM In-Scope Entities for such technology services shall be on a cost recovery basis with a mark-up not exceeding 10%.

Assuming that the KOM In-Scope Entities require the provision of all transitional services under the Transitional Services Agreement for the full duration of 12 months after Closing, the aggregated amount payable by the KOM In-Scope Entities to the Company (which includes the costs incurred by the KCL Group in providing such transitional services) in connection therewith is approximately S$43.4 million."

8. MASTER SERVICES AGREEMENT

8.1 Introduction

8.1.1 As previously announced in the joint press release dated 27 April 2022 by KCL and SCM, Asset Co and KOM will enter into the Master Services Agreement under which the Enlarged Group, through KOM, will provide construction, berthing and maintenance, and other associated services for the legacy vessels (each, a "**Vessel**") held by Asset Co for an initial period of ten years. The Master Services Agreement will be entered into on completion of the Asset Co Transaction (the "**MSA Effective Date**").

8.1.2 Some of these Vessels are complete while the others are presently partially constructed. Accordingly, pursuant to the Master Services Agreement, Keppel FELS Limited ("**KFELS**") or Estaleiro BrasFELS Ltda ("**BrasFELS**") (as the case may be)[19] (each, a wholly-owned subsidiary of KOM and a "**Builder**", and together with Asset Co and KOM, the "**MSA Parties**") shall:

[19] KFELS shall be the Builder for each Vessel under the Master Services Agreement, except for the Vessels DRU1 and DRU2, for which BrasFELS shall be the Builder.

(i) perform Maintenance Works (as defined below) on each Vessel; and

(ii) perform such works and tasks as may be described or required by a Work Order[20] (as defined below and together with the Maintenance Works, the "**Works**") issued in respect of a Vessel and deliver the Vessel in accordance with such Work Order.

8.2 Key terms

8.2.1 **Maintenance Works**. In respect of the Maintenance Works:

(i) **Scope of the Maintenance Works**. Maintenance Works include all such works as may be reasonably necessary to protect, care for, and maintain a Vessel, its parts, machinery, and equipment whether installed or otherwise and whether originally furnished by Asset Co or otherwise, including, *inter alia*, storage and housing of a Vessel (the "**Maintenance Works**").

(ii) **Responsibilities.** The Builder shall commence and shall be responsible for Maintenance Works on the Vessels from the MSA Effective Date.

(iii) **Amount payable**. The amount payable to the Builder for Maintenance Work for each Vessel comprises a monthly fixed payment (the "**Monthly Maintenance Work Amount**") which is subject to an annual upward adjustment for each calendar year after the MSA Effective Date[21].

8.2.2 **Work Orders**. In respect of the Work Orders:

(i) **Scope of the Work Orders**. The Work Orders for each Vessel deal only with the Works that are required to complete each Vessel and not with works which have already been done on each Vessel as of the date of the Master Services Agreement.

(ii) **Responsibilities.** The Builder shall not be responsible for the design of the Vessel or the construction of the Vessel if such was performed before the date of the Master Services Agreement. For existing work which are defective or require modifications, repair or rectification, this would be for the account of the Asset Co and agreed via a Variation Order. However, the Builder shall be responsible for the due and timely performance of the Works required by the Work Orders and/or procuring the same, including any design works that may be required by the Work Orders or Variations (as defined below) thereto.

(iii) **Amount payable.** The amount payable to the Builder for Works under a Work Order shall be as stated in that Work Order, based on, *inter alia*, the following pricing principles:

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[20] A Work Order is a document issued by Asset Co, Asset Co's affiliate, or Asset Co's nominee in a form appended to the Master Services Agreement, including information such as the scope of work, specifications, Contract Price (as defined below), Delivery Date (as defined below), and payment schedule.

[21] In addition to the Monthly Maintenance Work Amount, the Builder will also be reimbursed for the costs of works which cannot be undertaken by the Builder, such as (1) OEM vendor costs, (2) external manpower costs, or (3) costs related to equipment servicing and/or repair and/or parts replacement by third parties (collectively, the "**Maintenance Costs**"). "*External*" and "*third parties*" shall not include KOM, KFELS, BrasFELS, or any affiliate of any of them, or their officer, director, employee, or agent.

(a) there shall be no profit element or margin charged by the Builder to Asset Co for Works, whether directly or indirectly;

(b) for equipment where purchase orders are committed before the date of the Master Services Agreement and valid at the time of the Work Order, the price of equipment shall be as per those purchase orders;

(c) for labour and materials, these shall be charged as a lump sum, with an adjustment applied when a Work Order is issued. For example, the adjustments for steel and copper shall be by reference to the most recent monthly price index to the month the Work Order is issued in;

(d) for the work which cannot be scoped upfront, but will be scoped prior to the Work Order or where purchase orders are no longer valid, Builder would procure three quotes from third party suppliers for approval of the Asset Co.

In this regard, SCM Shareholders should note the potential cost overruns in relation to the Work Orders. For example, as costs for labour and materials (see paragraph 8.2.2(iii)(c) above) will be charged as a lump sum with a one-off adjustment applied only when the Work Order is issued, there may be cost overruns arising from price fluctuations after a Work Order is issued or from underestimating the resources and costs required to complete the Work Orders. Please refer to the Risk Factor "*There may be associated risks due to the long-term nature of the Master Services Agreement, including potential cost overruns and potential opportunity costs*" in **Appendix C** to this Circular for further details.

8.2.3 **Suspension of payment for Maintenance Works**. Upon the issuance of a Work Order for a particular Vessel, no further payment shall be required for Maintenance Work on that Vessel, unless the Work Order is terminated or suspended, in which event Asset Co's obligation to pay for Maintenance Work on that Vessel will resume from the date the Work Order is terminated or suspended. For the avoidance of doubt, the Builder shall continue Maintenance Work on a Vessel during the currency of its Work Order, without separate cost to Asset Co.

8.2.4 **Liquidated Damages**. If a Vessel is not delivered to Asset Co by the date required by the relevant Work Order (the "**Delivery Date**"), the price of the works to be completed by the Builder for that Vessel under the relevant Work Order (the "**Contract Price**") shall be reduced by such liquidated damages rate as stated in the relevant Work Order per day of delay, not exceeding in aggregate 10 per cent. of the Contract Price for such Work Order (including, for the avoidance of doubt, price adjustments for any Variations (as defined below)).

8.3 Duration of Master Services Agreement

The Master Services Agreement shall terminate ten years from the MSA Effective Date. However, if, on the date falling ten years from the MSA Effective Date, there are Vessel(s) for which a Work Order is yet to be issued or is in the process of being completed by the Builder, the Master Services Agreement shall continue in force until such time as the Work Order for all of such Vessel(s) are completed and all of such Vessel(s) are delivered under the Master Services Agreement or the Work Order, unless Asset Co confirms otherwise in writing.

8.4 Variations

8.4.1 **Variations**. A written request for variation to the Works (including Maintenance Works) or Work Order (a "**Variation Request**" and the variation, a "**Variation**") may be issued by either the Asset Co or the Builder (as the case may be) to the other party.

8.4.2 **Scope of Variation Requests.** Such Variation Requests may include, *inter alia*, a proposed increase or reduction to the Contract Price or Monthly Maintenance Work Amount or an extension to or advance of the Delivery Date.

8.4.3 **Amount payable.** All adjustments proposed to the Contract Price arising from a Variation shall be in accordance with, *inter alia*, the following pricing principles:

(i) there shall be no profit element or margin charged by the Builder to Asset Co for Variations, whether directly or indirectly;

(ii) labour, shipyard facilities, utilities and production miscellaneous shall be charged to Asset Co at the Builder's cost; and

(iii) save for labour, shipyard facilities, utilities and production miscellaneous, all other components of the cost of Variations shall be determined, *inter alia*, by (i) the Builder obtaining three competing quotes from reputable suppliers or sub-contractors, which are third parties and independent of the Builder or the Builder's affiliates for Asset Co's consideration, and (ii) the Builder proceeding with the lowest quote unless Asset Co directs otherwise in writing within ten Business Days of receiving the Builder's tender / call of quotation package, the three competing quotes and all details and attachments thereof.

8.5 Warranty of Quality

The Builder, for 12 months following delivery to Asset Co of each Vessel (the "**Defect Liability Period**"), guarantees that, *inter alia*, at the time of delivery of such Vessel, the design[22], the materials and workmanship of the Builder conform to the Master Services Agreement, applicable Work Order, and the specifications for such Vessel pursuant to the terms of the Original Shipbuilding Contract[23]. Such guarantee is against all defects in design[24], materials and workmanship in the Works performed by, *inter alia*, the Builder but excludes works performed and material and equipment procured and delivered to the Builder prior to the date of the Master Services Agreement, Maintenance Works and fair wear and tear. In respect of any repairs and/or rectification work carried out under the Defect Liability Period, the Defect Liability Period will be extended for a further period of 12 months from the completion of such repairs and/or rectification work, provided that the total Defect Liability Period (including any extensions) in respect of a Vessel shall not exceed 24 months from the date of delivery of such Vessel.

[22] The Builder assumes no responsibility for design covered by the works done under an Original Shipbuilding Contract (as defined below) before the date of the Master Services Agreement, save where the Builder is required by a Work Order to perform design work in which case the Builder shall remain responsible for its own design work under a Work Order whether or not it overlaps with design covered by works done under an Original Shipbuilding Contract before the MSA Effective Date.

[23] An Original Shipbuilding Contract is a construction contract (as amended, varied, or supplemented from time to time) entered into between the Builder and a third party.

[24] See footnote 22.

8.6 Project Committee and Asset Co Representative

8.6.1 **Project Committee.** A project committee would be established by the MSA Parties to oversee the progress of the Works on each Vessel. The project committee shall comprise two representatives, each from Asset Co and the Builder.

8.6.2 **Asset Co Representative.** Asset Co may appoint one or more representatives (an "**Asset Co Representative**") who shall carry out the duties specified of an Asset Co Representative pursuant to the Master Services Agreement, including but not limited to, inspection of the Vessel, approval of plans, drawings etc, as well as issuing instructions and Variation Requests.

8.7 Handover and Delivery

8.7.1 **Handover.** Possession of (but not title to) each Vessel is deemed to be handed over to the Builder by Asset Co at the MSA Effective Date[25].

8.7.2 **Delivery.** On the date notified by Builder in advance and provided all sums payable to the Builder in respect of such Vessel which are undisputed by Asset Co have been paid by Asset Co, the Vessel shall be delivered by the Builder to Asset Co safely afloat and at a safe location at the shipyard notified to Asset Co in advance. On delivery of the Vessel, Asset Co shall immediately take possession of the Vessel and remove it from the shipyard.

8.8 Title to Vessels

Title to the Vessels shall rest with Asset Co.

8.9 Suspension and Termination

8.9.1 **Suspension by Asset Co**. Asset Co is entitled to suspend works under any Work Order at any time for convenience.

8.9.2 **Suspension by Builder**. Builder is entitled to suspend works under a Work Order where Asset Co has delayed payment of any invoice payable for more than 30 days.

8.9.3 **Termination**. Only Asset Co has the express right to terminate the Master Services Agreement or the Work Order for the default of the Builder. The Builder would be in default if:

(i) an application is made (and is not (a) frivolous or vexatious or (b) dismissed within 60 days) or effective resolution passed for the insolvency, liquidation, winding-up, administration, scheme of arrangement, judicial management, or the equivalent thereof, in respect of any one of the Builder; or

(ii) the Builder is in material default of the Master Services Agreement or the Work Order, including if the maximum liquidated damages have accrued for the relevant Work Order, and fails to rectify the breach or fail to deliver the Vessel within 30 days of written notice from the Asset Co.

[25] For the avoidance of doubt, title in the Vessels shall be and remain in Asset Co or its affiliates at all times.

8.9.4 **Consequences on Termination.** In the event of termination for default of the Builder, the Builder will be liable to:

(i) pay Asset Co the documented cost and expense incurred by Asset Co (in excess of the Contract Price) to take such steps as are required to complete the Works on the Vessel elsewhere, including the cost of transporting the incomplete Vessel to another shipyard; and

(ii) refund to Asset Co the following (plus interest):

(a) any Monthly Maintenance Amount paid in advance; and

(b) the amount paid to the Builder under that Work Order minus the price payable for Works performed by the Builder under such Work Order.

8.10 Exclusion and Limitations of Liabilities

8.10.1 **Consequential Damages.** Neither party to the Master Services Agreement would be liable to the other party for, *inter alia*, loss of profits, loss of use, or for consequential, exemplary, special or punitive losses or damages.

8.10.2 **Limitations of Liabilities.** For each Vessel, the total liability of the Builder arising out of or in connection with the performance or non-performance of the Master Services Agreement or any Work Order would be limited to 15 per cent. of the Contract Price of the relevant Work Order. This limit will not take into account liquidated damages, damages for gross negligence or wilful misconduct, proceeds of insurances, certain liabilities under the Master Services Agreement (e.g. tax, confidentiality) or refund of advance payments made.

8.11 Associated Risks with the Master Services Agreement

SCM Shareholders should also note the associated risks relating to the Master Services Agreement, detailed in the Risk Factor "*There may be associated risks due to the long-term nature of the Master Services Agreement, including potential cost overruns and potential opportunity costs*" in **Appendix C** to this Circular.

9. CHAPTER 10 OF THE LISTING MANUAL

9.1 Background on Chapter 10

9.1.1 Chapter 10 of the Listing Manual governs the continuing listing obligations of issuers in respect of acquisitions and disposals. Such transactions are classified into the following categories:

(i) non-disclosable transactions;

(ii) disclosable transactions;

(iii) major transactions; and

(iv) very substantial acquisitions or reverse takeovers.

9.1.2 A transaction may fall into any of the categories set out above depending on the size of the relative figures computed on the following bases of comparison, as set out in Rule 1006 of the Listing Manual:

(i) the NAV of the assets to be disposed of, compared with the group's NAV. This basis is not applicable to an acquisition of assets;

(ii) the net profits attributable to the assets acquired or disposed of, compared with the group's net profits;

(iii) the aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares;

(iv) the number of equity securities issued by the issuer as consideration for the acquisition, compared with the number of equity securities previously in issue; and

(v) the aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.

9.1.3 Where any of the relative figures computed on the bases set out above exceeds 100 per cent., the transaction is classified as a "very substantial acquisition" or "reverse takeover" respectively under Rule 1015 of the Listing Manual.

9.2 **The Proposed Combination**. The table below sets out the applicable relative figures for the Proposed Combination computed on the bases set out in Rule 1006 of the Listing Manual based on (i) the Audited Financial Statements of the SCM Group for FY2021 and the Unaudited Pro Forma Financial Information of the Restructured KOM Group for FY2021 and (ii) the Condensed Interim Financial Statements of the SCM Group for 1H2022 and the Unaudited Pro Forma Financial Information of the Restructured KOM Group for 1H2022, as the case may be.

		FY2021(9)			1H2022		
Rule 1006	**Bases**	**Restructured KOM Group (S$ million)**	**SCM Group (S$ million)**	**Relative Figures (%)**	**Restructured KOM Group (S$ million)**	**SCM Group (S$ million)**	**Relative Figures (%)**
(a)	Net asset value of the assets to be disposed of, compared with SCM Group's NAV	Not applicable as the Proposed Combination does not relate to a disposal of assets.			Not applicable as the Proposed Combination does not relate to a disposal of assets.		
(b)	Net profits/loss attributable to the assets to be acquired, compared with SCM Group's net profits/loss	(138)(1)	(1,255)(1)	n.m.	100(3)	(134) (3)	n.m.

		FY2021(9)			1H2022		
Rule 1006	Bases	Restructured KOM Group (S$ million)	SCM Group (S$ million)	Relative Figures (%)	Restructured KOM Group (S$ million)	SCM Group (S$ million)	Relative Figures (%)
(c)	Aggregate value of the consideration, compared with SCM Group's market capitalisation	4,495(8)	3,829(2)	117	4,495(8)	3,829(6)	117
(d)	Number of equity securities to be issued as consideration compared with the number of equity securities previously in issue	36,848(4)	31,389(5)	117	36,848(7)	31,389(5)(7)	117

__Notes__:

(1) "Net Profits" refers to profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests. Figures are as of the FY2021.

(2) The market capitalisation of SCM was computed on the basis of 31,389,099,152 SCM Shares, being the number of SCM Shares in issue (excluding treasury shares) as at the date of the SCM 27 April 2022 Announcement, and the Issue Price. If the market capitalisation was computed based on the weighted average price of S$0.127 per Share on the Market Day preceding the date of the Combination Framework Agreement, the relative figure would still exceed 100 per cent.

(3) "Net Profits" refers to profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests. Figures are as of 1H2022.

(4) Based on 31,389,099,152 SCM Shares in issue (excluding 6,223 treasury shares) as at the date of the SCM 27 April 2022 Announcement.

(5) Excluding 6,223 treasury shares.

(6) There is no change in the market capitalisation of SCM computed for 1H2022, because the relevant number of SCM Shares is the number of SCM Shares as at the date the Combination Framework Agreement was entered into, and the Issue Price is fixed.

(7) There is no change in the manner the base in Rule 1006(d) is calculated for 1H2022, because the number of KOM Consideration Shares does not change, and the relevant number of SCM Shares is the number of SCM Shares as at the date the Combination Framework Agreement was entered into.

(8) The aggregate value of the consideration of S$4.495 billion was calculated on the basis of 36,848,072,918 KOM Consideration Shares and the Issue Price of S$0.122 per share.

However, SCM Shareholders should note that the actual pro forma financial impact of the Proposed Combination on SCM's accounts will take into consideration, among other elements to be assessed in due course, the prevailing market price of the SCM Shares at the time of completion of the transaction. For example, the actual amount of the consideration to be recorded in the financial statements of the Enlarged Group will be determined based on the prevailing market price of the SCM Shares on the Closing Date, in accordance with the relevant accounting policy of SCM. As such, if the prevailing market price of the SCM Shares on the Closing Date is much higher than the Issue Price, the actual amount of the consideration for the Proposed Combination to be recorded in the financial statements of the Enlarged Group may differ significantly from the consideration of S$4.495 billion which is calculated based on 36,848,072,918 KOM Consideration Shares at the Issue Price of S$0.122 per share. Please refer to the Risk Factor *"There may be substantial goodwill arising from the Proposed Combination, which if subject to an impairment charge, may adversely affect the Enlarged Group's financial performance*" in **Appendix C** to this Circular for further details.

(9) The relative figures set out in this FY2021 column represent the relative figures as at 27 April 2022, being the date where SCM and KCL first entered into the Combination Framework Agreement. These figures are the same as the table set out in paragraph 8.2 of the SCM 27 October 2022 Announcement, save that the Restructured KOM Group's net loss of S$138 million as set out in this table is different from the net loss figure of S$156 million set out in the SCM 27 October 2022 Announcement, due to certain differences in assumptions in the preparation of the Unaudited Pro Forma Financial Information of the Restructured KOM Group for FY2021.

9.3 Relative Figures. Based on the above, the Proposed Combination is a "very substantial acquisition" under Chapter 10 of the Listing Manual and is therefore subject to the approval of the SCM Shareholders and approval from the SGX-ST.

The Proposed Combination is not treated as a reverse takeover as there will be no change in shareholding control of SCM. Following the completion of the Proposed Combination and based on the shareholding of SCM and KCL as at the Latest Practicable Date, Temasek, through Startree, will remain the single largest shareholder of SCM holding 35.5 per cent. of SCM[26] and it is expected that no other single shareholder will hold more than 15 per cent. of the issued share capital of SCM. Startree has undertaken to comply, and will procure that Temasek will comply, with the applicable moratorium requirements imposed by the SGX-ST to maintain (i) for a period of six months following the Closing Date, 100 per cent. of its effective interest in SCM as at completion of the Proposed Combination; and (ii) for the six month period thereafter, 50 per cent. of its effective interest in SCM as at completion of the Proposed Combination.

9.4 Rule 1015(2) of the Listing Manual.

9.4.1 Rule 1015(2) of the Listing Manual provides that for very substantial acquisitions, the target business to be acquired must be profitable and meets the requirements in Rule 210(4)(a) of the Listing Manual, that is, the target must be in a healthy financial position, having regard to whether it has a positive cash flow from operating activities, and the enlarged group must comply with the requirements in Rules 210(5) and 210(6) of the Listing Manual. The issuer must appoint a competent and independent valuer to value the assets. The SGX-ST may approve the very substantial acquisition unconditionally or subject to condition(s), or may reject, as it thinks appropriate.

9.4.2 In relation to the above:

(i) based on the Unaudited Pro Forma Financial Information of the Restructured KOM Group, as contained in **Appendix K** to this Circular (Report on the Compilation of Unaudited Pro Forma Financial Information of the Restructured KOM Group for FY2019, FY2020, FY2021, 1H2021 and 1H2022):

(a) the net cash flow from operating activities of the Restructured KOM Group for FY2021 was negative S$266 million, which improved to negative S$87 million in 1H2022.

The net cash flow from operating activities of the Restructured KOM Group was negative in recent years mainly as a result of higher working

[26] Based on 17,131,025,958 SCM Shares held by Startree Investments Pte. Ltd., an indirect wholly-owned subsidiary of Temasek, and 371,408,292 KCL Shares held directly by Temasek as at the Latest Practicable Date. This figure excludes interests held by Temasek's independently-managed portfolio companies. Based on 371,408,292 KCL Shares held directly by Temasek as at the Latest Practicable Date and details of the KCL Distribution set out in the KCL Circular, Temasek is expected to receive 7,088,339,820 SCM Shares pursuant to the KCL Distribution, which are expected to be transferred to Startree on the completion of the KCL Distribution.

capital needs attributable to the industry down-cycle for the business that the Restructured KOM Group operates. For example:

(I) changes in contract assets and liabilities was negative S$344 million for 1H2022, and negative S$906 million for FY2021;

(II) in relation to contract assets and liabilities, the significant accounting policies outlined in **Appendix K** states that:

"*For contracts where the customer is invoiced on a milestone payment schedule, a contract asset is recognised if the value of the contract work transferred by Restructured KOM exceeds the receipts from the customer and a contract liability is recognised if the receipts from the customer exceed the value of the contract work transferred by Restructured KOM*."; and

(III) in KCL's "3Q & 9M 2022 Business Update"[27], KCL has guided that KOM's "*S$7.9b of order wins in 9M22*" include "*2 Petrobras FPSOs which are cashflow positive and earnings accretive*".

Excluding the effect of working capital changes, the net cash flow from operating activities *before* changes in working capital of the Restructured KOM Group was negative S$33 million for FY2021 and positive S$48 million for 1H2022; and

(b) while the net cash flow from operating activities of the Restructured KOM Group for FY2021 and 1H2022 was negative, the following factors are indicative of the Restructured KOM Group being in a healthy financial position:

(I) the Restructured KOM Group recorded a net profit attributable to equity holders of the company of S$96 million in 1H2022;

(II) the Restructured KOM Group's cash and cash equivalent as at 30 June 2022 was equal to S$501 million, increasing from S$466 million as at 31 December 2021;

(III) the Restructured KOM Group's gearing ratio[28] was approximately 17 per cent. and 19 per cent. as of FY2021 and 1H2022 respectively; and

(IV) KOM's order book as at end September 2022 stood at S$11.6 billion as reported in KCL's "3Q & 9M 2022 Business Update"[29].

For the reasons set out above, with the historical negative net cash flow from operating activities being a function of the nature of the business of the

[27] Available at: https://www.kepcorp.com/en/file/investors/quarterly-results-and-updates/2022/3q/kcl-3q-9m-2022-business-update-presentation-slides.pdf.
[28] Gearing ratio is calculated as follows: Total Debt (excluding Lease Liabilities) / Total Assets.
[29] Available at: https://links.sgx.com/FileOpen/TRSCR_Keppel%20Corporation%203Q%20and%209M%202022%20Business%20Update_Transcript%20of%20the%20Question%20and%20Answer%20Session.ashx?App=Announcement&FileID=735712.

Restructured KOM Group, and KCL's guidance of the Restructured KOM Group's order book moving towards contracts which are cash flow positive (see paragraph 9.4.2(i)(a)(III) above), the Board believes that the Restructured KOM Group is in a healthy financial position as at the Latest Practicable Date.

Please refer to **Appendix K** (Report on the Compilation of Unaudited Pro Forma Financial Information of the Restructured KOM Group for FY2019, FY2020, FY2021, 1H2021 and 1H2022) and **Appendix J** (Audited Financial Statements of the KOM Group for FY2019, FY2020 and FY2021) to this Circular for more information.

(ii) The Proposed Combination does not involve a chain listing of a subsidiary or parent company of the Company.

(iii) In connection with the Proposed Combination, the Company has commissioned the Independent Valuer to undertake an independent valuation of 100 per cent. of the equity interest (including perpetual securities and net balances due to KCL) of the Restructured KOM Group. Please refer to paragraph 11 of this Letter to Shareholders and **Appendix B** of this Circular for further information.

9.5 SGX-ST's in-principle approval for the Proposed Combination

On 27 January 2023, the Company had obtained the approval in-principle of the SGX-ST for the Proposed Combination and the listing of and quotation for the KOM Consideration Shares on the Mainboard of the SGX-ST, subject to the following conditions:

9.5.1 the despatch of this Circular to SCM Shareholders by 31 January 2023;

9.5.2 the disclosure of the confirmations from the Independent Valuer as well as the Directors, that nothing has come to their attention that in their opinion, will result in a material and adverse impact on the valuation of the Restructured KOM Group;

9.5.3 compliance with the SGX-ST's listing requirements; and

9.5.4 SCM Shareholders' approval for the allotment and issuance of up to 36,848,072,918 KOM Consideration Shares.

The SGX-ST's in-principle approval as referred to above is not to be taken as an indication of the merits of the Proposed Combination, the KOM Consideration Shares, the Company and its subsidiaries and/or securities.

10. ILLUSTRATIVE FINANCIAL EFFECTS

10.1 **For illustrative purposes only**, the financial effects of the Proposed Combination on the (a) NTA per SCM Share and (b) EPS of SCM, are based on:

10.1.1 the FY2021 Audited Financial Statements of the SCM Group, being the most recently completed financial year for which audited financial statements of SCM are available as at the Latest Practicable Date;

10.1.2 the FY2021 Unaudited Pro Forma Financial Information of the Restructured KOM Group[30], being the most recently completed financial year for which pro forma financial statements of the Restructured KOM Group are available as at the Latest Practicable Date;

10.1.3 information obtained during the course of due diligence;

10.1.4 the S$500 million financing reflected in the balance sheet of KOM for which the proceeds will be used to settle outstanding interest and make partial redemption of certain perpetual securities previously issued; and

10.1.5 the issuance of 36,848,072,918 KOM Consideration Shares[31] at the Issue Price of S$0.122 per share.

10.2 In this regard, the said illustrative financial effects have been prepared on the following assumptions:

10.2.1 the number of SCM Shares before the Proposed Combination was based on the total number of SCM Shares outstanding (excluding treasury shares) as of 31 December 2021;

10.2.2 in the calculation of the consolidated NTA after the Proposed Combination, subject to determining the fair value of KOM post-completion, the pro forma NTA value of KOM as of 31 December 2021 is used; and

10.2.3 SCM is the accounting acquiror solely for the purposes of illustrating the financial effects after the Proposed Combination.

10.3 **NTA per SCM Share (Full Year 2021).** The pro forma financial effects of the consolidated NTA per SCM Share as at 31 December 2021, assuming the Proposed Combination had been effected on 31 December 2021, are as follows:

	Before the Proposed Combination	**After the Proposed Combination**
NTA (S$ million)	3,803	4,647
Number of issued SCM Shares (excluding treasury shares) ('000)	31,389,099	68,237,172
NTA per SCM Share (S$)	0.12	0.07

__Notes__:

(1) NTA is calculated as Total Assets - Intangible Assets - Total Liabilities - Non-Controlling Interest.

(2) Number of issued SCM Shares before the Proposed Combination is based on the SCM Shares outstanding as of 31 December 2021. The number of SCM Shares to be issued as part of the Proposed Combination, resulting in the number of issued SCM Shares after the Proposed Combination, is based on the exchange ratio.

(3) As of the Latest Practicable Date, the number of KOM Consideration Shares to be issued is 36,848,072,918. The number of KOM Consideration Shares to be issued will depend on the number of SCM Shares in issue (excluding treasury shares) as at the Closing Date but such number of KOM Consideration Shares will in any case represent 54 per cent. of the SCM Issued Share Capital on a fully diluted basis post-completion of the Proposed Combination.

[30] Assuming the Asset Co Transaction and the KOM Restructuring is completed.

[31] The number of KOM Consideration Shares to be issued on the Closing Date will depend on the number of issued SCM Shares (excluding treasury shares) as at the Closing Date but such number of KOM Consideration Shares will in any case represent 54 per cent. of the SCM Issued Share Capital on a fully diluted basis post-completion of the Proposed Combination.

10.4 **EPS (Full Year 2021).** The pro forma financial effects on the consolidated EPS of SCM as at 31 December 2021, assuming the Proposed Combination had been effected on 1 January 2021, are as follows:

	Before the Proposed Combination	After the Proposed Combination
Net loss attributable to the SCM Shareholders (S$ million)	(1,171)	(1,290)
Weighted average number of issued SCM Shares (excluding treasury shares) ('000)	18,033,907	54,881,980
Loss per SCM Share (Singapore cents)	(6.49)	(2.35)

Notes:

(1) Net loss includes loss attributable to equity holders of the Company, excluding Non-Controlling Interest.

(2) Weighted average number of issued SCM Shares before the Proposed Combination is based on SCM's weighted average number of issued SCM Shares for the year ended 31 December 2021. The number of SCM Shares to be issued as part of the Proposed Combination, resulting in the weighted average issued SCM Shares after the Proposed Combination, is based on the exchange ratio.

(3) As of the Latest Practicable Date, the number of KOM Consideration Shares to be issued is 36,848,072,918. The number of KOM Consideration Shares to be issued will depend on the number of issued SCM Shares (excluding treasury shares) as at the Closing Date but such number of KOM Consideration Shares will in any case represent 54 per cent. of the SCM Issued Share Capital on a fully diluted basis post-completion of the Proposed Combination.

(4) The number of issued SCM Shares increased in 2021 due to the issue of 18,833,459,491 new SCM Shares in September 2021 pursuant to the rights issue undertaken by SCM.

10.5 **For illustrative purposes only**, certain pro forma financial information of the Enlarged Group as of 31 December 2021 assuming the Proposed Combination had been effected on 1 January 2021 for revenue, and on 31 December 2021 for net order book and gearing, is set out below:

	SCM	Restructured KOM Group	Enlarged Group(1)
Net Order Book (S$ billion)(2)	1.3	5.1	6.4
Revenue (S$ million) (3)(4)	1,862	2,013	3,875
Gearing(5)	33%	17%	22%

Notes:

(1) Information on the Enlarged Group has been computed as the aggregate of the information on SCM and KOM pro forma.

(2) Net order book of SCM and KOM are as of 31 December 2021, based on public disclosures. The Enlarged Group will have more than 50 projects as part of the net order book as of 31 December 2021.

(3) Information on the revenue of SCM is based on the audited financial information of SCM for the financial year ended 31 December 2021.

(4) Information on the revenue of KOM is based on the pro forma financial information of KOM for the financial year ended 31 December 2021.

(5) Assumes the Proposed Combination had been effected on 31 December 2021. Gearing is calculated as Total Debt (excluding Lease Liabilities) / Total Assets as at 31 December 2021.

10.6 Please also refer to **Appendix L** (Report on the Compilation of Unaudited Pro Forma Financial Information of the Enlarged Group for FY2019, FY2020, FY2021, 1H2021 and 1H2022) of this Circular for further details.

11. INDEPENDENT VALUER

11.1 **Independent Valuer.** Deloitte & Touche Financial Advisory Services Pte. Ltd. has been appointed as the Independent Valuer to undertake and provide an independent valuation of the Restructured KOM Group to the Independent Directors for the purposes of making a recommendation to the SCM Shareholders in connection with the Proposed Combination.

The Independent Valuer is part of a globally connected network of member firms in more than 150 countries with more than 345,000 professionals working out of 750 locations. The company provides audit & assurance, consulting, financial advisory, risk advisory, tax & legal related services to public and private clients spanning multiples industries. In the valuation space, the Independent Valuer meets regional and local business' valuation needs with provision of services including valuing businesses, joint ventures, intangible assets, intellectual property rights, financial instruments and any other specific assets. The lead directors involved in this valuation engagement, including Mr Keoy Soo Earn (who has signed off on the Valuation Letter on the Restructured KOM Group and the Supplemental Valuation Letter on the Restructured KOM Group), have worked on a range of valuation advisory projects for the following purposes:

(i) to meet regulatory requirements;

(ii) to support mergers, acquisitions, divestments and re-organizations;

(iii) to support business planning and decision;

(iv) to support tax planning and advisory;

(v) to act as an independent expert for dispute cases; and

(vi) to support fair value for financial reporting.

Mr Keoy is a Chartered Valuer and Appraiser (CVA) with the Institute of Valuers and Appraisers of Singapore, an Accredited Member (Business Valuation) with the American Society of Appraisers (ASA), a Chartered Financial Analyst (CFA) and a Fellow Chartered Accountant of Singapore. He holds a Bachelor of Accountancy and has a Graduate Certificate in Intellectual Property Laws.

The Independent Valuer and its affiliated entities are affiliates of Deloitte Southeast Asia Ltd, a member of Deloitte Asia Pacific Limited and of the Deloitte Network. "Deloitte" or the "Deloitte Network" refers to one or more of Deloitte Touche Tohmatsu Limited, its global network of member firms, and their related entities.

11.2 **Independent Valuation.** After having regard to the considerations set out in the Valuation Letter on the Restructured KOM Group and based on the information available to the Independent Valuer as at 15 November 2022, an extract of the conclusion of the Independent Valuer is reproduced in italics below. SCM Shareholders should read the following extract in conjunction with, and in the context of, the Valuation Letter on the Restructured KOM Group in its entirety as set out in **Appendix B** to this Circular. Unless otherwise defined or the context otherwise requires, all capitalised terms below shall have the same meanings as defined in the Valuation Letter on the Restructured KOM Group.

"***5. Conclusion***

Based upon and subject to the foregoing and other information used in the preparation of this Valuation Letter, we have estimated the range of the Equity Value of the Restructured KOM Group to be S$ 4.8 billion to S$ 5.8 billion as at 31 December 2021 and S$ 4.3 billion to S$ 5.3 billion as at 30 June 2022. The estimated Equity Value of the Restructured KOM Group as at 30 June 2022 is lower than the Equity Value as at 31 December 2021 primarily due to an increased in the applicable discount rates and higher borrowings. Our work was completed on 15 November 2022 and we have not updated our work since that date.

The estimates of the Equity Value of the Restructured KOM Group should be considered in the context of the entirety of this Valuation Letter. Save for the purposes of the Shareholders' Circular to be dispatched to the Shareholders, this Valuation Letter may not be reproduced, disseminated or quoted for any other purpose without Deloitte's prior written consent. This Valuation Letter is governed by, and should be construed in accordance with, the laws of Singapore, and are strictly limited to the matters stated therein and do not apply by implication to any other matter."

The basis of the Independent Valuer's valuation of the Restructured KOM Group as extracted from the Valuation Letter on the Restructured KOM Group is as follows:

"3. Valuation Basis and Approach

We have used market value as the basis for the Valuation, presuming the application of existing use basis and incumbent-management control basis. Market value is defined for this purpose by the International Valuation Standards 2021 as follows:

"Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.""

11.3 Additional Procedures by Independent Valuer. In addition, upon the request of SCM, the Independent Valuer has performed the following additional procedures as described in the Supplemental Valuation Letter on the Restructured KOM Group set out in **Appendix B** to this Circular:

"*1. Obtained an updated confirmation from KOM Management that from 16 November 2022 to 20 January 2023, to the best knowledge of KOM Management, in its opinion, there is no information that has been omitted or withheld that may materially affect the accuracy of the Relevant Information (as defined in the Valuation Letter dated 31 January 2023). KOM Management confirmed that (1) information that the KOM Management is aware of and which in its opinion is material in respect of Restructured KOM Group, has been or will be publicly disclosed by KCL on the SGXNET; and (2) any event or circumstance that, to the knowledge of the KOM Management, results in a reduction of more than S$ 600 million on the net profits of the Restructured KOM Group will be publicly disclosed by KCL on the SGXNET and notified in writing to SCM and us.*

2. Read KCL SGXNET announcements from 16 November 2022 to 20 January 2023."

Based on the above procedures, nothing has come to the attention of the Independent Valuer that in its opinion, will result in a material adverse impact on the range of equity value of the Restructured KOM Group as at 30 June 2022.

11.4 Please refer to **Appendix B** to this Circular for the Valuation Letter on the Restructured KOM Group and the Supplemental Valuation Letter on the Restructured KOM Group issued by the Independent Valuer in relation to the abovementioned valuation.

12. IFA

12.1 IFA. Provenance Capital Pte. Ltd. has been appointed as the IFA to advise the Independent Directors in respect of their recommendations to SCM Shareholders in relation to the Proposed Combination.

SCM Shareholders should consider carefully the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors before deciding whether or not to vote in favour of the Proposed Combination. The advice of the IFA is set out in the IFA Letter as set out in Appendix A to this Circular.

12.2 Advice of the IFA

After having regard to the considerations set out in the IFA Letter, and based on the information available to the IFA as at the Latest Practicable Date, the IFA has made certain recommendations to the Independent Directors, an extract of which is reproduced in italics below. SCM Shareholders should read the following extract in conjunction with, and in the context of, the IFA Letter in its entirety as set out in **Appendix A** to this Circular. Unless otherwise defined or the context otherwise requires, all capitalised terms below shall have the same meanings as defined in the IFA Letter.

"***8. OUR OPINION***

In arriving at our opinion in respect of the Proposed Combination, we have reviewed and deliberated on the following key considerations which we considered to be pertinent in our assessment:

(a) rationale for the Proposed Combination;

(b) assessment of the consideration for the Restructured KOM Group;

(c) assessment of the Issue Price for the KOM Consideration Shares;

(d) dilution impact on existing SCM Shareholders; and

(e) other relevant considerations.

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, overall, on balance, we are of the view that the terms of the Proposed Combination are fair and reasonable. Accordingly, we advise the Independent Directors to recommend SCM Shareholders to vote in favour of the Proposed Combination.

Our opinion in relation to the Proposed Combination should be considered in the context of the entirety of this Letter and the Circular."

13. DISCLOSURE OF INTERESTS

13.1 Interests of Directors and Substantial Shareholders in SCM Shares

13.1.1 The interests of the Directors in the SCM Shares as at the Latest Practicable Date are set out in paragraph 4.1 of **Appendix D** to this Circular.

13.1.2 The interests of the substantial shareholders of the Company in the SCM Shares as at the Latest Practicable Date are set out in paragraph 4.2 of **Appendix D** to this Circular.

13.1.3 Save as disclosed in this Circular, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Combination.

14. INDEPENDENT DIRECTORS' RECOMMENDATION, CONFIRMATION AND INTENTIONS

14.1 Recommendation. The Independent Directors have considered:

14.1.1 the terms of the Proposed Combination, as set out in paragraph 5.2 of this Letter to Shareholders;

14.1.2 the rationale for the Proposed Combination, as set out in paragraph 3 of this Letter to Shareholders;

14.1.3 the opinion of the IFA in the IFA Letter, as set out in **Appendix A** to this Circular;

14.1.4 the opinion of the Independent Valuer in the Valuation Letter on the Restructured KOM Group and the Supplemental Valuation Letter on the Restructured KOM Group, each as set out in **Appendix B** to this Circular; and

14.1.5 the Risk Factors, as set out in **Appendix C** to this Circular.

Having considered the relevant factors, including those described above, the Independent Directors recommend that SCM Shareholders **VOTE IN FAVOUR** of the resolution relating to the Proposed Combination.

14.2 **Confirmation in relation to Independent Valuation.** Further, in relation to the Independent Valuer's valuation of the Restructured KOM Group, based on:

14.2.1 the opinion of the Independent Valuer in the Valuation Letter on the Restructured KOM Group and the Supplemental Valuation Letter on the Restructured KOM Group as set out in **Appendix B** of this Circular, extracts of which are set out in paragraphs 11.2 and 11.3 of this Letter to Shareholders;

14.2.2 the confirmation from the Independent Valuer set out in paragraph 11.3 of this Circular, being that "*Based on the above procedures, nothing has come to the attention of the Independent Valuer that in its opinion, will result in a material adverse impact on the range of equity value of the Restructured KOM Group as at 30 June 2022 .*"; and

14.2.3 the KCL SGXNET announcements from 16 November 2022 to 20 January 2023,

nothing has come to the attention of the Independent Directors that in their opinion, will result in a material and adverse impact on the valuation of the Restructured KOM Group.

14.3 **No Regard to Specific Objectives.** The Independent Directors advise SCM Shareholders, in deciding whether or not to vote in favour of the Proposed Combination, to carefully consider the advice of the IFA and in particular, the various considerations highlighted by the IFA in the IFA Letter.

In giving the above recommendation, the Independent Directors have not had regard to the specific objectives, financial situation, tax position, tax status, risk profiles or particular needs and constraints and circumstances of any individual SCM Shareholder. As each SCM Shareholder would have different investment objectives and profiles, the Independent Directors recommend that any individual SCM Shareholder who may require advice in the context of his/her specific investment objectives or portfolio should consult his/her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

14.4 **Independent Directors' Intentions.** All the SCM Directors who have beneficial shareholdings in the Company will **VOTE IN FAVOUR** of the Proposed Combination.

15. THE SCM EGM

15.1 The SCM EGM

The SCM EGM, notice of which is set out in this Circular, will be convened and held by way of electronic means on 16 February 2023 at 11.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolution set out in the Notice of EGM.

15.2 Abstention from Voting by Temasek

15.2.1 **Temasek's shareholding.** As at the Latest Practicable Date, Temasek has:

(i) a direct interest in approximately 21.20 per cent. of the issued share capital of KCL[32]; and

(ii) through its indirect wholly-owned subsidiary, Startree, an interest in approximately 54.58 per cent. of the issued share capital of SCM[33].

15.2.2 **Abstention from voting.** Startree, being the relevant Temasek entity holding the SCM Shares will abstain from voting on the resolution relating to the Proposed Combination at the SCM EGM, being the only resolution tabled for approval at the SCM EGM.

16. ACTION TO BE TAKEN BY SHAREHOLDERS

16.1 No Personal Attendance at the SCM EGM

The SCM EGM will be convened and held by way of electronic means as a precautionary measure due to COVID-19. Accordingly, SCM Shareholders will not be able to attend the SCM EGM in person.

16.2 Alternative Arrangements

Alternative arrangements have been put in place to allow SCM Shareholders to participate in the SCM EGM by:

16.2.1 observing and/or listening to the SCM EGM proceedings via live audio-visual webcast or live audio-only stream;

16.2.2 submitting questions in advance of and/or live at the SCM EGM; and/or

16.2.3 voting at the SCM EGM (i) live by SCM Shareholders themselves or their duly appointed proxies (other than the Chairman of the SCM EGM) via electronic means; or (ii) by appointing the Chairman of the SCM EGM as proxy to attend, speak and vote on their behalf at the SCM EGM.

16.3 Submission of questions in advance of, or live at, the SCM EGM

16.3.1 SCM Shareholders, including CPFIS Investors and SRS Investors, are encouraged to raise their questions (if any) as early as possible in advance of the SCM EGM and can submit substantial and relevant questions related to the resolution to be tabled for approval at the SCM EGM in the following manner:

(i) (for SCM Shareholders, including CPFIS Investors and SRS Investors, who have pre-registered to observe and/or listen to the SCM EGM) online via the pre-registration website at the URL https://conveneagm.sg/SEMBMARINE-EGM2023;

[32] As at the Latest Practicable Date, Temasek holds a direct interest in 371,408,292 ordinary shares in the issued and paid-up capital of KCL. This excludes interests held by Temasek's independently-managed portfolio companies.

[33] As at the Latest Practicable Date, Temasek holds through its indirect wholly-owned subsidiary, Startree, approximately 54.58 per cent. of the issued share capital of SCM. This excludes interests held by Temasek's independently-managed portfolio companies.

(ii) by email to the Company's Share Registrar, KCK Corpserve Pte. Ltd. at the URL sembmarine-egm@kckcs.com.sg; or

(iii) by post to the Company's Share Registrar, KCK Corpserve Pte. Ltd at 1 Raffles Place, One Raffles Place (Tower 2) #04-63, Singapore 048616.

SCM Shareholders, including CPFIS Investors and SRS Investors, will need to identify themselves when posing questions by providing the following details:

(a) full name;

(b) registered address; and

(c) the manner in which they hold their SCM Shares (e.g. via CDP, CPFIS, SRS and/or scrip).

16.3.2 All questions submitted in advance via any of the above channels must be received by 5.00 p.m. on 7 February 2023 for the purposes of the SCM EGM (the "**SCM EGM Questions Deadline**").

16.3.3 SCM Shareholders, including CPFIS Investors and SRS Investors, and, where applicable, appointed proxies, can also raise substantial and relevant questions related to the resolution to be tabled for approval at the SCM EGM, live at the SCM EGM, by typing and submitting their questions via the online platform hosting the live audio-visual webcast and live audio-only stream. SCM Shareholders, including CPFIS Investors and SRS Investors, and, where applicable, appointed proxies, who wish to ask questions live at the SCM EGM must first pre-register at the pre-registration website at the URL https://conveneagm.sg/SEMBMARINE-EGM2023.

16.3.4 The Company will endeavour to address all substantial and relevant questions:

(i) received by the SCM EGM Questions Deadline by publishing their responses to such questions prior to the SCM EGM (via an announcement on the Company's website at the URL https://www.sembmarine.com/investor-relations/stock-exchange-announcements), and on the SGXNET; and

(ii) received after the SCM EGM Questions Deadline, as well as those received live at the SCM EGM, during the SCM EGM through the live audio-visual webcast and live audio-only stream.

16.3.5 The Company will also, within one month after the date of the SCM EGM, publish the minutes of the SCM EGM on the Company's website and on the SGXNET, and the minutes will include the responses to the questions from SCM Shareholders which are addressed during the SCM EGM.

16.4 SCM Shareholders are requested to complete and submit the enclosed EGM Proxy Form in accordance with the instructions printed thereon not less than 72 hours before the time fixed for the SCM EGM. SCM Shareholders who wish to appoint third party proxies are encouraged to submit their EGM Proxy Forms early and should request their proxies to pre-register by 11.00 a.m. on 13 February 2023.

In view of COVID-19, members are strongly encouraged to submit their completed EGM Proxy Forms electronically.

16.5 CPFIS Investors and SRS Investors. CPFIS Investors and SRS Investors should note that they (i) may vote live via electronic means at the SCM EGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Agent Banks, and should contact their respective CPF Agent Banks or SRS Agent Banks if they have any queries regarding their appointment as proxies; or (ii) may appoint the Chairman of the SCM EGM as proxy to attend, speak and vote on their behalf at the SCM EGM, in which case they should approach their respective CPF Agent Banks or SRS Agent Banks to submit their votes by 5.00 p.m. on 7 February 2023. If CPFIS Investors and SRS Investors are in any doubt as to the action they should take, they should seek independent professional advice.

17. RESPONSIBILITY STATEMENTS

17.1 Directors' Responsibility Statements

The Directors (including any who may have delegated detailed supervision of the preparation of this Circular) collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Combination, SCM and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

17.2 Financial Adviser's Responsibility Statements

To the best of Credit Suisse (Singapore) Limited's knowledge and belief, save for the information set out in certain paragraphs and Appendices to this Circular[34], this Circular constitutes full and true disclosure of all the material facts about the Proposed Combination and the SCM Group, and Credit Suisse (Singapore) Limited is not aware of any facts the omission of which would make any statement in this Circular misleading.

18. CONSENTS

18.1 Financial Adviser to SCM. Credit Suisse (Singapore) Limited, the Financial Adviser to the Company, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name and references to its name, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

18.2 Joint Financial Adviser. DBS Bank Ltd., as the Joint Financial Adviser to SCM and KOM with respect to the relative ratios assessment of SCM and KOM, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name and

[34] Comprising paragraphs 2, 3, 10, 11, 12, 13, 14, 17 (excluding 17.2), 18 (excluding 18.1), 19, and Appendices A, B, D, E, F, J, K and L to this Circular.

references to its name, in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

18.3 **IFA**. Provenance Capital Pte. Ltd., the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of:

18.3.1 its name and references to its name; and

18.3.2 the IFA Letter,

in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

18.4 **Independent Valuer**. Deloitte & Touche Financial Advisory Services Pte. Ltd., the Independent Valuer, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of:

18.4.1 its name and references to its name;

18.4.2 the Valuation Letter on the Restructured KOM Group; and

18.4.3 the Supplemental Valuation Letter on the Restructured KOM Group,

in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

18.5 **Auditor**. KPMG LLP, the Auditors and Independent Reporting Accountants to the Company, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of:

18.5.1 its name and references to its name;

18.5.2 the Report on the Compilation of Unaudited Pro Forma Financial Information of the Restructured KOM Group for FY2019, FY2020, FY2021, 1H2021 and 1H2022; and

18.5.3 the Report on the Compilation of Unaudited Pro Forma Financial Information of the Enlarged Group for FY2019, FY2020, FY2021, 1H2021 and 1H2022,

in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

19. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the following documents will be made available for inspection during normal business hours at the office of SCM at 80 Tuas South Boulevard, Singapore 637051, for a period of three months from the date of this Circular:

19.1.1 the Constitution;

19.1.2 the annual reports of the Company for FY2019, FY2020 and FY2021;

19.1.3 the Amended and Restated Combination Framework Agreement;

19.1.4 the Side Letter in relation to the Amended and Restated Combination Framework Agreement;

19.1.5 the IFA Letter;

19.1.6 the Valuation Letter on the Restructured KOM Group;

19.1.7 the Supplemental Valuation Letter on the Restructured KOM Group;

19.1.8 the Audited Financial Statements of the KOM Group for FY2019, FY2020 and FY2021;

19.1.9 the Report on the Compilation of Unaudited Pro Forma Financial Information of the Restructured KOM Group for FY2019, FY2020, FY2021, 1H2021 and 1H2022;

19.1.10 the Report on the Compilation of Unaudited Pro Forma Financial Information of the Enlarged Group for FY2019, FY2020, FY2021, 1H2021 and 1H2022; and

19.1.11 the letters of consent referred to in paragraph 18 of this Letter to Shareholders.

20. ADDITIONAL INFORMATION

Your attention is drawn to the further relevant information in the Appendices to this Circular.

Yours faithfully
For and on behalf of
the Board of Directors of
SEMBCORP MARINE LTD

Tan Sri Mohd Hassan Marican
Chairman

APPENDIX A: IFA LETTER

See following pages.

PROVENANCE CAPITAL PTE. LTD.

(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)
96 Robinson Road #13-01 SIF Building
Singapore 068899

31 January 2023

To: The Directors of Sembcorp Marine Ltd
(who are all deemed independent in respect of the Proposed Combination)

Tan Sri Mohd Hassan Marican	(Chairman, Non-Executive and Non-Independent Director)
Mr Yap Chee Keong	(Deputy Chairman, Non-Executive and Independent Director)
Mr Wong Weng Sun	(President & Chief Executive Officer, Executive and Non-Independent Director)
Mr Bob Tan Beng Hai	(Non-Executive and Lead Independent Director)
Mrs Gina Lee-Wan	(Non-Executive and Independent Director)
Mr William Tan Seng Koon	(Non-Executive and Independent Director)
Mr Patrick Daniel	(Non-Executive and Independent Director)
Mr Tan Wah Yeow	(Non-Executive and Independent Director)
Mr Koh Chiap Khiong	(Non-Executive and Non-Independent Director)

Dear Sirs/Mdm,

PROPOSED COMBINATION VIA THE PROPOSED ACQUISITION OF THE RESTRUCTURED KOM GROUP

*Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to shareholders of Sembcorp Marine Ltd dated 31 January 2023 ("**Circular**"). The latest practicable date as referred to in the Circular and for the purposes of this letter ("**Letter**") is 20 January 2023 ("**Latest Practicable Date**").*

1. INTRODUCTION

1.1 Background

On 24 June 2021 ("**MOU Announcement Date**"), Sembcorp Marine Ltd ("**SCM**" or "**Company**", together with its subsidiaries, "**SCM Group**") announced that it had entered into a non-binding memorandum of understanding ("**MOU**") with Keppel Corporation Limited ("**KCL**", together with its subsidiaries, "**KCL Group**") to explore a potential combination ("**Proposed Combination**") of SCM and Keppel Offshore & Marine Ltd ("**KOM**"), a wholly-owned subsidiary of KCL.

On 27 April 2022 ("**Announcement Date**"), SCM announced that it had entered into a combination framework agreement ("**Combination Framework Agreement**") with Bayberry Limited ("**Combined Entity**") and KCL (SCM, the Combined Entity and KCL each, a "**Party**" and collectively, the "**Parties**") pursuant to which the Parties had agreed to take certain steps involving schemes of arrangement to effect the Proposed Combination and to record their respective obligations relating to, *inter alia*, the implementation of the Proposed Combination. Under the Proposed Combination, Parties intended to achieve a combination of the businesses of SCM and KOM, such that SCM and KOM would be held as wholly-owned subsidiaries of the Combined Entity.

KOM would also undergo a restructuring exercise ("**KOM Restructuring**") which involves *inter alia* the divestment of KOM's legacy rig assets and associated receivables ("**Asset Co Transaction**") to a newly established asset holding company ("**Asset Co**"), the divestment of certain out-of-scope assets to KCL and the payment of S$500 million cash to KCL ("**Cash

Component") prior to the closing of the Proposed Combination. It is intended that the Proposed Combination would be subject to and conditional with the KOM Restructuring taking place.

Under the terms of the Proposed Combination, the agreed equity value exchange ratio would result in KCL and its shareholders owning such number of shares of the Combined Entity ("**KOM Consideration Shares**") representing 56% of the total issued share capital of the Combined Entity, and shareholders of SCM ("**SCM Shareholders**") would own such number of shares of the Combined Entity representing 44% of the total issued share capital of the Combined Entity, immediately following the completion of the Proposed Combination.

Of the 56% shareholding interest in the Combined Entity, KCL would retain 10% which would be placed in a segregated account to fund claims by the Combined Entity, if any, relating to certain identified contingent liabilities for a period of up to 48 months from the completion of the Proposed Combination ("**Retained Stake**"), and the remaining 46% would be distributed to the shareholders of KCL by way of a distribution *in specie* ("**KCL Distribution**").

Based on the existing 31,389,099,152 shares of SCM ("**SCM Shares**") (excluding 6,223 treasury shares) as at the Announcement Date, 39,949,762,557 KOM Consideration Shares would be issued. Parties have agreed for the KOM Consideration Shares to be issued at S$0.122 each ("**Issue Price**"), which was based on the volume weighted average price ("**VWAP**") of the SCM Shares for the last 10 trading days up to and including 26 April 2022, being the last trading day prior to the Announcement Date. Accordingly, the consideration for KOM would amount to approximately S$4.874 billion.

1.2 Revised transaction structure and terms

On 27 October 2022, SCM announced that it had on the same date entered into an amendment and restatement deed, amending and restating the Combination Framework Agreement ("**Amended and Restated Combination Framework Agreement**") and setting out the revised terms on which the Proposed Combination will be effected.

The revised transaction structure under the Proposed Combination involves the proposed acquisition of 100% equity interest of KOM by SCM for a consideration which will be settled by the issue of such number of SCM Shares to KCL and its shareholders representing 54% of the enlarged share capital of SCM immediately following the Proposed Combination ("**Enlarged Group**").

The Proposed Combination continues to be subject to and conditional with the KOM Restructuring taking place.

Upon the completion of the Proposed Combination, KOM (together with its subsidiaries, the "**Restructured KOM Group**") will become a wholly-owned subsidiary of SCM. Existing SCM Shareholders will own 46% of the Enlarged Group, and KCL and its shareholders will own 54% of the Enlarged Group.

Of the 54% shareholding interest in the Enlarged Group, KCL's Retained Stake will be revised to 5% (instead of 10%), and the remaining 49% (instead of 46%) is intended to be distributed by KCL to its shareholders ("**KCL Shareholders**") by way of the KCL Distribution.

Based on the agreed Issue Price of S$0.122 for each KOM Consideration Share, and the existing 31,389,099,152 SCM Shares in issue (excluding treasury shares), the revised consideration for the Proposed Combination is 36,848,072,918 KOM Consideration Shares, which will amount to approximately S$4.495 billion.

Details of the revised terms and structure for the Proposed Combination and the differences between the initial transaction structure and terms, and the revised transaction structure and terms are set out in the announcement by SCM on 27 October 2022.

1.3 SCM EGM

The Proposed Combination is considered as a "very substantial acquisition" under Chapter 10 of the listing manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and is therefore subject to *inter alia* the approval from the SGX-ST and approval of the SCM Shareholders at an extraordinary general meeting ("**SCM EGM**").

The Proposed Combination does not tantamount to a reverse takeover as there will be no change in the shareholding control of SCM. Temasek Holdings (Private) Limited ("**Temasek**") will remain as the controlling shareholder of the Enlarged Group, as explained below.

As at the Latest Practicable Date, Temasek has a direct interest in approximately 21.20% of the issued share capital of KCL and, through its indirect wholly-owned subsidiary, Startree Investments Pte. Ltd. ("**Startree**"), an indirect interest in approximately 54.58% of the issued share capital of SCM. Following the completion of the Proposed Combination and the KCL Distribution, and based on its shareholding interest in SCM and KCL as at the Latest Practicable Date, Temasek will remain the single largest shareholder of SCM, holding approximately 35.49% of SCM. It is expected that no other single shareholder will hold more than 15% shareholding interest in SCM.

SCM will be seeking approval from SCM Shareholders at the SCM EGM for the Proposed Combination and the issuance of the KOM Consideration Shares in connection with the Proposed Combination.

Details of the above are set out in the Circular. Salient terms of the Proposed Combination are set out in Section 3 of this Letter.

Startree, being the relevant Temasek entity holding SCM Shares, will abstain from voting on the resolution relating to the Proposed Combination at the SCM EGM, being the only resolution tabled for approval at the SCM EGM.

1.4 Our role as IFA

As at the Latest Practicable Date, the directors of SCM ("**Directors**") are as follows:

(i) Tan Sri Mohd Hassan Marican (Chairman, Non-Executive and Non-Independent Director)
(ii) Mr Yap Chee Keong (Deputy Chairman, Non-Executive and Independent Director)
(iii) Mr Wong Weng Sun (President & Chief Executive Officer, Executive and Non-Independent Director)
(iv) Mr Bob Tan Beng Hai (Non-Executive and Lead Independent Director)
(v) Mrs Gina Lee-Wan (Non-Executive and Independent Director)
(vi) Mr William Tan Seng Koon (Non-Executive and Independent Director)
(vii) Mr Patrick Daniel (Non-Executive and Independent Director)
(viii) Mr Tan Wah Yeow (Non-Executive and Independent Director)
(ix) Mr Koh Chiap Khiong (Non-Executive and Non-Independent Director)

The Company has confirmed that all the Directors are deemed independent in respect of the Proposed Combination ("**Independent Directors**").

For the purposes of the Proposed Combination, SCM had appointed the following advisers:

(a) Credit Suisse (Singapore) Limited ("**Credit Suisse**") as the financial adviser to SCM in respect of the Proposed Combination;

(b) DBS Bank Ltd ("**DBS**") as the Joint Financial Adviser to SCM and KOM with respect to the enterprise value ratio and the initial equity value exchange ratio assessment of SCM and KOM;

(c) Deloitte & Touche Financial Advisory Services Pte. Ltd. ("**Deloitte**") as the independent valuer ("**Independent Valuer**") to the Independent Directors to carry out an independent valuation of 100% equity interest of the Restructured KOM Group as at 31 December 2021 and as at 30 June 2022; and

(d) Provenance Capital Pte. Ltd. ("**Provenance Capital**") as the Independent Financial Adviser ("**IFA**") to the Independent Directors for the purposes of making a recommendation to the SCM Shareholders in connection with the Proposed Combination.

We note that an IFA opinion on the Proposed Combination is not required under the Listing Manual as the Proposed Combination is not considered as an "interested person transaction" under Chapter 9 of the Listing Manual. Nonetheless, the Company had appointed us to advise the Independent Directors of SCM in respect of their recommendations to SCM Shareholders in relation to the Proposed Combination.

This Letter is therefore addressed to the Independent Directors and sets out, *inter alia*, our evaluation of the terms of the Proposed Combination and our recommendation on the Proposed Combination. This Letter forms part of the Circular which provides, *inter alia*, details of the Proposed Combination and the recommendations of the Independent Directors to the SCM Shareholders on the Proposed Combination. This Letter is attached as Appendix A to the Circular.

2. TERMS OF REFERENCE

Provenance Capital has been appointed as the IFA to advise the Independent Directors in respect of their recommendations to SCM Shareholders in relation to the Proposed Combination, in particular, to opine on whether the consideration for the proposed acquisition of the Restructured KOM Group and the Issue Price for the KOM Consideration Shares are fair and reasonable.

We are not involved in or responsible for, in any respect, the discussions in relation to the Proposed Combination, nor were we involved in the deliberations leading up to the decision on the part of the Directors to put forth the Proposed Combination or to obtain the approval of the SCM Shareholders for the Proposed Combination, and we do not, by this Letter, warrant the merits of the Proposed Combination, other than to express an opinion on whether the terms of the Proposed Combination are fair and reasonable.

It is not within our terms of reference to evaluate or comment on the legal, strategic, commercial and financial merits and/or risks of the Proposed Combination. Such evaluation or comments, if any, remains the responsibility of the Directors and/or the management of the Company ("**Management**") although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter.

In the course of our evaluation, we have held discussions with the Directors and/or the Management and have examined and relied on the information set out in the Circular, other publicly available information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Directors and/or the Management.

We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular in relation to the Proposed Combination have been reasonably made after due and careful enquiry. Whilst care has been exercised in reviewing the information which we have relied upon, we have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. We have nevertheless made such reasonable enquiries and judgment on the reasonable use of such information, as were deemed necessary, and have found no reason to doubt the accuracy or reliability of the information and representations.

Save as disclosed, we would like to highlight that all information relating to the Company and the Restructured KOM Group which we have relied upon in arriving at our opinion has been obtained from publicly available information and/or from the Directors and Management (provided that, for the avoidance of doubt, information relating to the Restructured KOM Group that was provided by the Directors and Management was information that was in the possession of the Directors and Management). We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the SCM Group and the Restructured KOM Group at any time or as at the Latest Practicable Date.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the SCM Group and/or the Restructured KOM Group, or to express, and we do not express, a view on the future growth prospects, value and earnings potential of the SCM Group after the completion of the Proposed Combination. Such review or comments, if any, remain the responsibility of the Directors and Management, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter. We have not obtained from the Company any projection of the future performance including the financial performance of the Enlarged Group, and we did not conduct discussions with the Directors and Management on, and did not have access to, any business plan and financial projections of the Enlarged Group. In addition, we are not expressing any view as to the prices at which the SCM Shares may trade or the future value, financial performance or condition of the Enlarged Group, upon or after the completion of the Proposed Combination.

We have not made an independent evaluation or appraisal of the assets and liabilities of the SCM Group and/or the Restructured KOM Group (including without limitation, property, plant and equipment).

However, in connection with the Proposed Combination and in compliance with Rule 1015 of the Listing Manual, the Company had commissioned Deloitte as the Independent Valuer to carry out an independent valuation ("**Valuation**") of 100% equity interest (including perpetual securities and net balances due to KCL related entities) of the Restructured KOM Group as at 31 December 2021 ("**1st Valuation Date**") and as at 30 June 2022 ("**2nd Valuation Date**"). The valuation letter dated 31 January 2023 ("**Valuation Letter**"), read together with the supplemental valuation letter dated 31 January 2023 ("**Supplemental Valuation Letter**"), as prepared by the Independent Valuer is attached as Appendix B to the Circular.

We are not experts in the evaluation or appraisal of the assets concerned, and for the purposes of evaluating and assessing the terms of the Proposed Combination, we have taken into account, *inter alia*, the independent business valuation of the Restructured KOM Group by the Independent Valuer for such appraisal but we have not made any independent verification of the content thereof.

Our opinion as set out in this Letter is based on market, economic, industry, monetary and other conditions (if applicable) prevailing as at the Latest Practicable Date, and the information and representations provided to us as at the Latest Practicable Date. In arriving at our opinion, with the consent of the Directors and the Company, we have taken into account certain other factors and have made certain assumptions as set out in this Letter. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. SCM Shareholders should take note of any announcement, relevant to the Proposed Combination, which may be released by SCM after the Latest Practicable Date.

In rendering our advice and giving our recommendation, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any SCM Shareholder or any specific group of SCM Shareholders. As each SCM Shareholder may have different investment objectives and profiles, we recommend that any individual SCM Shareholder or group of SCM Shareholders who may require specific advice in relation to his or their investment portfolio(s) or objective(s) consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

SCM has been separately advised by its own professional advisers in the preparation of the Circular (other than this Letter). We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no view, whether express or implied, on the contents of the Circular (other than this Letter and the extract of our opinion in the Circular).

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purposes, other than for the purposes of the SCM EGM and the Proposed Combination, at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

We have prepared this Letter for the use of the Independent Directors in connection with their consideration of the Proposed Combination and their advice to the SCM Shareholders arising thereof. The recommendation to be made to the SCM Shareholders in relation to the Proposed Combination shall remain the responsibility of the Independent Directors.

Our opinion in relation to the Proposed Combination should be considered in the context of the entirety of this Letter and the Circular.

Responsibility Statement by the Directors

The Directors collectively and individually accept full responsibility for the accuracy of the information on the Proposed Combination, the Company and the SCM Group (and excluding, for the avoidance of doubt, information relating to KCL and the Restructured KOM Group) that was provided by the Company to us (the "**Relevant Information**") and have confirmed that, to the best of their knowledge and belief, the Relevant Information is true, complete and accurate in all material respects and that there is no other information or fact in their possession, the omission of which would cause any information or facts in this Letter to be inaccurate, incomplete or misleading in any material respect.

3. SALIENT TERMS OF THE PROPOSED COMBINATION

3.1 Key steps for the Proposed Combination

Pursuant to the terms and conditions of the Amended and Restated Combination Framework Agreement, the key terms of the Proposed Combination are as follows:

(i) KOM Restructuring

Prior to the completion of the Proposed Combination, KCL will undertake the Asset Co Transaction whereby KCL will sell KOM's legacy rigs and associated receivables to Asset Co that will be 10% owned by KCL and 90% owned by other investors. In addition, certain out-of-scope assets ("**Out-of-Scope Assets**") comprising mainly KOM's interests in Keppel Floatel International Ltd ("**Floatel**") and Dyna-Mac Holdings Ltd ("**Dyna-Mac**") will be retained by KCL. KOM will also pay the Cash Component of S$500 million to settle outstanding interest and make a partial redemption of certain perpetual securities previously issued to KCL. To finance the above cash payment of S$500 million, KOM has entered into a commitment letter with DBS for financing arrangements of up to S$500 million. KOM may consider alternative funding options leading up to the completion of the Proposed Combination.

The Company and KCL have commercially agreed that the Out-of-Scope Assets are assets that are deemed non-core to the business of SCM after the Proposed Combination and are not assets required by the Restructured KOM Group to carry out core offshore and marine business and hence, will be retained as no-core investments for the KCL Group instead of being transferred to SCM.

The KOM Restructuring will be completed prior to the completion of the Proposed Combination.

(ii) Proposed Combination

The Proposed Combination will be effected by way of the proposed acquisition of 100% equity interest of KOM for a consideration which will be settled by the issue of such number of SCM Shares, representing 54% of the enlarged issued share capital of SCM immediately following the completion of the Proposed Combination.

As a result, KOM will become a wholly-owned subsidiary of SCM. Existing SCM Shareholders will own 46% of the Enlarged Group, and KCL and its shareholders will own 54% of the Enlarged Group.

Based on 31,389,099,152 SCM Shares in issue (excluding treasury shares) as at the Latest Practicable Date, 36,848,072,918 KOM Consideration Shares will be issued, and the Enlarged Group will have in total 68,237,172,070 SCM Shares.

As at the Latest Practicable Date, other than the issue of the KOM Consideration Shares, SCM does not envisage any significant change in the number of issued SCM Shares prior to the completion of the Proposed Combination.

The KOM Consideration Shares are to be issued at the Issue Price of S$0.122 each as announced by SCM on 27 April 2022.

Based on the above, the consideration for the Proposed Combination is approximately S$4.495 billion.

(iii) KCL Distribution

Prior to the completion of the Proposed Combination, KCL will seek approval from its KCL Shareholders for the KCL Distribution which involves the distribution *in specie* of the KOM Consideration Shares (less the Retained Stake) to the KCL Shareholders. Subject to the above approval, upon issuance, the KOM Consideration Shares (less the Retained Stake) are envisaged to be distributed directly by SCM to the KCL Shareholders.

The Retained Stake, to be retained in KCL, represents 5% shareholding interest in the Enlarged Group, and the KCL Distribution represents 49% shareholding interest in the Enlarged Group.

KCL will place the Retained Stake in a segregated account to fund claims by SCM, if any, relating to certain identified contingent liabilities for a period of up to 48 months from the completion of the Proposed Combination. This segregated account will be managed by an independent third party who will have authority to monetise the Retained Stake based on pre-defined parameters.

SCM has also agreed to indemnify KCL for certain identified contingent liabilities for a period of up to 24 months from the completion of the Proposed Combination.

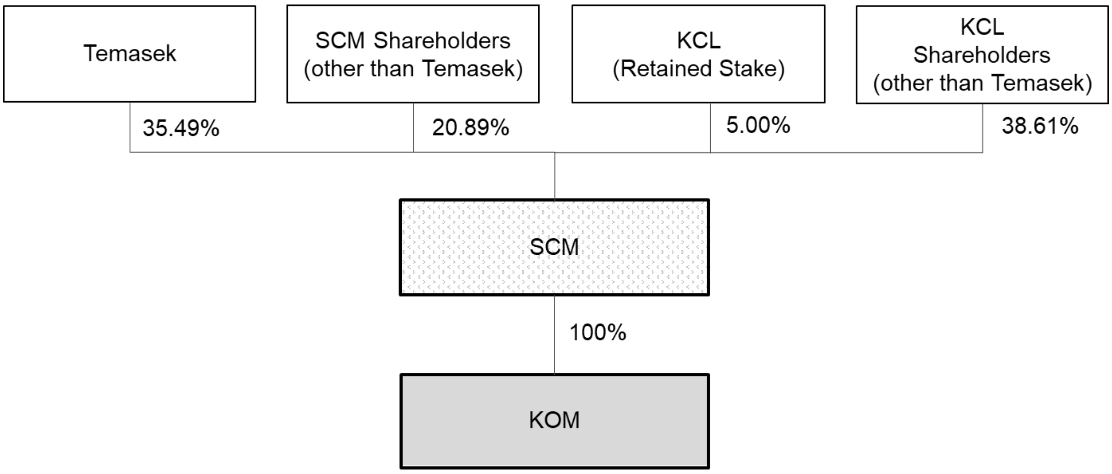
3.2 Shareholding structure of the Enlarged Group

Upon completion of the Proposed Combination, KOM will become a wholly-owned subsidiary of SCM. KCL and KCL Shareholders will become shareholders of SCM following the KCL Distribution.

Following the KCL Distribution, Temasek (through Startree) will hold approximately 35.49% shareholding interest in the Enlarged Group and will be the single largest shareholder of the Enlarged Group. It is expected that no other single shareholder will hold more than 15% shareholding interest in SCM.

Startree has undertaken to comply, and will procure Temasek to comply, with the applicable moratorium requirements imposed by the SGX-ST to maintain (i) for a period of six months following the completion of the Proposed Combination, 100% of its effective interest in SCM; and (ii) for the six-month period thereafter, 50% of its effective interest in SCM as at the completion of the Proposed Combination.

As an illustration, based on the terms of the Proposed Combination and the existing SCM Shares in issue (excluding treasury shares) as at the Latest Practicable Date, the resultant shareholding interests of various shareholders in SCM after completion of the Proposed Combination and the KCL Distribution would be as follows:



	Before the Proposed Combination and KCL Distribution		KOM Consideration Shares	After the Proposed Combination and KCL Distribution	
	No. of SCM Shares	%	No. of SCM Shares	No. of SCM Shares	%
Temasek	17,131,025,958	54.58	7,088,339,820	24,219,365,778	35.49
SCM Shareholders (other than Temasek)	14,258,073,194	45.42	-	14,258,073,194	20.89
KCL's Retained Stake	-	-	3,411,858,604	3,411,858,604	5.00
KCL Shareholders (other than Temasek)	-	-	26,347,874,494	26,347,874,494	38.61
Total	**31,389,099,152**(1)	**100.00**	**36,848,072,918**(2)	**68,237,172,070**(2)	**100.00**(3)

Notes:

(1) Based on the number of SCM Shares in issue (excluding treasury shares) as at the Latest Practicable Date;

(2) Based on the issue of such number of SCM Shares representing 54% of the enlarged issued share capital of SCM; and

(3) Does not add up to 100.00% due to rounding.

Under the terms of the Proposed Combination, the final number of KOM Consideration Shares to be issued will depend on the number of SCM Shares in issue (excluding treasury shares) as at the completion date but such number of KOM Consideration Shares will in any case represents 54% of the enlarged issued share capital of SCM on a fully diluted basis post-completion of the Proposed Combination.

3.3 KOM Consideration Shares

As announced by SCM on 27 April 2022, the Proposed Combination was initially based on a 50:50 enterprise value ratio and 56:44 equity value exchange ratio between KOM and SCM after taking into account the respective capital structures of the two companies, the Cash Component that KOM will pay to KCL immediately prior to the completion of the Proposed Combination and other adjustments.

The enterprise value exchange ratio and the initial equity value exchange ratio were determined after taking into account an assessment conducted by DBS, which acted as the Joint Financial Adviser to SCM and KOM with respect to the relative ratios assessment of SCM and KOM. The relative ratios were based on a discounted cash flow ("**DCF**") methodology approach conducted by DBS, as well as extensive negotiations and due diligence by the parties.

Pursuant to the Amended and Restated Combination Framework Agreement, the agreed equity value exchange ratio has been revised to 54:46 between KOM and SCM with all other terms substantially unchanged. As a result, based on the existing number of SCM Shares in issue (excluding treasury shares) as at the Latest Practicable Date, 36,848,072,918 KOM Consideration Shares will be issued for the Proposed Combination.

As at the Latest Practicable Date, other than the issue of the KOM Consideration Shares, SCM does not envisage any significant change to the number of issued SCM Shares prior to the completion of the Proposed Combination.

Based on 36,848,072,918 KOM Consideration Shares to be issued and the Issue Price of S$0.122 each, the consideration for the Proposed Combination would amount to approximately S$4.495 billion. The Issue Price is based on the VWAP of the SCM Shares for the last 10 trading days up to and including 26 April 2022, being the last trading day prior to the Announcement Date.

However, the actual amount of the consideration for the Proposed Combination to be recorded in the financial statements of the Enlarged Group will be determined based on the prevailing market price of the SCM Shares at the time of the completion of the transaction, in accordance with the relevant accounting policy of SCM.

3.4 Approvals required

The Proposed Combination is subject to various conditions and approvals including *inter alia* the following:

(a) approval of the Proposed Combination and the proposed allotment and issuance of the KOM Consideration Shares at the SCM EGM by way of passing of an ordinary resolution as set out in the Circular;

(b) approval of the Proposed Combination, the Asset Co Transaction and the KCL Distribution at the KCL EGM;

(c) SGX-ST approval-in-principle for the listing of the KOM Consideration Shares;

(d) no material adverse change in respect of the net tangible asset ("**NTA**") of the SCM Group (as set out in the audited financial statements of the SCM Group for the financial year ended 31 December 2021 ("**FY2021**")) by an amount in excess of S$600 million as at the Subsequent Financials Accounts Date (as defined in the Circular); and

(e) no material adverse change in respect of the NTA of the Restructured KOM Group (based on the pro forma financial statements of the Restructured KOM Group) by an amount in excess of S$600 million as at the Subsequent Financials Accounts Date (as defined in the Circular), based on the last pro forma financial statements of the Restructured KOM Group and disregarding the Cash Component.

As disclosed in paragraph 5.3 of the Circular, SCM and KCL have, on 31 January 2023, entered into a side letter whereby SCM and KCL have agreed that in relation to the conditions described above in paragraphs (d) and (e), the Subsequent Financials Accounts Date shall be 30 September 2022.

The long-stop date for the completion of the Proposed Combination is 30 June 2023, or such later date as the Company and KCL may agree.

Temasek, which is a controlling shareholder of both KCL and SCM, has stated that it will abstain from voting on all resolutions relating to the Proposed Combination at the SCM EGM and KCL EGM.

The Proposed Combination is also subject to other customary closing conditions and approvals.

On 8 December 2022, KCL had obtained the approval from KCL Shareholders at the KCL EGM for the Proposed Combination, the Asset Co Transaction and the KCL Distribution.

On 27 January 2023, the Company had obtained the approval in-principle of the SGX-ST for the listing of and quotation for the KOM Consideration Shares on the Mainboard of the SGX-ST, subject to conditions as set out in paragraph 9.5 of the Circular. The SGX-ST's in-principle approval is not to be taken as an indication of the merits of the Proposed Combination, the KOM Consideration Shares, the Company and its subsidiaries and/or securities.

3.5 Other concurrent agreements

As mentioned in Section 3.1(i) above, concurrent with the Proposed Combination, KCL will undertake the KOM Restructuring.

In addition, pursuant to the terms of the Amended and Restated Combination Framework Agreement, SCM and KCL acknowledge that certain entities within the Restructured KOM Group currently receive transitional support services from the KCL Group. Accordingly, KCL has agreed, where reasonably required and, if so requested by SCM, to continue to provide transitional support services for such entities within the Restructured KOM Group for a period of up to 12 months following the completion of the Proposed Combination. The transitional support services include finance and payroll services, technology services and cybersecurity services.

Details on the transitional services arrangement are set out in paragraph 7 of the Circular.

Separately, Asset Co and KOM will enter into a master services agreement ("**Master Services Agreement**") under which the Enlarged Group, through KOM, will provide construction, berthing and maintenance, and other associated services for the legacy rigs held by Asset Co for an initial period of 10 years.

Details on the Master Services Agreement are set out in paragraph 8 of the Circular.

3.6 Restrictions on conduct of business

KCL has undertaken to SCM that it shall not for three years following completion of the Proposed Combination, directly or indirectly carry on any of the following businesses:

- provision of design, engineering, procurement, construction (including full EPC or EPCIC), installation and/or commissioning of all vessels, rigs, platforms, modules and structures for use nearshore or offshore;
- repair, upgrades, conversion of all vessel types, rigs, platforms, or units and structures for use nearshore or offshore;
- shipyard operations and the provision of ancillary services to shipyards generally,

provided that KCL is not prohibited from any development, design, engineering procurement, operation and maintenance, and/or investment in near-shore infrastructure, such as near-shore power solutions waste-to-energy, water treatment and desalination plants, data centres, floating cities and coastal defence.

In addition, under the terms of the Proposed Combination, KCL has agreed to non-solicit undertakings for a period of three years relating to certain identified customers, suppliers and employees.

3.7 Re-constitution of the Board

On completion of the Proposed Combination, the Board will be re-constituted as set out in Appendix F to the Circular. The members of the proposed Board are:

(a) Mr Mark Gainsborough (Chairman and Independent Director)
(b) Mr Yap Chee Keong (Deputy Chairman and Independent Director)
(c) Mr Chris Ong Leng Yeow (Executive Director and Chief Executive Officer)
(d) Mr Nagi Hamiyeh (Non-Executive Non-Independent Director)
(e) Mr Jan Holm (Independent Director)
(f) Mr Lai Chung Han (Independent Director)

Mr Yap Chee Keong is an existing Director of SCM.

Mr Chris Ong Leng Yeow is the current Chief Executive Officer of KOM.

4. SALIENT INFORMATION ON THE SCM GROUP

General information on the SCM Group is set out in Appendix D to the Circular. Salient information on the SCM Group is set out below.

4.1 Overview

The Company is a public limited company incorporated in Singapore on 25 April 1963 and was officially listed on the Mainboard of the SGX-ST on 18 September 1987.

The SCM Group has 4 commercial units, as follows:

- **Rigs & Floaters** – provides turnkey solutions for complex projects;
- **Repairs & Upgrades** – offers one-stop repair and upgrade solutions for all types of O&M vessels and structures;

- **Offshore Platforms** – provides design and construction solutions for a wide range of offshore platforms; and

- **Specialised Shipbuilding** – provides design and construction solutions for high-performance specialised vessels.

The SCM Group offers one-stop engineering solutions to the global O&M and energy industries, with an increasing focus on renewable and clean energy solutions. Its customers include major energy companies, owners of floating production units, shipping companies and cruise and ferry operators. It also operates shipyards and other facilities in Singapore, Indonesia, the United Kingdom, Norway and Brazil.

The Company has confirmed that all its Directors are deemed independent in respect of the Proposed Combination.

As at the Announcement Date, SCM has an issued and paid-up share capital of S$4,088,002,197.10 comprising 31,389,099,152 SCM Shares (excluding treasury shares).

As at the Latest Practicable Date, the above number of outstanding SCM Shares in issue (excluding treasury shares) remained unchanged.

There is only one class of shares in the capital of SCM, comprising the SCM Shares. The SCM Shares are ordinary shares carrying equal ranking rights to dividends, voting at general meetings and return of capital. The Company does not have any other outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities which carry voting rights affecting the SCM Shares as at the Latest Practicable Date.

Based on the Issue Price of S$0.122 for each KOM Consideration Share, the implied market capitalisation of the Company is approximately S$3.83 billion.

Following the announcement of the revised structure and terms of the Proposed Combination on 27 October 2022 and up to the Latest Practicable Date, SCM Shares had traded above S$0.122. Based on the last transacted price of the SCM Shares of S$0.138 on the Latest Practicable Date, the market capitalisation of the Company was approximately S$4.33 billion.

4.2 Rights Issues leading to the announcement of the Proposed Combination

The financial performance of the SCM Group had been adversely affected over the last 8 years by various major factors, including the prolonged and severe downturn in the global O&M industry since 2015 following major structural changes in the sector and the global energy transition away from oil, and in the past couple of years, the outbreak of the COVID-19 pandemic in 2020 extending into 2021 and 2022, which had disrupted supply chains and seriously affected the SCM Group's projects under execution.

As a result, the Company had carried out two significant cash calls from its shareholders, i.e. the 5-for-1 rights issue at S$0.20 per rights share in September 2020 ("**2020 Rights Issue**") which raised gross proceeds of S$2.1 billion, and the 3-for-2 rights issue at S$0.08 per rights share in September 2021 ("**2021 Rights Issue**") which raised gross proceeds of S$1.5 billion.

In brief, the 2020 Rights Issue was a recapitalisation of the Company and a demerger exercise from Sembcorp Industries Ltd ("**SCI**") via the distribution *in specie* of SCI's stake in the Company to the shareholders of SCI ("**SCI Distribution**"). As a result, Temasek became a direct and controlling shareholder of the Company. Temasek and its concert party group held a shareholding interest of 42.6% in the Company after the SCI Distribution.

The 2021 Rights Issue was to address the funding needs of the SCM Group and to strengthen its financial position to accelerate its strategic expansion into the high-growth clean and renewable energy segment. Pursuant to Temasek's obligations under the undertaking agreement in connection with the 2021 Rights Issue, Temasek and its concert party group's shareholding interest in the Company had increased to 46.6% after the 2021 Rights Issue, which had consequently triggered a mandatory takeover offer for the remaining shares of the Company ("**MGO**"). Following the close of the MGO on 3 November 2021, Temasek and its concert party group's shareholding interest in the Company had increased to 54.58%. Temasek's 54.58% interest in the Company is held through Startree.

In the announcement for the 2021 Rights Issue on 24 June 2021, the Company had announced the entering into of the non-binding MOU with KCL to explore the Proposed Combination.

On 27 April 2022, SCM announced *inter alia* the entering into of the Combination Framework Agreement in relation to the Proposed Combination.

On 27 October 2022, SCM announced *inter alia* the entering into of the Amended and Restated Combination Framework Agreement in relation to the revised transaction structure and terms of the Proposed Combination via the proposed acquisition of the Restructured KOM Group.

The Proposed Combination is being put forth to SCM Shareholders for their approval at the forthcoming SCM EGM, details of which are set out in the Circular. The salient terms of the Proposed Combination are set out in Section 3 of this Letter.

4.3 Highlight of financial information of the SCM Group

4.3.1 Financial performance of the SCM Group

Set out below is a summary of the financial performance of the SCM Group for the last three financial years ended 31 December 2019 ("**FY2019**"), 31 December 2020 ("**FY2020**") and FY2021, and the unaudited interim results for the 6 months ended 30 June 2022 ("**1H2022**") with the corresponding interim period for the preceding year (i.e. 1H2021).

	Audited			Unaudited	
S$'000	**FY2019**	**FY2020**	**FY2021**	**1H2021**	**1H2022**
Turnover	2,882,560	1,510,280	1,862,215	844,186	1,094,963
Gross loss	(91,818)	(490,463)	(1,082,390)	(588,247)	(92,912)
Loss for the year / period	(140,187)	(587,208)	(1,175,358)	(649,507)	(145,031)
Loss attributable to:					
- Owners of the Company	(137,174)	(582,510)	(1,170,558)	(647,242)	(142,857)
- Non-controlling interests	(3,013)	(4,698)	(4,800)	(2,265)	(2,174)

***Source**: SCM's annual reports for FY2019, FY2020 and FY2021 and unaudited results announcement for 1H2022*

<u>*FY2020 vs FY2019*</u>

Turnover declined by 47.6% from S$2.88 billion in FY2019 to S$1.51 billion in FY2020 due to the adverse impact of the COVID-19 pandemic on the macro-environment and the resulting oil price volatility, which had delayed the execution of existing projects and securing of new projects.

Overall, the SCM Group reported a significantly higher loss attributable to owners of the Company of S$582.5 million in FY2020, compared to a loss of S$137.2 million in FY2019 due mainly to lower overall business volumes, incurrence of higher overall costs for all projects and S$144 million of asset impairments and provisions. Excluding asset impairments and provisions, the net loss would have been S$439 million.

FY2021 vs FY2020

Turnover improved by 23.3% from S$1.51 billion in FY2020 to S$1.86 billion in FY2021 notwithstanding the impact of COVID-19 challenges on business sentiment and its operations.

Despite the improvement in turnover, the SCM Group had reported a significantly higher loss attributable to owners of the Company of S$1.17 billion in FY2021 compared to S$582.5 million in FY2020 due mainly to the adverse effects of COVID-19 resulting in push-out of delivery for its ongoing projects with significantly higher provisions for manpower and other costs to complete most of the projects during the year and over the next 6 to 9 months.

The provisions for costs to be incurred were made up of three key items, namely additional labour and other costs to complete existing projects amounting to S$696 million, reinstatement costs for a couple of yards totalling S$75 million, as well as asset impairment loss and project stock write-down of S$68 million.

Excluding provisions and asset impairments, net loss would have been S$332 million, an improvement of 24% compared to a loss of S$439 million for FY2020.

While operational performance was severely disrupted during FY2021, there was no cancellation of existing projects. As at 31 December 2021, the net order book amounted to S$1.30 billion.

1H2022 vs 1H2021

Turnover improved by 29.7% to S$1.1 billion in 1H2022 from S$844.2 million in 1H2021, due mainly to significantly higher revenue recognition from floater projects arising from positive outcomes for project completion terms with key customers as well as initial contributions from new projects, offset by lower contributions from offshore platforms projects and repairs & upgrades business.

Overall, the SCM Group reported a lower net loss attributable to owners of the Company of S$143 million in 1H2022, compared to a loss of S$647 million in 1H2021, due mainly to significantly higher contributions from floater and offshore platforms projects, asset impairment losses in 1H2021 which were not applicable during 1H2022, and lower yard restoration costs in 1H2022.

In the results announcement for 1H2022, the SCM Group disclosed that it had recorded a net order book of S$2.52 billion, consisting of approximately S$2.2 billion of projects under execution and S$0.3 billion of ongoing repairs & upgrades projects. Renewable wind energy and other cleaner and green solutions accounted for 74% of the net order book as at 30 June 2022, compared to 43% as at 31 December 2021.

4.3.2 Financial position of the SCM Group

The statements of financial position of the SCM Group as at 31 December 2021 (audited) and 30 June 2022 (unaudited) are set out below:

S$'000	Audited as at 31 December 2021	Unaudited as at 30 June 2022
Non-current assets		
Property, plant and equipment	3,992,675	3,951,095
Right-of-use assets	235,800	226,912
Interests in associates and joint ventures	16,559	16,846
Other financial assets	3,275	7,501
Trade and other receivables	1,167,376	1,697,739
Contract assets	463,517	67,008
Intangible assets	198,419	186,965

S$'000	Audited as at 31 December 2021	Unaudited as at 30 June 2022
Deferred tax assets	196,215	194,984
	6,273,836	6,349,050
Current assets		
Inventories	66,963	66,695
Trade and other receivables	471,321	428,867
Contract costs	68,456	22,895
Contract assets	1,295,308	814,669
Tax recoverable	16,093	15,401
Other financial assets	3,778	10,887
Cash and cash equivalents	1,104,118	1,415,326
	3,026,037	2,774,740
Total assets	**9,299,873**	**9,123,790**
Current liabilities		
Trade and other payables	1,432,056	1,326,291
Contract liabilities	171,551	138,018
Provisions	56,386	77,758
Other financial liabilities	25,495	40,082
Current tax payable	6,092	15,537
Interest-bearing borrowings	820,581	878,881
Lease liabilities	21,094	20,146
	2,533,255	2,496,713
Net current assets	**492,782**	**278,027**
Non-current liabilities		
Deferred tax liabilities	19,070	18,041
Provisions	205,108	209,866
Other financial liabilities	781	5,974
Interest-bearing borrowings	2,255,228	2,248,780
Lease liabilities	257,650	252,428
Other long-term payables	3,711	3,629
	2,741,548	2,738,718
Total liabilities	**5,274,803**	**5,235,431**
Net assets	**4,025,070**	**3,888,359**
Equity attributable to owners of the Company	**4,001,277**	**3,867,083**
Non-controlling interests	23,793	21,276
Total equity	**4,025,070**	**3,888,359**

Source*: Company's annual report for FY2021 and unaudited results announcement for 1H2022*

	As at 31 December 2021	As at 30 June 2022
Net asset value ("NAV") of the SCM Group	**S$4,001,277,000**	**S$3,867,083,000**
NTA of the SCM Group	**S$3,802,858,000**	**S$3,680,118,000**
Number of issued SCM Shares (excluding treasury shares)	**31,389,099,152**	**31,389,099,152**
NAV per SCM Share	**S$0.1275**	**S$0.1232**
NTA per SCM Share	**S$0.1212**	**S$0.1172**

Assets

As at 31 December 2021, the SCM Group had total assets of S$9.3 billion comprising the following main assets:

(a) property, plant and equipment ("**PPE**") of S$4.0 billion (representing 42.9% of total assets) comprising mainly shipyard assets which are part of the two key cash generating units in Singapore and Brazil;

(b) current and non-current trade and other receivables totalling S$1.64 billion (representing 17.6% of total assets), of which US$700 million (S$1.1 billion) pertains to the outstanding non-current receivables from Borr Drilling Limited ("**Borr Drilling**"). On 10 October 2022, SCM announced that it had entered into definitive agreements with Borr Drilling on the deferred receivables from Borr Drilling ("**Deferment**"). The Deferment will result in Borr Drilling making earlier and higher amounts of interest payments and partial principal repayments from 2022 to 2024;

(c) current and non-current contract assets totalling S$1.76 billion (representing 18.9% of total assets) which relate mainly to the 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 & upgrades. The contract assets are transferred to trade receivables when the rights become unconditional. This includes the outstanding contract assets pertaining to the Group's customer, Transocean Ltd, which, as announced by SCM on 7 June 2021, had been rescheduled for delivery and partial deferred instalment payments over a period of 5 years; and

(d) cash and cash equivalents of S$1.10 billion (representing 11.9% of total assets) attributable mainly to the balance of the net proceeds from the 2021 Rights Issue.

The profile of the balance sheet items of the SCM Group as at 30 June 2022 is similar to those as at 31 December 2021 except for the following main items:

(i) increase in non-current trade and other receivables from S$1.2 billion as at 31 December 2021 to S$1.7 billion as at 30 June 2022 due mainly to deferred delivery payment terms agreed with a customer upon completion of project;

(ii) decrease in total contract assets from S$1.76 billion as at 31 December 2021 to S$0.88 billion as at 30 June 2022 due mainly to billings to customers upon completion of project; and

(iii) increase in cash and cash equivalents from S$1.1 billion as at 31 December 2021 to S$1.4 billion as at 30 June 2022 due mainly to receipts from customers and offset by working capital requirement.

Gearing ratio

As at 31 December 2021, following the recapitalisation exercise through the 2021 Rights Issue, net debt (interest bearing borrowing less cash balances) of the SCM Group was S$2.0 billion, resulting in a net debt-to-equity ratio of 0.49 times.

As at 30 June 2022, net debt had declined to S$1.7 billion, resulting in an improvement in the net debt-to-equity ratio of 0.44 times.

Equity/NAV/NTA

Total equity as at 31 December 2021 was S$4.03 billion due largely to the 2021 Rights Issue which raised S$1.5 billion of new equity. As at 30 June 2022, total equity had decreased slightly to S$3.89 billion due mainly to the net loss incurred in 1H2022.

NAV of the SCM Group (excluding non-controlling interests) had declined slightly from S$4.00 billion as at 31 December 2021 to S$3.87 billion as at 30 June 2022.

After excluding intangible assets, NTA of the SCM Group also declined slightly from S$3.80 billion as at 31 December 2021 to S$3.68 billion as at 30 June 2022.

Based on 31,389,099,152 outstanding SCM Shares (excluding treasury shares) as at 31 December 2021 and 30 June 2022:

(aa) NAV per SCM Share had declined from S$0.1275 as at 31 December 2021 to S$0.1232 as at 30 June 2022; and

(bb) NTA per SCM Share had declined from S$0.1212 as at 31 December 2021 to S$0.1172 as at 30 June 2022.

Based on the Issue Price of S$0.122 for each KOM Consideration Share, the KOM Consideration Shares represent a price-to-book ("**P/NAV**") ratio of (a) 0.96 times (based on the NAV of SCM Group as at 31 December 2021); and (b) 0.99 times (based on the NAV of SCM Group as at 30 June 2022).

4.3.3 3rd quarter business update

On 15 November 2022, SCM issued its interim business update for the third quarter of FY2022 and nine months ended 30 September 2022 ("**9M2022**").

Overall, orders visibility across the SCM Group's product segments continued to improve and the SCM Group reported significant newbuild contract wins in October 2022. Year-to-date, the SCM Group had recorded a net order book of S$7.11 billion, consisting of approximately S$6.80 billion of projects under execution and S$0.31 billion of ongoing repairs & upgrades projects. Renewable wind energy and other cleaner and green solutions accounted for approximately 34% of the net order book. The overall industry outlook across the oil & gas and offshore renewables sectors continues to improve, and the SCM Group is actively working on converting its orders pipeline into further firm contracts.

With the completion and deliveries of projects, the SCM Group anticipates its operating cash flows to continue to stabilise. With the ongoing support from its lenders, the SCM Group expects to have the necessary liquidity to fund its operations for the foreseeable future. As at 30 September 2022, the net debt-to-equity ratio of the SCM Group was 0.53 times.

While the SCM Group had completed several key projects and secured significant new orders in recent months, revenue and earnings from the completed projects and initial contributions from new projects were not sufficient to offset higher labour and other costs. Overall business volumes are expected to pick up in FY2023.

The SCM Group expects 2H2022 losses to be similar to that for 1H2022.

5. SALIENT INFORMATION ON KOM AND THE RESTRUCTURED KOM GROUP

General information on KOM and the Restructured KOM Group is set out in Appendix E to the Circular, and in the KCL circular to shareholders dated 23 November 2022 ("**KCL Circular**"). Salient information on the KOM and the Restructured KOM Group is set out below.

5.1 Overview

KOM is a company incorporated in Singapore on 6 February 1999 and is a direct wholly-owned subsidiary of KCL, a company listed on the Mainboard of SGX-ST with a market capitalisation of approximately S$12.88 billion as at the Latest Practicable Date.

As at 31 December 2021, KOM had an issued and paid-up share capital of approximately S$340 million and S$2.33 billion of perpetual securities which were held by the KCL Group. These perpetual securities bear distributions at a rate of 4.5% per annum, payable semi-annually. The perpetual securities are classified as equity of KOM and the distributions are treated as dividends.

Pursuant to the KOM Restructuring, the pro forma issued and paid-up share capital of the KOM would increase to S$2.10 billion as at 31 December 2021, following the redemption of the outstanding perpetual securities which will be partly redeemed by the S$500 million Cash Component and partly redeemed by conversion into paid-up share capital of KOM.

KOM will take on additional debt of S$500 million to fund the Cash Component payment to KCL in relation to the partial cash redemption of its perpetual securities held by KCL and the outstanding distribution on the perpetual securities.

The Restructured KOM Group will exclude the legacy rigs and associated receivables under the Asset Co Transactions. With this arrangement, future risks in relation to the legacy rigs and associated receivables (such as the recovery amounts) will not affect the Enlarged Group.

In addition, out-of-scope assets, like Floatel and Dyna-Mac to be excluded from the Restructured KOM Group but to be retained by KCL, will be set-off against an equivalent amount of inter-company payable to the KCL Group. This will result in a pro forma NAV (attributable to equity holders of the company) of the Restructured KOM Group of S$899 million as at 31 December 2021.

The Restructured KOM Group will have minimal debt, save for the financing for the Cash Component of S$500 million, which will provide debt headroom for the Enlarged Group to leverage on to facilitate future expansion.

The present principal activities of KOM and its subsidiaries consist of offshore rig design, construction and repair, ship repair and conversion, and specialised shipbuilding. However, with the KOM Restructuring, KOM will exit the offshore rig building business and focus on opportunities as a developer and integrator of offshore energy and infrastructure assets.

Separately, Asset Co and KOM will enter into the Master Services Agreement under which the Enlarged Group, through KOM, will provide construction, berthing and maintenance, and other associated services for the legacy rigs held by Asset Co for an initial period of 10 years.

5.2 Pro forma financial information of the Restructured KOM Group

Details on the unaudited pro forma financial information of the Restructured KOM Group are set out in Appendix K to the Circular.

5.2.1 Pro forma financial performance of the Restructured KOM Group

Set out below is a summary of the unaudited pro forma financial performance of the Restructured KOM Group for the last three financial years, FY2019, FY2020 and FY2021, and the interim results for 1H2022 with the corresponding interim period for 1H2021, on the basis that the KOM Restructuring had been completed since 1 January 2019.

S$'000	Unaudited pro forma FY2019	FY2020	FY2021	1H2021	1H2022
Revenue	1,615,909	1,384,267	2,013,279	789,644	1,159,044
Raw materials and consumables used	(462,177)	(479,153)	(834,254)	(232,731)	(381,960)
Contract labour and subcontractors' costs	(402,631)	(435,887)	(673,520)	(297,469)	(514,117)
Staff costs	(531,602)	(503,629)	(443,375)	(189,632)	(185,241)
Depreciation and amortisation	(112,085)	(108,756)	(106,374)	(52,969)	(49,031)
Other operating income/(expenses) - net	(83,047)	(84,739)	(67,955)	(4,797)	56,631
Impairment on financial and contract assets	(9,108)	(17,587)	(18,233)	(24,444)	(3,521)
Dividend income	4,988	3,449	6,091	2,550	26,844
Interest income	41,006	34,096	22,068	6,140	10,227
Interest expense	(49,035)	(43,877)	(43,532)	(20,593)	(26,988)
Share of results of associated companies and joint ventures	(4,661)	(8,374)	8,135	6,295	7,874
Profit/(Loss) before taxation	7,557	(260,190)	(137,670)	(18,006)	99,762
Taxation	30,771	92,769	29,005	2,584	(5,009)
Profit/(Loss) for the year/period	**38,328**	**(167,421)**	**(108,665)**	**(15,422)**	**94,753**
<u>Profit/(Loss) attributable to:</u>					
Equity holders of the company	38,908	(162,717)	(107,530)	(13,656)	95,584
Non-controlling interests	(580)	(4,704)	(1,135)	(1,766)	(831)
Profit/(Loss) for the year/period	**38,328**	**(167,421)**	**(108,665)**	**(15,422)**	**94,753**

***Source**: The unaudited pro forma profit or loss statements of the Restructured KOM Group for FY2019, FY2020, FY2021, 1H2021 and 1H2022 as set out in Appendix K to the Circular*

FY2020 vs FY2019

Revenue decreased by S$232 million or 14.3% from S$1.62 billion in FY2019 to S$1.38 billion in FY2020 due mainly to significant slower progress of existing projects as a result of disruption from the COVID-19 pandemic which also led to sharp decline in demand and market confidence. In addition, the circuit breaker measures imposed by the Singapore government, which involved lock-down of foreign worker dormitories and the resultant temporary suspension of works in Singapore, had a negative impact on revenues.

This had caused the Restructured KOM Group to incur a loss before taxation of S$260 million in FY2020 compared to a profit before taxation of S$8 million in FY2019.

The Restructured KOM Group had tax credit for FY2019 to FY2021, which arose mainly from the impairment of financial and contract assets relating to legacy rigs and receivables which do not form part of the Restructured KOM Group. The tax credit will remain with the legal entity within the Restructured KOM Group.

Tax credit increased substantially from S$31 million in FY2019 to S$93 million in FY2020 due mainly to impairment taken on legacy rigs and receivables, which was partially offset by write-down of deferred tax assets at one of the Restructured KOM Group's overseas subsidiaries.

As a result, the Restructured KOM Group incurred a loss after taxation of S$167 million in FY2020, compared to a profit after taxation of S$38 million in FY2019.

Loss attributable to equity holders was S$163 million for FY2020 compared to a profit attributable to equity holders of S$39 million in FY2019.

Overall, the deterioration in performance in FY2020 was largely due to the negative impact from the COVID-19 pandemic and the sharp decline in demand and market confidence which in turn affected the Restructured KOM Group's businesses.

As at 31 December 2020, net order book of the Restructured KOM Group amounted to S$3.3 billion.

FY2021 vs FY2020

Revenue increased by S$629 million or 45.4% from $1.38 billion in FY2020 to S$2.01 billion in FY2021 due mainly to higher percentage-of-completion for various jobs with the lifting of COVID-19 restrictions and contributions from new projects secured in FY2020.

The Restructured KOM Group reported a lower loss before taxation of S$138 million in FY2021 compared to a loss before taxation of S$260 million in FY2020 due mainly to the above, as well as strict cost control measures and gain on disposal of certain assets, partially offset by foreign exchange losses and lingering impact from the COVID-19 pandemic.

Tax credit was S$29 million in FY2021, compared to S$93 million in FY2020, due mainly to lower deferred tax assets recognised for the impairment loss on assets in FY2021, which was partially offset by the recognition of deferred tax asset at one of the subsidiaries due to recognition of unutilised tax losses.

Arising from the above, loss after taxation for FY2021 was lower at S$109 million in FY2021, compared to loss after taxation of S$167 million in FY2020.

Loss attributable to equity holders was lower at S$108 million for FY2021 compared to a loss attributable to equity holders of S$163 million in FY2020.

As at 31 December 2021, net order book of the Restructured KOM Group amounted to S$5.1 billion, of which 39% comprised renewables and gas solutions.

1H2022 vs 1H2021

Revenue in 1H2022 increased by 46.8% from S$790 million in 1H2021 to S$1.16 billion in 1H2022, due mainly to strong progress on the execution of projects secured in prior years.

Profit before taxation increased substantially to S$100 million in 1H2022 from a loss before taxation of S$18 million in 1H2021, due mainly to the above, gain from divestment of certain joint ventures and higher dividend income, partially offset by higher interest expense in 1H2022.

Profit after taxation for 1H2022 was S$95 million, after taking into account tax expense of S$5 million, compared to a loss after taxation of S$15 million in 1H2021.

Profit attributable to equity holders was S$96 million in 1H2022 compared to a loss attributable to equity holders of S$14 million in 1H2021.

As at 30 June 2022, the Restructured KOM Group recorded net order book of S$4.4 billion, with the proportion comprising renewables and gas solutions remaining relatively stable at 39%.

5.2.2 Pro forma financial position of the Restructured KOM Group

The unaudited pro forma balance sheets of the Restructured KOM Group as at 31 December 2021 and 30 June 2022 are set out below:

S$'000	Unaudited pro forma as at 31 December 2021	Unaudited pro forma as at 30 June 2022
Current assets		
Cash and cash equivalents	466,402	500,802
Trade debtors	117,457	163,603
Other debtors, deposits and prepayments	129,406	288,896
Stocks	318,611	329,999
Contract assets	1,111,031	1,382,018
Amounts due from related companies	103,480	98,949
Financial assets, at FVOCI	2,873	2,735
Derivative assets	9,289	86,150
Tax recoverable	64,580	33,021
	2,323,129	2,886,173
Assets classified as held for sale	168,434	93,413
	2,491,563	2,979,586
Non-current assets		
Other debtors, deposits and prepayments	2,701	414
Amounts due from related companies	27,432	-
Financial assets, at FVOCI	28,120	27,415
Financial assets, at FVPL	48,098	44,745
Other assets	17,900	17,306
Derivative assets	3,193	7,853
Property, plant and equipment	1,093,588	1,069,350
Right-of-use assets	237,728	249,017
Associated companies	171,630	177,647
Joint ventures	28,901	26,837
Intangible assets	43,236	42,938
Deferred taxation	135,089	132,716
	1,837,616	1,796,238
Total assets	**4,329,179**	**4,775,824**
Current liabilities		
Trade and other creditors	1,902,719	2,066,537
Contract liabilities	289,639	216,851
Provision for warranty	16,942	11,236
Amounts due to related companies	73,584	81,113
Derivative liabilities	5,668	6,768
Borrowings	146,392	318,187
Lease liabilities	35,021	37,560
Provision for taxation	16,920	19,878
Liabilities directly associated with disposal group classified as held for sale	-	5,256
	2,486,885	2,763,386
Non-current liabilities		
Borrowings	584,015	580,697
Lease liabilities	283,748	294,633
Deferred taxation	44,190	45,910
Deferred liabilities	751	778
Derivative liabilities	1,397	-
Accrued expenses	6,512	6,512
	920,613	928,530
Total liabilities	**3,407,498**	**3,691,916**
Share capital	2,100,524	2,162,068
Capital reserves, foreign exchange translation reserve and accumulated losses	(1,201,662)	(1,099,762)
Equity attributable to equity holders of the company	**898,862**	**1,062,306**
Non-controlling interests	**22,819**	**21,602**
Total equity	**921,681**	**1,083,908**

Source: *The unaudited pro forma statements of financial position of the Restructured KOM Group as at 30 June 2022 and 31 December 2021 as set out in Appendix K to the Circular*

As at 31 December 2021

The Restructured KOM Group had total equity of S$922 million comprising total assets of S$4.33 billion less total liabilities of S$3.41 billion. After excluding non-controlling interests, NAV attributable to equity holders of the company amounted to S$899 million.

The main assets of the Restructured KOM Group were contract assets (S$1.11 billion), and property, plant and equipment (S$1.09 billion). The main liabilities of the Restructured KOM Group were trade and other creditors (S$1.90 billion) and borrowings (S$730 million).

Included in these borrowings are financing arrangement of up to S$500 million to fund the Cash Component as part of the KOM Restructuring as disclosed in Section 3(i) of this Letter.

The Restructured KOM Group had excluded KOM's legacy rigs, associated receivables and certain Out-of-Scope Assets and the removal of an equivalent amount of inter-company payables and the perpetual securities which will be partially redeemed in cash or capitalised as equity of KOM. As a result, the Restructured KOM Group will have minimal debt, save for the financing arrangement to fund the Cash Component, which will help preserve the debt headroom of the Enlarged Group to facilitate future expansion.

NAV of the Restructured KOM Group was S$899 million as at 31 December 2021. The Restructured KOM Group had intangible assets of S$43 million as at 31 December 2021. After deducting intangible assets, NTA attributable to equity holders of the company as at 31 December 2021 was S$856 million.

The implied consideration for the Restructured KOM Group of S$4.495 billion represents approximately 5.00 times its NAV attributable to equity holders of the company as at 31 December 2021.

As at 30 June 2022

The profile of the financial position of the Restructured KOM Group as at 30 June 2022 is generally similar to those as at 31 December 2021 except that equity attributable to equity holders of the company (or NAV) was higher at S$1,062 million as at 30 June 2022 due mainly to the profits recorded in 1H2022 and higher outstanding perpetual securities capitalised as equity as at 30 June 2022.

After deducting intangible assets of S$43 million as at 30 June 2022, NTA attributable to equity holders of the company as at 30 June 2022 was S$1,019 million.

The implied consideration for the Restructured KOM Group of S$4.495 billion represents 4.23 times its NAV attributable to equity holders of the company as at 30 June 2022.

5.3 Pro forma financial information of the Enlarged Group

The compilation of the unaudited pro forma financial information of the Enlarged Group for the last three financial years, namely FY2019, FY2020 and FY2021, and the interim results for 1H2021 and 1H2022 is set out in Appendix L to the Circular. Management's discussion and analysis of the financial condition of the Enlarged Group is set out in paragraph 6 of Appendix F to the Circular.

Set out below is a summary of the compilation of the unaudited pro forma financial results and financial position of the Enlarged Group for the relevant period:

S$'000	FY2019	FY2020	FY2021	1H2021	1H2022
	Unaudited pro forma financial results				
Turnover	4,498,469	2,894,547	3,875,494	1,633,830	2,254,007
Loss attributable to:					
Equity holders of the company	(72,421)	(745,227)	(1,276,074)	(660,898)	(39,372)
Non-controlling interests	(3,593)	(9,402)	(5,935)	(4,031)	(3,005)
Loss for the year/period	**(76,014)**	**(754,629)**	**(1,282,009)**	**(664,929)**	**(42,377)**

***Source**: The unaudited pro forma income statements of the Enlarged Group for FY2019, FY2020, FY2021 and 1H2022 as set out in Appendix L to the Circular*

S$'000	Unaudited pro forma financial position as at 30 June 2022
Current assets	5,754,326
Non-current assets	11,578,447
Total assets	**17,332,773**
Current liabilities	5,263,795
Non-current liabilities	3,667,248
Total liabilities	**8,931,043**
Share capital	8,569,680
Other reserves and revenue reserve	(210,828)
Equity attributable to equity holders of the company	**8,358,852**
Non-controlling interests	**42,878**
Total equity	**8,401,730**

***Source**: The unaudited pro forma balance sheet of the Enlarged Group as at 30 June 2022 as set out in Appendix L to the Circular*

6. INDEPENDENT VALUATION OF THE RESTRUCTURED KOM GROUP

Details of the Valuation are set out in the Valuation Letter attached as Appendix B to the Circular.

6.1 Salient information on the Valuation by the Independent Valuer

In connection with the Proposed Combination and in compliance with Rule 1015 of the Listing Manual, SCM had commissioned the Independent Valuer to carry out the Valuation of 100% equity interest (including perpetual securities and net balances due to KCL related entities) of the Restructured KOM Group as at 31 December 2021, being the 1st Valuation Date, and as at 30 June 2022, being the 2nd Valuation Date. The Valuation Letter, read together with the Supplemental Valuation Letter, is attached as Appendix B to the Circular.

The Independent Valuer had clarified that the valuation of the Restructured KOM Group is on a pro forma basis as the KOM Restructuring has not taken place as at the date of the Valuation.

We note, as disclosed in the Valuation Letter, other than Deloitte's engagement as the Independent Valuer, Deloitte had, in connection with the Proposed Combination, performed commercial, financial and tax due diligence on the Restructured KOM Group based on an agreed scope of services with SCM prior to the announcement of the Proposed Combination on 27 April 2022.

We also note that management of KOM ("**KOM Management**") has confirmed that, to the best of its knowledge, it has provided information that Deloitte had requested on the Restructured KOM Group and that such information is true and accurate in all material respects.

To the best knowledge of KOM Management, in its opinion, there is no information that has been omitted or withheld that may materially affect the accuracy of the relevant information for the Valuation. KOM Management has confirmed that (1) information that the KOM Management is aware of and which in its opinion is material in respect of the Restructured KOM Group, has been or will be publicly disclosed by KCL on the SGXNET; and (2) any event or circumstance that, to the knowledge of the KOM Management, results in a reduction of more than S$600 million on the net profits of the Restructured KOM Group will be publicly disclosed by KCL on the SGXNET and notified in writing to SCM and the Independent Valuer.

The Independent Valuer had also confirmed, based on certain agreed-upon procedures, that nothing has come to its attention that in its opinion, will result in a material adverse impact on the range of equity value ("**Equity Value**") of the Restructured KOM Group as at 30 June 2022. The above confirmation is set out in the Supplemental Valuation Letter which is also attached as Appendix B to the Circular.

The salient information on the Valuation is summarised below:

(a) The Independent Valuer had used market value as the basis for the Valuation, presuming the application of existing use basis and incumbent-management control basis.

Market value is defined for this purpose by the International Valuation Standards 2021 as follows:

"*Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*"

(b) The Independent Valuer had performed the Valuation of the Restructured KOM Group based on the Income Approach's Discounted Cash Flow ("**DCF**") method. The Independent Valuer is of the view that the DCF method is appropriate for the valuation of the Restructured KOM Group as the owner or prospective owner expects to continue to operate the Restructured KOM Group on a going concern basis. The application of the DCF method based on future cash flows will therefore better reflect the intrinsic value of the Restructured KOM Group and is used to determine the Equity Value of the Restructured KOM Group.

(c) The Valuation is based on the key assumptions and risk factors as set out in the Valuation Letter. The key assumptions used in the financial projections prepared by the Valuer to estimate the range of Equity Value of the Restructured KOM Group are derived from, *inter alia*, the historical proforma financial performance, orders backlog and high-level visible pipelines of the Restructured KOM Group, industry information, and discussions with KOM Management and SCM Management.

(d) The Equity Value of the Restructured KOM Group has been derived by taking into account the following adjustments to the enterprise value based on the unaudited pro forma financial information of the Restructured KOM Group as set out in Appendix K to the Circular:

- cash and cash equivalents;
- financial assets (net);
- assets classified as held for sale;
- borrowings and lease liabilities;
- other non-operating assets and liabilities; and
- non-controlling interest.

The Equity Value of the Restructured KOM Group has not included any financial impact that may occur as a result of (i) outstanding litigations as disclosed in paragraph 13 of

Appendix E to the Circular; and (ii) any economic from services provided to Asset Co according to the Master Services Agreement as disclosed in paragraph 8 of the Circular.

Conclusion

Based upon and subject to the assumptions and information set out in the Valuation Letter, the Independent Valuer had estimated the range of the Equity Value of the Restructured KOM Group to be S$4.8 billion to S$5.8 billion as at 31 December 2021, and S$4.3 billion to S$5.3 billion as at 30 June 2022. The estimated Equity Value of the Restructured KOM Group as at 30 June 2022 is lower than the Equity Value as at 31 December 2021 primarily due to an increased in the applicable discount rates and higher borrowings.

The work on the above Valuation was completed on 15 November 2022.

Based on the procedures performed by the Valuer as set out in the Supplemental Valuation Letter, the Independent Valuer has confirmed that nothing has come to their attention that will result in a reduction in the range of Equity Value of the Restructured KOM Group as at 30 June 2022 of more than S$600 million.

6.2 We note that under the Combination Framework Agreement as announced on 27 April 2022, the consideration for the proposed acquisition of the Restructured KOM Group was approximately S$4.874 billion, and such consideration is within and at the lower end of the estimated range of Equity Value of the Restructured KOM Group of S$4.8 billion to S$5.8 billion as at 31 December 2021 as determined by the Independent Valuer.

We further note that under the Amended and Restated Combination Framework Agreement as announced on 27 October 2022, the revised consideration for the Restructured KOM Group is S$4.495 billion, and such revised consideration is within and at the lower end of the estimated range of Equity Value of the Restructured KOM Group of S$4.3 billion to S$5.3 billion as at 30 June 2022 as determined by the Independent Valuer.

7. EVALUATION OF THE PROPOSED COMBINATION

In evaluating and assessing the terms of the Proposed Combination as set out in Section 3 of this Letter, we have given due consideration to, *inter alia*, the following key factors in our evaluation of the Proposed Combination:

(a) rationale for the Proposed Combination;

(b) assessment of the consideration for the Restructured KOM Group;

(c) assessment of the Issue Price for the KOM Consideration Shares;

(d) dilution impact on existing SCM Shareholders; and

(e) other relevant considerations.

7.1 Rationale for the Proposed Combination

7.1.1 Rationale for the Proposed Combination

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed Combination or the future prospects of the Enlarged Group after the Proposed Combination. Nevertheless, we have reviewed SCM's rationale for the Proposed Combination as set out in Section 3 of the Circular.

We note the following salient points:

(a) against the backdrop of *inter alia* intensified competition in the O&M sector, consolidation among offshore players to achieve scale and synergy to be more competitive, and the long term shift to renewable and clean energy solutions, the objective of the Proposed Combination is to create a premier global player in the green energy and renewables solutions markets where both KOM and SCM have built their respective capabilities and track records in the past few years;

(b) the Enlarged Group is envisaged to unlock greater synergies from the integration and combined operational capabilities, engineering bench strength and track record of KOM and SCM, which are already established industry players; and

(c) the Enlarged Group is expected to be bigger, better and stronger and, hence, will deliver sustainable value over the long term for all stakeholders of SCM and KOM. As a single organisation, the collective workforce will benefit from expanded opportunities for career development and growth in the areas of renewables, new energy and cleaner O&M solutions. It will also strengthen Singapore's position as both a maritime and offshore and marine hub.

7.1.2 Rationale for the revised structure and terms

On 27 October 2022, SCM had announced the revised transaction structure and terms for the Proposed Combination and disclosed its rationale for the revision. The detailed rationale is set out in the announcement by SCM on 27 October 2022. We note the following:

(a) Uncertain macroeconomic environment

Since the announcement of the Proposed Combination on 27 April 2022, conditions in the O&M market have improved but macroeconomic conditions have deteriorated with elevated levels of inflation and continued interest rate increases by major Central Banks.

Amidst these volatile and uncertain times, the parties believe that it is critical for the Proposed Combination to be completed as soon as possible so that the benefits of an enlarged global entity can be realised sooner. Besides the expected synergies, an enlarged SCM will be in a better position to deal with the above challenges and compete against the global competition.

SCM and KOM have secured a combined net order book totalling approximately S$18 billion as at 26 October 2022, of which approximately S$12 billion were order wins since April 2022.

(b) Simplified transaction structure and process

The simplified transaction structure substantially lessens transaction complexity and minimises certain third-party consent requirements, including from lenders. This could reduce the time to completion by up to two months.

(c) Significant improvement in value for SCM Shareholders

The equity value exchange ratio has been revised in favour of SCM as fewer SCM Shares will be issued for the Proposed Combination.

Based on the Issue Price of S$0.122, the consideration for Proposed Combination is reduced by S$378 million to S$4.495 billion, representing a reduction of 7.8% from the initial consideration of S$4.874 billion for the Proposed Combination.

Existing SCM Shareholders will retain a larger stake in the Enlarged Group on completion.

7.1.3 We further note that as disclosed in paragraph 3.3 of the Circular, Temasek, as a significant shareholder of both SCM and KCL, has given its full support for the Proposed Combination. Temasek has expressed that the Proposed Combination will be transformational for both O&M companies, while reinforcing Singapore's position as both a maritime and O&M hub, and joins both SCM and KCL in asking for the support of their shareholders for the Proposed Combination as they believe that it is the best way to deliver long term value creation for shareholders and other stakeholders.

As disclosed in Section 3.4 of this Letter, Temasek will abstain from voting on all resolutions relating to the Proposed Combination at the SCM EGM and KCL EGM. Startree, being the relevant Temasek entity holding the SCM Shares, will abstain from voting on the resolution relating to the Proposed Combination at the SCM EGM.

7.2 Assessment of the consideration for the Restructured KOM Group

In evaluating the consideration for the Proposed Combination via the proposed acquisition of the Restructured KOM Group, we note the following key points:

(a) Professionals involved in determining the initial equity value exchange ratio for the Proposed Combination

Parties to the Proposed Combination have agreed on the enterprise value exchange ratio, initial equity value exchange ratio and the Issue Price for the KOM Consideration Shares, with the advice of DBS as Joint Financial Adviser to SCM and KOM, and Credit Suisse as the Financial Adviser to SCM. The relative ratios were agreed upon after extensive negotiations and due diligence by the parties.

DBS, as Joint Financial Adviser to SCM and KOM, had derived the equity values of KOM and SCM based on its assessment of the respective enterprise values using the DCF methodology and after making the relevant adjustments, and after extensive negotiations and due diligence, parties have agreed on the initial equity value exchange ratio of 56:44 between KOM and SCM.

Parties to the Proposed Combination had also agreed for the Issue Price of S$0.122 for each KOM Consideration Share to be benchmarked against the VWAP of the SCM Shares for the 10 trading days prior to the Announcement Date on 27 April 2022.

The initial consideration for the Proposed Combination was therefore determined to be S$4.874 billion.

For reasons as set out in the rationale for the revised transaction structure and terms, the equity value exchange ratio has been revised to 54:46 between KOM and SCM. The consideration for KOM is therefore revised to S$4.495 billion based on the Issue Price of S$0.122 for each KOM Consideration Share.

(b) Consideration for the Proposed Combination supported by Valuation

In connection with the Proposed Combination and in compliance with Rule 1015 of the Listing Manual, SCM had commissioned Deloitte as the Independent Valuer to assess the valuation of 100% equity interest (including perpetual securities and net balances due to KCL related entities) of the Restructured KOM Group.

(i) Valuation as at 31 December 2021

The first Valuation was determined as at 31 December 2021, being the 1st Valuation Date relevant to the terms of the Proposed Combination as announced on 27 April 2022.

As disclosed in Section 6 of this Letter, the Independent Valuer had carried out the Valuation to estimate the enterprise value of the Restructured KOM Group based on the DCF method, after which the necessary adjustments were made to derive the Equity Value of 100% equity interest of the Restructured KOM Group.

The range of the Equity Value of the Restructured KOM Group was estimated to be S$4.8 to S$5.8 billion as at the 1st Valuation Date.

(ii) *Updated Valuation as at 30 June 2022*

Following the announcement of the revised transaction structure and terms for the Proposed Combination on 27 October 2022, the Independent Valuer had updated the range of Equity Value of the Restructured KOM Group to be S$4.3 billion to S$5.3 billion as at 30 June 2022, being the 2nd Valuation Date.

The Independent Valuer had explained that the estimated Equity Value of the Restructured KOM Group as at 30 June 2022 is lower than the Equity Value as at 31 December 2021 primarily due to an increased in the applicable discount rates and higher borrowings.

The consideration for the Restructured KOM Group of S$4.495 billion under the revised transaction structure and terms is supported by the above Valuation, as the consideration for the Proposed Combination is within and at the lower end of the estimated range of the Equity Value of the Restructured KOM Group as at 30 June 2022, as determined by the Independent Valuer.

(c) NAV, earnings and DCF valuation approaches

NAV approach

As a wholly-owned subsidiary of KCL, KOM had leveraged on the KCL Group for its funding requirements, including via paid-up share capital, perpetual securities and inter-company payables. As such, KOM had operated on an asset-light capital structure model. The capital structure of KOM is therefore not comparable to that of a stand-alone publicly listed company.

As an illustration, based on the unaudited pro forma financial statements of the Restructured KOM Group, the Restructured KOM Group had achieved revenue of S$2.0 billion for FY2021 and S$1.2 billion for 1H2022, while its NAV was S$0.9 billion to S$1.0 billion as at 31 December 2021 and 30 June 2022 respectively.

In comparison, the SCM Group had achieved turnover of S$1.9 billion for FY2021 and S$1.1 billion for 1H2022, while its NAV was S$4.0 billion and S$3.9 billion as at 31 December 2021 and 30 June 2022 respectively.

Based on the revised terms of the Proposed Combination, the consideration for the proposed acquisition of the Restructured KOM Group represents a P/NAV ratio of 5.00 times of the NAV attributable to equity holders of the Restructured KOM Group as at 31 December 2021; and P/NAV ratio of 4.23 times of the NAV attributable to equity holders of the Restructured KOM Group as at 30 June 2022.

In comparison, the Issue Price for each KOM Consideration Share represents a P/NAV ratio of 0.96 times of the NAV of the SCM Group as at 31 December 2021; and P/NAV ratio of 0.99 times of the NAV of the SCM Group as at 30 June 2022.

We are of the view that it is not meaningful to evaluate the reasonableness of the consideration for the proposed acquisition of the Restructured KOM Group based solely on the NAV or net asset backing valuation approach, in view of the different capital structure of a privately held company (with respect to KOM) compared to a publicly listed company (with respect to SCM).

Earnings approach

The Restructured KOM Group had achieved profit attributable to equity holders of the company of S$38.9 million in FY2019 and significant losses attributable to equity holders of the company of S$162.7 million and S$107.5 million in FY2020 and FY2021 respectively.

Notwithstanding the profit of S$95.6 million achieved in 1H2022, the trailing 12-month results of the Restructured KOM Group is only marginally profit at S$1.7 million.

Hence, a commonly used earnings approach like price-earnings ratio ("**PER**") which illustrates the valuation of a company as a going concern based on its historical profitability would not be a meaningful valuation approach in this case in view of the pro forma historical losses of the Restructured KOM Group.

DCF method as the primary basis of valuation

There is no established market price for the shares of KOM as it is a privately held company as a wholly-owned subsidiary of KCL. Under the Proposed Combination, KCL is to sell 100% of the equity interest of the Restructured KOM Group to SCM, and consequently, will result in SCM acquiring control over the operations of the Restructured KOM Group.

As set out in Section 6 of this Letter, the Independent Valuer had estimated the range of Equity Value of the Restructured KOM Group based primarily on the DCF method in view of the income-producing ability of the subject asset. DCF method is one of the acceptable valuation approaches in valuing target companies in situations where the acquirer (in this case, SCM) would have acquired control of the target company (KOM) and the ability to make decisions over the operations of target company, and where the common valuation approaches of net asset backing approach and earnings approach are not appropriate.

In view of the limitations of assessing the consideration of the Proposed Combination using the NAV or earnings approach as explained above, the consideration for the Proposed Combination is therefore primarily supported by the Valuation as carried out by the Independent Valuer.

(d) KOM Restructuring

Parties to the Proposed Combination have negotiated and agreed on the KOM Restructuring which includes the sale of the legacy rigs and associated receivables to Asset Co, the carved-out of the Out-of-Scope Assets comprising Floatel and Dyna-Mac from KOM and to be retained by KCL, the Cash Component for the full redemption and/or capitalisation of the perpetual securities.

With the KOM Restructuring, future risks in relation to the legacy rigs and associated receivables (such as recovery amounts) will not affect the Enlarged Group. In addition, an equivalent amount of inter-company payables will be removed from the balance sheet of the Restructured KOM Group to offset the legacy assets excluded. The Restructured KOM Group will have minimal debt, save for the financing arranging to fund the Cash Component, which will preserve the debt headroom of the Enlarged Group to facilitate future expansion.

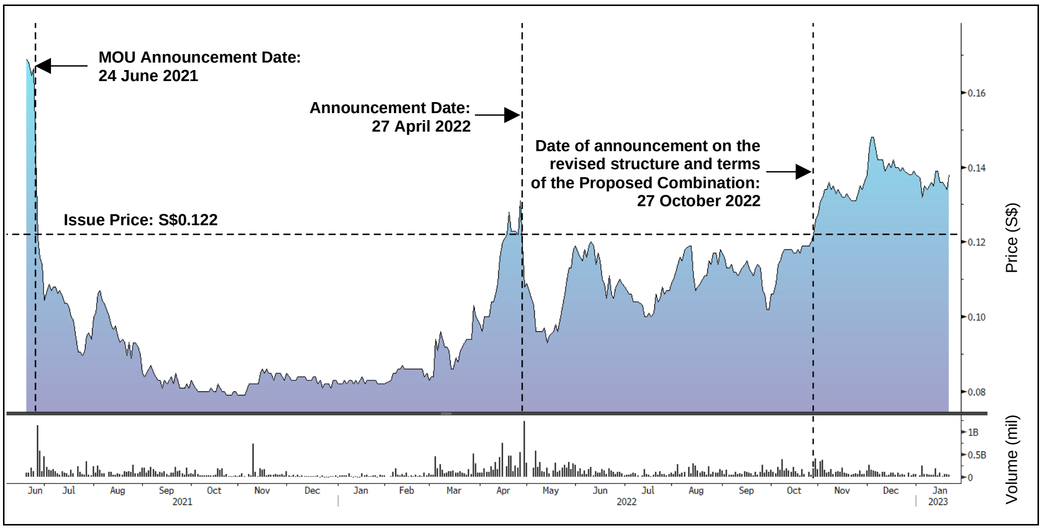
7.3 Assessment of the Issue Price for the KOM Consideration Shares

In evaluating the Issue Price for the KOM Consideration Shares, we note the following:

(a) Price performance of the SCM Shares

We have reviewed the price performance of the SCM Shares from the MOU Announcement Date on 24 June 2021 and up to the Latest Practicable Date (20 January 2023) ("**Period Under Review**") as shown in the chart below.

Price movement and trading volume of the SCM Shares for the Period Under Review



***Source**: Bloomberg L.P.*

From 24 June 2021 and up to the Announcement Date, the price of the SCM Shares had declined to a low of S$0.078 (on 2 November 2021) and trended upwards from around March 2022 to S$0.131 on 26 April 2022, being the last trading day prior to the Announcement Date. The SCM Shares were halted for trading on the Announcement Date.

The Issue Price of S$0.122 was determined based on the VWAP of the SCM Shares for the 10 trading days up to and including 26 April 2022, being the last trading day prior to the Announcement Date.

The Issue Price is therefore benchmarked against the prevailing market price of the SCM Shares at the time of the announcement of the Proposed Combination.

From the Announcement Date and up to the announcement of the revised transaction structure and terms on 27 October 2022, the SCM Shares had traded below the Issue Price.

However, following the announcement of the revised transaction structure and terms on 27 October 2022, the SCM Shares had trended upwards above the Issue Price of S$0.122, and appeared to be a positive market reaction to the revised structure and terms of the Proposed Combination.

The SCM Shares were last transacted at S$0.138 on the Latest Practicable Date, which represents a premium of 13.1% above the Issue Price of S$0.122.

(b) Comparison with P/NAV multiples of the Comparable Companies

In the takeover offer for SCM by Temasek announced in September 2021, we had acted as the IFA for SCM. We had included in our IFA Letter dated 20 October 2021, our estimated value range of the SCM Shares to be between S$0.125 and S$0.14, based on the mean and median P/NAV ratios of the Comparable Companies of 1.1 times, and the estimated projected NAV per SCM Share of S$0.1248 as at 31 December 2021. The estimated projected NAV of SCM took into consideration its recently completed Rights Issue and expected losses for 2H2021. (*Defined terms are as defined in our IFA Letter dated 20 October 2021.*)

A brief description of the selected Comparable Companies, as extracted from Bloomberg L.P. and/or their respective annual reports, is set out below:

Name of Comparable Company	**Primary Stock Exchange**	**Principal Businesses**
KCL	SGX-ST	KCL's core businesses are offshore and marine (under KOM, its wholly-owned subsidiary), infrastructure, property development and investment, telecommunications, logistics, energy and engineering. KOM is a major global player in providing EPCI solutions for offshore platforms, production units and offshore renewable infrastructure, besides repairs and upgrades for vessels and rigs.
Aker ASA ("**Aker**")	Oslo Stock Exchange	Aker is an industrial investment company specializing in the oil and gas, renewable energy and green technologies, industrial software, seafood and marine biotechnology sectors, exercising active ownership based on its industrial and financial expertise. The company is a significant shareholder in several listed oil service, oil exploring, fishing and shipping companies, with operations in every region of the world. It also owns Aker Solutions which provides EPCI solutions to offshore oil, gas & wind industries, as well as Aker Horizons which owns and develops renewable assets such as offshore wind farms, and provides carbon capture and clean hydrogen facility technology solutions.
Korea Shipbuilding & Offshore Engineering Co Ltd ("**KSOE**")	Korea Exchange	KSOE is one of the largest global shipbuilding companies, currently comprising the Hyundai Group of heavy industries and engineering companies. Besides traditional commercial vessels such as tankers, containerships, bulk carriers, and naval vessels, KSOE is also a major player in offshore oil and gas drilling and floating production units, and expanding into offshore wind EPCI solutions.
Samsung Heavy Industries Co Ltd ("**SHI**")	Korea Exchange	SHI is similarly one of the world's major shipbuilding and offshore EPC industry player. SHI has traditionally focused on commercial vessels such as tankers, containerships, gas / LNG carriers and passenger ferry vessels and cruisers. Additionally, SHI also competes in the offshore oil and gas EPC space in drillships, FLNGs, FPSOs, fixed platforms and jack-ups. SHI has also expanded into offshore wind turbine installation vessels in recent years.
Daewoo Shipbuilding & Marine Engineering Co Ltd ("**DSME**")	Korea Exchange	DSME is one of the largest shipbuilding and offshore EPC company globally. DSME traditionally manufactures commercial, passenger and naval vessels. Additionally, DSME also focuses on offshore oil and gas EPC solutions including fixed platforms, drilling rigs, LNG-related and floating production units. DSME has also recently expanded into offshore wind substations and turbine installation vessels.
CSSC Offshore and Marine Engineering Group Co Ltd ("**COMEC**")	Shanghai Stock Exchange and Hong Kong Stock Exchange	COMEC is one of the largest global shipbuilding companies in China, having merged with China Shipbuilding Industry Corporation in recent years. Besides manufacturing military navy, civil passenger and traditional commercial vessels, COMEC also actively competes globally for oil and gas and renewable projects in floating production platforms, semi-submersibles, jack-ups and offshore wind value chain solutions.

Name of Comparable Company	Primary Stock Exchange	Principal Businesses
Saipem S.p.A ("**Saipem**")	Borsa Italiana	Saipem is one of the larger oilfield services companies in the world, offering both offshore and onshore engineering and construction, as well as drilling services. For offshore engineering and construction, Saipem competes in the subsea and fixed platform segments and has also recently expanded into offshore wind and carbon capture solutions. Saipem also owns and operates its fleet of drilling rigs and FPSO assets.

Source: *Bloomberg L.P. and/or respective annual reports of the Comparable Companies*

We have updated the mean and median P/NAV ratios of the Comparable Companies as at (a) the Announcement Date (27 April 2022), (b) as at 27 October 2022, being the announcement date of the revised transaction structure and terms of the Proposed Combination, and (c) as at the Latest Practicable Date, and compared them against the P/NAV ratios of the Comparable Companies as at the Offer Announcement Date (22 September 2021), as summarised in the table below:

Comparable Companies	P/NAV ratio (times) as at			
	22 September 2021	**27 April 2022**	**27 October 2022**	**Latest Practicable Date**
KCL	0.9	1.0	1.0	1.1
KSOE	0.7	0.7	0.5	0.6
Aker	2.8(1)	2.0(1)	1.2	1.2
COMEC	1.5	0.9	1.7	1.5
SHI	1.3	1.3	1.0	1.0
DSME	1.2	1.3	1.3	2.4(1)
Saipem	1.0	3.4(1)	1.0	1.4
High	**2.8**	**3.4**	**1.7**	**2.4**
Low	**0.7**	**0.7**	**0.5**	**0.6**
Mean	**1.1**	**1.0**	**1.1**	**1.1**
Median	**1.1**	**1.0**	**1.0**	**1.1**

Source: *Bloomberg L.P.*

Note:

(1) Excluded as statistical outlier in the mean and median computations.

<u>Our observations</u>

(i) The Issue Price of S$0.122 for each KOM Consideration Share is close to the estimated value range of the SCM Shares of between S$0.125 and S$0.14 as set out in our IFA Letter dated 20 October 2021 in relation to the takeover offer for SCM by Temasek in September 2021;

(ii) Overall, the mean and median P/NAV ratios of the Comparable Companies had been relatively stable at approximately 1.0 to 1.1 times based on our analysis of the Comparable Companies as at 22 September 2022, 27 April 2022, 27 October 2022 and the Latest Practicable Date.

The Issue Price for the KOM Consideration Shares represents a P/NAV ratio of 0.96 times based on the audited NAV per SCM Share of S$0.1275 as at 31

December 2021, and 0.99 times based on the unaudited NAV per SCM Share of S$0.1232 as at 30 June 2022.

The Issue Price is close to the mean and median P/NAV ratios of the Comparable Companies.

(iii) As SCM Group had incurred losses in the last few years, the use of the historical PER as a valuation approach to compare against the PERs of Comparable Companies is not meaningful. We also note that most of the Comparable Companies had reported low earnings or losses in their respective recent results announcements. Accordingly, they will not have meaningful PERs or their PERs may be skewed.

The above comparison with the Comparable Companies is purely for illustrative purposes only.

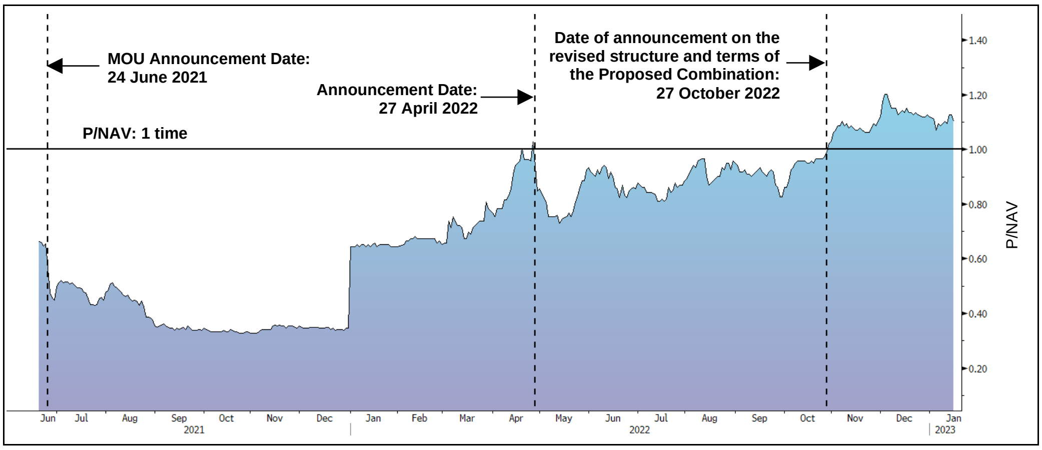
(c) Historical trading P/NAV ratios of the SCM Shares from the MOU Announcement Date and up to the Latest Practicable Date

We note that SCM Shares had in the recent past few years been trading mostly at below its NAV per share i.e. trading at P/NAV ratio of below 1.0 time. This could be due to the losses incurred by the SCM Group as well as the 2020 Rights Issue and 2021 Rights Issue which had a dilutive effect on its NAV per share as the rights shares were priced at a discount to its then prevailing NAV per share.

Following the announcement of the Proposed Combination on 27 April 2022 and up to the announcement of the revised transaction structure and terms on 27 October 2022, the SCM Shares had continued to trade mostly below its NAV per share.

However, following the announcement on 27 October 2022 and up to the Latest Practicable Date, trading prices of the SCM Shares had trended upwards and such improvement in trading share prices had resulted in the SCM Shares trading above its NAV per share. The SCM Shares were last transacted at a P/NAV ratio of 1.12 times based on SCM's last transacted share price of S$0.138 on the Latest Practicable Date and the latest available unaudited NAV per SCM Share of S$0.1232 as at 30 June 2022.

The chart on the historical trading P/NAV ratios from the MOU Announcement Date and up to the Latest Practicable Date is shown below:



***Source**: Bloomberg L.P.*

7.4 Dilution impact on existing SCM Shareholders

The Proposed Combination to be satisfied fully by the issuance of the KOM Consideration Shares will result in a significant dilution to the shareholding interests of existing SCM Shareholders.

Based on the revised equity value exchange ratio of 54:46 between KOM and SCM, the shareholding interest of all existing SCM Shareholders will effectively be diluted by 54%.

As an illustration, based on the terms of the Proposed Combination and the existing SCM Shares in issue (excluding treasury shares) as at the Latest Practicable Date, the resultant shareholding interests of various shareholders in SCM after completion of the Proposed Combination and the KCL Distribution would be as follows:

	Before the Proposed Combination and KCL Distribution		**KOM Consideration Shares**	**After the Proposed Combination and KCL Distribution**	
	No. of SCM Shares	**%**	**No. of SCM Shares**	**No. of SCM Shares**	**%**
Temasek	17,131,025,958	54.58	7,088,339,820	24,219,365,778	35.49
SCM Shareholders (other than Temasek)	14,258,073,194	45.42	-	14,258,073,194	20.89
KCL's Retained Stake	-	-	3,411,858,604	3,411,858,604	5.00
KCL Shareholders (other than Temasek)	-	-	26,347,874,494	26,347,874,494	38.61
Total	**31,389,099,152(1)**	**100.00**	**36,848,072,918(2)**	**68,237,172,070(2)**	**100.00(3)**

Notes:

(1) Based on the number of SCM Shares in issue (excluding treasury shares) as at the Latest Practicable Date;

(2) Based on the issue of such number of SCM Shares representing 54% of the enlarged issued share capital of SCM; and

(3) Does not add up to 100.00% due to rounding.

The final number of KOM Consideration Shares to be issued will depend on the number of SCM Shares in issue (excluding treasury shares) as at the completion date but such number of KOM Consideration Shares will in any case represents 54% of the enlarged issued share capital of SCM on a fully diluted basis post-completion of the Proposed Combination.

As at the Latest Practicable Date, other than the issue of the KOM Consideration Shares, SCM does not envisage any significant change to the number of issued SCM Shares prior to the completion of the Proposed Combination.

Our observations

(a) The issuance of 36.85 billion KOM Consideration Shares will significantly dilute all existing SCM Shareholders by 54%. These shares would in turn be held 5% by KCL as the Retained Stake while 49% will to be distributed to the KCL Shareholders via the KCL Distribution.

Accordingly, Temasek, which holds an interest of 21.20% in KCL, will receive its proportionate entitlement to the KOM Consideration Shares via the KCL Distribution. It is expected that such KOM Consideration Shares to be received by Temasek will be transferred to Startree on the completion of the KCL Distribution. Together with its existing 54.58% indirect interest in SCM, Temasek's resultant shareholding interest in the Enlarged Group will become 35.5% post-completion of the Proposed Combination.

Temasek's existing indirect interest in SCM excludes interests held by Temasek's independently-managed portfolio companies.

While Temasek (through Startree) will cease to be the major shareholder of SCM after the Proposed Combination, Temasek (through Startree) will be the single largest controlling shareholder of the Enlarged Group. No other single shareholder is expected to hold more than 15% interest in the Enlarged Group after the Proposed Combination.

Startree has undertaken to comply, and will procure Temasek to comply, with the applicable moratorium requirements imposed by the SGX-ST to maintain (i) for a period of six months following the completion of the Proposed Combination, 100% of its effective interest in SCM; and (ii) for the six-month period thereafter, 50% of its effective interest in SCM as at the completion of the Proposed Combination;

(b) As there is no change in the status of Temasek as the controlling shareholder of SCM (before the Proposed Combination) and the Enlarged Group (after the Proposed Combination), the Proposed Combination is not treated as a reverse takeover of SCM. The Proposed Combination also does not trigger any takeover obligations on Temasek and parties acting in concert with it under the Singapore Code on Take-overs and Mergers;

(c) The dilution impact on the shareholding interests of existing SCM Shareholders arises from the issuance of the significant number of the KOM Consideration Shares and affects all existing SCM Shareholders proportionately.

As the Issue Price of the KOM Consideration Shares is benchmarked against prevailing market share prices of SCM Shares at the time of the Combination Framework Agreement, i.e. based on the VWAP over a 10-day period prior to the Announcement Date, the dilution impact arising from the Proposed Combination is not prejudicial to the interests of SCM and its shareholders.

The SCM Shares had trended above the Issue Price following the announcement of the revised transaction structure and terms on 27 October 2022. The market share price appears to react positively to the revised terms. As at the Latest Practicable Date, the last transacted price on the SCM Shares was at S$0.138. The Issue Price at S$0.122 represents a discount of 11.6% to the last transacted share price; and

(d) The Proposed Combination is subject to the approval of SCM Shareholders at the SCM EGM, and is conditional on *inter alia* the approval by the KCL Shareholders at the KCL EGM for *inter alia* the Asset Co Transaction, the Proposed Combination and the KCL Distribution.

If any of these resolutions is not approved by the SCM Shareholders and KCL Shareholders at their respective EGMs, the Proposed Combination will not proceed further.

As set out above in Section 3.4 of this Letter, KCL Shareholders had approved the Proposed Combination, the Asset Co Transaction and the KCL Distribution at the KCL EGM on 8 December 2022.

7.5 Other relevant considerations

7.5.1 Number of KOM Consideration Shares to be issued is determined by the equity value exchange ratio of 54:46 for the purposes of the Proposed Combination

Under the terms of the Proposed Combination, parties have agreed on the equity value exchange ratio of 54:46. The relative proportion of the enlarged issued share capital of SCM held by existing SCM Shareholders (46%), and KCL and the KCL Shareholders (collectively 54%) is therefore fixed for the purposes of the Proposed Combination.

If the number of SCM Shares in issue (excluding treasury shares) as at the Latest Practicable Date remain unchanged at 31.39 billion SCM Shares, 36.85 billion KOM Consideration Shares, representing 54% of the enlarged issued share capital of SCM, would be issued. This would remain regardless of the market price of the SCM Shares at completion of the Proposed Combination.

7.5.2 Financial effects of the Proposed Combination

Details on the financial effects of the Proposed Combination are set out in paragraph 10 of the Circular, which are based on the audited financial statements of the SCM Group for FY2021, the unaudited pro forma financial information of the Restructured KOM Group for FY2021 and certain assumptions.

The financial effects are for illustrative purposes only and do not purport to be an indication or a projection of the results and financial position of the Enlarged Group after the completion of the Proposed Combination.

(a) Share capital

As at 31 December 2021, the share capital of SCM comprised approximately 31.39 billion SCM Shares. Arising from the issuance of approximately 36.85 billion KOM Consideration Shares, the enlarged issued share capital of SCM will comprise 68.24 billion SCM Shares.

(b) NTA

SCM Group had significant NTA of S$3.80 billion while the Restructured KOM Group is asset-light with a pro forma NTA of S$0.86 billion as at 31 December 2021. With the issuance of 36.85 billion KOM Consideration Shares, the NTA of the Enlarged Group on a per share basis will be diluted significantly after the completion of the Proposed Combination.

Based on 36,848,072,918 KOM Consideration Shares to be issued and the Issue Price of S$0.122 each, the consideration for the Proposed Combination would amount to approximately S$4.495 billion. However, the actual amount of the consideration for the Proposed Combination to be recorded in the financial statements of the Enlarged Group will be determined based on the prevailing market price of the SCM Shares at the time of the completion of the Proposed Combination, in accordance with the relevant accounting policy of SCM.

In view of the significant consideration paid for the Proposed Combination as compared to the asset-light NTA of the Restructured KOM Group, it is envisaged that this may result in the Enlarged Group recording a significant amount of goodwill and intangibles.

The actual amount of goodwill and intangibles will be determined in due course upon completion in accordance with the relevant accounting policy of SCM. Further details on the determination of goodwill and intangibles arising from the Proposed Combination are set out in paragraph 5.2.5 of the Circular.

(b) Loss per share

As both the SCM Group and the Restructured KOM Group were loss-making, the Enlarged Group would reflect the losses incurred by them on a combined basis. However, loss per Share would be diluted in view of the enlarged number of SCM Shares post completion of the Proposed Combination.

(c) Gearing

The Proposed Combination is a non-cash transaction. Thus, the Proposed Combination will not add to the gearing of the Enlarged Group. On a pro forma basis, Management has illustrated the pro forma gearing of the Enlarged Group would be lower at 22% compared to 33% for the SCM Group on a standalone basis, based on the financial information of the SCM Group and the Restructured KOM Group as at 31 December 2021.

Gearing is calculated as total debt (excluding lease liabilities) / total assets.

7.5.3 Update of financial results and net order book of SCM and KOM as at the Latest Practicable Date

SCM had reported improvement in its financial results for 1H2022 from a loss attributable to owners of the company of S$647 million in 1H2021 to a lower loss of S$143 million in 1H2022. Its net order book had increased from S$1.3 billion as at 31 December 2021 to S$2.52 billion when it announced its results for 1H2022.

Likewise, the Restructured KOM Group had also achieved improvement in its pro forma financial results for 1H2022 from a loss attributable to equity holders of the company of S$13.7 million in 1H2021 to a profit attributable to equity holders of the company of S$96 million in 1H2022. Its net order book of S$5.1 billion as at 31 December 2021 had increased to S$8.9 billion following the announcement of a new contract win of S$4 billion in August 2022.

On 27 October 2022, in connection with the announcement of the revised transaction structure and terms of the Proposed Combination, SCM had disclosed that SCM and KOM had a combined net order book of approximately S$18 billion as at 26 October 2022.

As at 26 October 2022, the SCM Group had secured net order book of approximately S$6.8 billion while the Restructured KOM Group had secured net order book of approximately S$11.8 billion.

Latest available 3rd quarter business update by SCM

As disclosed in Section 4.3.3 of this Letter, SCM had recorded a net order book of S$7.11 billion as at 15 November 2022. While the SCM Group had completed several key projects and secured significant new orders in recent months, revenue and earnings from completed projects and initial contributions from new projects were not sufficient to offset higher labour and other costs, and the SCM Group expects 2H2022 losses to be similar to that for 1H2022.

7.5.4 Voting on the resolutions at the SCM EGM and KCL EGM

The Proposed Combination is subject to *inter alia* various conditions including the passing of the resolutions at the SCM EGM and KCL EGM.

Temasek, as a significant shareholder of both SCM and KCL, has stated that it will abstain from voting on all the resolutions relating to the Proposed Combination at the SCM EGM and KCL EGM.

Temasek is supportive of the Proposed Combination and has expressed that the Proposed Combination will be transformational for both O&M companies, while reinforcing Singapore's position as both a maritime and O&M hub, and joins both SCM and KCL in asking for the support of their shareholders for the Proposed Combination as they believe that it is the best way to deliver long term value creation for shareholders and other stakeholders.

As set out in Section 3.4 of this Letter, KCL Shareholders had approved the Proposed Combination at the KCL EGM on 8 December 2022.

We also note that, as disclosed in paragraph 14.4 of the Circular, all the Directors who have beneficial shareholdings in the Company will vote in favour of the Proposed Combination.

7.5.5 Consequences of the Proposed Combination not proceeding

FY2021 marked the 6th year of a global oil & gas sector recession that had financially weakened the SCM Group. The major structural changes in the sector, including global energy transition away from oil, and the COVID-19 pandemic in the last couple of years, had presented further challenges to the SCM Group.

Temasek had supported the SCM Group's 2020 Rights Issue and 2021 Rights Issue which had enabled SCM to raise total new equities of S$3.6 billion.

Management and the Board of SCM had devoted considerable resources to progress the Proposed Combination for long term strategic reasons.

As set out in Section 7.1 of this Letter under the caption "*Rationale for the Proposed Combination*", amidst the current volatile and uncertain times, the parties believe that it is critical for the Proposed Combination to be completed as soon as possible so that the benefits of an enlarged global entity can be realised sooner and an enlarged SCM will be in a better position to deal with the challenges and compete against global competition.

If the Proposed Combination does not proceed, SCM would have missed the opportunity to create a bigger, better and stronger entity, to accelerate its expansion into O&M renewables opportunities, to be in a better position to participate in larger contracts and pursue synergies from increased operational scale, broader geographic footprint and enhanced capabilities of a larger entity. On its own, SCM may face difficulties to achieve the above objectives.

In addition, there is no assurance that as a standalone entity, the SCM Group would continue to receive the necessary support from its banks, financiers and significant shareholder, Temasek.

The above consequences are also disclosed as a risk factor in Appendix C to the Circular under the caption "*Failure to complete the Proposed Combination may have a negative impact on SCM's future prospects*".

7.5.6 Risk factors

Completion of the Proposed Combination involves a number of risks, some of which could be substantial including market, liquidity, credit, operational, legal and regulatory risks relating to the Enlarged Group.

Details of the risk factors associated with the Proposed Combination are set out in Appendix C to the Circular. Some of the headline risk factors are set out below:

(a) Completion of the Proposed Combination is subject to certain conditions, some of which are outside the control of SCM;

(b) Failure to complete the Proposed Combination may have a negative impact on SCM's future prospects;

(c) The Restructured KOM Group may be subject to the residual risks of the Asset Co Transaction and the KOM Restructuring;

(d) The Retained Stake may not be sufficient to fully satisfy potential contingent liabilities;

(e) The equity value exchange ratio was negotiated between the Parties, taking into account an assessment conducted by DBS, as Joint Financial Adviser to SCM and KOM, with respect to the relative ratios assessment of SCM and KOM;

(f) The valuation of the Restructured KOM Group set out in the Valuation Letter and Supplemental Valuation Letter may not be representative of the actual realisable market value of the Restructured KOM Group;

(g) There may be substantial goodwill arising from the Proposed Combination, which if subject to an impairment charge, may adversely affect the Enlarged Group's financial performance;

(h) The Enlarged Group may not be able to realise the full synergies of the Proposed Combination if it is unable to successfully integrate the Restructured KOM Group;

(i) There may be associated risks due to the long-term nature of the Master Services Agreement, including potential cost overruns and potential opportunity costs; and

(j) The contracts in the order book of the Enlarged Group may be adjusted, cancelled or suspended and, therefore, the order book is not necessarily indicative of future operating revenues of the Enlarged Group.

8. OUR OPINION

In arriving at our opinion in respect of the Proposed Combination, we have reviewed and deliberated on the following key considerations which we considered to be pertinent in our assessment:

(a) rationale for the Proposed Combination;

(b) assessment of the consideration for the Restructured KOM Group;

(c) assessment of the Issue Price for the KOM Consideration Shares;

(d) dilution impact on existing SCM Shareholders; and

(e) other relevant considerations.

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, overall, on balance, we are of the view that the terms of the Proposed Combination are fair and reasonable. Accordingly, we advise the Independent Directors to recommend SCM Shareholders to vote in favour of the Proposed Combination.

Our opinion in relation to the Proposed Combination should be considered in the context of the entirety of this Letter and the Circular.

Our opinion, as disclosed in this Letter, is based on publicly available information and information provided by the Directors and Management, and does not reflect any projections of future financial performance of the SCM Group and/or the Enlarged Group after the completion of the Proposed Combination. In addition, our opinion is based on the economic and market conditions prevailing as at the Latest Practicable Date and is solely confined to our views on the Proposed Combination.

We have prepared this Letter for the use of the Independent Directors in connection with their consideration of the Proposed Combination and their advice to the SCM Shareholders arising thereof. The recommendation to be made to the SCM Shareholders in relation to the Proposed Combination shall remain the responsibility of the Independent Directors. Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purposes, other than for the purposes of the SCM EGM and the Proposed Combination, at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
PROVENANCE CAPITAL PTE. LTD.

Wong Bee Eng
Chief Executive Officer

APPENDIX B: VALUATION LETTER ON THE RESTRUCTURED KOM GROUP AND SUPPLEMENTAL VALUATION LETTER ON THE RESTRUCTURED KOM GROUP

See following pages.

Deloitte.

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31 January 2023

The Board of Directors
Sembcorp Marine Ltd
80 Tuas South Boulevard
Singapore 637051

Dear Sirs,

Unless otherwise defined or the context otherwise requires, all terms defined in the circular to shareholders of Sembcorp Marine Ltd dated 31 January 2023 (the "Circular") shall have the same meaning herein.

1. Introduction

Deloitte & Touche Financial Advisory Services Pte Ltd ("Deloitte") has been engaged by Sembcorp Marine Ltd ("SCM" or "Client") to provide valuation services ("Services" or the "Valuation") to estimate a range of values of 100% equity interest (including perpetual securities and net balances due to Keppel Corporation Limited ("KCL") related entities) of the restructured Keppel Offshore & Marine Ltd (the "Restructured KOM Group"). Please refer to Appendix E of the Circular for information on the Restructured KOM Group.

On 27 April 2022, SCM announced that it had entered into the Combination Framework Agreement in relation to the proposed combination of the businesses of SCM and Keppel Marine & Marine Ltd ("KOM"). On 27 October 2022, SCM announced that it had entered into an amendment and restatement agreement amending and restating the Combination Framework Agreement and setting out the revised terms on which the Proposed Combination (as defined below) will be effected. Under the Amended and Restated Combination Framework Agreement, SCM and KOM intend to achieve the proposed combination of the businesses of SCM and KOM by way of the acquisition by SCM of the entire issued and paid-up share capital of KOM (the "Proposed Combination"). The Proposed Combination constitutes a very substantial acquisition as defined under Chapter 10 of the Listing Manual which is subject to, inter alia, the approval of the SGX-ST and the Shareholders at the SCM extraordinary general meeting ("EGM"). For the purpose of the Proposed Combination, SCM required an independent valuer to conduct a valuation of the Restructured KOM Group for a disclosure where required in accordance with the Listing Manual.

The Valuation as at 31 December 2021 ("1st Valuation Date") and 30 June 2022 ("2nd Valuation Date") (collectively the "Valuation Dates") are in compliance with Rule 1015 of the Listing Manual and for inclusion in the Circular in relation to the Shareholders's approval at the EGM of the Proposed Combination. We understand that the Valuation will not be used for any other purpose.

SCM is obligated to issue the Circular to its Shareholders, which will include, *inter alia*, this valuation letter (the "Valuation Letter") which discloses the conclusion of the Valuation based on certain key assumptions and terms.

2. Terms of Reference and Limiting Conditions

This Valuation Letter has been prepared for inclusion in the Circular and is addressed to the Board of Directors of SCM (the "Directors" or "Board") solely for its use in connection with, and limited to, the Shareholders Approval. Other than for this intended purpose, this Valuation Letter cannot be used or relied upon for any other purpose and/or by any other person including, without limitation, any of the Shareholders, or SCM's employees or any of the Directors as individuals, any investors or any other persons.

The estimates of the range of the equity values ("Equity Value") of the Restructured KOM Group will not form the sole basis on which the Directors determine whether the Proposed Combination is fair and reasonable (or otherwise) and recommend to Shareholders whether to accept or reject the Proposed Combination. Deloitte is not responsible for concluding whether the Proposed Combination is fair and reasonable (or otherwise) and recommending to Shareholders whether to accept or reject the Proposed Combination.

Other than our engagement as set out above, Deloitte has had no involvement in the negotiations, the deliberations or the decision by the respective parties to enter into the Proposed Combination. We wish to highlight that in connection with the Proposed Combination, Deloitte had performed commercial, financial and tax due diligence on the Restructured KOM Group based on an agreed scope of services with SCM, and such due diligence was completed prior to the announcement of the Proposed Combination on 27 April 2022 and all fees payable for our services in relation to such due diligence have been settled prior to the date of this Valuation Letter. We do not, by this Valuation Letter or otherwise, advise, recommend, evaluate, comment or form any judgement or opinion on the legal, commercial or financial rationale, merits or risks in relation to the Proposed Combination or the relative merits of the Proposed Combination as compared to any alternative transaction considered by SCM or that otherwise may be available to SCM in the future. Such advice, recommendation, evaluations, comments, judgement or opinion are and remain the sole responsibility of the Board and SCM's other advisers engaged for the Proposed Combination.

This Valuation Letter does not constitute and cannot be construed as an advice, a recommendation or any form of judgement or opinion to any person in connection with the Proposed Combination and, accordingly, it may not be relied upon as such by any person and, in particular, by any Shareholder and any potential investors. Such person or Shareholder should seek his/her own professional advice in connection with the Proposed Combination and the Circular.

The management of Keppel Offshore & Marine Ltd ("KOM Management") has confirmed that, to the best of its knowledge, it has provided information that we had requested on the Restructured KOM Group ("Relevant Information"). The Relevant Information is true and accurate in all material respects. Nothing in the foregoing shall be construed as KOM Management giving any assurance or guarantee of certainty on its pipeline or the profitability of any projects.

The management of SCM ("SCM Management") has confirmed that, to the best of its knowledge, it has provided to us all material information that we have requested on the offshore and marine industry and the Restructured KOM Group which is in its possession.

The key assumptions used in the financial projections prepared by us to estimate the range of Equity Value of the Restructured KOM Group are derived from, *inter alia*, the historical proforma financial performance, orders backlog and high-level visible pipelines of the Restructured KOM Group, industry information, and discussions with KOM Management and SCM Management. Deloitte does not guarantee or warrant the achievability of these financial projections of the Restructured KOM Group. Financial projections are inherently uncertain and are based on estimations of future events that cannot be assured and could be based on certain assumptions that may not materialize. Accordingly, the actual results can be significantly different from those projected. Hence, the valuation may be materially or adversely affected should the actual results differ from the bases and assumptions upon which the Valuation was based upon.

In connection with our engagement, we held discussions with KOM Management and SCM Management, and relied on information provided to us by KOM Management and SCM Management, whether written or verbal, and the above representations made to us in respect of the information and such information and/or representations are the sole responsibility of KOM Management and SCM Management, as the case may be. We have not independently verified such information, whether written or verbal, and accordingly, we cannot and do not warrant, opine or accept any responsibility for the accuracy, completeness or adequacy of such information we received from or on behalf of KOM Management or SCM Management, as the case may be. In addition, we examined certain publicly available information which we consider to be pertinent to the Valuation.

Our scope of work excludes, *inter alia*, (i) providing a view on the reasonableness of any historical financials or any prospective information, and/or (ii) undertaking any independent market study for the industry in which the Restructured KOM Group operate and plan to operate. We have not carried out any work which constitutes an audit in accordance with generally accepted auditing standards including any in-depth investigation into the Restructured KOM Group and affairs of the Restructured KOM Group. In performing our engagement herein, we have assumed that all information provided to us is true, accurate, not misleading and complete in all material respects as at the date hereof and that all information which is or may be relevant to our engagement has been duly provided to us by KOM Management and to the extent the information is in their possession, SCM Management. We do not express any opinion on and we do not take any responsibility for or in relation to all bases and assumptions, representations, statements of fact, beliefs, opinions and intentions, as applicable, made by KOM Management or SCM Management in relation to the information provided to us.

The estimates of the range of Equity Value of the Restructured KOM Group are based on generally accepted valuation procedures and practices that rely on the use of assumptions and the consideration of uncertainties not all of which can be easily quantified or ascertained. The final analysis leading to our estimates of the range of Equity Value of the Restructured KOM Group presents an assessment based on our best professional judgement and experience predicated on all relevant and available references and resources. You should also note that by its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived in many cases will of necessity be subjective and dependent on the exercise of individual judgement. There is therefore, no indisputable single value. Whilst we consider the estimates of range of Equity Value of the Restructured KOM Group to be both reasonable and defensible based on our scope and the information available to us, others may place a different range of Equity Value on the Restructured KOM Group.

The estimates of the range of Equity Value of the Restructured KOM Group are based on the market, economic, industry and other conditions prevailing at the time when the Valuation was conducted and the information made available to us by or on behalf of KOM Management and SCM Management. We assume no responsibility to update, revise or reaffirm our evaluation or assumptions in light of any subsequent events or circumstances that may affect the estimates of the range of Equity Value of the Restructured KOM Group or any factors or assumptions contained herein.

3. Valuation Basis and Approach

We have used market value as the basis for the Valuation, presuming the application of existing use basis and incumbent-management control basis. Market value is defined for this purpose by the International Valuation Standards 2021 as follows:

> *"Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*

We performed the Valuation of the Restructured KOM Group based on the Income Approach's Discounted Cash Flow ("DCF") method. The DCF method is appropriate for the valuation of the Restructured KOM Group as the owner or prospective owner expects to continue to operate the Restructured KOM Group on a going concern basis. The application of the DCF method based on future cash flows will therefore better reflect the intrinsic value of the Restructured KOM Group and is used to determine the Equity Value of the Restructured KOM Group.

In undertaking the Valuation, we considered, *inter alia*, the following:

a. The proforma financial information and supporting information in respect of the Restructured KOM Group. The proforma financial information cover the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 and the 6 month financial periods ended 30 June 2021 and 30 June 2022. Please refer to Appendix K of the Circular for Report on the Compilation of the Unaudited Proforma Financial Information of the Restructured KOM Group ("Proforma FI").

b. Net order book of KOM as at 31 December 2021, 30 June 2022 and 30 September 2022, and visible project pipelines (based on business activities and in summarised form) as at 31 December 2021.

c. Certain market and industry reports covering the addressable markets of the Restructured KOM Group, and selected analyst reports covering KCL and the other listed companies in relevant sectors.

d. Our assessment of the long-term growth rates applicable to the Restructured KOM Group.

e. Our assessment of the discount rates applicable to the Restructured KOM Group.

f. Discussions and correspondences with KOM Management and SCM Management.

g. For avoidance of doubt, we do not have access to Restructured KOM Group's business plan, financial projections and relevant supporting information, including but not limited to, detailed project pipelines, potential orders from addressable market segments, expected operating margins by projects, working capital requirements and planned capital expenditures.

4. Key Assumptions and Risk Factors

The estimated range of Equity Value of the Restructured KOM Group is based on the following key assumptions:

a. Valuation Dates are 31 December 2021 and 30 June 2022.

b. Projection period of 5 years to capture the recovery of the business.

c. KOM's net order book as at 31 December 2021 and 30 June 2022 of S$ 5.1 billion and S$ 4.4 billion, respectively, and visible project pipelines in summarised form as at 31 December 2021.

d. Revenue growth rates are projected to grow strongly in the initial years of the forecast period due to continued strong net order book and completion of existing projects. KCL announced on 27 October 2022 that KOM's net order book as at 30 September 2022 was S$ 11.6 billion. The revenue growth rates for later years in the forecast period are projected to taper down to 2% per annum.

e. Earnings before interest, taxes, depreciation and amortization ("EBITDA") margins are projected to improve from existing margin to 12% over the forecast period on the back of the recovery of the business.

f. Cash tax rate is projected to range from 19% to 20%.

g. Working capital requirements are projected to be based on the working capital profile of the Restructured KOM Group as at 30 June 2022.

h. The annual capital expenditures ("capex") is estimated to approximate c. 2 times of the average annual capex from 2019 to 2021 to support renewals and upgrades of yard facilities.

i. We have solicited inputs from KOM Management and SCM Management on the cash flow projections of the Restructured KOM Group prepared by us and incorporated their inputs as we deemed appropriate.

j. Long-term growth rate range of 1.5% to 2.5% is applied.

k. Mid-point discounting convention is adopted.

l. These cash flows projections are then discounted using the applicable discount rates reflecting the risks associated with the cash flows ranging from 7.5% to 8.5% for the 1st Valuation Date and 8.5% to 9.5% for the 2nd Valuation Date to derive at the enterprise value of the Restructured KOM Group.

m. The Valuation of the Restructured KOM Group has not taken into consideration or taken into account the potential synergies and integration costs arising from the Proposed Combination.

n. There will be no material changes, after the date of this Valuation, in the market conditions under which the business of the Restructured KOM Group operates.

o. The Equity Value of the Restructured KOM Group has been derived by taking into account the following adjustments based on the Proforma FI to the enterprise value:
   - Cash and cash equivalents;
   - Financial assets (net);
   - Assets classified as held for sale;
   - Borrowings and lease liabilities;
   - Other non-operating assets and liabilities; and
   - Non-controlling interest.

p. The range of Equity Value of the Restructured KOM Group has not included any financial impact that may occur as a result of:
   - Outstanding litigations as disclosed in Paragraph 13 of Appendix E of the Circular; and
   - Any economic from services provided to Asset Co according to the master service agreement ("MSA") as disclosed in Section 8 of the Circular.

q. To the best knowledge of KOM Management, in its opinion, there is no information that has been omitted or withheld that may materially affect the accuracy of the Relevant Information. KOM Management has confirmed that (1) information that the KOM Management is aware of and which in its opinion is material in respect of Restructured KOM Group, has been or will be publicly disclosed by KCL on the SGXNET; and (2) any event or circumstance that, to the knowledge of the KOM Management, results in a reduction of more than S$ 600 million on the net profits of the Restructured KOM Group will be publicly disclosed by KCL on the SGXNET and notified in writing to SCM and us.

r. The other assumptions used in this Valuation hold true.

5. Conclusion

Based upon and subject to the foregoing and other information used in the preparation of this Valuation Letter, we have estimated the range of the Equity Value of the Restructured KOM Group to be S$ 4.8 billion to S$ 5.8 billion as at 31 December 2021 and S$ 4.3 billion to S$ 5.3 billion as at 30 June 2022. The estimated Equity Value of the Restructured KOM Group as at 30 June 2022 is lower than the estimated Equity Value as at 31 December 2021 primarily due to an increased in the applicable discount rates and higher borrowings. Our work was completed on 15 November 2022 and we have not updated our work since that date.

The estimates of the Equity Value of the Restructured KOM Group should be considered in the context of the entirety of this Valuation Letter. Save for the purposes of the Circular to be dispatched to the Shareholders, this Valuation Letter may not be reproduced, disseminated or quoted for any other purpose without Deloitte's prior written consent. This Valuation Letter is governed by, and should be construed in accordance with, the laws of Singapore, and are strictly limited to the matters stated therein and do not apply by implication to any other matter.

Yours faithfully,
DELOITTE & TOUCHE FINANCIAL ADVISORY SERVICES PTE LTD

Keoy Soo Earn
Executive Director

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31 January 2023

The Board of Directors
Sembcorp Marine Ltd
80 Tuas South Boulevard
Singapore 637051

Dear Sirs,

Unless otherwise defined or the context otherwise requires, all terms defined in the circular to shareholders of Sembcorp Marine Ltd dated 31 January 2023 (the "Circular") shall have the same meaning herein.

Deloitte & Touche Financial Advisory Services Pte Ltd ("Deloitte") has been engaged by Sembcorp Marine Ltd ("SCM" or "Client") to provide valuation services ("Services" or the "Valuation") to estimate a range of values of 100% equity interest (including perpetual securities and net balances due to Keppel Corporation Limited ("KCL") related entities) of the restructured Keppel Offshore & Marine Ltd (the "Restructured KOM Group") where our field work was completed on 15 November 2022. We issued our Valuation Letter dated 31 January 2023.

As requested, we have performed the following procedures:-

1. Obtained an updated confirmation from KOM Management that from 16 November 2022 to 20 January 2023, to the best knowledge of KOM Management, in its opinion, there is no information that has been omitted or withheld that may materially affect the accuracy of the Relevant Information (as defined in the Valuation Letter dated 31 January 2023). KOM Management confirmed that (1) information that the KOM Management is aware of and which in its opinion is material in respect of Restructured KOM Group, has been or will be publicly disclosed by KCL on the SGXNET; and (2) any event or circumstance that, to the knowledge of the KOM Management, results in a reduction of more than S$ 600 million on the net profits of the Restructured KOM Group will be publicly disclosed by KCL on the SGXNET and notified in writing to SCM and us.

2. Read KCL SGXNET announcements from 16 November 2022 to 20 January 2023.

Based on the above procedures, nothing has come to our attention that in our opinion, will result in a material adverse impact on the range of Equity Value of the Restructured KOM Group as at 30 June 2022.

Yours faithfully,
DELOITTE & TOUCHE FINANCIAL ADVISORY SERVICES PTE LTD

Keoy Soo Earn
Executive Director

APPENDIX C: RISK FACTORS

To the best of the Directors' knowledge and belief, the risk factors that are material to prospective investors in making an informed judgment on the Proposed Combination are set out below. Prospective investors should carefully consider and evaluate each of the following risks and all other information contained in this Circular before making an investment decision. The Enlarged Group may be affected by a number of risks that may relate to the industry and countries in which the Enlarged Group will operate, as well as those that may generally arise from, inter alia, economic, business, market and political factors, including the risks set out herein. The risks described below are not intended to be exhaustive. There may be additional risks not presently known to the Company, or that the Company may currently deem immaterial, which could affect its operations, possibly materially. If any of the following risks and uncertainties materialises, the business, financial conditions or results of operations of the SCM Group, the Restructured KOM Group and the Enlarged Group could be materially and adversely affected. In such cases, the trading price of the SCM Shares could decline and a prospective investor may lose all or part of his/her investment. This Circular contains forward-looking statements that involve risks and uncertainties. Please see the section "Cautionary Note on Forward-Looking Statements" of the Letter to the Shareholders of this Circular.

Risks relating to the Proposed Combination

Execution Risks

Completion of the Proposed Combination is subject to conditions, some of which are outside the control of SCM

The Proposed Combination is subject to the satisfaction of certain conditions, some of which are not within the control of SCM, including the completion of the KOM Restructuring, the completion of the Asset Co Transaction and certain regulatory approvals. Please see paragraph 5.3 of the Letter to Shareholders of this Circular (*Conditions to the Proposed Combination*) for details. The Proposed Combination may not complete if any of the required regulatory approvals are revoked or the conditions upon which such approvals have been granted are not satisfied on or prior to the Long-Stop Date. The KOM Restructuring and the Asset Co Transaction are separate transactions which are being undertaken by KCL and other unrelated third parties. In the event that any of the conditions are not satisfied or waived by the Long-Stop Date, the Proposed Combination may not proceed. SCM Shareholders should note that even if the relevant SCM Shareholders' approval is obtained for the Proposed Combination, if the other conditions are not satisfied or waived, the Proposed Combination may not proceed.

Failure to complete the Proposed Combination may have a negative impact on SCM's future prospects

The O&M sector has faced a prolonged and severe downturn since 2015, exacerbated by the rapid global transition towards renewables and clean energy, as well as significant disruptions during the COVID-19 pandemic. Please see paragraph 3 of the Letter to Shareholders of this Circular (*Rationale for the Proposed Combination*). While conditions in the O&M sector are improving, the long-term outlook for the O&M sector will continue to shift amid the energy transition. These are unprecedented times.

Since 2015, SCM has embarked on a strategic business transformation journey. It has strengthened its core engineering capabilities and aligned its R&D programmes to key market verticals in offshore renewables, new energy, and cleaner solutions for the O&M sector. In the last several years, it has also made strategic investments and acquisitions to better position and align its businesses to meet evolving market demands. The Proposed Combination is a major development in this transformation journey.

The Board believes that the Proposed Combination offers an optimal way forward for SCM to play a long-term role in meeting the changing needs of its customers, who themselves need new and/or cleaner energy solutions.

The Board has considered various strategic options and believes that the Proposed Combination, which is a non-cash transaction, will enable SCM to unlock long-term value for all its stakeholders. The combination with a Restructured KOM Group allows SCM to immediately step up in terms of scale, capabilities and operational reach to tap into opportunities and better compete on the global stage in the new energy era.

As a significant shareholder of both SCM and KCL, Temasek has also given its full support for the Proposed Combination. Temasek agrees that the Proposed Combination will be transformational for both O&M companies, while reinforcing Singapore's position as both a maritime and O&M hub.

If the Proposed Combination is not completed, as a standalone entity, SCM will not be able to benefit from the greater scale, strong balance sheet, and synergies that the Proposed Combination is expected to bring. Instead, SCM would have to navigate an even more competitive landscape where many offshore players have sought consolidation or were otherwise challenged by the radically changed fundamentals of the business and needs of customers.

The challenging and competitive global operating environment coupled with additional upward pressure on inflation and various other factors, including the continued impact of COVID-19 on the global supply chain, may weigh on the SCM Group's overall liquidity. In the event the Proposed Combination does not proceed and if the SCM Group is unable to generate sufficient cash flow and capital resources to satisfy the SCM Group's debt obligations or other liquidity needs, it may have to consider refinancing or restructuring debt, reducing or delaying capital investments or raising additional capital or other financing options. There is no assurance that as a standalone entity, the SCM Group would continue to receive the necessary support from its banks, financiers and significant shareholder, Temasek.

Further, the SCM Group has expended a considerable amount of time, resources and costs towards the Proposed Combination, including integration planning and professional and other fees. In the event the Proposed Combination is not completed, the abovementioned resources and costs would not be recoverable.

The Restructured KOM Group has entered into a number of material contracts for which the full extent of information could not be disclosed to SCM due to competition concerns and commercial sensitivities

The Restructured KOM Group has an order book of approximately S$11.6 billion as at end September 2022[1] comprising various material contracts (the "**Material Contracts**"), including a US$2.3 billion contract awarded in 2021 from the Brazilian national oil company, Petroleo Brasileiro S.A. ("**Petrobras**") for the turnkey delivery of P-78, a Floating Production, Storage and Offloading ("**FPSO**") vessel and in 2022, the US$2.9 billion and US$2.8 billion contracts from Petrobras for the

[1] Information obtained and/or extracted from KCL's 3Q 9M 2022 update located at https://links.sgx.com/FileOpen/1.%20MREL_KCL%203Q%20%209M%202022%20Business%20Update%20-%20Media%20Release.ashx?App=Announcement&FileID=735583.

P-80 and P-83 FPSO vessels respectively[2] which were secured after the signing of the Combination Framework Agreement.

Since the Proposed Combination involves a combination of the businesses of SCM and KOM, which are competitors in similar industries, the due diligence conducted by SCM was limited to the information that KCL and/or KOM was able to provide, bearing in mind the competition concerns and commercial sensitivities relating to the Material Contracts. The due diligence conducted by SCM was also limited by there being no certainty that the Proposed Combination would complete, and the possibility that SCM and KOM would remain as competitors in similar industries in the event the Proposed Combination does not complete. Accordingly, the detailed terms of the Material Contracts were not readily available to SCM. In relation to a project under a Material Contract, such information may include:

- whether there are currently any disputes or disagreements with customers or suppliers which might impact the costs and schedule for completion of the project;

- whether budgets for the project are sufficient to cover all major costs expected to be incurred in connection with the contract, including but not limited to the costs associated with ensuring compliance with local content requirements;

- whether key risks associated with the contract (including, for example, whether the project is on schedule and whether work performed complied with the specifications) have been adequately mitigated;

- whether there are risks arising from cost overruns due to limited price escalation provisions in the contracts with third party contractors, suppliers and/or vendors, and whether the Restructured KOM Group will have to bear such cost overruns or if such costs can be passed on to the customer;

- in relation to contracts entered into with third party contractors, suppliers and/or vendors in connection with the project or otherwise, the extent of the contractual protections in the event of a breach by such third party contractors, suppliers and/or vendors;

- the extent to which the prices and delivery schedule have been fixed in sub-contracts with third party contractors, suppliers and/or vendors;

- whether there are any overly onerous terms in the contract that would create a substantial risk of default on the contract or substantial costs being incurred to comply; and

- whether there are any restrictions on the conduct of business that may impede the business and operations of the Enlarged Group in the future.

Any or a combination of the abovementioned factors may have an adverse impact on the Restructured KOM Group, which in turn may have an adverse impact on the Enlarged Group. Please

[2] Information obtained and/or extracted from KCL's announcements dated 10 May 2021, 15 August 2022 and 28 September 2022 located at https://links.sgx.com/FileOpen/MR_210510_KOM%20awarded%20USD2.3b%20contract%20to%20build%20FPSO%20for%20Petrobras.ashx?App=Announcement&FileID=665701; https://links.sgx.com/FileOpen/MREL_Keppel%20wins%20newbuild%20FPSO%20P-80%20contract%20from%20Petrobras%20.ashx?App=Announcement&FileID=728733; and https://links.sgx.com/FileOpen/MREL_Keppel%20wins%20repeat%20FPSO%20P-83%20contract%20worth%20USD2.8b%20from%20Petrobras.ashx?App=Announcement&FileID=732785.

also refer to the Risk Factor "*The Enlarged Group faces project management and execution risks"* for further details.

The value of certain drilling rig projects of the Restructured KOM Group may be realised at below their carrying value or not at all

The KOM Group had entered into contracts for the construction of six semi-submersible drilling rigs for Sete Brasil (together, the "**EPC Contracts**")[3]. In October 2019, the KOM Group and Sete Brasil entered into a settlement agreement (which was subsequently amended in 2021) where the parties agreed, among others, to amicably terminate the EPC Contracts with no need of any further acts and with no penalties, refunds and/or any additional amounts being due to any party, and the parties unconditionally and fully released each other from any and all obligations under the EPC Contracts[4]. Pursuant to the said agreement, full title and ownership to the works and equipment for four of these drilling rig projects were to fully reside with the KOM Group (being the rigs named "Bracuhy" (at about 40 per cent. stage of completion), "Portogalo" (at about 21 per cent. stage of completion), "Mangaratiba" (below 10 per cent. stage of completion) and "Botinas" (below 10 per cent. stage of completion)), while Sete Brasil entities retained unencumbered title and ownership to 80.95 per cent. and 63.26 per cent. of the works and equipment of the rigs named "Urca" and "Frade"[5].

Prior to the Proposed Combination, the KOM Group will undertake a restructuring exercise whereby KOM's share of the title over the works and equipment in relation to two of the drilling rig projects (being for the rigs named "Urca" and "Frade") will be transferred out under the Asset Co Transaction, while the works and equipment in relation to the other four drilling rig projects (being the rigs named "Bracuhy", "Portogalo", "Mangaratiba" and "Botinas") will be retained by the Restructured KOM Group.

For FY2015, KCL had disclosed that provisions of about S$228 million had been made by KOM in relation to these six EPC Contracts, and that KCL believed that such provisions were sufficient at such time[6]. KCL disclosed further in its annual reports for FY2017 and FY2018 that KOM made additional provisions of S$81 million (for FY2017)[7] and S$167 million (for FY2018)[8] for expected losses in relation to these EPC Contracts. Based on these disclosures, the total amount of provisions made by the Restructured KOM Group in relation to these EPC Contracts is S$476 million[9]. There is no assurance that those provisions made by KOM are adequate. In the event additional provisions are required to be made by KOM in relation to these EPC Contracts following the completion of the Proposed Combination, this may have an adverse impact on the financial condition and results of operation of the Enlarged Group.

Moreover, there can be no assurance that the Enlarged Group will be able to dispose of any of the works and equipment relating to the four drilling rig projects retained by the Restructured KOM Group

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[3] Information obtained and/or extracted from KCL's announcements dated 22 December 2011 and 7 August 2012 located at https://links.sgx.com/FileOpen/SeteBrasilPR.ashx?App=ArchiveAnnouncement&FileID=114367&AnncID=FB3A0871716A96504825796E002F5E2D; and https://links.sgx.com/FileOpen/PR-.Sete.Brasil.ashx?App=ArchiveAnnouncement&FileID=68711&AnncID=5F05DA9558F75F8048257A520038B155.
[4] Information obtained and/or extracted from KCL's 2021 Annual Report.
[5] Information obtained and/or extracted from KCL's announcements dated 7 October 2019 and 13 October 2021 located at https://links.sgx.com/FileOpen/SGX%20-%20KCL%20Announcement%20-%20Settlement%20Agreement%20with%20Sete%20Brasil.ashx?App=Announcement&FileID=580912; https://links.sgx.com/FileOpen/MEDIA%20RELEASE_Keppel%20reaches%20settlement%20with%20Sete%20Brasil_%207%20Oct%202019%20.ashx?App=Announcement&FileID=580913 and https://links.sgx.com/FileOpen/SGX%20-%20KCL%20Announcement%20-%20Sete%20Settlement%20Agreement_131021.ashx?App=Announcement&FileID=686630.
[6] Information obtained and/or extracted from KCL's 2016 Annual Report.
[7] Information obtained and/or extracted from KCL's 2017 Annual Report.
[8] Information obtained and/or extracted from KCL's 2018 Annual Report.
[9] Information obtained and/or extracted from KCL's 2018 Annual Report.

at all or, that the Enlarged Group will be able to dispose of any of such works and equipment at a value that is equal to or more than their carrying value. If the Enlarged Group is not able to dispose of any of these works and equipment or if any of them are disposed of and the value monetised is substantially less than their carrying value, this may have an adverse impact on the financial condition and results of operations of the Enlarged Group.

The Restructured KOM Group may be subject to the residual risks of the Asset Co Transaction and the KOM Restructuring

The Proposed Combination is subject to the completion of the KOM Restructuring and the Asset Co Transaction. Please see paragraph 5.1.1 of the Letter to Shareholders of this Circular (*Asset Co Transaction and KOM Restructuring*). In relation to the Asset Co Transaction, Asset Co has agreed to indemnify the Restructured KOM Group for certain agreed losses that may arise in connection with certain sale assets under the Asset Co Transaction. However, there is no assurance that these indemnities will be able to adequately cover these risks, or that there are no other residual losses or risks (for example, claims by customers or suppliers) that may apply to the Restructured KOM Group following the completion of the Asset Co Transaction. Similarly, in relation to the KOM Restructuring, there is no assurance that there will be no residual risks and liabilities which will remain with the Restructured KOM Group following the completion of the KOM Restructuring. In the event that any of the abovementioned residual losses or risks are material, this may have an adverse impact on the financial condition and results of operations of the Enlarged Group.

The terms of financing undertaken and agreements entered into (including joint ventures) by the Restructured KOM Group contain covenants which restrict the business and operations of the Enlarged Group

Based on the Unaudited Pro Forma Financial Information of the Restructured KOM Group, as at 30 June 2022, the net borrowings of the Restructured KOM Group were approximately S$899 million. In connection with the Proposed Combination, S$500 million in cash is to be paid by KOM to KCL on completion of the Proposed Combination to settle outstanding interest and make a partial redemption of certain perpetual securities previously issued to KCL. To finance this payment, KOM has entered into a S$500 million commitment letter with DBS Bank Ltd. (or KOM will undertake alternative financing options)[10], and the terms of such financing may require, among others, security whether in the form of a parent guarantee or otherwise. Upon the completion of the Proposed Combination, the abovementioned debt will be added to the Enlarged Group.

Based on the Unaudited Pro Forma Financial Information of the Enlarged Group (which assumes the Proposed Combination has been completed as of 1 January 2019), as at 30 June 2022, the net borrowings of the Enlarged Group would be approximately S$4,027 million.

The debt of the Restructured KOM Group contain restrictive covenants which include, among others, restrictions on payment of dividends and/or requirements to meet certain financial covenants. These restrictions may reduce the availability of the Enlarged Group's cash flow to fund capital expenditures, working capital and other general corporate purposes and limit its flexibility in planning for, or reacting to, changes in its business and industry.

The Restructured KOM Group Companies have also entered into agreements, including joint ventures, which contain non-compete and other restrictions. If these restrictions impede the ability of the Enlarged Group to engage in certain businesses or operate in certain jurisdictions following completion of the

[10] Information obtained and/or extracted from the KCL Announcements and the KCL Circular.

Proposed Combination, this may have an adverse impact on the business and operations of the Enlarged Group.

Future sale of SCM Shares by the Segregated Account Agent or otherwise may adversely affect the price of the SCM Shares

Any sale of a significant number of SCM Shares, or the perception that such sales may occur, could materially and adversely affect the market price of the SCM Shares and may thereby also affect the Enlarged Group's ability to raise funds through the issue of equity or other forms of securities.

In particular, the Retained Stake (being 5 per cent. of the SCM Shares on a fully diluted basis post-completion of the Proposed Combination) will be placed in a segregated account to fund claims by SCM, if any, relating to certain identified contingent liabilities for a period of up to 48 months from the completion of the Proposed Combination. This segregated account will be managed by an independent third party who will have authority to monetise the Retained Stake based on pre-defined parameters. Please see paragraph 6 of the Letter to Shareholders of this Circular (*Segregated Account*).

In the event of any claims by SCM, the negative publicity could result in downward pressure on the price of the SCM Shares and additionally, any sale of a significant number of SCM Shares from the Retained Stake could materially and adversely affect the market price of the SCM Shares.

The Retained Stake may not be sufficient to fully satisfy potential contingent liabilities

The Retained Stake (being 5 per cent. of the SCM Shares on a fully diluted basis post-completion of the Proposed Combination) will be placed in a segregated account to fund claims by SCM, if any, relating to certain identified contingent liabilities for a period of up to 48 months from the completion of the Proposed Combination. This segregated account will be managed by an independent third party who will have authority to monetise the Retained Stake based on pre-defined parameters. Please see paragraph 6 of the Letter to Shareholders of this Circular (*Segregated Account*) for further details on the Segregated Account.

The value of the Retained Stake will depend on the market price of the SCM Shares. There is no assurance that the entire Retained Stake will be able to be monetised and, even if it is monetised in full, that the value will be sufficient to fully satisfy those identified contingent liabilities. In addition, the claims by SCM are subject to certain de minimis thresholds before claims can be made. Therefore, when a liability crystallises, if the amount does not exceed the de minimis threshold for a claim, SCM will not be able to claim on the segregated account. In such event, the Enlarged Group's earnings could be adversely affected, which may result in an adverse effect on the Enlarged Group's business, results of operations, financial condition and/or prospects.

Further, for the avoidance of doubt, the Retained Stake can only be used to satisfy certain identified contingent liabilities, and not all contingent liabilities (whether identified or unidentified), of the Restructured KOM Group.

There can be no assurance that the KCL Group will not engage in similar businesses to the Enlarged Group outside the scope of, and/or following the expiry of, the restrictions on the conduct of business in the Amended and Restated Combination Framework Agreement

Pursuant to the terms of the Amended and Restated Combination Framework Agreement, KCL has undertaken to SCM that it shall not directly or indirectly carry on certain businesses for a period of three years following the completion of the Proposed Combination. However, these restrictions on the conduct of business are subject to certain exceptions. There can also be no assurance that the KCL Group will not engage in similar businesses to the Enlarged Group following the expiry of these restrictions on the conduct of business. Please see paragraph 5.6 of the Letter to Shareholders of this Circular (*Restrictions on Conduct of Business*) for further details.

Valuation Risks

The equity value exchange ratio was negotiated between the Parties, taking into account an assessment conducted by DBS Bank Ltd. as Joint Financial Adviser to SCM and KOM with respect to the relative ratios assessment of SCM and KOM

The equity value exchange ratio will result in SCM issuing the KOM Consideration Shares to KCL and KCL Shareholders, being such number of SCM Shares representing 54 per cent. of the SCM Issued Share Capital immediately following the completion of the Proposed Combination. SCM Shareholders will then own such number of SCM Shares representing 46 per cent. of the SCM Issued Share Capital immediately following the completion of the Proposed Combination.

The equity value exchange ratio was determined after considering, among other factors, an assessment conducted by DBS Bank Ltd. as Joint Financial Adviser to SCM and KOM with respect to the relative ratios assessment of SCM and KOM. The relative ratios were based on a discounted cash flow (DCF) methodology approach conducted by DBS Bank Ltd., as well as negotiations and due diligence allowed by the parties, and after taking into account the respective capital structures of the two companies, the S$500 million cash that KOM will pay to KCL immediately prior to the closing of the Proposed Combination, and other adjustments. Please see paragraph 5.2 of the Letter to Shareholders of this Circular (*Consideration*) for further details.

While the DCF methodology is a comprehensive valuation methodology based on expected future cash flows of both businesses falling within the scope of the Proposed Combination, taking into account each business' historical financial performance and current competitive position, as well as future prospects, information relating to the future prospects and future profitability of the SCM Group and/or the Restructured KOM Group are both projections based on a variety of factors, including past performance, industry forecasts and future assumptions. Such information may involve known and unknown risks, uncertainties and other factors that may cause the actual future results, performance or achievements of the SCM Group and/or the Restructured KOM Group to be materially different from any future results, performance or achievements expected in, expressed or implied by such information. These risks, uncertainties and other factors include matters not yet known to the SCM Group and/or the Restructured KOM Group or not yet currently considered material by the SCM Group and/or the Restructured KOM Group. The risks and uncertainties faced may cause the actual future results, performance or achievements of the SCM Group and/or the Restructured KOM Group to be materially different from those expected in, or expressed or implied by, such information.

The valuation of the Restructured KOM Group set out in the Valuation Letter on the Restructured KOM Group and the Supplemental Valuation Letter on the Restructured KOM Group may not be representative of the actual realisable market value of the Restructured KOM Group

The Board has appointed the Independent Valuer to undertake an independent valuation of 100 per cent. equity interest (including perpetual securities and net balances due to KCL and related entities) of the Restructured KOM Group. The basis of the Independent Valuer's valuation is market value and the conclusion of the Independent Valuer includes certain assumptions, as further described in paragraph 4 of the Valuation Letter on the Restructured KOM Group set out in **Appendix B** to this

Circular. These assumptions are based on the information provided by and discussions with or on behalf of the management of KOM, and reflect current expectations and views regarding future events and therefore, necessarily involve known and unknown risks and uncertainties. If any of these assumptions prove to be untrue, then the conclusion set out in the Valuation Letter on the Restructured KOM Group may not apply. Further, the valuation may have been different if other assumptions had been made, different valuation methodologies were used or if they had been performed by other valuers.

The Valuation Letter on the Restructured KOM Group and the Supplemental Valuation Letter on the Restructured KOM Group are not an opinion on the commercial merits and structure of the Proposed Combination, nor is it an opinion, express or implied, as to the future trading price of the SCM Shares. The Valuation Letter on the Restructured KOM Group and the Supplemental Valuation Letter on the Restructured KOM Group also do not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Combination or an investment in SCM. The Independent Valuer did not conduct a comprehensive review of the business, operational or financial condition of the Restructured KOM Group and accordingly makes no representation or warranty, expressed or implied, in this regard. Further, no representation is made by anyone that the valuation set forth in this Circular is indicative of the actual realisable market value of the Restructured KOM Group either now or at any other time, and they do not necessarily reflect the purchase price to be paid to acquire the Restructured KOM Group. Accordingly, investors should not evaluate the Proposed Combination and an investment in SCM by reference solely to the valuation conducted by the Independent Valuer.

The effects of the Proposed Combination may not be fully captured in the Unaudited Pro Forma Financial Information of the Enlarged Group

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared on the basis of assumptions and the accounting policies set out in Note 2 and Note 7 of the Unaudited Pro Forma Financial Information of the Enlarged Group set out in **Appendix L** to this Circular, and should be read together with those assumptions and accounting policies. The objective of the Unaudited Pro Forma Financial Information of the Enlarged Group is to show what the financial position of the Enlarged Group might have been on 31 December 2021, had the Proposed Combination been completed on that date. However, the Unaudited Pro Forma Financial Information of the Enlarged Group is not necessarily indicative of what the Enlarged Group's actual financial position would have been had these events actually occurred on or prior to such date. The Unaudited Pro Forma Financial Information of the Enlarged Group, because of its nature, may not fully capture the effects of the Proposed Combination and may not be indicative of the Enlarged Group's future financial performance.

There may be substantial goodwill arising from the Proposed Combination, which if subject to an impairment charge, may adversely affect the Enlarged Group's financial performance

On completion of the Proposed Combination, the Enlarged Group will need to fair value the assets and liabilities being acquired. The difference between (a) the fair value of the net identifiable assets acquired and liabilities assumed; and (b) the dollar value of the KOM Consideration Shares, will be recorded as goodwill in the balance sheet of the Enlarged Group. The actual amount of goodwill can be determined only after a purchase price allocation is completed.

The dollar value of the KOM Consideration Shares to be recorded in the financial statements of the Enlarged Group will be based on the prevailing price of the SCM Shares on the SGX-ST at the time of completion of the Proposed Combination. The price of SCM Shares is subject to market fluctuation resulting from a variety of factors, including changes in business operations and prospects of the SCM Group (and following completion of the Proposed Combination, the Enlarged Group), changes in general market and economic conditions, and regulatory considerations. These factors are beyond the control of SCM.

Accordingly, the price of the SCM Shares and, by extension, the implied dollar value of the KOM Consideration Shares at the time of completion of the Proposed Combination, may vary from the Issue Price and/or the price of the SCM Shares on the date the Combination Framework Agreement was entered into, the date that this Circular is disseminated to SCM Shareholders, the date of the EGM and/or the date of completion of the Proposed Combination.

Generally, accounting rules require the evaluation of goodwill for impairment at least annually, or more frequently when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Such indicators are based on market conditions and the operational performance of the relevant business and the recoverable amount is determined based on discounted cash flow, which is in turn dependent on the performance of the business and financial condition of a company. Further, the discounted cash flow model used to determine the recoverable amount of goodwill is dependent on other estimates including forecasts by management, discount rate, terminal value growth rate, which may or may not be dependent on historical performance.

Goodwill impairment loss, if realised, could materially affect the Enlarged Group's shareholders' equity in the period in which the impairment occurs and a material decrease in shareholders' equity could, in turn, potentially impact compliance with existing debt covenants. Further, in the event of a significant impairment of the goodwill, the financial performance of the Enlarged Group will be adversely affected.

Integration Risks

The Enlarged Group may not be able to realise the full synergies of the Proposed Combination if it is unable to successfully integrate the Restructured KOM Group

There is no assurance that the Enlarged Group will be able to successfully integrate the Restructured KOM Group.

As with any transaction, there will always be an element of execution risk. With potential differences in management style, culture, work practices and systems between the SCM Group and the Restructured KOM Group, there may be challenges in achieving smooth integration. There may also be a risk of personnel from the SCM Group and/or the Restructured KOM Group leaving following the completion of the Proposed Combination. This may include the departure of personnel who are experienced and familiar with the projects of the SCM Group and/or the Restructured KOM Group, which could affect the effectiveness of project management and/or execution. There may not be available personnel in the market who can be hired to replace such outgoing personnel. Should replacement personnel not be available, this could have an adverse impact on the Enlarged Group.

Moreover, there may be unexpected integration challenges and potential instabilities, including disputes with customers and vendors, which may adversely affect or disrupt the business operations of the Enlarged Group and its financial performance, financial position and/or prospects. Accordingly, there is no assurance that the Enlarged Group will achieve the synergies, returns and other benefits expected of the Proposed Combination. Please also refer to the Risk Factor "*The Enlarged Group may not be able to successfully integrate or achieve synergies from its investments or mergers and acquisitions, and may be exposed to contingent liabilities relating to the businesses it merges with or acquires*" for further details.

There may be associated risks due to the long-term nature of the Master Services Agreement, including potential cost overruns and potential opportunity costs

The Proposed Combination is conditional upon, *inter alia*, the completion of the Asset Co Transaction. As part of the Asset Co Transaction, KOM and several other entities within the Restructured KOM Group (the "**Relevant KOM Entities**") will enter into the Master Services Agreement with Asset Co. Please see paragraph 8 of the Letter to Shareholders of this Circular (*Master Services Agreement*) for further details. The form of the Master Services Agreement has been negotiated and agreed to between KOM and Asset Co.

On completion of the Proposed Combination, the obligations of the Relevant KOM Entities under the Master Services Agreement will form part of the overall obligations of the Enlarged Group. As mentioned in paragraph 5.2 of the Letter to Shareholders of this Circular (*Consideration*), the agreed equity value exchange ratio takes into account several adjustments, including adjustments to take into account the associated risks borne by the Enlarged Group due to the long-term nature of the Master Services Agreement. These associated risks are further described below.

The Master Services Agreement will have a term of ten years from the date of completion of the Proposed Combination. Pursuant to the Master Services Agreement, the Relevant KOM Entities will, for the term of the Master Services Agreement, *inter alia*, perform construction works on certain uncompleted rigs which will be owned by Asset Co following the completion of the Asset Co Transaction. As at the date of the Amended and Restated Combination Framework Agreement, there were 16 uncompleted rigs and as at the Latest Practicable Date, one of these rigs has been delivered.[11]

The Master Services Agreement does not set out in detail the amount and scope of work required to complete each rig. Since the Proposed Combination involves a combination of the businesses of SCM and KOM, which are competitors in similar industries, the due diligence conducted by SCM was limited to the information that KCL and/or KOM was able to provide, bearing in mind the competition concerns and commercial sensitivities relating to each party's contracts. As a result, information on the cost-to-complete for each of the 16 uncompleted rigs was not fully available to SCM.

In the Master Services Agreement, a "lump sum" cost approach was adopted and covers services that can be scoped upfront or scoped when needed. For costs that can be scoped upfront, including but not limited to manhours and materials, these costs (and the agreed-upon index upon which these costs will be escalated and determined at the time of issue of the work order) will be agreed upfront at the time of signing of the Master Services Agreement. For costs that cannot be scoped upfront, including but not limited to reactivation and commissioning costs and variation orders, they will be agreed at the time they are required. The Master Services Agreement also allows work orders to be issued at any point during the ten-year period without consideration for available or required resources of the Enlarged Group. As a result, there may be cost overruns arising from resource constraints, or underestimating the resources and costs required to complete the rigs. Any such cost overruns will have to be borne by the Restructured KOM Group, and consequently, should there be significant cost overruns, this could in turn have an adverse impact on the financial condition and results of operations of the Enlarged Group.

In addition, the Enlarged Group will also need to ensure that there is sufficient berthing space to house the uncompleted rigs during the term of the Master Services Agreement. There is no assurance

[11] Information obtained and/or extracted from KCL's announcement dated 24 November 2022 located at https://www.kepcorp.com/en/media/media-releases-sgx-filings/keppel-om-delivers-first-of-three-jackup-rigs-novated-by-borr-driling-to-adnoc-drilling/.

of when the Asset Co would be able to secure customers to take delivery of the rigs that are the subject of the Master Services Agreement. The need to set aside berthing space in its yards in order for the Relevant KOM Entities to fulfill their obligations to Asset Co under the Master Services Agreement is an opportunity cost to the Enlarged Group as it may not be able to undertake new projects if it does not have sufficient berthing space.

The yard reinstatement costs associated with certain of the Restructured KOM Group's yards may be material

The Restructured KOM Group is party to several lease contracts in respect of the yards which it operates, which contain reinstatement provisions requiring the relevant Restructured KOM Group Company to restore the yard or property in question to a specified condition on the expiry of the lease. Since the infrastructure required in shipyards is extensive, the removal of such infrastructure to restore the yard or property in question to the specified condition is typically capital intensive.

For certain lease contracts entered into by the Restructured KOM Group for its yards with a remaining lease tenure of less than 15 years, no provisions have been made in the Audited Financial Statements of the KOM Group despite there being reinstatement provisions in such lease contracts.

Upon the expiry of any of the Enlarged Group's leases, if substantial costs are to be incurred to carry out the restoration works, and adequate provisions have not been made for such reinstatement costs, this may have an adverse effect on the financial results of the Enlarged Group.

The provisions made in the financial statements of the Restructured KOM Group or the contingent liabilities that the Restructured KOM Group is exposed to may materialise, resulting in cash outflow for the Enlarged Group and/or an adverse effect on the Enlarged Group's operating results, business, financial condition, performance and/or prospects

The provisions made by the Restructured KOM Group in their financial statements for potential liabilities or payments may eventually materialise, which may lead to cash outflow to satisfy such potential liabilities or payments.

For example, KOM had on 12 September 2022 applied for an injunction from the Singapore Court to prohibit payment on a US$126.6 million standby letter of credit which the customer had attempted to call on following a decision from a government authority. As KOM considered that the customer's call on the standby letter of credit was premature, it applied for and obtained an interim injunction[12] from the Singapore Court to restrain any payment or receipt of money under the standby letter of credit. The relevant KOM entity has also filed legal proceedings in the local court to challenge the decision of the relevant authority[13].

Although KOM has made provisions in its accounts for the full amount payable under the standby letter of credit, if the decision of the government authority is held to be correct eventually, there is a risk that the payment of US$126.6 million under the standby letter of credit will have to be made,

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[12] Information obtained and/or extracted from KCL's announcement dated 13 September 2022 and 14 September 2022 located at https://links.sgx.com/FileOpen/KCL%20Announcement%20-%20P52_13%20Sept%202022.ashx?App=Announcement&FileID=731489; and https://links.sgx.com/FileOpen/KCL%20Announcement%20-%20Grant%20of%20Injunction_140922.ashx?App=Announcement&FileID=731633.

[13] Information obtained and/or extracted from KCL's announcement dated 13 September 2022 located at https://links.sgx.com/FileOpen/KCL%20Announcement%20-%20P52_13%20Sept%202022.ashx?App=Announcement&FileID=731489.

representing a cash outflow. Hence, the Enlarged Group may have to raise further funding to make such payment.

The due diligence undertaken in connection with the Proposed Combination may not identify every risk. There may also be unknown or contingent liabilities, such as liabilities for past failures to comply with laws and regulations, defects in assets which were not apparent, which the Restructured KOM Group may become liable for. As part of the terms of the Proposed Combination, the Retained Stake is to be placed in the Segregated Account to fund claims by SCM relating to certain identified contingent liabilities[14]. However, the Retained Stake can only be used to satisfy certain identified contingent liabilities, and not all contingent liabilities (whether identified or unidentified), of the Restructured KOM Group. Please also refer to the Risk Factor "*The Retained Stake may not be sufficient to fully satisfy potential contingent liabilities*" for further details. If there are contingent liabilities or past failures that materialise, such liabilities may have an adverse effect on the Enlarged Group's operating results, business, financial condition, performance and/or prospects.

<u>Risks relating to the Business of the Enlarged Group</u>

Industry Risks

The Enlarged Group is affected by external environment risks, including pandemics such as the COVID-19 pandemic, and geopolitical conflicts

Volatile and uncertain economic conditions have become the new 'normal' for businesses operating in the global market. This is no exception for the Enlarged Group, which has established an international network of integrated yards. Other external risks include those relating to commodity market volatilities; global trade and economy; stability of the global financial and banking systems; foreign exchange fluctuations; political risks; regulatory landscape; and natural disasters and pandemics.

In FY2020 and FY2021, the global outbreak of COVID-19 triggered a global economic contraction and caused disruptions in demand and supply chains. Governments around the world had introduced measures designed to slow the spread of the virus, including strict border controls, travel restrictions and ordering residents to stay at home with a limited range of exceptions. Recovery from the pandemic has been hampered by the evolution of different strains of the COVID-19 virus and the lack of sufficient vaccinations of the population requiring restrictive measures taken by various governments.

Due to the onset of the COVID-19 pandemic in 2020, the majority of the SCM Group's projects were delayed by at least 12 months. The shortages of skilled workers have further delayed the completion of projects.

The KOM Group was also affected in 2020 by the COVID-19 crisis and measures to contain its spread, as well as the fall in global demand for oil. The pandemic brought about many challenges ranging from supply chain disruptions to manpower constraints at KOM's yards. As at 30 June 2021, the KOM Group had several rigs that were under construction for certain customers where the customers had requested for deferral of delivery dates of the rigs in prior years and have higher counterparty risks. The KOM

[14] For further details, see paragraph 5.5 (*Retained KOM Consideration Shares*) and paragraph 6 (*Segregated Account*) of the Letter to Shareholders of this Circular.

Group had also delivered rigs to customers where receipt of the construction revenue have been deferred under certain financing arrangements[15].

While the COVID-19 situation improved in FY2022, the emerging conflicts in Russia and Ukraine triggered another global supply chain disruption and shortage of supplies such as food and raw materials. This caused price escalation and inflation in many countries, and a corresponding impact on margins and schedule.

The prices of materials and equipment which the Enlarged Group would use in their projects depend on the availability of their supply in the market. If the prices of the materials and equipment required for projects of the Enlarged Group increases, it could result in the costs for executing projects increasing and result in either lower profits or even losses. When the Enlarged Group tenders for projects, such factors would affect the price offered to potential customers and may influence the decision of customers to delay projects. This in turn would delay the availability of projects and increase competition for limited pool of projects, squeezing margins for the Enlarged Group.

The Enlarged Group's business is subject to the state of the industries in which it operates and capital expenditure by its customers

The Enlarged Group provides innovative engineering solutions to the global O&M and energy industries, with an increasing focus on renewable and clean energy solutions. The Enlarged Group's customers include international and state-owned oil majors, independent energy players, offshore wind developers, owners of floating production units, shipping companies and cruise and ferry operators.

In the offshore oil and gas industry, the Enlarged Group's business and operations will be affected by the level of activities in the exploration, development and production of oil and natural gas. Such activities are in turn dependent on factors such as fluctuations in oil and natural gas prices; changes in capital allocation by customers for offshore oil and gas projects; depletion rates and replacement of oil and gas field reserves; the ability to economically justify commissioning of oil and gas exploration, development and production projects; offshore oil and gas field ocean conditions; specific project requirements; as well as the need to clear all structures from the production site once the oil and gas reserves have been depleted. The prices of oil and natural gas are affected by supply and demand as well as global political and economic factors and may be volatile. This in turn affects the level of capital spending by companies in the offshore oil and gas industry. Low oil and natural gas prices tend to reduce the amount of oil and natural gas that producers can produce economically. When low oil and natural gas prices prevail, major oil and gas companies generally reduce their spending budgets for offshore drilling, exploration and development.

In the offshore wind industry, changes in capital spending by customers are driven primarily by two key factors:

- Government targets for offshore wind power generation and related industry incentives, which are usually influenced by the state of global warming, progress of global decarbonisation efforts and climate change advocacy; and

- Lifecycle cost competitiveness of offshore wind projects compared to other forms of energy generation. As offshore wind projects become larger from mainly bigger turbines delivering

[15] Information obtained and/or extracted from Keppel's Offering Circular dated 7 September 2021 (S$400,000,000 2.90 per cent. Subordinated Perpetual Securities) (the "**Keppel OC**") located at https://links.sgx.com/FileOpen/Keppel%20Corporation%20Limited%20-%20OC%20-%20dd%2007.09.2021.ashx?App=Prospectus&FileID=53230.

greater energy output and bigger industrial scale windfarms as well as greater adoption worldwide and economies of scale, its levelised cost of energy (“**LCOE**”) is expected to fall correspondingly. Rising cost competitiveness of offshore wind projects is expected to lead to higher project commissioning globally.

Should there be any reduction in climate change advocacy, this may result in less ambitious government offshore wind power generation targets and incentives. The LCOE reductions may also occur at a faster pace for other renewable energy types, including onshore wind, solar, hydro, geothermal and tidal, compared to offshore wind. Such events may result in reduced capital spending by customers towards offshore wind projects and therefore slower growth.

The Enlarged Group will also be affected by the pace of global energy transition. A much faster global transition, with tighter climate change policies and faster electrification and adoption of lower or no emission energy alternatives, including renewables, hydrogen, carbon capture and storage and biofuels, is likely to be challenging to implement and co-ordinate on a global basis, with varying rates of transition globally. An accelerated global energy transition may cause the oil and gas demand consumption to peak, resulting in sooner than expected decline in exploration, development and production investments. This is likely to be replaced by non-fossil fuels with low carbon or new energy investments. The Enlarged Group expects oil and gas to remain as significant energy sources in the medium term, though with slower growth or at early stage of decline. Should climate change advocacy and energy transition occur at a much faster pace than expected, the Enlarged Group may not have adequate lead time to sufficiently develop and commercialise other low carbon or new energy solutions beyond offshore wind. The Enlarged Group’s competitors may be able to establish an earlier market presence and potentially capture larger market shares.

The Enlarged Group’s customers are also affected by the laws, regulations, policies and directives relating to, among others, energy, investment and taxation promulgated by the governmental authorities of countries from which they will need to obtain licences to engage in the exploration, development and production of oil and natural gas. The demand for the Enlarged Group’s products and services and the potential for growth of its business will be affected if its customers cannot obtain the necessary licences to engage in exploration, development and production activities in the relevant areas or if such licences are revoked. Any decline in the level of activity in the offshore oil and gas industry will result in a decrease in demand for the Enlarged Group’s products and services for Gas Value Chain, Process and Advanced Drilling Rigs, and Repair and Upgrade Services.

In the event of a reduction in the level of activity in the industries in which the Enlarged Group operates as a result of any changes in capital spending by the industry or otherwise, the Enlarged Group’s operating results, business, financial condition, performance and/or prospects may be adversely affected.

The O&M sector has faced a prolonged and severe downturn since 2015, exacerbated by the rapid global transition towards renewables and clean energy. Although conditions in the O&M sector have improved since announcing the Proposed Combination on 27 April 2022, overall business volume and activity has remained low, while competition continues to be intense. The SCM Group’s financial performance has been affected, resulting in pre-tax losses of S$177 million in FY2019, S$671 million in FY2020, S$1,255 million in FY2021, and S$134 million in 1H2022. The Restructured KOM Group has also incurred pre-tax losses of S$260 million in FY2020 and S$138 million in FY2021[16].

[16] Please refer to the Report on the Compilation of Unaudited Pro Forma Financial Information of the Restructured KOM Group for FY2019, FY2020, FY2021, 1H2021 and 1H2022 as set out in **Appendix K** to this Circular.

It is difficult to predict how long these conditions will persist and how the Enlarged Group's related markets, products, services and businesses will be adversely affected. Accordingly, these conditions could cause a decrease in demand for the Enlarged Group's products and services, thereby adversely affecting the Enlarged Group's earnings, business, results of operations, financial condition and/or prospects.

The Enlarged Group is affected by the cyclical nature of the industries in which it operates

The Enlarged Group is affected by the cyclical nature of the industries in which it operates, such as the shipping and O&M industry. The shipping industry is affected by general economic conditions and any adverse change in general economic conditions will have a negative impact on the Enlarged Group's operations. In weak economic conditions, ship owners may defer the building or procurement of new vessels and/or the execution of repair and maintenance work on existing vessels, which will have an impact on the demand for shipbuilding, repair, conversion and upgrading services provided by the Enlarged Group. Should any such development occur, the Enlarged Group's financial performance may be adversely affected[17].

The O&M industry is substantially dependent on the conditions of the oil and gas industry, including the levels of exploration, development and production activity of, and the corresponding capital spending by, oil and gas companies. Any substantial or extended decline in these expenditures may result in the reduced pace of discovery and development of new reserves of oil and gas and the reduced exploitation of existing wells, which could adversely affect demand for the Enlarged Group's products and services and, in certain instances, result in the cancellation, modification or rescheduling of existing orders in the Enlarged Group's order book. These factors could have an adverse effect on the Enlarged Group's revenue and profitability. The level of exploration, development and production activity is directly affected by trends in oil and natural gas prices, which historically have been volatile.

Factors affecting the prices of oil and natural gas include, but are not limited, to the following:

- demand for hydrocarbons, which is affected by worldwide population growth, economic growth rates and general economic and business conditions;
- costs of exploring for, producing and delivering oil and natural gas;
- political and economic uncertainty and socio-political unrest;
- technological advances affecting energy consumption;
- potential acceleration of the development of alternatives fuels; and
- natural disasters

Please also refer to the Risk Factor "*The Enlarged Group's business is subject to the state of the industries in which it operates and capital expenditure by its customers*" for further details.

There is intense competition and possible new competitors in the market segments in which the Enlarged Group operates

The O&M industry in which the Enlarged Group operates is highly competitive, and the Enlarged Group faces competition from other regional and international shipyards which offer repair and O&M engineering products and services. The Enlarged Group expects to face increased competition from existing competitors and any new entrants into the O&M market in the future. Competitive factors include price, quality and/or scope of products and services offered by other shipyards and engineering

[17] Information obtained and/or extracted from the Keppel OC.

services providers and the availability of favourable payment and credit terms. Factors such as experience, reputation, availability and safety record are also relevant.

Some of the Enlarged Group's competitors may bid for projects at reduced prices (with low profit margins) or on other more competitive terms in order to gain market share. If the Enlarged Group's competitors offer services at a lower cost or on more favourable terms in order to increase their market share to which the Enlarged Group is unable to match, the Enlarged Group may not be able to secure such projects and its revenue may be adversely affected.

In relation to the Restructured KOM Group, KOM's specialised shipbuilding business faces increased competition from, amongst others, Chinese and Korean shipyards[18]. The Enlarged Group cannot give assurance that it will be able to continue competing successfully with existing competitors and/or new entrants into the market.

If the Enlarged Group is required to reduce the pricing of its specialised shipbuilding services (without any corresponding reduction in costs) in order to retain its existing customers and attract new customers, its profitability could be adversely affected. This may have an adverse effect on the Enlarged Group's business, financial performance and financial condition.

The Enlarged Group's ability to compete in international markets may also be adversely affected by regulations in the countries where it operates which require, among other things, the awarding of projects to local shipyards[19].

Some of the Enlarged Group's competitors may have larger facilities with readily available labour resources and longer track record in particular business segments and/or have greater financial, technical, marketing and other resources and could therefore be in a better position to expand their business and market share.

The Enlarged Group has in recent years diversified into new product segments such as clean energy solutions, provision of newbuilding FPSO vessels and other specialised vessels. For example, the SCM Group delivered a newbuild FPSO for harsh-environment operations to Equinor in February 2022. The SCM Group has successfully completed the fabrication of the Offshore Substation and Reactive Compensation Station for Ørsted Wind Power. Both substations have since set sail on 15 August 2021 for Hornsea 2 Offshore Wind Farm, located in the North Sea. The SCM Group also achieved the sailaway of three zero-emission full battery-operated Ropax ferries, in March and July 2022 and January 2023 respectively.

The KOM Group has, similarly, also delivered its first of two new build LNG-fuelled containership for Pasha Hawaii in the United States of America[20], and a first dual-fuel Trailing Suction Hopper Dredger (TSHD) built in Singapore to Van Oord in 1H2022[21].

[18] Information obtained and/or extracted from the Keppel OC.
[19] Information obtained and/or extracted from the Keppel OC.
[20] Information obtained and/or extracted from KOM's media release dated 31 July 2022 located at https://www.keppelom.com/en/news-item.aspx?sid=2605&aid=15048&title=keppel-om-delivers-its-first-new-build-lng-fuelled-containership-for-pasha-hawaii-in-the-us.
[21] Information obtained and/or extracted from KOM's media release dated 20 April 2022 located at https://www.keppelom.com/en/news-item.aspx?sid=2605&aid=14801&title=keppel-om-delivers-the-first-dual-fuel-dredger-in-singapore.

The Enlarged Group aims to provide innovative solutions across the offshore, marine and energy value chains. However, as a relatively new player in such business segments, the Enlarged Group faces strong competition from more established incumbents.

The Enlarged Group's competitors may also engage in aggressive pricing which could result in the Enlarged Group having to lower its price or improve credit terms significantly in order to secure contracts, thereby lowering its profit margins and cash flow.

If the Enlarged Group fails to compete successfully against existing competitors and/or new entrants, or if its ventures into new product segments are hampered by intense competition, its operating results, business, financial condition, performance and/or prospects may be adversely affected.

Business Risks

The Enlarged Group faces risks inherent in concentrating its business in one industry, and it generates a significant portion of its revenue from a few customers

The Enlarged Group will offer offshore renewables, new energy and cleaner solutions in the O&M sector. The Enlarged Group's major customers include international and state-owned oil majors, independent energy players, offshore wind developers, owners of floating production units, shipping companies and cruise and ferry operators.

The principal business strategy of the Enlarged Group exposes it to the risks inherent in concentrating its business in one industry. These risks include, but are not limited to, domestic, regional, or global economic challenges, political instability in the jurisdictions the Enlarged Group is expected to operate in. This risk may also restrict the Enlarged Group's ability to raise funds for its business and result in higher financing costs. If this were to occur, it could have an adverse effect on the Enlarged Group's business, financial condition, results of operations and/or prospects.

It is anticipated that the Enlarged Group will generate a significant portion of its revenue from a small number of customers. While the Enlarged Group could try to replace any key customers it were to lose with other customers, there can be no assurance that it would succeed. If any of the Enlarged Group's largest customers were to become insolvent, or cancel or terminate its projects, and the Enlarged Group is unable to replace the revenue generated from these contracts, it could have an adverse effect on the Enlarged Group's business, financial condition and results of operations.

The Enlarged Group's business is capital intensive and may require additional financing for new businesses in the future. The Enlarged Group assumes risks associated with undertaking new businesses

The expansion and development of the Enlarged Group's business may require significant additional capital. In particular, substantial additional funds are required if it wishes to expand or add new manufacturing facilities to undertake new businesses. Significant time and effort is required for project co-development with potential customers before new orders can be secured, and while a majority of the Enlarged Group's ongoing contracts and new orders secured are on progressive payment terms, future new orders may have increased working capital needs. Due to changing business models and constrained capital availability, new orders may provide for payment terms less favourable to the Enlarged Group, such as allowing the customer to pay a larger proportion of the contract price at the back-end, resulting in the Enlarged Group having to incur more working capital during the construction stage.

The SCM Group has diversified its business portfolio from drilling-focused activities and the Enlarged Group intends to further expand into new areas of renewable energy, electrification, gas value chain, ocean living, as well as carbon capture and storage solutions.

With the transition into new business areas, the Enlarged Group may be less able to control cost overruns for new projects which it does not have prior experience in undertaking and incur additional costs in developing its capabilities and know-how. The terms of contract for such new businesses may be more stringent than current terms and require the Enlarged Group to take on more responsibilities and/or risks.

The Enlarged Group may, from time to time, obtain additional capital through debt and/or equity financing to fund its future capital expenditures. Additional debt financing, if obtained, may expose the Enlarged Group to more adverse covenants imposed by financial institutions or lenders. These covenants may include, among others, restrictions on payment of dividends or requirements to dedicate a substantial portion of its cash flow from operations to the payment of its debt. These restrictions may reduce the availability of the Enlarged Group's cash flow to fund capital expenditures, working capital and other general corporate purposes and limit its flexibility in planning for, or reacting to, changes in its business and industry.

As a result of the capital-intensive nature of the Enlarged Group's business, the Enlarged Group has had and may continue to have a significant amount of borrowings. The Enlarged Group's ability to service these debts and other contractual obligations will depend on future operations and cash flow generation. In addition, the Enlarged Group cannot ensure that its profitability and ability to generate positive cash flows will be achieved or that it will not incur losses after its capital investment due to, among other things, a potential increase in its operating and financing costs incurred to finance the Enlarged Group's growth and expansion or lower than expected increase in revenue. Any increase in operating and financing costs without a corresponding increase in revenue will have a negative impact on the Enlarged Group's operating results. In the event that any of the above materialise, the Enlarged Group's operating results, business, financial condition, performance and/or prospects will be adversely affected.

The Enlarged Group may not be able to successfully integrate or achieve synergies from its investments or mergers and acquisitions, and may be exposed to contingent liabilities relating to the businesses it merges with or acquires

The SCM Group has made a number of strategic acquisitions and investments since 2016, expanding its design and engineering solutions platform by completing the acquisition of, among others, LMG Marin AS, the interests and titles to all of Sevan Marine ASA's intellectual property and 100 per cent. equity interest in HiLoad LNG AS (a subsidiary of Sevan Marine ASA which held certain intellectual property rights).

The Restructured KOM Group has similarly undertaken strategic acquisitions and investments in the past, expanding into markets such as Brazil, the United States of America, Philippines, United Arab Emirates etc. as it acquired new yards and competencies. Most recently, it completed the acquisition of Keppel LeTourneau in 2016 which added to the Restructured KOM Group's comprehensive suite of jack up rig designs and opened up aftersales and aftermarket services for more than 150 LeTourneau rigs in operation[22].

[22] Information obtained and/or extracted from KCL's announcement dated 3 May 2016 located at https://links.sgx.com/FileOpen/MR%20-

Integration of the acquired companies or businesses acquired or combined is important for coordinated and sustainable growth of the Enlarged Group's business, but there is no assurance that the Enlarged Group will be able to do so successfully. The Enlarged Group may encounter a number of challenges in seeking to integrate the companies or businesses it acquires, including but not limited to difficulties arising from expanding into new areas and territories, for example, having to deal with unfamiliar government authorities, laws and regulations; the loss of customers of the targets following any acquisition; the diversion of attention of both the Enlarged Group's management and the management of the target from existing businesses; difficulties arising from coordinating and consolidating corporate and administrative functions, including the integration of internal controls and procedures such as timely financial reporting; and unforeseen legal, regulatory, contractual, labour or other issues.

Integration of businesses from mergers and acquisitions activities may also take significant time. If the Enlarged Group is unable to successfully integrate its acquisitions or realise anticipated synergies or economic, operational and other benefits from its acquisitions or investments in a timely manner or at all, the Enlarged Group could incur substantial costs and delays or other operational, technical or financial problems, and its business, financial condition, results of operations, cash flows and/or prospects could be adversely affected.

Businesses, assets and companies that the Enlarged Group acquires may also expose the Enlarged Group to associated unknown or contingent liabilities, such as liabilities for past failures to comply with laws and regulations, defects in assets which were not apparent and the Enlarged Group may become liable for the past activities of such businesses. There is no assurance that every risk associated with the businesses, assets or companies that the Enlarged Group acquires can be identified through due diligence exercises. If there are contingent liabilities or past failures that materialise, such liabilities may have an adverse effect on the Enlarged Group's operating results, business, financial condition, performance and/or prospects.

The achievement of the Enlarged Group's objectives and strategies depends significantly on its key employees

The achievement of the Enlarged Group's objectives and strategies depends significantly on its key employees. The Enlarged Group constantly seeks to attract new talent as well as train and retain key employees. There are comprehensive human resource policies for recruitment, compensation and development in place. However, these are mitigating measures, and they neither guarantee that the right talent will join the Enlarged Group nor stem the outflow of key personnel.

The supply of skilled workers is also subject to demand and supply conditions in the labour market as well as the local and foreign government labour regulations. In particular, as described in the Risk Factor "*The Enlarged Group is subject to third party risks in respect of the contractors, suppliers and vendors of its projects",* the Enlarged Group is actively sourcing for skilled workers but faces competition in its recruitment given the acute shortage of skilled workers across industries in Singapore. These shortages could impair the timelines and quality of the Enlarged Group's work and create upward pressure on personnel cost, which may have an adverse effect on the Enlarged Group's business, results of operations, financial condition and/or prospects.

The Enlarged Group faces project management and execution risks

The Enlarged Group's core business revolves around the projects in its order book. Risks can arise throughout the entire project management and execution process, from tendering to contract

%20Keppel%20completes%20acqusition%20of%20LeTourneau_3%20May%202016.ashx?App=ArchiveAnnouncement&FileID=402641&AnncID=HIH4QXKX5SQE5BKI.

negotiation and, upon award, the execution of engineering, procurement, construction, commissioning and delivery. Projects based on new designs, or products which the Enlarged Group undertakes for the first time, or where the Enlarged Group assumes design and engineering responsibilities, including transitioning into renewables, may entail higher risks. Third party risks in the form of non- or poor performance of contractors, suppliers or vendors could affect the Enlarged Group's ability to execute its projects as planned, thereby causing delays. This could happen when substitute manufacturers are limited, especially for specialised equipment. As described in the Risk Factor "*The Enlarged Group is affected by external environment risks, including pandemics such as the COVID-19 pandemic, and geopolitical conflicts",* the Enlarged Group's project executions may also be affected by external risks including supply chain disruptions due to pandemics such as the COVID-19 pandemic and geopolitical conflicts.

Both the SCM Group and the Restructured KOM Group (each a "**Group**") have been contracted for a number of projects on a lump sum-price basis. Some of the risks associated with such projects include:

- construction and project management risks associated with execution of projects and maintenance of operations, including risks relating to the execution of engineering, procurement, construction commissioning and delivery of a project;

- cost overruns associated with fixed-price contracts with limited price escalation provisions, where either Group bears all, or at least a portion of, increases in costs. In particular, where either Group ventures into new business segments for the first time, it may be less able to control cost overruns for new projects which it does not have prior experience in undertaking;

- delay in meeting delivery performance requirements of contracts which may result in potential liquidated damages, penalties, refunds or damages or even termination of the contracts; and

- inability to obtain compensation for additional work either Group performs or expenses either Group incurs arising from customers' change orders or faulty equipment or materials.

These risks may result in reduced profitability or losses on projects, which in turn may adversely affect the Enlarged Group's operating results, business, financial condition, performance and/or prospects.

The Enlarged Group is subject to third party risks in respect of the contractors, suppliers and vendors of its projects

The Enlarged Group engages third party contractors, suppliers and vendors for the engineering design, procurement of materials, equipment, and services for the performance of work on the Enlarged Group's projects. The successful completion of these projects depends on the ability of these contractors, suppliers and vendors to perform their contractual obligations and is subject to factors beyond the Enlarged Group's control, including actions or omissions by these parties and their sub-contractors.

Any non-performance by, or a failure of, such third parties to perform their contractual obligations to a satisfactory standard could result in delays and additional costs to the planned project timelines, which could in turn result in late penalties or fines being imposed on the Enlarged Group. For example, in April 2020 when the Singapore government imposed its COVID-19 "circuit breaker" measures, in particular movement restrictions that disallowed migrant workers from leaving their dormitories for work, there was a substantial reduction in the SCM Group's operating yard workforce (including the workforce of sub-contractors). The SCM Group's Singapore yards had to stand down and wind down production activities, resulting in delays to project executions. With the lifting of some COVID-19 measures in

Singapore in June 2020, the Company resumed yard operations in July 2020 progressively. Similarly, the COVID-19 pandemic brought about supply chain disruptions and manpower constraints at KOM's yards. COVID-19 and the measures to contain its spread caused a sharp drop in manpower at KOM's yards in Singapore in the second and third quarters of 2020. As at end-2020, work has resumed at all KOM yards, with safe management measures in place[23].

The Enlarged Group may face new supply chain constraints arising out of geopolitical conflicts and shortages of skilled workers arising from increased demands from local economies, which would lead to delays in project completions. Where delays occur, the Enlarged Group may also face difficulties in sourcing other third party alternatives, especially where the project requires specialised labour or equipment. Any setbacks or delays in construction, delivery of equipment or supplies or any problems relating to the work performed by the third party contractors, suppliers and vendors could also result in unforeseen construction costs or budget overruns. There is no assurance that such risks will not materialise in the future, the occurrence of which could have an adverse effect on the Enlarged Group's operating results, business, financial condition, performance and/or prospects.

The Enlarged Group is exposed to credit risks and risks arising from credit terms extended to its customers

Credit risks arise mainly from sales to customers. The SCM Group manages credit risks of customers through a stringent credit evaluation process and regular monitoring thereafter, and on an aggregate basis by including all existing relationships with a particular customer or related entities of the same corporate organisation.

The Enlarged Group is exposed to credit risks due to inherent uncertainties in its customers' business environment. These include political, social, legal, economic and foreign exchange risks, as well as those arising from unanticipated events or circumstances. There is no assurance in relation to the timeliness of payments of the Enlarged Group's customers, whether such customers will be able to fulfil their payment obligations on time or at all, and whether such non-fulfilment of payment obligations will ultimately result in a termination of relevant contracts.

As there are only a limited number of customers in the energy market, there are risks that both SCM and the Restructured KOM Group have contracts with the same customer. As contract values of large offshore projects are significant, taken together, the concentration risks to the same customer would be significant in the medium term.

In the current market, shipyards are expected to provide extended credit terms for their projects to customers. Where the payment terms of the contract allow the customer to pay a larger proportion of the contract price at the back-end or post delivery, the SCM Group would have to incur more working capital during the earlier construction stage, with no assurance that the customer would be able to take delivery and pay the balance of the contract price upon completion of construction. Further, it is common in shipbuilding industries that where customers cancel contracts, the vessels remain with the shipyard but moneys paid have to be refunded to the customers. When market conditions are unfavourable, customers are more prone to terminating contracts and requiring refunds.

Should the Enlarged Group's customers be unable to meet their payment obligations to the Enlarged Group in a timely fashion or at all, the financial performance of the Enlarged Group may be adversely affected. Such events may also result in disputes, litigation or arbitration with customers, and potential

[23] Information obtained and/or extracted from the Keppel OC.

renegotiation of contracts, which could result in the Enlarged Group incurring additional costs and a diversion of management attention from the Enlarged Group's day-to-day operations.

For example, in 2012, the SCM Group secured seven drillship contracts from Sete Group with a total contract value of US$5.6 billion. The SCM Group received approximately S$2.7 billion in progressive payments for the work performed on these projects, up until November 2014 when Sete Group was unable to continue with the payments. The SCM Group ceased construction work on all the drillship units and focused instead on preserving the value of the work-in-progress, and made provision of S$329 million for the Sete Group contracts. The SCM Group initiated arbitration proceedings against various subsidiaries of Sete Brasil to safeguard its interests under the Sete Group contracts, and the disputes were only finally resolved in February 2020.

The Restructured KOM Group also faces such similar risks. For example, the Restructured KOM Group had previously entered into contracts with the Sete Group for the construction of six rigs with a total contract value of about US$4.9 billion[24]. Payments from the Sete Group ceased since November 2014, and in April 2016, the Sete Group filed for bankruptcy protection[25]. In October 2019, a Settlement Agreement was approved by the creditors, which was subsequently amended in October 2021. As part of the Settlement Agreement, such entities within the Restructured KOM Group took over ownership of works and equipment related to four uncompleted rigs, enabling such entities to explore options to extract the best value from these assets. The EPC Contracts and related agreements entered into in relation to these four rigs were deemed to be amicably terminated, with no penalties, refunds and/or any additional amounts being due to any party[26].

In the event of disputes, there is also no assurance that the outcome of such disputes or litigation would be in favour of the Enlarged Group or that the amount of damages that may be awarded will be adequate to cover any consequential losses suffered by the Enlarged Group, or that the renegotiation of contracts will not place the Enlarged Group in a position that is equal or worse than that of the original contract.

The Enlarged Group is exposed to foreign currency risks

The Enlarged Group incurs foreign currency risk on sales and purchases that are denominated in currencies other than the Singapore dollar, primarily the United States dollar, the Euro, and the Brazilian Real. The currencies of its revenues may not match the currencies of its operating costs. As a consequence, there is a risk that changes in exchange rates could have a significant negative effect on the reported results of the Enlarged Group.

Furthermore, fluctuations in exchange rates may weaken the competitiveness of the Enlarged Group's shipyards vis-à-vis its competitors in other countries. The prices and/or costs of the Enlarged Group's competitors may become lower due to fluctuations in exchange rates working in their favour. In particular, due to the greater international scope of the Enlarged Group's operations compared to some of its competitors, the Enlarged Group may be exposed to a higher foreign currency risk than other companies.

In addition, as the operations and assets of the Enlarged Group are located in various countries, exchange rate fluctuations could have a significant negative effect on its financial statements. There is

[24] Information obtained and/or extracted from KCL's announcements dated 22 December 2011 and 7 August 2012 located at https://links.sgx.com/FileOpen/SeteBrasilPR.ashx?App=ArchiveAnnouncement&FileID=114367&AnncID=FB3A0871716A9650 4825796E002F5E2D; and https://links.sgx.com/FileOpen/PR-Sete.Brasil.ashx?App=ArchiveAnnouncement&FileID=68711&AnncID=5F05DA9558F75F8048257A520038B155.

[25] Information obtained and/or extracted from KCL's 2016 Annual Report.

[26] Information obtained and/or extracted from KCL's 2021 Annual Report.

no assurance that exchange rate fluctuations will not have a material negative effect on the financial condition or results of operations of the Enlarged Group.

The Enlarged Group enters into forward exchange contracts to hedge against such risks. However, there is no assurance that the Enlarged Group will be able to hedge fully and effectively against its foreign currency exposure through such arrangements, which in turn could adversely affect the Enlarged Group's operating results, business, financial condition, performance and/or prospects.

The Enlarged Group is subject to international and local environmental and safety regulations and risks

The Enlarged Group's operations are subject to various international and local environmental protection and safety laws and regulations. Such laws and regulations are becoming increasingly complex and stringent and compliance may become increasingly difficult and costly.

Furthermore, some of these environmental laws and regulations may expose the Enlarged Group to liability for the conduct of or conditions caused by others, or for its own acts, even if such acts had complied with all applicable laws at the time of performance. For instance, the Enlarged Group may be required to pay significant fines and penalties for non-compliance. Some environmental laws impose joint and several "strict liability" for cleaning up spills and releases of oil and hazardous substances, regardless of whether the Enlarged Group was negligent or at fault.

Environmental protection laws and regulations may also have the effect of curtailing offshore exploration, development and production activities by the Enlarged Group's customers. This would reduce the demand for the Enlarged Group's products and services, which would have an adverse impact on its operating results, business, financial condition, performance and/or prospects.

The Enlarged Group is subject to political and other risks in the countries in which it operates

The SCM Group has operations in, among others, Singapore, Indonesia, the United Kingdom, Malaysia, Norway and Brazil. With the completion of the Proposed Combination, the operations of the Enlarged Group will, in addition to the aforementioned, include the United States of America, Philippines, the People's Republic of China, Qatar, United Arab Emirates and Japan[27].

The risk profile of the Enlarged Group will therefore encompass the risks involved in each of these countries which include emerging market countries. Such risks include those relating to governance (such as institutions, laws, policies and corruption), infrastructure (such as banking, utilities, transport, industrial, logistics and communication), political, economic and social stability, and labour.

The businesses, performance and prospects of the Enlarged Group may be adversely affected by any of such risks.

Changes in laws, such as the imposition of restrictions on foreign ownership or repatriation of earnings, could also have a negative effect on the ability of the Enlarged Group to continue operations in these countries or to earn a profit from its operations in these countries.

In addition, wars, unsettled political conditions, social unrest, riots, terrorist attacks and government actions such as possible seizure of properties in countries where the Enlarged Group currently operates or may in the future operate, may affect its ability to provide products and services for its customers in such countries. Such developments may also affect the ability of the Enlarged Group's

[27] Information obtained and/or extracted from KOM's website at https://www.keppelom.com/en/content.aspx?sid=2452.

customers to meet their payment obligations to the Enlarged Group and increase insurance premiums for the Enlarged Group’s operations. If such risks develop into actual events, the Enlarged Group’s operating results, business, financial condition, performance and/or prospects may be adversely affected.

The Enlarged Group is subject to laws, government regulations and policies governing its operations and is required to obtain the relevant government permits, licences and approvals

The Enlarged Group’s operations are subject to the relevant laws, regulations and government policies governing its operations and the Enlarged Group is required to obtain the necessary government permits, licences and approvals to conduct its operations. In the event that the Enlarged Group is unable at any time to comply with the existing laws and regulations to which it is subject or there are any changes in such laws and regulations, or any new regulations are introduced by local or international bodies that curtail or prevent the Enlarged Group’s operations, its business, results of operations, financial condition and/or prospects may be adversely affected as a result. In addition, any change in existing laws or regulations or introduction of new laws or regulations which the Enlarged Group is subject to may increase its costs of operations, including compliance costs, and may also increase the Enlarged Group’s liabilities, including liabilities incurred by businesses prior to the acquisition of such businesses by a member of the Enlarged Group. The occurrence of any of these events may have an adverse effect on the Enlarged Group’s profitability.

Authorities in jurisdictions in which the Enlarged Group operates may impose onerous licensing or statutory requirements. If the Enlarged Group fails to obtain the relevant permits, licences and approvals or comply with statutory requirements, it may be forced to cease all or part of its operations in these jurisdictions which may adversely affect the results of its operations, financial performance and financial position. There can be no assurance that the Enlarged Group will receive the necessary permits, licences and approvals in a timely fashion or at all or that such permits, licences or approvals will not contain onerous restrictions or conditions.

There is no assurance that the governments of the countries in which the Enlarged Group operates will not postpone or review projects or will not make any changes to government policies, in each case which could adversely affect the Enlarged Group’s operating results, business, financial condition, performance and/or prospects.

The interpretation and application of laws and regulations in the jurisdictions in which the Enlarged Group operates may involve uncertainty

The courts in certain of the jurisdictions in which the Enlarged Group operates may offer less certainty as to the judicial outcome or a more protracted judicial process than is the case in more established jurisdictions. Businesses can become involved in lengthy court cases over simple issues when rulings are not clearly defined, and the poor drafting of laws and excessive delays in the legal process for resolving issues or disputes compound such problems. Accordingly, the Enlarged Group could face risks such as (i) effective legal redress in the courts of such jurisdictions being more difficult to obtain, whether in respect of a breach of law or regulation, or in an ownership dispute, (ii) a higher degree of discretion on the part of governmental authorities and therefore less certainty, (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations, (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions, or (v) relative inexperience or unpredictability of the judiciary and courts in such matters.

Enforcement of laws in some of the jurisdictions in which the Enlarged Group operates may depend on and be subject to the interpretation placed upon such laws by the relevant local authority, and such authority may adopt an interpretation of an aspect of local law which differs from the advice that has been given to the Enlarged Group by local lawyers or even previously by the relevant local authority itself. Furthermore, there may be limited or no relevant case law providing guidance on how courts would interpret such laws and the application of such laws to the Enlarged Group's contracts, joint operations, licences, licence applications or other arrangements.

There can be no assurance that unfavourable interpretation or application of the laws in the jurisdictions in which the Enlarged Group operates will not adversely affect the Enlarged Group's contracts, tax liabilities, operations, licences, licence applications or other legal arrangements. In certain jurisdictions, the commitment of local businesses, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be less certain and more susceptible to revision or cancellation, and legal redress may be uncertain or delayed. If the existing body of laws and regulations in the countries in which the Enlarged Group operates are interpreted or applied, or relevant discretions exercised, in an inconsistent manner by the courts or applicable regulatory bodies, this could result in ambiguities, inconsistencies and anomalies in the enforcement of such laws and regulations, which in turn could hinder the Enlarged Group's long-term planning efforts and may create uncertainties in the Enlarged Group's operating environment, and may adversely affect the Enlarged Group's business, results of operations, financial condition and/or prospects. Please also refer to the Risk Factor "*The Enlarged Group may be involved in legal and other proceedings from time to time*" for further details.

The Enlarged Group is subject to the tax rules in the jurisdictions that it operates, including changes to such rules and interpretations of such rules by the local tax authorities

The Enlarged Group's operations in the various jurisdictions[28] it will operate in are subject to the laws, regulations and policies of the various jurisdictions, including routine and special audits by the local tax authorities. Changes in the tax rules or interpretations by the local tax authorities in relation to the Enlarged Group's operations (which may or may not have retrospective effect) may have a significant impact on the Enlarged Group's tax exposure. There is no assurance that a tax position adopted (with or without a tax opinion) will not be successfully challenged by the tax authorities in the jurisdictions in which the Enlarged Group may operate. In such an event, the Enlarged Group may be exposed to tax liabilities such as underpaid tax as well as penalties, which may adversely affect the Enlarged Group's operating results, business, financial condition, performance and/or prospects.

In addition, the Enlarged Group may be subject to risks arising from tax incentives which it benefits from. For example, in certain jurisdictions, there are tax incentives that accord substantial tax and customs duties exemption on the import of vessels and items into that jurisdiction for designated purposes. These tax incentives may be subject to certain conditions, including the requirement that these equipment and materials are incorporated into the specified vessel and exported. If such conditions are not met, import taxes may have to be paid together with interest and other charges. Further, if the imported equipment and/or materials are not used for their designated purpose or removed from the relevant jurisdiction within the timeframe set by the relevant taxation and customs authorities, there may be substantial taxes imposed on the Enlarged Group. There is also no assurance that the relevant taxation and customs authorities will amend the conditions to postpone the deadline or terminate the tax and customs incentives granted which could lead to substantial tax

[28] See the Risk Factor "*The Enlarged Group is subject to political and other risks in the countries in which it operates*" for a list of jurisdictions the Enlarged Group will operate in.

and customs duties payable by the Enlarged Group. This could have an adverse impact on the Enlarged Group.

The Enlarged Group may be involved in legal and other proceedings from time to time

The Enlarged Group operates in many countries. This means the Enlarged Group, from time to time, is confronted with complex legal and regulatory requirements and judicial systems in many jurisdictions. From time to time, the Enlarged Group may be involved in disputes with various parties including, but not limited to, its contractors, sub-contractors, consultants, suppliers, purchasers, customers and joint venture partners. These disputes may lead to legal and other proceedings, and may cause the Enlarged Group to suffer additional costs and delays in its operations. Please also refer to the Risk Factor "*The Enlarged Group is exposed to potential liability arising from any damage, injury or death resulting from accidents or other causes*" for further details.

For example, on 24 December 2021, the Company's wholly-owned subsidiary, Jurong Shipyard Pte Ltd ("**JSPL**") received a notice of commencement of four arbitrations from a vendor under four separate contracts for the supply of certain equipment for some of its projects.

JSPL maintains that the contracts for the supply of equipment were validly suspended or terminated. Parties have been in discussions over the payment claims from the vendor for such suspension or termination, but have yet to reach an agreement. The vendor commenced arbitration proceedings making allegations of breach of contract and for payment. The amounts purportedly claimed are for invoices of approximately US$76 million, equivalent to approximately S$103 million plus other costs and interests under the four contracts, all of which remain to be proved by the vendor.

The KOM Group (and following the completion of the KOM Restructuring and the Asset Co Transaction, the Restructured KOM Group) is also involved in several legal proceedings as described in the KCL annual report for FY2021. For example, in February 2018, the KOM Group was served a summons by eight investment funds ("**Plaintiffs**") managed by EIG Management Company LLC ("**EIG**") where a civil action was commenced by the Plaintiffs pursuant to the Racketeer Influenced and Corrupt Organizations Act ("**RICO**") in the United States District Court, Southern District of New York. In April 2018, the Plaintiffs added, among other things, a state law claim for aiding and abetting fraud. In May 2020, the Court dismissed the Plaintiffs' civil RICO conspiracy claim but denied the Group's motion to dismiss the Plaintiff's claim on aiding and abetting fraud under New York state law. Consequently, the Plaintiffs currently seek US$221 million plus punitive damages, interest, attorney's fees, costs and disbursements, based on the remaining claim for aiding and abetting fraud.

Following completion of factual depositions, in late September 2021, the Plaintiffs and the KOM Group have each served a motion for summary judgment, seeking judgment on the abovementioned claim which the Plaintiffs have presently quantified at approximately US$820 million in aggregate, including US$442 million in punitive damages and US$157 million as pre-judgment interest. Each party's opening brief, opposition brief and reply brief were filed with the Court on 2 November 2021. There currently is no scheduled hearing date for the summary judgment motions.

Based on the advice obtained from an external legal counsel, the remaining claim for aiding and abetting fraud is without merit and the KOM Group (and following the completion of the KOM Restructuring and the Asset Co Transaction, the Restructured KOM Group) will vigorously defend itself. As at 31 December 2021, based on advice obtained from external legal counsel, it is premature to predict or determine the eventual outcome of this remaining claim and hence, the potential amount of loss cannot currently be assessed[29].

In addition, the Enlarged Group may have disagreements with regulatory bodies in the course of its operations or may be investigated by regulatory bodies, which may subject it to administrative proceedings, unfavourable orders, directives, decrees or sanctions such as fines or other penalties that may adversely affect the Enlarged Group's operating results, business, financial condition, performance and/or prospects.

There can be no assurance that the Enlarged Group will not be subject to other disputes, investigations by regulatory bodies or regulatory action in the course of its operations or that any existing or new disputes, investigations or proceedings will be concluded or settled on favourable or reasonable terms, or at all. In the event any new or existing disputes or investigations are not concluded or settled on favourable or reasonable terms, or at all, the Enlarged Group's operating results, business, financial condition, performance and/or prospects may be adversely affected.

The Enlarged Group is exposed to potential liability arising from any damage, injury or death resulting from accidents or other causes

Due to the nature of the Enlarged Group's operations, it is subject to the risk of accidents occurring either to its employees or to third parties who may be involved in accidents while on its premises, yards, structures or vessels. These accidents may occur due to, among other things, fire, explosions or other incidents which may result in injury to persons, death or damage to property, the rigs or the vessels. The Enlarged Group has instituted safety procedures for persons working on its premises. However, there is no assurance that accidents resulting in injury to persons, death or damage to property, the structures or the vessels will not arise. The Enlarged Group may be liable, whether contractually or under law, for any or all of such loss, damage, injury or loss of life.

In the event of an accident that is not covered by the Enlarged Group's insurance policies or where the insurance claims are in excess of its insurance coverage or are contested by the insurance companies, its operating results, business, financial condition, performance and/or prospects may be adversely affected.

The Enlarged Group faces the risk of insufficient insurance coverage

The Enlarged Group is insured against construction risks, transportation risks, industry risks and potential liabilities such as risks of oil spills, damage to and/or loss of vessels and perils of the sea. However, there can be no assurance that all risks and potential liabilities can be insured and/or are adequately insured against. The availability of insurance coverage for any risk or liability is dependent on a number of factors such as the willingness of insurers to cover the risk or liability, the availability of re-insurance and prevailing insurance market conditions.

Where the damage or loss in question exceeds the insurance coverage taken up, the Enlarged Group may be required to make material or significant monetary payments. Additionally, even where the Enlarged Group's operations are insured, the Enlarged Group may not receive the full amount of the claim from the insurance companies with whom its insurance coverage is taken out.

In addition, certain risks, including risks associated with operations or business in certain geographical areas where there is war, insurgencies, terrorism or similar threats, may be uninsurable or insurable

[29] Information obtained and/or extracted from KCL's 2021 Annual Report.

only at prohibitive cost levels. Any of the foregoing events may result in the Enlarged Group's operating results, business, financial condition, performance and/or prospects being materially and adversely affected.

The Enlarged Group is subject to risk of reputational damage

The Enlarged Group places paramount importance on its reputation and takes all necessary measures to maintain its standing. However, unforeseeable or uncontrollable events may still occur that may result in reputational damage, which may result in the Enlarged Group's operating results, business, financial condition, performance and/or prospects being materially and adversely affected. Further, negative publicity involving the Enlarged Group, the Enlarged Group's directors and the substantial shareholders of SCM may adversely affect the market perception or the price of SCM Shares following the completion of the Proposed Combination.

The Enlarged Group is subject to operational, business and political risks in Brazil, where it operates

Part of the Enlarged Group's business activity is conducted in Brazil and there are ongoing investigations conducted in connection with corruption allegations in Brazil, known as "Operação Lava Jato" ("**Operation Car Wash**"), as described below.

Events in respect of the SCM Group

In 2012, the SCM Group secured a number of drill rig construction contracts (the "**Contracts**") with certain subsidiaries of Sete Brasil. Companies connected to Mr Guilherme Esteves de Jesus ("**GDJ**") were engaged by the SCM Group as consultants in Brazil.

In February 2015, there were various media reports that, *inter alia*, Mr Pedro Jose Barusco ("**PJB**"), Petrobras' former engineering manager, had made statements to the effect that payments had been made in connection with contracts entered into by Petrobras and/or Sete Brasil.

On 30 March 2015, the SCM Group announced that it had received a copy of a plea bargain entered into between PJB and the Brazilian authorities in which PJB made allegations against GDJ in connection with the Contracts, and that GDJ was arrested by the Brazilian authorities in late March 2015. All contracts for consultancy services provided to the SCM Group by companies connected to GDJ were suspended and remain suspended by the SCM Group indefinitely. The SCM Group has not had any dealings with GDJ or the companies connected to GDJ following such suspension.

In April 2017, GDJ was charged by the Brazilian authorities and he defended the charges when his trial commenced in 2018.

On 3 July 2019, the SCM Group announced that the Brazilian authorities had executed a search warrant on Estaleiro Jurong Aracruz ("**EJA**") in connection with the ongoing investigations related to Operation Car Wash and against GDJ.

The SCM Group also learnt that the investigations which led to the execution of the search warrant on EJA had been expanded to include Mr Martin Cheah Kok Choon ("**MCKC**"), the former president of EJA whose employment with the SCM Group was terminated in June 2015. EJA co-operated fully with the Brazilian Federal Police and provided material within the scope of the warrant. In light of the investigation by the Brazilian authorities into the activities of MCKC during the time he was in the SCM

Group's employment, the SCM Group lodged a suspicious transaction report in respect of MCKC with the Commercial Affairs Department of the Singapore Police Force.

On 3 February 2020, the SCM Group also announced that it had come to its attention on 1 February 2020 that the Ministério Público Federal in Brazil had filed new charges against GDJ for money laundering. The SCM Group also learnt that the Ministério Público Federal in Brazil had filed charges against MCKC for money laundering and corruption in connection with the Contracts. In light of these developments, the SCM Group lodged a further suspicious transaction report in respect of MCKC with the Commercial Affairs department of the Singapore Police Force.

On 21 February 2020, the SCM Group announced that it had come to its attention on 20 February 2020 that GDJ had been convicted by the Federal Court of Curitiba of the crimes of corruption, money laundering and participation in a criminal organisation. GDJ was sentenced to 19 years and 4 months in prison and was also fined.

On 4 June 2020, the SCM Group announced that it had come to its attention that the Federal Court of Curitiba accepted the complaint offered by the Ministério Público Federal in Brazil against MCKC for money laundering and corruption in connection with the Contracts. The court also accepted the additional complaint against GDJ for money laundering.

The SCM Group is continuing to monitor developments in Brazil on this matter.

<u>Board Special Committee</u>

Since early 2015, the SCM Group had formed a Special Committee to conduct privileged independent internal investigations into the allegations, and to recommend actions as considered appropriate in connection with the independent investigations.

<u>The SCM Group's Position</u>

The above charges filed against MCKC and GDJ by the Ministério Público Federal in Brazil are in their personal capacities and not against EJA or the Company. Other than MCKC, the SCM Group is not aware of any other of its employees, past or present, that is a subject of the current investigations being conducted by the Brazilian authorities in relation to Operation Car Wash.

As stated in the SCM Group's announcements on 3 July 2019, 8 July 2019, 3 February 2020 and 21 February 2020, the SCM Group is committed to the highest standards of compliance with anti-corruption laws and does not condone, has not condoned and will not tolerate any improper business conduct. The SCM Group has a strict compliance programme and continuously works to ensure that policies and procedures are in place to prevent any violation of any anti-corruption laws applicable to its operations.

<u>Potential Outcome</u>

The potential outcome of Operation Car Wash as well as other ongoing corruption-related investigations against other persons unconnected to the SCM Group is uncertain and the outcome of any such investigations may have a negative impact on the SCM Group's operations in Brazil, and on investor sentiments towards the SCM Group's operations in Brazil. The SCM Group has no control over and cannot predict the outcome of such investigations or allegations.

The SCM Group also has no control over and cannot predict whether such investigations by the Brazilian authorities will lead to new allegations or investigations. As at the Latest Practicable Date, the SCM Group can give no assurance that such investigations will not result in fines and/or penalties imposed on the SCM Group or whether such fines and/or penalties will not have a material adverse effect on the SCM Group's operating results, business, financial condition, performance and/or prospects. The SCM Group has also not made provisions for any potential fines and/or penalties in its financial statements.

<u>Events in respect of the KOM Group</u>[30]

In 2017, KOM reached a global resolution with the criminal authorities in the United States of America, Brazil and Singapore in relation to corrupt payments made in relation to KOM's various projects with Petrobras and Sete Brasil Participacoes SA in Brazil, which were made with knowledge or approval of former KOM executives. Fines in an aggregate amount of US$422,216,980, or equivalent to approximately S$570 million, paid or payable had been allocated between the three jurisdictions.

As part of the global resolution, KOM accepted a Conditional Warning from the Corrupt Practices Investigation Bureau ("**CPIB**") in Singapore, and entered into a Deferred Prosecution Agreement (the "**DPA**") with the U.S. Department of Justice ("**DOJ**"), while Keppel FELS Brasil S.A., a wholly-owned subsidiary of KOM, entered into a Leniency Agreement with the Public Prosecutor's Office in Brazil, the Ministerio Publico Federal ("**MPF**") which became effective following the approval of the Fifth Chamber for Coordination and Review of the MPF in April 2018. In addition, Keppel Offshore & Marine USA, Inc ("**KOM USA**"), also a wholly-owned subsidiary of KOM, pleaded guilty to one count of conspiracy to violate the U.S. Foreign Corrupt Practices Act and entered into a Plea Agreement with the DOJ.

KOM has successfully complied with its obligations under the DPA and the DPA has accordingly concluded on 22 December 2020. KOM has also been in compliance with its obligations under the Conditional Warning issued by the CPIB and the Leniency Agreement entered into with the MPF. As part of the applicable fines payable under the global resolution, a sum of US$52,777,122.50 (less any penalties that KOM may pay to specified Brazilian authorities) was payable to CPIB within three years from the date of the Conditional Warning and has been included in accrued expenses since FY 2017. As the discussions with the specified Brazilian authorities remained ongoing, CPIB had agreed to extend the three-year credit period for a further 12 months to 22 December 2021, followed by a further 6 months to 22 June 2022, thereafter for a further 3 months to 22 September 2022 and thereafter for a further 6 months until 22 March 2023[31].

In June 2020, the Office of the Comptroller General of Brazil ("**CGU**") published a notice in the Official Gazette (the "**Notice**") to the effect that CGU has initiated an administrative enforcement procedure against KOM, Prismatic Services Ltd., Keppel Fels Ltd., Keppel FELS Brasil S.A., and BrasFELS S.A., in relation to alleged irregularities under the Brazilian Anti-Corruption Statute. Neither the Notice nor any summons has been served on any of the foregoing entities to-date.

On 19 December 2022, KCL announced[32] that KOM had reached a joint resolution and concluded a leniency agreement with the authorities in Brazil, namely the Brazilian Attorney-General's Office ("**AGU**") and the CGU. This is in relation to the corrupt payments made by KOM's former agent in Brazil, which was previously announced in December 2017, following the global resolution reached with criminal authorities in Brazil, the United States and Singapore.

[30] Information obtained and/or extracted from KCL's 2021 Annual Report.
[31] Information obtained and/or extracted from KCL's announcement dated 9 September 2022 located at https://links.sgx.com/FileOpen/KCL%20Announcement%20on%20Extensions%20of%20Credit%20Period_090922.ashx?App=Announcement&FileID=731267.
[32] Information obtained and/or extracted from KCL's announcement dated 19 December 2022 located at https://links.sgx.com/FileOpen/MREL%20-%20KOM%20reaches%20joint%20resolution%20with%20Brazilian%20AGU%20and%20CGU_19122022.ashx?App=Announcement&FileID=741952.

For context, AGU and CGU are Brazilian authorities that have a parallel mandate with the Brazilian criminal authorities to enforce certain anti-corruption laws. KCL therefore engaged in a separate negotiation process with AGU and CGU following the conclusion of the Leniency Agreement with the MPF.

This additional leniency agreement with AGU and CGU brings to conclusion the negotiations with the authorities in Brazil relating to KOM's former agent in Brazil. This settlement also resolves CGU's administrative enforcement procedure against KOM and several other KOM entities, which, as announced by KCL on 20 August 2020, had been suspended pending the ongoing discussions with these Brazilian authorities.

KOM has committed under the leniency agreement to a payment of fines and damages to the Brazilian Federal Treasury and Petrobras totaling R$343,571,455.25 (equivalent to approximately US$65 million)[33] within 30 days from the signing of the leniency agreement. KOM has also committed to continuing cooperation with AGU and CGU, and to ongoing compliance enhancements.

As part of the 2017 global resolution, the Attorney-General's Chambers of Singapore ("**AGC**") and CPIB had agreed for KOM to pay to CPIB the balance sum of US$52,777,122.50 within three years from the date of the Conditional Warning issued by CPIB, less any fines and criminal penalties paid by KOM to specified Brazilian authorities (namely CGU and AGU). As previously announced by KCL, AGC and CPIB had subsequently extended the credit period to 23 March 2023 in the light of KOM's then ongoing discussions with CGU and AGU. AGC and CPIB have agreed in principle to allow KOM to seek crediting of up to US$52,777,122.50 in respect of the fines payable by KOM to the Brazilian authorities pursuant to the terms of CPIB's 2017 Conditional Warning. On 30 January 2023, KCL announced[34] that AGC and CPIB had confirmed that KOM may avail itself of the crediting of up to US$52,777,122.50 pursuant to the terms of the Conditional Warning in respect of the fines payable by KOM to the Brazilian authorities, and that KOM has made full payment of the fines and damages payable under the leniency agreement.

The leniency agreement results from KOM's full cooperation with AGU's and CGU's investigations, which the two authorities recognised along with KOM's extensive remediation efforts and significant compliance enhancements in response to the issues involving the former agent in Brazil. KCL remains committed to maintaining high ethical standards and robust controls in all its global operations.

The leniency agreement with the MPF and this additional leniency agreement by KOM with AGU and CGU each provides for the payment of fines and damages in connection to the same matter. With the two leniency agreements in place, KOM does not expect there to be any further grounds for liability in Brazil in relation to these issues.

The Enlarged Group may not be successful in implementing its future plans

The Enlarged Group's future plans involve numerous uncertainties and risks. These include but are not limited to (i) the Enlarged Group successfully entering into and developing new segments of the market to expand and diversify the business of the Enlarged Group, and (ii) the Enlarged Group's acquisition of new technology and investments in new facilities to provide the Enlarged Group with new opportunities and better operating efficiency. Such plans may require substantial capital expenditure,

[33] The settlement amount is subject to both inflation and currency adjustment until the date of KOM's payment of the settlement amount.
[34] Information obtained and/or extracted from KCL's announcement dated 30 January 2023 located at https://links.sgx.com/FileOpen/Keppel%20OM%20joint%20resolution%20with%20Brazilian%20Authorities.ashx?App=Announcement&FileID=745063.

the recurrence of working capital requirements, execution of complex projects, and additional financial resources and commitments.

There is no assurance that these plans will achieve the expected results or outcome so as to generate an increase in revenue that will be commensurate with the Enlarged Group's investment costs, or the ability to generate any cost savings, operational efficiencies and/or productivity improvements to its operations. In the event that the investments do not generate new projects and cash flow as expected, the value of the investments would be lower and may require impairments to be recognised by the Enlarged Group.

Since 2016, the SCM Group has been (a) proactively diversifying and expanding into new and existing markets by acquiring technology companies to enhance its suite of offerings to customers, and has also been (b) strengthening its yard capabilities by improving the facilities in its Tuas Boulevard Yard to provide solutions which will be more cost effective and efficient for its customers. To support this, the SCM Group had tapped on debt financing and raised further funds via rights issue in 2020 and 2021.

The KOM Group has also been harnessing technology including 5G, remote monitoring and surveillance, Internet of Things and data analytics, to enhance its solutions[35].

If (a) the results or outcomes of the Enlarged Group's plans do not meet its expectations, (b) the Enlarged Group fails to achieve a sufficient level of revenue or (c) the Enlarged Group fails to manage its costs efficiently, the Enlarged Group will not be able to recover its investments and its operating results, business, financial condition, performance and/or prospects would be adversely affected.

The contracts in the order book of the Enlarged Group may be adjusted, cancelled or suspended and, therefore, the order book is not necessarily indicative of future operating revenues of the Enlarged Group

As at 15 November 2022, the SCM Group's net order book totalled approximately S$7.11 billion. The Restructured KOM Group's net order book totalled approximately S$11.6 billion as at end-September 2022[36]. Both the SCM Group's and the Restructured KOM Group's order book represents the contracted future revenue under current contracts. However, the operating revenues included in the order book are based on estimates. There can be no assurance that the order book will actually be realised as revenues in the amounts reported or, if realised, will result in profits, and the SCM Group's order book may be adjusted to reflect the operating environment.

In accordance with industry practice, substantially all of the contracts entered into by the Enlarged Group are subject to cancellation, termination or suspension at the discretion of the customer and other conditions beyond the control of the Enlarged Group. In addition, many of the contracts in the current order book of the Enlarged Group are subject to changes in the scope of services to be provided as well as adjustments to the costs relating to the contracts. For example, the contracts in the order book of the Enlarged Group are subject to a customer's termination right for convenience, or for *force majeure*, or for breach of contract (for example, as a result of certain delays or other failures to perform in accordance with the terms of the contract). Projects can remain in the order book for extended periods of time because of the nature of the project and the timing of the particular services required by the project. The risk of contracts in the Enlarged Group's order book being cancelled or suspended generally increases during periods of widespread economic slowdown. As

[35] Information obtained and/or extracted from KCL's 2021 Annual Report.
[36] Information obtained and/or extracted from KCL's 3Q 9M 2022 update accessible at: https://links.sgx.com/FileOpen/1.%20MREL_KCL%203Q%20%209M%202022%20Business%20Update%20-%20Media%20Release.ashx?App=Announcement&FileID=735583.

at the Latest Practicable Date, there has been no cancellation of any of the SCM Group's existing projects. Any cancellation, termination or suspension of the Enlarged Group's contracts could have a material adverse effect on the Enlarged Group's business, results of operations and financial condition.

In relation to the Restructured KOM Group, it was reported that a Restructured KOM Group Company terminated two contracts with subsidiaries of a customer for the construction of two mid-water semi-submersible drilling rig for harsh environment use:

(i) In June 2020, the buyer under the first of these contracts ("**First Contract**") alleged a breach of contract by the Restructured KOM Group Company and purportedly terminated the First Contract and sought recovery of the payments already made to the Restructured KOM Group Company with interest. The allegations by the buyer were refuted and the purported termination of the contract was rejected by the Restructured KOM Group Company. The buyer subsequently failed to pay an instalment due under the First Contract. Non-payment of any instalment by the customer is a default in accordance with the First Contract, entitling the Restructured KOM Group Company to terminate the First Contract, retain all payments received to date (approximately US$54 million), and seek compensation for the work done to date and claim ownership of the rig. The Restructured KOM Group Company had therefore issued a notice of termination of the First Contract to the buyer and commenced arbitration to enforce its rights under the First Contract against the buyer.

(ii) In December 2020, the Restructured KOM Group Company issued a notice of termination of the second of these contracts ("**Second Contract**") and commenced arbitration to enforce its rights under the Second Contract against the buyer, which rights include the right to retain the amounts already paid by the buyer to date of approximately US$43 million and to seek reimbursement of the Restructured KOM Group Company's costs of the project to the date of termination.

Subsequent to the issuance of this notice of termination, the Restructured KOM Group Company has received a notice from the buyer purporting to terminate the Second Contract, alleging breaches under the Second Contract[37].

If the outcome of the dispute resolution process is adverse to the Restructured KOM, there may be a need to pay out the instalments made by the buyer, thereby resulting in a negative cash flow to the Enlarged Group.

The Enlarged Group is subject to liquidity risks

Liquidity risks may adversely affect the Enlarged Group's net operating cash flow and level of cash and cash equivalents, thereby causing it to be unable to meet its financial obligations. Working capital requirements may be adversely affected due to the effects of fluctuations in cash flow and operating environment.

As at 30 June 2022, following improved operating cash flows and overall cash balance with receipts of project payments on successive completion and delivery of projects in 1H2022, the SCM Group's net debt/equity ratio was 0.44 times.

[37] Information obtained and/or extracted from KCL's 2021 Annual Report.

Out of the rights issue proceeds in September 2021 of S$1.5 billion, a balance of approximately S$600 million remained as at 30 September 2022. Rising costs and supply disruption continue to remain risks in the current environment.

Following the completion of the Proposed Combination, there could be a further need to raise liquidity for working capital to complete existing projects of the Restructured KOM Group. While the KOM Group is currently part of the KCL Group and is able to tap on the financial resources of the KCL Group, the Restructured KOM Group will no longer have this option available following the completion of the Proposed Combination. Accordingly, there may be a need for additional financing resources to cover the working capital expenditure of the Restructured KOM Group.

The Enlarged Group has previously incurred losses in its results of operations

The SCM Group's financial performance has been affected, resulting in pre-tax losses of S$177 million in FY2019, S$671 million in FY2020, S$1,255 million in FY2021, and S$134 million in 1H2022. The Restructured KOM Group has also suffered pre-tax losses of S$260 million in FY2020, and S$138 million in FY2021.There is no assurance that the Enlarged Group will successfully develop and implement its business strategy or that it will successfully address the risks that its business faces.

If the Enlarged Group is unable to generate sufficient cash flow and capital resources to satisfy its debt obligations or other liquidity needs, it may have to undertake alternative financing plans, such as refinancing or restructuring debt, reducing or delaying capital investments or seeking to raise additional capital. There is no assurance that any refinancing would be possible, or that the Enlarged Group could obtain additional financing on acceptable terms, or at all.

The Enlarged Group might also be required to dispose of material assets or operations to meet its debt service and other obligations. The Enlarged Group may not be able to consummate those disposals or to utilize the proceeds from any such disposal and/or these proceeds may not be adequate to meet any debt service obligations then due. The Enlarged Group's inability to generate sufficient cash flows to satisfy its debt service obligations, or to refinance its indebtedness on commercially reasonable terms and in a timely manner, could have a material adverse effect on its operating results, business, financial condition, performance and/or prospects.

In addition, as the Enlarged Group has previously incurred losses in its results of operations, the Enlarged Group may face resistance from customers when it tenders for projects and may need additional security to secure awards of contracts in light of its financial performance. With the lower revenue, the Enlarged Group may also find attraction and retention of talents and suitable skilled workforce more difficult, resulting in lower efficiency and productivity. This may result in higher costs and delays in deliveries, which could have an adverse effect on its operating results, business, financial condition, performance and/or prospects.

The Enlarged Group's leverage exposes it to various risks, including reducing available cash flow and the need to comply with restrictive covenants that may, among others, inhibit its ability to incur more debt or pay dividends

The extent of leverage may expose the Enlarged Group to various risks, including increasing its vulnerability to downturns or adverse changes in general economic, industry or competitive conditions and government regulations and requiring a substantial portion of its cash flows from operations to be dedicated to the payment of principal and interest on the Enlarged Group's indebtedness, therefore reducing its ability to use its cash flows to fund its operations, capital expenditures and future business opportunities.

As at 30 June 2022, both the SCM Group and the Restructured KOM Group had outstanding interest-bearing liabilities that were pegged to floating rates. If the Enlarged Group's cash flows and capital resources are insufficient to fund its debt service obligations or if the Enlarged Group is unable to refinance its indebtedness, the Enlarged Group may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure its indebtedness. These alternative measures may not be successful and may not permit the Enlarged Group to meet its scheduled debt service obligations.

The Enlarged Group partially hedges its exposure to floating interest rate risks, however, a rising interest rate environment or failure to effectively manage its interest rate risks could result in increased debt service costs and may have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and/or prospects.

The Enlarged Group's ability to incur additional indebtedness in the future is also constrained by covenants in its borrowings. Under the Enlarged Group's existing bank and other financing facilities, the Enlarged Group is required to satisfy and maintain specified financial ratios. These financial covenants require, among other things, that the Enlarged Group maintain certain maximum gearing ratios.

Any breach of the Enlarged Group's financial or other covenants under the Enlarged Group's bank and other financing facilities would trigger events of default under its other debt agreements that could further result in acceleration under the debt agreements that contain cross-acceleration or cross-default provisions, and the Enlarged Group may consequently be required to repurchase or repay a significant amount of its borrowings prior to their due date. Upon the occurrence of an event of default under the Enlarged Group's banking and other financing facilities, the lenders thereunder could elect to declare all amounts outstanding under such facilities to be immediately due and payable and terminate all commitments to extend further credit. If the Enlarged Group is unable to repay those amounts, the lenders could proceed against any collateral granted by the Enlarged Group to secure such indebtedness. SCM has provided guarantees for, among others, certain of the credit facilities. If any of the Enlarged Group's lenders accelerates the repayment of borrowings, there can be no assurance that there will be sufficient assets to repay them and the Enlarged Group's other indebtedness. Such events of default under the Enlarged Group's other debt agreements could also result in an event of default under the terms and conditions of the debt securities issued by the Enlarged Group, and may additionally impact the Enlarged Group's ability to secure new businesses.

The Enlarged Group's ability to meet those financial ratios may be affected by events beyond its control, and there can be no assurance that the Enlarged Group will be able to meet those ratios at all times. There are also other covenants in the Enlarged Group's existing bank and other financing facilities, such as those relating to enforcement of security provided by the Enlarged Group, or litigation, and there is no assurance that the Enlarged Group is or will continue to be in compliance with all such covenants

With the acquisition of the Restructured KOM Group, the financing requirements of the Enlarged Group would be increased, thus requiring further funding. The covenants in the existing financing facilities of the SCM Group might be breached resulting in potential calls by the SCM Group's lenders of the loans.

Further, the Enlarged Group's ability to refinance its borrowings and to raise new borrowings, and the cost of such borrowings, are dependent on numerous factors, including general economic conditions, currency exchange and interest rates, credit availability from banks or other lenders, and its credit standing and financial and operational performance. There is no assurance that the Enlarged Group will be able to refinance or raise additional borrowings on terms acceptable to the Enlarged Group, and in such event this could have a material adverse effect on its operating results, business, financial condition, performance and/or prospects.

Risks relating to the SCM Shares

The price of the SCM Shares following completion of the Proposed Combination may fluctuate and may be affected by factors different from those currently affecting SCM Shares

The Enlarged Group's business following the completion of the Proposed Combination will differ from those of the SCM Group and the Restructured KOM Group, respectively, prior to completion of the Proposed Combination. Accordingly, after the Proposed Combination, the market price of SCM Shares may be affected by factors different from those currently affecting the market price of SCM Shares.

The Issue Price of the KOM Consideration Shares may also not be indicative of the prevailing market price of SCM Shares. The market price of SCM Shares may fluctuate significantly and rapidly as a result of, amongst other things, various factors, some of which are beyond the control of the Enlarged Group and may be unrelated and disproportionate to the operating results of the Enlarged Group. Some of these factors include:

(i) the success or failure of the Enlarged Group's management team in implementing business and growth strategies;

(ii) changes in significant contracts, acquisitions, strategic alliances or capital commitment;

(iii) loss of the Enlarged Group's major customers or failure to complete significant orders or contracts;

(iv) variations in the operating results of the Enlarged Group;

(v) involvement in litigation;

(vi) unforeseen contingent liabilities of the Enlarged Group;

(vii) addition or departure of key personnel of the Enlarged Group;

(viii) loss of important business relationships or adverse financial performance by a significant customer or group of customers;

(ix) changes in securities analysts' estimates of the Enlarged Group's financial performance and recommendations;

(x) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;

(xi) differences between the Enlarged Group's actual financial operating results and those expected by investors and securities analysts; and

(xii) changes in general market conditions and broad market fluctuations.

No prior market for the SCM Shares on an Enlarged Group basis

The SCM Shares have never been traded on an enlarged group basis and there can be no assurance that an active trading market for the SCM Shares will develop or, if developed, will be sustained.

Investors may experience future dilution in the value of their SCM Shares

The Enlarged Group may need to raise additional funds in the future and if such additional funds are raised through the issuance by SCM of new SCM Shares other than on a *pro rata* basis to existing SCM Shareholders, the percentage ownership of existing SCM Shareholders may be reduced and existing SCM Shareholders may experience dilution in the value of their SCM Shares.

SCM Shareholders with a controlling or majority stake in SCM after the Proposed Combination could significantly influence the outcome of corporate actions

SCM Shareholders with a controlling or majority stake in the Enlarged Group will be able to significantly influence the outcome of matters submitted to SCM Shareholders for approval, including significant corporate transactions, except where they are required by the rules of the Listing Manual (or any other applicable regulation) to abstain from voting.

APPENDIX D: GENERAL INFORMATION ON THE COMPANY

1. DIRECTORS

1.1 Directors of the Company

The names, addresses and designations of the Directors as at the Latest Practicable Date are as follows:

Directors	Address	Designation
Tan Sri Mohd Hassan Marican	80 Tuas South Boulevard Singapore 637051	Chairman, Non-Executive and Non-Independent Director
Yap Chee Keong	80 Tuas South Boulevard Singapore 637051	Deputy Chairman, Non-Executive and Independent Director
Wong Weng Sun	80 Tuas South Boulevard Singapore 637051	President & Chief Executive Officer, Executive and Non-Independent Director
Bob Tan Beng Hai	80 Tuas South Boulevard Singapore 637051	Non-Executive and Lead Independent Director
Gina Lee-Wan	80 Tuas South Boulevard Singapore 637051	Non-Executive and Independent Director
William Tan Seng Koon	80 Tuas South Boulevard Singapore 637051	Non-Executive and Independent Director
Patrick Daniel	80 Tuas South Boulevard Singapore 637051	Non-Executive and Independent Director
Tan Wah Yeow	80 Tuas South Boulevard Singapore 637051	Non-Executive and Independent Director
Koh Chiap Khiong	80 Tuas South Boulevard Singapore 637051	Non-Executive and Non-Independent Director

1.2 Board Committees of the Company

The members of the respective Board committees named below are as follows:

1.2.1 Audit Committee

Tan Wah Yeow
Koh Chiap Khiong
Patrick Daniel
William Tan Seng Koon

1.2.2 **Nomination Committee**

Patrick Daniel
Tan Sri Mohd Hassan Marican
Bob Tan Beng Hai

1.2.3 **Executive Resource and Compensation Committee**

Patrick Daniel
Tan Sri Mohd Hassan Marican
William Tan Seng Koon

1.2.4 **Board Risk Committee**

Bob Tan Beng Hai
Tan Wah Yeow
Gina Lee-Wan

2. GENERAL

2.1 Incorporation and Listing. The Company was incorporated in Singapore on 25 April 1963. The Company was officially listed on the Mainboard of the SGX-ST on 18 September 1987.

2.2 Principal Activities. As at the Latest Practicable Date, the SCM Group offers one-stop engineering solutions for the global O&M and energy industries, with an increasing focus on renewable and clean energy solutions. The principal activities of the SCM Group include:

2.2.1 **Rigs & Floaters:** this segment provides turnkey solutions for complex projects;

2.2.2 **Repairs & Upgrades:** this segment offers one-stop repair and upgrade solutions for all types of O&M vessels and structures;

2.2.3 **Offshore Platforms:** this segment provides design and construction solutions for a wide range of offshore platforms; and

2.2.4 **Specialised Shipbuilding:** this segment provides design and construction solutions for high performance specialised vessels.

2.3 Registered Office. 80 Tuas South Boulevard, Singapore 637051.

3. SHARE CAPITAL OF THE COMPANY

3.1 Number and Class of SCM Shares. As at the Latest Practicable Date, SCM has an issued and paid-up share capital of S$4,088,002,197.10, comprising 31,389,105,375 SCM Shares (including 6,223 treasury shares). There is only one class of shares in the capital of SCM, comprising the SCM Shares. The SCM Shares are ordinary shares carrying equal ranking rights to dividends, voting at general meetings and return of capital.

3.2 Convertible Instruments. As at the Latest Practicable Date, SCM does not have any other outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities which carry voting rights affecting the SCM Shares.[1]

3.3 Share Plans and the Awards. As at the Latest Practicable Date, there are no outstanding SCM Share Awards under the SCM Share Plans.

4. DISCLOSURE OF INTERESTS

4.1 Interests of the Directors in Relevant Securities

As at the Latest Practicable Date, the Directors' interests in SCM Shares based on the register of directors of the Company are as follows:

	SCM Shares						Awards(3)
	Direct Interest		Deemed Interest		Total Interest		No. of SCM Shares comprised in outstanding Awards
Director	No. of SCM Shares	%(1)(2)	No. of SCM Shares	%(1)(2)	No. of SCM Shares	%(1)(2)	
Tan Sri Mohd Hassan Marican	11,170,826	0.036	-	-	11,170,826	0.036	-
Yap Chee Keong	979,485	0.003	-	-	979,485	0.003	-
Wong Weng Sun	25,425,714	0.081	-	-	25,425,714	0.081	-
Bob Tan Beng Hai	4,537,200	0.014	-	-	4,537,200	0.014	-
Gina Lee-Wan	3,205,300	0.010	-	-	3,205,300	0.010	-
William Tan Seng Koon	2,159,800	0.007	-	-	2,159,800	0.007	-
Patrick Daniel	2,065,400	0.007	-	-	2,065,400	0.007	-
Tan Wah Yeow	1,779,200	0.006	-	-	1,779,200	0.006	-
Koh Chiap Khiong	7,110,474	0.023	-	-	7,110,474	0.023	-

<u>**Notes:**</u>

(1) Based on 31,389,099,152 SCM Shares in issue (excluding 6,223 treasury shares) as at the Latest Practicable Date.

(2) Rounded to the nearest three decimal places.

(3) At the 2022 SCM AGM, SCM Shareholders approved the payment of an aggregate amount of S$2,250,000 as directors' fees for the non-executive directors of the Company for the year ended 31 December 2022. It was intended that the directors' fees for the non-executive directors for year 2022 comprise a cash component and a share component, with up to 30 per cent. being delivered in the form of restricted share awards under the SCM RSP 2020. The share component of the directors' fees for year 2022 is intended to

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[1] At the 2022 SCM AGM, SCM Shareholders approved the payment of an aggregate amount of S$2,250,000 as directors' fees for the non-executive directors of the Company for the year ended 31 December 2022. It was intended that the directors' fees for the non-executive directors for year 2022 comprise a cash component and a share component, with up to 30 per cent. being delivered in the form of restricted share awards under the SCM RSP 2020. The share component of the directors' fees for year 2022 is intended to be delivered after the 2023 AGM. The actual number of SCM 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 VWAP of a SCM Share on the SGX-ST over the 14 trading days immediately following the date of the 2023 AGM. The number of SCM 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 delivery of the share component will receive all of his/her directors' fees for year 2022 (calculated on a pro-rated basis, where applicable) in cash.

be delivered after the 2023 AGM. The actual number of SCM 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 VWAP of a SCM Share on the SGX-ST over the 14 trading days immediately following the date of the 2023 AGM. The number of SCM 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 delivery of the share component will receive all of his/her directors' fees for year 2022 (calculated on a pro-rated basis, where applicable) in cash.

4.2 Interests of Substantial Shareholders in SCM Shares

As at the Latest Practicable Date, based on the information available to the Company, the interests of the substantial shareholders of the Company in the SCM Shares are set out below:

Substantial shareholders	Direct Interest		Deemed Interest	
	No. of SCM Shares	%(1)(2)	No. of SCM Shares	%(1)(2)
Startree Investments Pte. Ltd.	17,131,025,958	54.58	-	-
Fullerton Management Pte Ltd(3)	-	-	17,131,025,958	54.58
Temasek Holdings (Private) Limited(4)	-	-	17,131,026,955	54.58

Notes:

(1) All references to percentage shareholding of the issued share capital of the Company in this paragraph 4.2 are based on the total issued SCM Shares being 31,389,099,152 (excluding 6,223 treasury shares) as at the Latest Practicable Date.

(2) Rounded to the nearest two decimal places.

(3) Fullerton Management Pte Ltd is deemed to be interested in the 17,131,025,958 SCM Shares held by Startree.

(4) Temasek is deemed to be interested in (i) 17,131,025,958 SCM Shares held by Startree; and (ii) 997 SCM Shares held by DBS Group Holdings Ltd, an independently-managed and operated portfolio company of Temasek.

4.3 Save as disclosed in this Circular, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Combination.

APPENDIX E: GENERAL INFORMATION ON KOM AND THE RESTRUCTURED KOM GROUP

Unless otherwise specified, the information in this ***Appendix E*** *relating to the KOM Group and/or Restructured KOM Group has been obtained or extracted from the KCL Circular and/or published or otherwise publicly available sources. Such information may be in respect of KOM or the KOM Group prior to the completion of the KOM Restructuring and/or the Asset Co Transaction, and may not be up to date as at the Latest Practicable Date. The sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources and/or reproduced in this Circular in its proper form and context.*

1. GENERAL

1.1 Incorporation. KOM was incorporated in Singapore on 6 February 1999 and is a direct, wholly-owned subsidiary of KCL.

1.2 Principal Activities. The principal activities of KOM and its subsidiaries consist of offshore rig design, construction and repair, ship repair and conversion, and specialised shipbuilding.

1.3 Registered Office. 1 Harbourfront Avenue, #18-01, Keppel Bay Tower, Singapore 098632.

2. DIRECTORS

2.1 Directors of KOM. The board of directors of KOM comprises the following:

Directors	Designation
Loh Chin Hua	Chairman
Ong Leng Yeow	Chief Executive Officer
Lim Chin Leong	Director
Chan Hon Chew	Director
Pan Stephen Yue-Kuo	Director
Tan Ek Kia	Director
Chua Hsien Yang	Director
Tham Sai Choy	Director

3. SHARE CAPITAL

3.1 Number and Class of shares. As at the Latest Practicable Date, KOM has an issued and paid-up share capital of S$339,716,498 comprising 664,556,126 ordinary shares. KCL is the sole shareholder of KOM holding all the issued shares of KOM.

4. FINANCIAL INFORMATION

4.1 Total Equity and NTA. Based on the Unaudited Pro Forma Financial Information of the Restructured KOM Group for FY2021 and 1H2022:

4.1.1 the total equity of the Restructured KOM Group was approximately S$922 million as at 31 December 2021 and S$1,084 million as at 30 June 2022; and

4.1.2 the NTA of the Restructured KOM Group was approximately S$856 million as at 31 December 2021 and S$1,019 million as at 30 June 2022.

4.2 **Further information.** Please refer to **Appendix J** (Audited Financial Statements of the KOM Group for FY2019, FY2020 and FY2021) and **Appendix K** (Report on the Compilation of Unaudited Pro Forma Financial Information of the Restructured KOM Group for FY2019, FY2020, FY2021, 1H2021 and 1H2022) for more details.

5. LIST OF KOM IN-SCOPE ENTITIES

As at the Latest Practicable Date, based on information provided by KCL, the list of KOM In-Scope Entities is as follows:

1. Alpine Engineering Services Pte Ltd
2. Angra Propriedades & Administracao Ltda
3. Arab Heavy Industries PJSC
4. Asian Lift Pte Ltd
5. Atwin Offshore & Marine Pte Ltd
6. Azerfels Pte Ltd
7. Baku Shipyard LLC
8. Batangas Topside Fabricators, Inc.
9. Benniway Pte Ltd
10. Bintan Offshore Fabricators Pte Ltd
11. Blastech Abrasives Pte Ltd
12. Blue Ocean Solutions Pte Ltd
13. Blue Tern Holding AS
14. BPP Cables Limited
15. Caspian Shipyard Company LLC
16. Consort Capital, Inc.
17. Consort Land, Inc
18. Deepwater Marine Technology LLC
19. Delporton Navegacao e Participacoes Ltda

20. Dyna-Mac Keppel Philippines Inc

21. Dynamic Offshore Drilling Ltd

22. EOC Ltd

23. Estaleiro Brasfels Ltda

24. FELS Offshore Pte Ltd

25. Floatec de Mexico SA de CV

26. Floatec LLC

27. Floatec Offshore Servicos de Petroleo Do Brasil Ltda

28. Floatec Singapore Pte Ltd

29. FSTP Brasil Ltda

30. FSTP Pte Ltd

31. FueLNG Pte Ltd

32. Gas Technology Development Pte Ltd

33. Golar Hilli LLC

34. Goodsoil Marine Realty, Inc

35. Goodwealth Realty Development Corporation

36. Green Scan Pte Ltd

37. Greenwood Pte Ltd

38. Guanabara Navegacao Ltda

39. Guangzhou Keppel Smit Towage Co., Ltd.

40. Hygrove Investments Limited

41. Joint Shipyard Management Services Pte Ltd

42. KAGP Bauan Inc.

43. KAGP Bauan Land Inc.

44. KOM ACE Pte Ltd

45. Keppel Amfels Inc

46. Keppel Amfels Mexico Engineering, SA de CV

47. Keppel Batangas Shipyard, Inc

48. Keppel FELS Brasil Investment Ltda

49. Keppel FELS Brasil Navegacao Ltda

50. Keppel FELS Brasil SA

51. Keppel FELS Energy Manila Inc

52. Keppel FELS Engineering Shenzhen Co., Ltd

53. Keppel FELS Engineering Wuhan Co., Ltd

54. Keppel FELS Ltd

55. Keppel Floatec LLC

56. Keppel Housing Pte Ltd

57. Keppel Letourneau Middle East FZE

58. Keppel Letourneau USA, Inc

59. Keppel Marine & Deepwater Technology Pte Ltd

60. Keppel Mexfels SA de CV

61. Keppel Nantong Heavy Industry Co., Ltd

62. Keppel Nantong Shipyard Co., Ltd

63. Keppel Offshore & Marine Engineering Services Kuala Lumpur Sdn Bhd

64. Keppel Offshore & Marine Engineering Services Mumbai Private Limited

65. Keppel Offshore & Marine Ltd

66. Keppel Offshore & Marine Technology Centre Pte Ltd

67. Keppel Offshore & Marine USA, Inc

68. Keppel Philippines Marine, Inc

69. Keppel Sea Scan Pte Ltd

70. Keppel Shipyard Limited

71. Keppel Singmarine Brasil Ltda

72. Keppel Singmarine Pte Ltd

73. Keppel Smit Overseas Pte Ltd

74. Keppel Subic Shipyard, Inc

75. KS Investments Pte Ltd

76. KSI Production (2017) Pte Ltd

77. KV Enterprises BV

78. KV Ventus BV

79. KVE Administradora de Bens Imoveis Ltda

80. KVE Investments BV

81. Lindel Pte Ltd

82. Marine Housing Services Pte Ltd

83. Nakilat-Keppel Offshore & Marine Ltd

84. Nantong Keppel Smit Towage Service Co. Ltd

85. Navegantes Administracoes de Bens Moveis e Imoveis Ltda

86. Ningbo Red Dragon Harbour Service Co., Ltd

87. Northstar Investments Pte Ltd

88. Offshore Technology Development Pte Ltd

89. Offshore Wind 1 Pte Ltd

90. OWEC Tower AS

91. Prismatic Services Limited

92. Prosafe SE

93. PT Bintan Offshore

94. PV Keez Pte Ltd

95. PVD Investment

96. Regency Steel Japan Limited

97. Renewables Assets Partners Pte Ltd

98. SBM Offshore

99. Valaris Plc

100. Yancheng Keppel Smit Towage Service Co. Ltd.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE RESTRUCTURED KOM GROUP

The KOM management's discussion and analysis on the Unaudited Pro Forma Financial Information of the Restructured KOM Group for FY2019, FY2020, FY2021, 1H2021 and 1H2022 as extracted from the KCL Circular is as set out below:

"***Appendix E***

EXPLANATORY NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF RESTRUCTURED KOM

1. Disclaimer

This Appendix E discusses the Unaudited Pro Forma Financial Information of Restructured KOM, as if completion of the Asset Co Transfer and the KOM Pre-Combination Restructuring had taken place prior to the relevant financial periods. The Asset Co Transfer and the KOM Pre-Combination Restructuring involves among others, the transfer of KOM's legacy rig assets, associated receivables and associated intercompany loans to Asset Co, and an internal restructuring exercise to be conducted by KOM to principally effect the assignment and transfer of the KOM Asset Co Securities and certain identified assets of the KOM In-Scope Entities, as well as the payment of the Cash Component to the KCL Group. Further details on the Asset Co Transfer and the KOM Pre-Combination Restructuring can be found at paragraphs 3 and 4 respectively of this Circular.

This Appendix E has been prepared by the management of KOM and should be read in conjunction with the Unaudited Pro Forma Financial Information of Restructured KOM for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 and the six-month periods ended 30 June 2021 and 30 June 2022, as set out in Appendix D to this Circular.

Except as otherwise indicated, the following discussion is based on the Unaudited Pro Forma Financial Information of Restructured KOM proposed to be transferred to SCM pursuant to the KOM Combination.

2. Basis of preparation

Please refer to Appendix D to this Circular for the Unaudited Pro Forma Financial Information of Restructured KOM for the Financial Years Ended 31 December 2019, 31 December 2020 and 31 December 2021 and the Six-Month Period Ended 30 June 2021 and 30 June 2022, including the basis for which such financial statements were prepared.

3. Overview

KOM is a company incorporated in Singapore. KOM is wholly owned by KCL, which is a public company incorporated in Singapore, listed on the Mainboard of the SGX-ST. KOM and its subsidiaries provide total solutions to the offshore, marine and energy industry through its global network of yards and offices. KOM and its subsidiaries have know-how across a wide range of capabilities – design & engineering, new builds, conversions & repairs, and support services. KOM and its subsidiaries operates shipyards and facilities in Brazil, China, Japan, the Philippines, Singapore, and the US.

*During the relevant period relating to the Unaudited Pro Forma Financial Information of Restructured KOM ("**Period Under Review**"), Restructured KOM's revenue was derived from projects in the following segments: (a) New Build; (b) Conversions & Repairs; (c) KOM Brazil; (d) KOM USA; and (e) Others.*

The following discussion will be based on the Unaudited Pro Forma Financial Information of Restructured KOM for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 and the six-month period ended 30 June 2021 and 30 June 2022, as set out in Appendix D to this Circular.

3.1. Revenue

KOM In-Scope Entities enter into rigbuilding, shipbuilding and repairs contracts with customers. Revenue is recognised when the control over the contract work is transferred to the customer. For contracts where the work has no alternative use for Restructured KOM due to contractual restriction, and Restructured KOM has enforceable rights to payment arising from the contractual terms, these revenues are recognised over time by reference to Restructured KOM's progress towards completing the construction of the contract work. For contracts where the customer is invoiced on a milestone payment schedule, a contract asset is recognised if the value of the contract work transferred by Restructured KOM exceeds the receipts from the customer and a contract liability is recognised if the receipts from the customer exceed the value of the contract work transferred by Restructured KOM.

The summary of Restructured KOM's pro forma revenue for the Period Under Review is as follows:

	FY2019	***FY2020***	***FY2021***	***1H21***	***1H22***
	S$'m	***S$'m***	***S$'m***	***S$'m***	***S$'m***
Pro Forma Revenue	*1,616*	*1,384*	*2,013*	*790*	*1,159*

The factors affecting the pro forma revenue recognised during the Period Under Review include the following:

- *i. market demand for ship repair and conversion, and specialised ships;*
- *ii. the stage of a project and/or percentage of works carried out for a project during a particular financial year/period;*
- *iii. Restructured KOM's ability to compete effectively and secure new contracts;*
- *iv. Restructured KOM's ability to ensure works and services performed are carried out satisfactorily and within contractual timelines; and*
- *v. Restructured KOM's ability to secure and maintain the relevant licenses, registrations, permits or approvals necessary for business operations.*

3.2. Impairment on financial and contract assets

S$'m	***FY2019***	***FY2020***	***FY2021***	***1H2021***	***1H2022***
Impairment on financial and contract assets	*9*	*18*	*18*	*24*	*4*

Arising from periodic reviews of expected credit losses, the above represents impairment against receivables from customers and contract assets in the oil and gas industry. The increase in impairment from FY2019 to subsequent years is in line with the market condition due primarily to the impact from the COVID-19 pandemic.

3.3. Share of results of associated companies and joint ventures ("JVs")

S$'m	***FY2019***	***FY2020***	***FY2021***	***1H2021***	***1H2022***
Shares of results of associated companies and JVs	*(5)*	*(8)*	*8*	*6*	*8*

The associated companies and JVs mainly include Asian Lift Pte Ltd, Blue Tern Holding AS, PV Keez Pte Ltd and Keppel Smit Towage Pte Ltd and Maju Maritime Pte Ltd. Keppel Smit Towage Pte Ltd and Maju Maritime Pte Ltd were divested in 1H2022.

3.4. Income tax expense

Restructured KOM is liable to pay corporate income tax in accordance with the tax regulations in the respective tax jurisdiction.

Restructured KOM recorded income tax expense of approximately S$5 million in 1H22. Tax credit was S$31 million, S$93 million, S$29 million and S$3 million in FY2019, FY2020, FY2021 and 1H21 respectively. Tax credit mainly arose from the impairment of financial and contract assets relating to legacy rigs and receivables which do not form part of Restructured KOM. The tax credit will remain with the legal entity within Restructured KOM. See paragraph 4 for further explanation.

*4. **Review of Pro Forma Results of Operations***

FY2019 vs FY2020

<u>Revenue</u>

Restructured KOM's revenue decreased by approximately S$232 million or 14.4%, from S$1,616 million in FY2019 to S$1,384 million in FY2020. The decrease in revenue was mainly due to significantly slower progress of existing projects as a result of disruption from the COVID-19 pandemic which also led to a sharp decline in demand and market confidence.

Due to the circuit breaker measures imposed by the Government of Singapore, which involved the lock-down of foreign worker dormitories, this resulted in temporary suspension of works in Singapore which had a negative impact on revenues.

In addition, in FY2020, Restructured KOM had successfully secured approximately S$1 billion of new orders to net order book.

<u>Profit / (loss) before taxation</u>

Profit before taxation decreased by S$268 million from S$8 million in FY2019 to a loss of S$260 million in FY2020 primarily due to the above as well as unforeseen cost arising from disruptions from the COVID-19 pandemic. Despite the difficult market environment and interruptions from the COVID-19 pandemic, Restructured KOM received significant government grants which partly cushioned the impact of the negative results. Restructured KOM recognised the effect of Asset Co's capital reserve and foreign exchange translation reserve for FY2018 amounting to approximately S$39 million in FY2019.

<u>Income tax expense</u>

Restructured KOM's income tax credit of S$31 million in FY2019 was mainly contributed by the tax credits recorded at the various subsidiaries.

Restructured KOM's income tax credit of S$93 million in FY2020 mainly relates to impairment taken on legacy rigs and receivables.

This was partially offset by write down of deferred tax assets at one of Restructured KOM's overseas subsidiaries.

FY2020 vs FY2021

<u>Revenue</u>

*Restructured KOM's revenue increased by approximately S$629 million or 45.4% from S$1,384 in FY2020 to S$2,013 million in FY2021. The increase in revenue was primarily due to higher percentage-of-completion ("**<u>POC</u>**") for various jobs with the lifting of COVID-19 restrictions as well as contributions from new projects secured in FY2020. During FY2021, Restructured KOM had successfully secured approximately S$3.5 billion of new orders.*

<u>Profit / (loss) before taxation</u>

Loss before taxation decreased by S$122 million or 46.9% lower from loss of S$260 million in FY2020 to loss of S$138 million in FY2021. The decrease in loss before taxation was mainly due to the above as well as strict cost control measures and gain on disposal of certain assets. These impacts were partially offset by foreign exchange losses as well as lingering impact from COVID-19 pandemic.

<u>Income tax expense</u>

The tax credit in FY2021 was S$29 million and was mainly due to the lower deferred tax assets recognised for the impairment loss on assets in FY2021. It was partially offset by the recognition of deferred tax asset at KOM's subsidiary level due to recognition of unutilised tax losses.

1H21 vs 1H22

<u>Revenue</u>

Restructured KOM's revenue increased by approximately S$369 million or 46.8%, from S$790 million in 1H21 to S$1,159 million in 1H22. The increase in revenue was mainly due to the strong progress on execution of projects secured in prior years.

<u>Profit / (loss) before taxation</u>

Profit before taxation increased by S$118 million or 655.6% from a loss of S$18 million in 1H21 to a profit of S$100 million in 1H22. Profit for the period was higher mainly due to the above, gain from divestment of certain JVs and higher dividend income. These were partially offset by higher interest expense.

<u>Income tax expense</u>

Restructured KOM's income tax credit was S$3 million in 1H21 and tax expense of S$5 million in 1H22. The income tax expense in 1H22 was mainly due to better performance as a result of contributions from projects and continuous control on overhead expenses.

5. Review of Pro Forma Financial position

Current assets

Current assets of Restructured KOM primarily comprise (i) contract assets, (ii) stocks, (iii) trade debtors, (iv) other debtors, deposits and prepayments and (v) cash and cash equivalent. Current assets amounted to approximately S$2,492 million and S$2,980 million, representing 57.6% and 62.4% of Restructured KOM's total assets as at 31 December 2021 and 30 June 2022 respectively.

Contract assets

Contract assets primarily relate to Restructured KOM's right to consideration for work completed but not billed at the reporting date on construction contracts net of impairment losses recognised for the projects. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when Restructured KOM invoices the customers. Contract assets amounted to approximately S$1,111 million and S$1,382 million (net of allowance of S$nil and S$nil), representing 44.6% and 46.4% of Restructured KOM's current assets as at 31 December 2021 and 30 June 2022. The increase in contract assets was due to additional work performed but not billed as at period end.

Stocks

Stocks comprise of work in progress, consumable materials, finished goods and goods for sale. Stocks amounted to approximately S$319 million and S$330 million (net of allowance of S$80 million and S$80 million), representing 12.8% and 11.1% of Restructured KOM's current assets as at 31 December 2021 and 30 June 2022 respectively. The increase in stocks was due to purchase of inventories during the period. Stocks mainly comprises of work in progress and consumable materials amounting to S$269 million and S$281 million as at 31 December 2021 and 30 June 2022 respectively.

Trade debtors

Trade debtors amounted to approximately S$117 million and S$164 million (net of allowance of S$31 million and S$33 million), representing 4.7% and 5.5% of Restructured KOM's current assets as at 31 December 2021 and 30 June 2022 respectively. The increase in trade debtors was due to additional billings made in 1H2022 for certain projects such as offshore HVDC substation and repair projects.

Other debtors, deposits and prepayments

Other debtors, deposits and prepayments amounted to approximately S$129 million and S$289 million, representing 5.2% and 9.7% of Restructured KOM's current assets as at 31 December 2021 and 30 June 2022 respectively. The higher balance of other debtors, deposits and prepayments for 1H22 was primarily due to timing of receivables from proceeds of divestment of JVs in 1H22.

Cash and cash equivalent

Cash and cash equivalents comprise cash at bank and fixed deposits pledged for banking facilities. Cash and cash equivalents amounted to approximately S$466 million and S$501 million, representing 18.7% and 16.8% of Restructured KOM's current assets as at 31 December 2021 and 30 June 2022 respectively. Refer to Note 6 below for variance analysis.

Amount due from associated companies and KCL related companies

Amount due from associated companies and KCL related companies relate to intercompany balances with Restructured KOM's associates and KCL group of entities. Amount due from associated companies and KCL related companies amounted to *approximately S$103 million and S$99 million, representing 4.1% and 3.3% of Restructured KOM's current assets as at 31 December 2021 and 30 June 2022 respectively.*

Amount due from associated companies and KCL related companies are primarily non-trade in nature, interest-free and receivable on demand, except for:

(i) *amount due from associated companies amounted to approximately S$30 million and $24 million as at 31 December 2021 and 30 June 2022 respectively, which are trade in nature; and*

(ii) *amount due from associated companies amounted to approximately S$57 million and S$47 million as at 31 December 2021 and 30 June 2022 respectively, which are interest bearing.*

Assets classified as held for sale

Assets classified as held for sale comprise yards and certain JVs. Assets classified as held for sale amounted to approximately S$168 million and S$93 million, representing 6.7% and 3.1% of Restructured KOM's current assets as at 31 December 2021 and 30 June 2022 respectively. The decrease is mainly due to the disposal of certain JVs and yard in 1H22.

Non-current assets

Non-current assets of Restructured KOM primarily comprise (i) property, plant & equipment, (ii) right-of-use assets, (iii) associated companies and JVs and (iv) deferred tax assets. Non-current assets amounted to approximately S$1,838 million and S$1,796 million, representing 42.4% and 37.6% of Restructured KOM's total assets as at 31 December 2021 and 30 June 2022 respectively.

Property, plant and equipment

Property, plant and equipment comprise of freehold land and buildings, buildings on leasehold land, plant, machinery and equipment, vessels and floating dock, and capital work in progress. Property, plant and equipment amounted to approximately S$1,094 million and S$1,069 million, representing 59.5% and 59.5% of Restructured KOM's non-current assets as at 31 December 2021 and 30 June 2022 respectively. The decrease in property, plant and equipment was mainly due to depreciation and disposal of certain fixed assets.

Right-of-use assets

Right-of-use assets refer to leases in respect of land (shipyards, warehouses and offices) and equipment and barges. Right-of-use assets amounted to approximately S$238 million and S$249 million, representing 12.9% and 13.9% of Restructured KOM's non-current assets as at 31 December 2021 and 30 June 2022 respectively. The marginal increase in right-of-use assets was due to the remeasurement of certain ROU leases.

<u>Associated companies and JVs</u>

Associated companies and JVs amounted to approximately S$201 million and S$204 million, representing 10.9% and 11.4% of Restructured KOM's non-current assets as at 31 December 2021 and 30 June 2022 respectively. Keppel Smit Towage Pte Ltd and Maju Maritime Pte Ltd have been reclassified as assets held for sale since FY2021.

<u>Deferred tax assets</u>

Deferred tax assets mainly arose from unrecognised tax losses and research and development tax credit. Recognised deferred tax assets amounted to approximately S$135 million and S$133 million, representing 7.3% and 7.4% of Restructured KOM's non-current assets as at 31 December 2021 and 30 June 2022 respectively.

<u>Amount due from associated companies and KCL related companies</u>

Amount due from associated companies and KCL related companies relate to intercompany balances with Restructured KOM's associates and KCL group of entities. Amount due from associated companies and KCL related companies amounted to approximately S$27 million, representing 1.5% of Restructured KOM's non-current assets as at 31 December 2021.

Amount due from associated companies and KCL related companies are primarily non-trade in nature, interest bearing and not expected to be received within 12 months from 31 December 2021.

Current liabilities

Current liabilities of Restructured KOM primarily comprise (i) trade and other creditors, (ii) contract liabilities, (iii) borrowings, (iv) lease liabilities and (v) provision for tax. Current liabilities amounted to approximately S$2,487 million and S$2,763 million, representing 73.0% and 74.8% of Restructured KOM's total liabilities as at 31 December 2021 and 30 June 2022 respectively.

<u>Trade and other creditors</u>

Trade and other creditors mainly comprise of trade creditors, accrual for cost to complete for projects, overheads and payroll costs. Trade and other creditors amounted to approximately S$1,903 million and S$2,067 million, representing 76.5% and 74.8% of Restructured KOM's current liabilities as at 31 December 2021 and 30 June 2022 respectively. The increase in trade and other creditors was due to increase in project activities in 1H22 as compared to FY2021.

<u>Contract liabilities</u>

Contract liabilities primarily relate to advances received from customer but work has yet to be performed. Contract liabilities amounted to approximately S$290 million and S$217 million, representing 11.7% and 7.8% of Restructured KOM's current liabilities as at 31 December 2021 and 30 June 2022 respectively. The decrease in contract liabilities is mainly due to timing of revenue recognition and billing on projects.

Borrowings

Borrowings amounted to approximately S$146 million and S$318 million, representing 5.9% and 11.5% of Restructured KOM's current liabilities as at 31 December 2021 and 30 June 2022 respectively. The increase in borrowings was due to additional working capital requirements on certain projects.

Lease liabilities

Lease liabilities primarily relate to the current portion of Restructured KOM's lease in respect of land (shipyards, warehouses and offices) and equipment and barges. Lease liabilities amounted to approximately S$35 million and S$38 million, representing 1.4% and 1.4% of Restructured KOM's current liabilities as at 31 December 2021 and 30 June 2022 respectively.

Provision for tax

Provision for tax refers to the liability to pay corporate income tax in accordance with the tax regulations of the respective tax jurisdictions. Provision for tax amounted to approximately S$17 million and S$20 million, representing 0.7% and 0.7% of Restructured KOM's current liabilities as at 31 December 2021 and 30 June 2022 respectively.

Amount due to associated companies and KCL related companies

Amount due to associated companies and KCL related companies relate to intercompany balances with Restructured KOM's associates and KCL group of entities. Amount due to related companies amounted to approximately S$74 million and S$81 million, representing 3.0% and 2.9% of Restructured KOM's current liabilities as at 31 December 2021 and 30 June 2022 respectively.

Amount due to associated companies and KCL related companies are primarily non-trade in nature, interest-free and payable on demand.

Non-current liabilities

Non-current liabilities of Restructured KOM primarily comprise (i) borrowings, (ii) lease liabilities and (iii) deferred taxation. Non-current liabilities amounted to approximately S$921 million and S$929 million, representing 27.0% and 25.2% of Restructured KOM's total liabilities as at 31 December 2021 and 30 June 2022 respectively.

Borrowings

Borrowings amounted to approximately S$584 million and S$581 million, representing 63.4% and 62.5% of Restructured KOM's non-current liabilities as at 31 December 2021 and 30 June 2022 respectively.

Lease liabilities

Lease liabilities relate to the non-current portion of Restructured KOM's lease in respect of land (shipyards, warehouses and offices) and equipment and barges. Lease liabilities *amounted to approximately S$284 million and S$295 million, representing 30.8% and 31.7% of Restructured KOM's non-current liabilities as at 31 December 2021 and 30 June 2022 respectively. The increase in lease liabilities was in line with the increase in right-of-use assets.*

Deferred taxation

Deferred taxation arises mainly from excess of tax over book depreciation. Deferred taxation amounted to approximately S$44 million and S$46 million, representing 4.8% and 4.9% of Restructured KOM's non-current liabilities as at 31 December 2021 and 30 June 2022 respectively.

6. Liquidity and capital resources

During the Period Under Review, Restructured KOM financed its operations mainly through a combination of shareholders' equity (including retained earnings), shareholders' loans and borrowings from banks.

As at 30 June 2022, Restructured KOM had cash and cash equivalents of S$500.8 million and net working capital of approximately S$216.2 million. As at 30 June 2022, Restructured KOM recorded shareholders' equity of S$1,062 million.

Below is a summary of the Restructured KOM's combined statements of cash flows for the Period Under Review. The following net cash flow summary should be read in conjunction with the full text of this Circular including the "Unaudited Pro Forma Financial Information of Restructured KOM", as set out in Appendix D to this Circular.

	FY2021 S$'m	***1H22 S$'m***
Net cash used in operating activities	*(266)*	*(87)*
Net cash from investing activities	*3*	*17*
Net cash from financing activities	*162*	*105*
Net increase/(decrease) in cash and cash equivalents	*(101)*	*35*
Cash and cash equivalents at the beginning of the financial period/year	*494*	*394*
Cash and cash equivalents at the end of the financial period/year	*394*	*428*

Overview of yearly cash flows from operating activities, investing activities and financing activities for:

FY2021

In FY2021, Restructured KOM recorded net cash used in operating activities of (S$266) million. Operating cash flows before working capital changes is approximately (S$33) million. Net cash used in working capital amounted to approximately (S$275) million, which *was mainly due to (i) change in contract assets and liabilities of (S$906) million as a result of timing of billing to/advances received in advance from customers for projects; (ii) an increase in stocks of approximately (S$141) million due to purchases of inventories; and (iii) partially offset by the decrease in trade and other debtors, deposits and prepayments of approximately S$774 million mainly due to derecognition of trade debtors from termination of contracts. Restructured KOM also received income tax credit of approximately S$29 million.*

Net cash generated from investing activities of approximately S$3 million mainly relate to (i) proceeds of S$9 million from sale of property, plant and equipment; (ii) proceeds of approximately S$9 million from disposal of financial assets; (iii) dividends of approximately S$9 million received from associate companies and JVs; and (iv) partially offset by purchase of plant and equipment of approximately (S$24) million.

Net cash flows from financing activities of approximately S$162 million was mainly due to (i) proceeds from borrowings of S$1,133 million; (ii) partially offset by borrowings repayment of approximately (S$898) million; (iii) interest payment of (S$40) million; and (iv) lease payment of (S$31) million.

As a result of the above, there was a net decrease of approximately (S$101) million in cash and cash equivalents, from S$494 million as at the start of the year to S$394 million as at the 31 December 2021.

1H2022

In 1H22, Restructured KOM recorded net cash used in operating activities of (S$87) million. Operating cash flows before working capital changes is approximately S$48 million. Net cash used in working capital amounted to approximately (S$204) million, which was mainly due to (i) change in contract assets and liabilities of (S$344) million as a result of timing of billing to/advances received in advance from customers for projects; (ii) an increase in stocks of approximately (S$11) million; (iii) increase in trade and other debtors, deposits and prepayments of approximately (S$34) million mainly due to additional billing made; and (iv) partially offset by increase in trade creditors, provisions of warranty and accrued expenses of approximately S$167 million. Restructured KOM also received income tax credit of approximately S$49 million.

Net cash generated from investing activities of approximately S$17 million mainly relate to (i) proceeds of S$21 million from sale of asset; and (ii) partially offset by purchase of plant and equipment of approximately (S$10) million.

Net cash flows from financing activities of approximately S$105 million was mainly due to (i) proceeds from borrowings of S$182 million; (ii) borrowings repayment of approximately (S$36) million; (iii) interest payment of (S$22) million; and (iv) lease payment of (S$18) million.

As a result of the above, there was a net increase of approximately S$35 million in cash and cash equivalents, from S$394 million as at the start of the year to S$428 million as at 30 June 2022.

7. Capital expenditures, divestment, commitments and contingent liabilities

7.1. Capex and divestment

7.1.1. Yearly capex and divestment into various assets

Capex spent for 1H2022 was approximately S$10m, mainly consisting of plant, machinery and equipment, and capital WIP. Capex spent for FY2021 was approximately S$24m, mainly consisting of plant, machinery and equipment, and capital WIP.

7.1.2. Brief overview of capex
As above.

7.2. Commitments

7.2.1. Capital commitments

Capital commitments for 1H2022 and FY2021 were approximately S$51m and S$38m respectively. These are mainly for acquisition of fixed assets and yard improvements.

7.3. Contingent liabilities

Contingent liabilities for 1H2022 and FY2021 were approximately S$177m and S$137m respectively and these include performance guarantees issued for contracts awarded to customers and third parties, and guarantees in respect of banks and other loans granted to related companies.

*In addition, in FY2021, Restructured KOM received a request for arbitration from a customer ("**Claimant**") to two engineering, procurement and construction contracts relating to Floating Production Storage and Offloading units ("**EPC Contracts**"). The Claimant has withheld a total of approximately US$11.3 million due to Restructured KOM and has claimed a further amount of approximately US$38.2 million on the basis that the Claimant is allegedly entitled to a price reduction and remediation costs associated with defective equipment supplied under the EPC Contracts (the "**Claim**"). In FY2021, Restructured KOM, in consultation with its legal advisors, denied the Claimant's alleged right to such price reductions and the defective equipment, and challenged the Claimant's alleged right to withhold payments due to Restructured KOM and its alleged right to claim such price reductions. Restructured KOM intends to defend the claim and in addition, seek remedies, including counterclaims for the sums withheld by the Claimant.*

The audited financial statements of KOM for the financial year ended 31 December 2021, which is publicly available, contains details of other contingent liabilities of Restructured KOM previously disclosed, including, in respect of certain civil action by EIG funds, termination of Two Mid-Water Semisubmersible Drilling Rig Contracts, contracts with Sete Brasil (only disclosure relating to the four uncompleted rigs is relevant to Restructured KOM) and global resolution with criminal authorities relating to corrupt payments. In addition, KOM In-Scope Entities entered into various contracts with third parties in its ordinary course of business and is exposed to the risk of claims, *litigations, latent defects or review from the contractual parties and/or government agencies. These can arise for various reasons, including change in scope of work, delay and disputes, defective specifications or routine checks etc. The scope, enforceability and validity of any claim, litigation or review may be highly uncertain. In making its judgment as to whether it is probable that any such claim, litigation or review will result in a liability and whether any such liability can be measured reliably, the management of KOM relies on past experience and the opinion of legal and technical expertise.*

8. Foreign exchange management

The financial statements of Restructured KOM are presented in Singapore dollars, which is the functional currency of Restructured KOM, and the presentation currency for the financial statements. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when then fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items are carried at fair value are included in the profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognized in other comprehensive income."

7. HISTORY[1]

KOM was formed through the integration of three well-established offshore and marine companies - Keppel Shipyard, Keppel FELS and Keppel Singmarine.

The company's rich tradition dates back to the construction of Singapore's first shiprepair drydock at Keppel Harbour in 1859. Keppel Shipyard was formerly incorporated in 1968 to manage the dockyard assets, as part of the Government's efforts to privatise Singapore's shiprepair industry.

The 1970s: Charting new waters

This was a definitive growth period in Keppel's history, marked by a deliberate foray into the shiprepair, shipbuilding and offshore businesses, and the onset of the company's expansion beyond Singapore's shores.

In the early 70s, Keppel Shipyard acquired stakes in Keppel FELS' predecessor company, Far East Shipbuilding Industries Limited ("**FESL**"). FESL was a family-owned offshore yard, which

[1] Information in this paragraph 7 obtained and/or extracted from the website of KOM at https://www.keppelom.com/en/home.aspx on 6 September 2022.

was later renamed Far East Levingston Shipbuilding ("**FELS**") and listed on the stock exchanges of Singapore and Malaysia.

Throughout this decade, FELS added several significant deliveries to its growing newbuild track record, including its first jackup, semisubmersible and drillship units.

In 1975, Keppel Shipyard launched into its pioneering overseas venture, and set up the Keppel Philippines Shipyard. A year later, it acquired the Singmarine yard, a medium-sized shipbuilder and repairer in Singapore.

The 1980s: Staying the course

In 1980, Keppel Shipyard was listed on the Singapore Stock Exchange. But just as the company's growth was gathering momentum, the global offshore and marine industry plunged into a 20-year gloom in the mid-80s, Singapore was also hit by a major recession.

Keppel's hallmark *Can-Do!* spirit was forged as it steered through the harsh economic and business terrain, making prudent moves to stay on course and prepare for the upturn.

The company proved its versatility and resolve to deliver on time and on budget, with several ground-breaking projects. These included its first Floating Production Storage Offloading vessel conversion, and the construction of its first floating accommodation unit and tension leg wellhead platform.

The company also grew its presence in the Philippines with the acquisition of the Cebu Shipyard.

Then in 1986, Keppel Shipyard became Keppel Corporation, but had its name retained as a major operating division.

The 1990s: Going Near Market, Near Customer

Keppel's overseas forays intensified with increasing globalisation. It made bold steps to acquire new yards and competencies, as well as entered into strategic partnerships to further its *Near Market, Near Customer* strategy.

The company acquired the AMFELS shipyard in Brownsville, Texas, set up the Caspian Shipyard Company in Baku (Azerbaijan), as well as planted its flag in the United Arab Emirates, Norway and Bulgaria. Keppel also consolidated its presence in the Philippines and inaugurated a third yard in Subic City.

By 1997, FELS was renamed Keppel FELS, and launched into rig design with the acquisition of rights to the Freide & Goldman MOD V and MOD VI jackup models. The Offshore Technology Development ("**OTD**") unit specialising in jackup rigs and related critical equipment was also formed to support the business.

Meanwhile, Keppel Singmarine was renamed Keppel Marine Industries, and Keppel Shipyard was merged with Hitachi Zosen to form Keppel Hitachi Zosen.

Early 2000: Becoming the preferred solutions partner

At the turn of the new millennium, Keppel continued to fortify its global presence and technology capabilities, as it streamlined its operations in anticipation of an improving market.

In 2000, Keppel FELS entered into Brazil through a joint venture yard with the Pem Setal Group, as well as built its first KFELS B Class jackup rig, the Chiles Discovery (later renamed ENSCO 104). It also acquired a majority stake in the Singapore Petroleum Company, which was later divested.

2002 was a significant turning point in Keppel's history - KOM was established in a strategic move to restructure and integrate the group's various offshore and marine businesses under one banner.

As a unified group, KOM pressed forward with its *Near Market, Near Customer* strategy. In the same period, Keppel O&M USA and the Houston Centre were established in Houston, Texas.

KOM also acquired the Keppel Verolme yard in the Netherlands, as well as set up yard facilities in Kazakhstan, Nantong (China) and Bintan (Indonesia). The group also entered into a milestone partnership with Qatar's gas transport company, Nakilat, to develop a world class shipyard in Qatar, and grew its presence in Azerbaijan and Brazil with new facilities.

On the technology front, KOM formed the Deepwater Technology Group ("**DTG**") to focus on semisubmersibles and floating structures, and the Marine Technology Development ("**MTD**") unit to specialise in offshore support vessels and tugboats. Then in 2007, the Keppel O&M Technology Centre ("**KOMtech**") was established to augment the three design and engineering arms, including OTD, in the field of R&D.

Today

KOM is one of the world's largest offshore and marine groups with a strong network of 20 yards worldwide. Leveraging its business foresight, technology leadership and proven competencies built up over the decades, the KOM Group is set to be the provider of choice and partner for solutions in the global oil and gas industry.

8. BUSINESS

8.1 Overview[2]

The KOM Group is a leading provider of comprehensive solutions for the offshore energy and marine industries with a portfolio of proprietary designs for offshore platforms, ships and floating infrastructure solutions, and proven engineering, procurement and construction (EPC) expertise. The KOM Group is also a leader in the repair, conversion and upgrading of a diverse range of vessels. This includes the conversion of Floating Production Storage Offloading vessels (FPSO), Floating Storage and Offloading (FSO) vessels, Floating Storage and Re-gasification Units and Floating Liquefied Natural Gas (FLNG) vessels.

[2] Information obtained and/or extracted from the Keppel OC.

8.1.1 Offshore[3]

The KOM Group's Offshore Division, helmed by Keppel FELS, is an industry leader in the design and building of high performance mobile offshore platforms. Keppel FELS' portfolio of proprietary designs and floating production solutions meets a broad spectrum of operating requirements including deep waters and harsh environments.

With technology innovation and competent design and engineering capabilities, the KOM Group offers viable, cost-effective and highly adaptable solutions for newbuilds and upgraded offshore units.

Offshore capabilities

- Design and construction of offshore platforms, floating production systems and other advanced vessels
- Repair, upgrading and conversion of offshore rigs
- Design and development of critical rig equipment
- Fabrication of offshore structures and rig components

(i) Keppel FELS

Keppel FELS and its network of offshore yards have successfully delivered almost half of the world's newbuild jackup rigs and semisubmersibles in the past decade.

Growing from a local shipyard into a global offshore group, Keppel FELS is today a global leader in the design, construction and repair of mobile offshore platforms, and provides cost-effective and state-of-the-art solutions to meet the current and future needs of its customers.

Design & Engineering - Jackups
Through the KOM Group's technology arm, OTD, Keppel FELS designs and offers a versatile fleet of new-generation jackup rig designs which have gained strong market acceptance.

Keppel FELS employs the foremost technology and techniques in the design of new generation jackup rigs and their critical systems.

Keppel FELS has also patented several critical rig components including jacking, fixation, self-positioning and skidding systems - all of which feature strongly in all Keppel FELS jackup rigs.

Keppel FELS' proprietary rig designs for various water depths, locations and environmental conditions guarantees a rig design for every driller's needs.

Design & Engineering - Floaters
With DTG, Keppel FELS is the world's only offshore fabrication yard possessing a suite of in-house semisubmersible drilling rigs, drilling tenders and drillships.

[3] Information in this paragraph 8.1.1 obtained and/or extracted from the website of KOM at https://www.keppelom.com/en/home.aspx on 6 September 2022.

Keppel FELS provides design and engineering solutions spanning drilling semisubmersibles, drilling tenders, accommodation semisubmersibles, drillships and floating production systems.

Keppel FELS' designs are developed closely in collaboration with trend-setting customers for ease of construction, optimal operations, and efficient maintenance.

Newbuilding

Keppel FELS works closely with customers to construct a wide spectrum of mobile offshore units to their satisfaction. Its workforce and global yards are focused on creating customer value by executing high quality projects efficiently.

Repairs & Conversions

Keppel FELS' knowledge and experience extends its abilities to undertake repairs, upgrades and conversions of mobile offshore units as well as emergency offshore repair operations.

In addition, Keppel FELS has an in-house team of professional offshore repair specialists known as the Flying Squad, which can be activated at short notice and deployed anywhere in the world. Besides technical expertise, the Flying Squad has good working knowledge of international sovereignty laws governing the seas.

Yard Facilities

Keppel FELS' operational excellence and world-class facilities enable it to deliver on its commitments to customers safely and efficiently. Keppel FELS is ISO 9000 and OHSAS certified, and has been recognised with the Singapore Quality Class, among others.

(ii) Keppel FELS Brasil

Through Keppel FELS Brasil, the KOM Group has been operating BrasFELS since 2000. Through continuous enhancements to capabilities and infrastructure, BrasFELS has grown into one of the most established offshore and marine facilities in the Latin American region.

KOM's connection with Brazil dates back to the 1980s when it undertook various vessel repair and conversion jobs from Petrobras. Pursuing its *Near Market, Near Customer* strategy, the group established Keppel FELS Brasil in Rio de Janeiro and its BrasFELS shipyard in Angra dos Reis in 2000.

Providing a broad range of construction, conversion, upgrading and repair services, BrasFELS' projects span Floating Production Units, Floating Production Storage and Offloading vessels, drillships, drilling semisubmersible rigs, platform supply vessels, and anchor handling tug/supply vessels.

BrasFELS' core customers comprise local and international owners and operators.

Newbuilding & Conversion
The KOM Group's in-depth operating experience in Brazil is entrenched by the delivery of some of the world's largest floating production units and the construction of deepwater semisubmersibles amongst other advanced offshore rigs and ships.

Repair & Upgrading
Keppel FELS Brasil works closely with customers to swiftly repair, refurbish and upgrade their rigs and ships so that they can return to operations promptly.

(iii) Keppel AmFELS

Located in Brownsville, Texas, Keppel AmFELS reinforces the KOM Group's presence in the Gulf of Mexico, and strategy to be near its markets and customers.

Since its establishment in 1990, Keppel AmFELS has built up a solid track record and capabilities in the construction, refurbishment, conversion, life extension and repair of a complete range of mobile drilling rigs and platforms. Today, it is one of the foremost offshore shipyards in the Gulf of Mexico, backed by comprehensive facilities and a highly-skilled workforce.

Capabilities
Backed by proven expertise and decades of experience as a rig builder, Keppel AmFELS works closely with customers to develop cost effective solutions that meet their unique operating needs. Keppel AmFELS draws from the collective strength and know-how of the KOM Group's global operating and engineering network in the design, construction and repair of all types of mobile offshore units.

Yards Facilities
Keppel AmFELS is one of the most comprehensive offshore shipyards in the Gulf of Mexico. Its 165-acre facility possesses the region's largest drydock among other top-class facilities.

(iv) Keppel LeTourneau

Keppel LeTourneau, a subsidiary of KOM, provides end-to-end rig solutions, from rig designs and rig kits to aftersales and aftermarket services.

The company has offices in the United States, United Arab Emirates and Singapore. It is able to leverage the KOM Group's network of yards worldwide to be near market and near customer in providing construction or aftersales and aftermarket services.

Keppel LeTourneau was formed on 2 May 2016 after KOM, a leader in offshore rig design and construction, acquired the LETOURNEAU™ jackup rig designs, rig kit business, as well as its aftersales and aftermarket services. Adding the LETOURNEAU™ designs to its own offerings, the KOM Group will have more than 26 designs for jackup rigs covering almost every requirement and condition in the market.

Keppel LeTourneau has the flexibility to customise and build the LETOURNEAU™ jackup rigs from the KOM Group's yards worldwide or license the design to any client or shipyard through the sale of rig kits. The rig kits include jackup leg components, elevating units/jacking systems and cantilever/skidding systems. Marine equipment such as cranes and anchor winches are also options in the rig kits.

The company also provides aftersales and aftermarket services. This includes the sale of spare parts, field service (troubleshooting, inspection, installation and commissioning), operator training, repair and refurbishment of equipment and bespoke engineering services.

8.1.2 Marine[4]

The KOM Group's Marine Division, led by Keppel Shipyard, possesses an unrivalled track record for the repair, conversion and upgrading of a diverse range of vessels.

With a strong commitment to health, safety and environment and an established reputation of reliability, flexibility and quality for complex projects with quick turnaround, the KOM Group continues to deliver high value to its customers.

Marine expertise:
- Conversion of Floating Production, Storage and Offloading / Floating Storage and Offloading vessels, Floating Storage and Re-gasification Units and drillships
- Repair of all types of marine vessels including tankers, containerships, bulkers and LNG carriers
- Upgrading and life extension of vessels
- Jumboisation of vessels
- Fabrication of turrets and topside modules

(i) Keppel Shipyard

Backed by over a century of experience, Keppel Shipyard is a global leader for the repair, conversion and upgrading of a diverse range of vessels, including FPSO units, FSO vessels and Floating Storage and Regasification Units.

<u>Repairs & Modifications</u>
Keppel Shipyard is a leading ship repairer with expertise to undertake the entire spectrum of repair and modification work for a diverse range of vessels. It offers innovative and cost-effective solutions to customers, upholding a strong track record in the repair of tankers, containerships, dry cargo, gas carriers and offshore support vessels. Its expertise also includes specialised repairs and modification of dredgers and livestock carriers.

<u>General Repairs</u>
Keppel Shipyard has the versatility and expertise to service a diverse range of vessels.

These include: Oil tankers, Chemical / Product tankers, LNG and LPG carriers, Container vessels, Ro-Ro / Car Carriers, Dredgers, Navy vessels, General

[4] Information in this paragraph 8.1.2 obtained and/or extracted from the website of KOM at https://www.keppelom.com/en/home.aspx on 6 September 2022.

cargo vessels, Bulk carriers and Ore/Bulk/Oil (OBO) vessels, Livestock carriers, Passenger and Cruise Liners, Drilling tenders, Barges (crane and derrick), Research vessels, Tug, supply and offshore support vessels

- *LNG Repairs*
  In Asia, Keppel Shipyard is one of the most established repair yards for Liquefied Natural Gas (LNG) vessels backed by a proven track record, technological expertise, dedicated facilities and a comprehensive infrastructure.

  Keppel Shipyard's cargo engineers and workers are equipped to handle sophisticated cryogenic machinery jobs including low temperature welding and instrumentation works such as cargo tank monitoring system.

<u>Modifications & Others</u>
Keppel Shipyard performs complex modifications and offer specialised services for a spectrum of vessels including dredgers, barges, cruise ships and livestock carriers.

- *Jumboisation/Body Swapping*
  Keppel Shipyard has established a track record in the jumboisation and lengthening of vessels, body-swapping and life extensions projects.These include:
  - Jumboisation and extension of container vessels, with new mid-body sections
  - Jumboisation of a Trailing Suction Hopper Dredger
  - Widening of a tender drilling barge
  - Upgrading of vessels into sophisticated research vessels, including the installation of a complete range of sophisticated oil exploration equipment

- *Major Projects*
  In the construction of the Derrick Lay Barge, Armada Installer, Keppel Shipyard leveraged the synergy of the KOM Group's yards to deliver the vessel to the land-locked Caspian sea. Accessible only by the narrow Volga-Don River Canal System, the barge was built in two separate longitudinal hull strips measuring 16 metres wide each, in Singapore. These were subsequently transported through the Canal which had strict air, beam and draft restrictions, to sister company, Caspian Shipyard Company in Azerbaijan, where they were joined together.

  Keppel Shipyard also completed the jumboisation of the Queen of the Netherlands, a trailing suction hopper dredger vessel. The vessel was lengthened by 54 metres with the addition of a mid-ship section weighing 4,750 tonnes, making her one of the largest dredgers in the world with a capacity of 35,500 cubic metres.

  The drillship, Frontier Phoenix, was extensively upgraded and refurbished by Keppel Shipyard which is also currently completing the integration of two drillships, Bully I and Bully II, for a Shell and Noble joint venture company.

Conversions
In addition to conversions of FPSOs, FSOs, FSRUs and FLNGs, Keppel Shipyard's track record includes specialised ship conversions of an oil tanker, refrigerated cargo vessel and container ship into livestock carriers and whaling vessels into ship factories.

Keppel Shipyard is reputed for fast track FPSO, FSO, FSRU and FLNG conversions, having completed more than 120 such projects.

From being the first shipyard in Asia to convert a tanker to an FPSO in 1981, Keppel Shipyard has advanced into completing the most number of FPSO, FSO, FSRU and FLNG conversion projects in the world to date.

Offshore Production
Keppel Shipyard's knowledge of production systems enables it to package comprehensive and cost-effective solutions for customers operating worldwide.

- *Topsides*
  Topside engineering, fabrication and integration are part and parcel of Keppel Shipyard's comprehensive solutions.

- *Turrets / Mooring Systems*
  Keppel Shipyard has the capability to undertake the fabrication, installation and integration of multiple mooring solutions such as internal and external moorings.

Yards & Facilities
In Singapore, Keppel Shipyard's three yards in Tuas, Benoi and Gul are within close proximity of each other, enabling it to fully optimise its resources and yard facilities with greater flexibility and cater to the increasingly complex needs of global customers.

Keppel Shipyard can undertake the repair and conversion of small and medium-sized vessels to the repair of a diverse range and capacity of vessels such as LNG carriers, livestock carriers, drilling tenders, and derrick lay barges, and is well-equipped with modern and comprehensive facilities such as its semi-automated pipeshop.

(ii) Keppel Philippines Marine

As a leading shipyard group in the Philippines, Keppel Philippines Marine, Inc ("**KPMI**") offers a broad spectrum of construction, conversion, repair and fabrication services to the offshore and marine industry. KPMI operates Keppel Batangas Shipyard and Keppel Subic Shipyard. Both yards have built up a strong history of on-time, on-budget deliveries of quality newbuild products and services.

Strategically located along the key Southeast Asian trade route, KPMI yards have established a reputation in the global market as a versatile, reliable shiprepairer with proven project management track record. Its location makes KPMI yards a choice partner for many ship owners.

As a shipbuilder, KPMI's Philippine shipyards have delivered over 100 vessels and offshore structures. KPMI continues to build its facilities and competencies to adapt to the evolving needs of the market while keeping steadfast in its commitment to safety and quality.

KPMI's Philippine yards have constructed sections for several semisubmersible oil rigs as an offshore structure fabricator with zero lost-time incidents. Keppel Subic Shipyard has ventured into fabrication work of an entire offshore structure, the Depletion Compression Platform (DCP), now deployed in the Malampaya gas field off the shores of Palawan, Philippines.

Keppel Batangas Shipyard ("**KBS**")

- *Shiprepair and Conversion*
  KBS has undertaken extensive repair works on a wide range of vessels including bulk and container carriers, multi-purpose barges, dredgers, offshore support vessels, tugs, passenger ferries, pleasure yachts, ocean research vessels, military and patrol crafts, fishing vessels, oil tankers and LPG tankers.

  Vessels coming in for various repair works are accommodated in the yard's 50,000 dwt capacity handymax graving dock or the shiplift system in conjunction with seven dry berths capable of docking vessels up to 20,000 dwt.

  Major conversion projects completed by KBS are the transformation of an oil tanker into an asphalt carrier and a bulk supply vessel into a double hull tanker, the conversion of a general cargo vessel into a container ship, a dredger into a container vessel and the jumboisation of a landing craft.

- *Shipbuilding*
  With its competitive pricing and product quality, KBS has a track record of more than 100 new buildings ranging from offshore oil rig sections, tankers, barges, tugs and landing crafts to asphalt carriers all classed to the standards of international classification societies.

- *Offshore structure fabrication*
  KBS is committed to deliver on its client's stringent requirements in safety and quality. Good teamwork with its customers and stakeholders has ensured completion and safe delivery of the lower hull structures of several ultra-deepwater semisubmersible oil rigs.

Keppel Subic Shipyard

Keppel Subic Shipyard Inc. ("**KSSI**"), a subsidiary of KPMI, provides a wide spectrum of repair, conversion and modification, new building, offshore structure and topside module fabrication services to ship owners and rig operators. Its shipyard is strategically located within the Subic Shipyard - Special Economic Zone in Subic, Zambales.

- *Shiprepair and conversion*
  KSSI has undertaken the repair and conversion of supertankers, including the conversion of a single hull tanker to double hull, demolition and marine-

related work for conversion to a FPSO vessel with extensive internal tank coating and steelworks. KSSI also specialises in coal transshipper conversion work and newbuildings, having completed several such projects in recent years.

The shipyard also routinely carries out specialised machinery reconditioning works and steel fabrication for land-based and marine or offshore structures.

- *Offshore structure and topside module fabrication*
  KSSI is growing its track record for a broad range of projects to include the fabrication of a Depletion Compression Platform (DCP) to support the recovery of natural gas from the Malampaya gas field located off Palawan islands. The yard is responsible for the fabrication of the entire DCP, including the fabrication and integration of the topside modules and fabrication of a link bridge that connects to an existing shallow water platform with complete topside modules built in a Philippine shipyard.

- *Shipbuilding*
  The shipyard is steadily growing its newbuilding track record.

- *Enhanced capabilities*
  With one of the largest drydocks and a 1,500 tonne lifting capacity gantry crane, the biggest of its kind in the Philippines, KSSI has the capability to do topside modules fabrication, offshore platforms and FPSO conversion and integration work.

  The drydock is capable of co-drydockings. Vessels or projects requiring a longer repair or fabrication period can be docked at the inner portion while the other section takes in vessels with shorter turnaround time. It can accommodate Very Large Crude Carriers, container ships and bulk carriers.

  KSSI has built additional capabilities with investment in a clean room facility, complete with overhead crane services, to be able to accommodate the delicate requirements for the repair and upgrading of Liquefied Natural Gas Carrier (LNGC) vessels. It also has dome houses and other equipment to support the operation. The yard has completed work for LNGC repair projects to include cargo valves, cargo pumps and spray pumps overhauling and testing.

<u>Yard Facilities</u>
Endowed with comprehensive facilities and a highly skilled workforce, each yard is equipped to provide a broad range of offshore and marine services.

(iii) Nakilat-Keppel O&M

Nakilat-Keppel O&M ("**N-KOM**") is a 50 hectare world-class shipyard facility jointly developed by Nakilat (80%), the world's leading transporter of liquefied natural gas, and KOM (20%), the global leader in offshore rig design and construction, ship repair and conversion, and specialised shipbuilding.

Located at the north-eastern tip of Qatar within the Ras Laffan Industrial City and close to the LNG terminals and the Ras Laffan Port, N-KOM boasts some of the most technologically advanced equipment for increased efficiency, quality and safety. The yard is designed with optimal flexibility to undertake the entire spectrum of repair, conversion and construction for a wide range of marine and offshore vessels and structures.

The state-of-the-art yard has been accredited by American Petroleum Institute (API) for its Integrated Management System covering ISO 9001 for Quality, OHSAS 18001 for Occupational Health & Safety and ISO 14001 for Environmental Management.

Replicating Keppel's proven management systems, N-KOM will further leverage the KOM Group's experience, expertise and resources to provide value-added offshore & marine solutions to meet the needs of an international clientele.

8.1.3 Specialised Shipbuilding[5]

The KOM Group's Specialised Shipbuilding Division, led by Keppel Singmarine, designs and builds a wide spectrum of highly specialised ships for a global clientele. It has the flexibility to customise vessels for every frontier, including some of the world's harshest environments.

Taking concepts into completion, it provides owners and operators with a one-stop hub for customised turnkey solutions.

<u>Customised solutions:</u>

- Multi-Purpose Offshore Support Vessels
- Anchor Handling Tug/Supply vessels
- Tugboats
- Icebreakers & ice-class support vessels
- Floating Storage Offloading vessels
- Pipelay ships

(i) Keppel Singmarine

Keppel Singmarine possesses a strong track record for reliable and versatile newbuild solutions. It has constructed some 400 ships of diverse types and sophistication levels for a global customer base.

<u>Design & Engineering – Proprietary Designs</u>
Keppel Singmarine offers turnkey solutions to customers by packaging critical equipment with its ship designs.

Its proprietary designs are developed in-house by the KOM Group's MTD unit.

Keppel Singmarine tailor-makes a full range of offshore support and maintenance vessels, including Anchor Handling Tug / Supply Vessels (AHTS), harbour tugs, Platform Supply Vessels (PSVs). It also has expertise

[5] Information in this paragraph 8.1.3 obtained and/or extracted from the website of KOM at https://www.keppelom.com/en/home.aspx on 6 September 2022.

in a wide range of critical components such as bulk cargo pressure-tanks, stern rollers and the latest propulsion concepts.

Committed to technology innovation, Keppel Singmarine continues to extend its strong design and engineering track record with larger and more sophisticated projects such as ice-class vessels for the Arctic and Caspian Sea.

<u>Newbuilding</u>
Keppel Singmarine's track record includes: Anchor handling tug/supply vessels, Platform supply vessels, Multipurpose construction vessels, Ice breakers, Ice-Class Floating Storage and Offloading vessel, Pipelay vessels, Cable laying vessels, Harbour and terminal tugs, and Well stimulation vessels

<u>Newbuilding – Ice-Class Vessels</u>

- *Asia's First Icebreakers*
  In 2008, Keppel Singmarine broke into the Arctic market. Working closely with Finnish designers ILS OY, it successfully delivered the first pair of icebreakers to be built in the tropics of Asia to LUKOIL-Kaliningradmorneft (LUKOIL).

  Built in compliance with the Russian Maritime Register of Shipping's standard, the two icebreakers, Varandey and Toboy, are capable of cutting through solid ice over 1.5 metres thick and operating in extreme temperatures as low as minus 45 degrees Celsius.

  To brave the challenges of this subzero environment, Keppel-designed integrated diesel electric propulsion system was incorporated into the vessels to improve their operating efficiency. In addition, the vessels are tailored strictly to the "Clean Design" and "Zero Discharge" standards to help mitigate the impact of icebreaking operations on the Arctic eco-system.

  Varandey and Toboy are currently operating in the Barents Sea of Russia, paving the way for ships to sail through ice-blocked seas, and assisting the manoeuvring, mooring and loading of tankers. The vessels' versatility is also of great value as it allows them to participate in fire fighting, emergency rescue operations, towing and supplies provision on the frozen terrain.

- *Caspian's First Ice-Class FSO*
  Delivered to LUKOIL-Nizhnevolzhskneft on time and within budget, Yuri Korchagin became the first ice-class Floating Storage and Offloading vessel to be completed and deployed in the Caspian region.

  The vessel is able to withstand ice conditions of minus 20 degrees Celsius and cut through ice as thick as 0.6 metres. It is meant for uninterrupted services in receiving crude oil from a fixed ice-resistant platoform (IFP-1) through single buoy mooring system, storage of oil onboard and finally offloading of oil to shuttle tankers.

- *Ice-Class AHTS/Rescue Vessels*
  The four ice-class AHTS/rescue vessels, Svetlyy, Vzmorye, Kogalym and Langepas, built for LUKOIL-Kaliningradmorneft, are deployed in the Caspian Sea region. They perform supply duty and rescue operations in temperatures as low as minus 20 degrees Celsius and ice thickness of up to 70 centimetres.

<u>Newbuilding – Offshore Support Vessels</u>
Keppel Singmarine is a leader in the design, engineering and construction of a wide variety of offshore support vessels for a worldwide clientele.

<u>Newbuilding – Specialised Vessels</u>
- *Global Pipelaying Solutions*
  Built for Global Industries, GLOBAL 1200 is the first new generation derrick pipelay vessel delivered by Keppel Singmarine. It comes with state-of-the-art pipelay systems and have the capability of operating in waters as deep as 3,000 metres.

  They are equipped with three tensioners of 125 tonnes each and are capable of laying pipes up to 63 inches in diameter and at a speed of 350 lengths of pipes per day. These dynamically-positioned S-lay vessels can be swiftly and economically deployed in offshore destinations worldwide.

  Global 1201 is the second new generation derrick pipelay vessel delivered by Keppel Singmarine to Global Industries safely, on time and within budget, following the successful delivery of Global 1200.

  Keppel Singmarine was awarded a S$50,000 bonus from Global Industries for achieving zero-incidents during the construction of this 162 metre-long double-hull vessel.

  This dynamically-positioned S-Lay vessel can operate in waters up to 3,000 metres deep, and complies fully with the International Maritime Organisation Special Purpose Ships codes.

- *Engineering Rock-Solid Solutions*
  - Keppel Singmarine is presently constructing a 159-metre long rock dumping fall pipe vessel for Dutch dredging and marine contractor, Royal Boskalis Westminster N.V.

    Rock dumping fall pipe vessels are capable of depositing large amounts of rocks in deep waters with great precision to protect and stabilise cables and oil and gas pipelines on the seabed.

    She will be installed with propulsion machinery and special rock handling equipment supplied by Boskalis to carry out precise rock depositing works at water depths of more than 1,000 metres with Dynamic Positioning II capabilities.

    This vessel will also have a flexible fall pipe with a Remotely Operated Vehicle installed at the lower end for better positioning

- ROCKPIPER is a new generation rock dumping fall pipe vessel delivered by Keppel Singmarine to Royal Boskalis Westminster N.V. Keppel Singmarine was awarded a S$25,000 safety bonus for achieving zero incidents in the conversion of the 159 metre-long double-hull vessel.

  Rock dumping fall pipe vessels are capable of depositing large amount of rocks in deep waters with great precision to protect and stabilize cables and oil and gas pipelines on the seabed.

  ROCKPIPER has a carrying capacity for 24,000 tonnes of rock and is equipped to carry put precise rock depositing works at water depths of more than 1,000 metres. Equipped with dynamic control, the vessel is able to navigate a specific path while lowering rocks through a fall pipe at a controlled rate.

- *Diving Support Solutions*
  MEGA BAKTI is a diving support vessel delivered by Keppel Singmarine to Target Resources Sendirian Bhd safely, on time and within budget.

  The 80-metre vessel is based on a new design developed by Keppel Singmarine's design arm, MTD, for Target Resources. To be deployed in Malaysia, the vessel is able to perform multiple functions such as submarine rescue, rescue intervention training as well as subsea installation and operations.

  This is the first diving support vessel Keppel Singmarine has built and the successful delivery of the highly specialised vessel was a demonstration of good design, detailed engineering and quality construction.

<u>Yard Facilities</u>
Keppel Singmarine's vessels are built in modules, with machinery and outfitting components almost completely installed prior to final assembly.

(ii) Keppel Nantong Shipyard

Keppel Nantong Shipyard is a robust engineer and builder of Anchor Handling Tug/Supply vessels, tugboats and offshore structures.

Located along the Yangtze River, about 150 kilometres north-west of Shanghai, Keppel Nantong Shipyard enjoys close proximity to supporting offshore and marine industries in the Municipality of Nantong.

Keppel Nantong Shipyard has the capacity to build 35,000 tonnes of offshore structures per year. With a total land area of 45 hectares and a 1 kilometre shore line, it features extensive berths, advanced mechanical transfer and launching systems, and comprehensive workshop facilities.

In 2015, Keppel Nantong Shipyard was recognised by the Russian Maritime Register of Shipping (RMRS) for building the first ice class vessel in China. The yard has also received several accolades in the past few years. In 2018, Keppel Nantong Shipyard was recertified with the China Level 1 Work Safety

Standard. It was also accorded the prestigious Industrial Excellence and Safety Excellence award by the Nantong Municipal People's Government in 2017.

Between 2016 and 2017, Keppel Nantong Shipyard was awarded contracts to build three 3500 cubic metres Trailing Suction Hopper Dredgers and two 7500 cubic metres LNG carriers. In 2018, it received new orders for a dual-fuel 7990DWT bunkering vessel and a 7500 cubic metres LNG bunkering vessel.

8.1.4 Other Services[6]

(i) Keppel Sea Scan

Keppel Sea Scan is a leading provider of offshore and marine accommodation works, procurement services, equipment leasing and lifeboat servicing.

Backed by 40 years of experience and more than 200 projects in its track record, Keppel Sea Scan's portfolio is spread across the world, with a focus on projects in Southeast Asia, the Americas, Eurasia and the Middle East.

(ii) Asian Lift

Operating some of the world's biggest and most powerful sheerleg cranes, Asian Lift is a leading provider of high quality and versatile heavy lifting services.

Forged from a strategic partnership between Keppel FELS and Smit (Singapore) in 1985, Asian Lift today has a strong presence in the Asia Pacific region and enjoys growing demand for its services in Europe and Central America.

Its current fleet of four sheerleg cranes offers a combined capacity of 6,600 mt for multiple crane lift operations. With a 3,200 tonne lifting capacity, Asian Hercules II is Asian Lift's most powerful crane and one of the largest sheerleg crane in Southeast Asia.

(iii) Regency Steel Japan

Established in 2004, Regency Steel Japan specialises in the fabrication of heavy steel structures and is a solutions provider for heat treatment of high-end steel products.

With the capability to handle projects of over 2,000 tons of steel, it is a world leader in the fabrication of rack and chord for jackup rigs for the offshore market.

For land-based markets, such as steel manufacturing, petrochemical, and industrial machinery, it is a lead fabricator for furnace converters, hot stoves, gas collector shells, rotary kilns and other steel structures.

[6] Information in this paragraph 8.1.4 obtained and/or extracted from the website of KOM at https://www.keppelom.com/en/home.aspx on 6 September 2022.

8.2 Highlights

The KOM Group's net order book, excluding the Sete rigs, was approximately $11.6 billion as at end September 2022[7]. The KOM Group has been focused on execution and pursuing new projects whilst delivering on its transformation objectives. The KOM Group was successful in securing new contracts, adding approximately S$256 million worth of new orders during the six months ended 30 June 2022. In May 2022, reflecting the improving sentiments in the oil and gas market, the KOM Group secured about S$255 million worth of bareboat charter contracts for four of its legacy jackup rigs, with charter periods of three to five years[8]. In addition, in August and September 2022, the KOM Group won international tenders from Brazil's National Oil Company, Petroleo Brasileiro S.A (Petrobras), for the EPC of P-80 and P-83, two FPSOs for about US$2.9 billion and US$2.8 billion respectively[9].

The KOM Group's sharpened focus on gas and renewables over the past few years has borne fruit. Today, the company's design and construction capabilities have expanded to meet a wide spectrum of offshore operating needs including floating production systems, various complex offshore structures, and importantly, the substations, foundations and installation and support vessels deployed in offshore wind farms.

The KOM Group had made significant headway into the offshore renewables market, securing S$720 million worth of contracts in 2019. Specifically, in May 2019, the KOM Group, through a consortium comprising Keppel FELS and Aibel AS, secured a contract from TenneT Offshore GmbH, a grid operator in the Netherlands and Germany, for the design, EPC, installation and commissioning of a 900 megawatt offshore high voltage direct current converter station and an onshore converter station.

Notably, in October 2020, the KOM Group secured a contract from Dominion Energy to build one of the world's largest offshore wind turbine installation vessels worth about S$600 million, a milestone which further entrenches the KOM Group's track record in the offshore renewable energy market[10].

In 2021, the KOM Group successfully completed its first two offshore wind substations for customer Ørsted, a Danish renewable energy company, which will be deployed in the Greater Changhua 1 & 2a offshore wind farms in Taiwan[11].

The KOM Group also designs and builds a wide spectrum of highly specialised vessels for a global clientele, including, inter alia, Van Oord, Jan De Nul Group and Stolt-Nielsen Gas B.V. It has the flexibility to customise vessels for every frontier, including some of the world's harshest environments. Taking concepts into completion, Keppel O&M provides owners and operators with a one-stop hub for customised solutions ranging from complex offshore support vessels to LNG carriers and bunker vessels to FSO vessels.

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[7] Information obtained and/or extracted from KCL's 3Q 9M 2022 update located at: https://links.sgx.com/FileOpen/TRSCR_Keppel%20Corporation%203Q%20and%209M%202022%20Business%20Update_Transcript%20of%20the%20Question%20and%20Answer%20Session.ashx?App=Announcement&FileID=735712.

[8] Information obtained and/or extracted from KCL's 1H 2022 results located at https://links.sgx.com/FileOpen/MREL_1.%20KCL%201H2022%20Financial%20Statements.ashx?App=Announcement&FileID=725101.

[9] Information obtained and/or extracted from KCL's announcements dated 15 August 2022 and 28 September 2022 located at https://links.sgx.com/FileOpen/MREL_Keppel%20wins%20newbuild%20FPSO%20P-80%20contract%20from%20Petrobras%20.ashx?App=Announcement&FileID=728733 and https://links.sgx.com/FileOpen/MREL_Keppel%20wins%20repeat%20FPSO%20P-83%20contract%20worth%20USD2.8b%20from%20Petrobras.ashx?App=Announcement&FileID=732785.

[10] Information obtained and/or extracted from the Keppel OC.

[11] Information obtained and/or extracted from KCL's 2021 Annual Report.

The KOM Group has a strong track record in the LNG space. Following the successful delivery and commercialisation of the Hilli Episeyo FLNG vessel in 2017, Keppel O&M is presently executing the full conversion works for the Gimi FLNG project for Golar LNG. When completed, the vessel, which is on a 20-year charter to BP, will be deployed at the Greater Tortue Ahmeyim field, offshore West Africa, further bolstering the market's confidence in the KOM Group's FLNG vessel conversion solutions.

In January 2021, the KOM Group delivered Singapore's first LNG bunkering vessel, FueLNG Bellina, to FueLNG. Built in the KOM Group's Nantong shipyard, FueLNG Bellina is the second LNG bunkering vessel and fifth dual-fuel vessel delivered by the KOM Group. In August 2021, the KOM Group also delivered Russia's first ice-class LNG bunkering vessel, Dmitry Mendeleev, to Shturman Koshelev LLC[12]. In July 2022, the KOM Group successfully delivered the first of two new build LNG-fuelled containerships to Pasha Hawaii, one of the leading shipping and logistics companies in the United States[13].

These LNG projects reflect the KOM Group's ability to leverage its newbuild and conversion expertise to customise solutions for customers across the gas value chain.

The KOM Group will continue to build on its strengths and pursue opportunities in floating infrastructure and infrastructure-like projects, including renewables projects, gas solutions, production assets and new energy solutions[14].

8.3 Product Showcase[15]

The KOM Group's proprietary rig and ship solutions are developed and refined with input from operators and drillers.

The Industry Workhorse - KFELS B Class
The KFELS B Class jackup rigs are able to operate in water depths of 400 feet, drilling depth of 30,000 feet and accommodate 150 men, and are readily upgradeable to higher performance capabilities. They incorporate Keppel's advanced and fully-automated high capacity rack and pinion elevating system, and Self-Positioning Fixation System.

Designed to provide maximum uptime with reduced emissions and discharges, such rigs are also known to be highly efficient drilling platforms with industry-leading features for safety and environmental friendliness. The KFELS B Class design was bestowed the Prestigious Engineering Achievement Award from Institution of Engineers Singapore in 2009.

From its launch since 2000, more than 30 units are already in the market. The innovative and cost-effective KFELS B Class jackup rig has proven itself to be the trusted, reliable workhorse of the industry, consistently delivering excellent operational and safety performance in major offshore exploration and development programmes in various locations.

Deeper Drilling Depths - KFELS Super B Class
The KFELS Super B Class, an enhanced version of the standard B Class, was an innovative answer to the call for extreme drilling rigs that can operate in deeper depths and at higher temperature and pressure levels. It is one of the world's deepest drilling rigs with drilling depth

[12] Information obtained and/or extracted from the Keppel OC.
[13] Information obtained and/or extracted from the website of KOM at https://www.keppelom.com/en/home.aspx on 6 September 2022.
[14] Information obtained and/or extracted from the Keppel OC.
[15] Information in this paragraph 8.3 obtained and/or extracted from the website of KOM at https://www.keppelom.com/en/home.aspx on 6 September 2022.

of 35,000 feet. This rig's leg structure is uniquely designed to provide enhanced robustness for operations at 425 feet water depth.

Featuring a combined drilling load up to 2,700 kips, the KFELS Super B Class rig is capable of drilling deep wells both vertically and horizontally. It features an offline stand building capability to handle drill pipes efficiently and includes a cantilever that can be skidded-off by 100 feet, and a high capacity hook load of two million pounds.

The Premium Harsh Environment Jackup - KFELS Super A Class

In 2011, Keppel FELS introduced a much-anticipated enhancement to its KFELS A Class design, the ultra premium harsh environment KFELS Super A Class. This design debuts at an opportune time when the industry is looking for newer and higher performance assets, which offer improved safety and better efficiency.

Engineered to provide operators with a viable and cost-effective solution for harsh environments and cold climate areas, this robust rig is well-suited to operate in various parts of the world including the UK, Danish and Dutch sectors of the North Sea.

New-Generation Harsh-Environment North Sea Jackup - KFELS N Class

Towering at 568 feet or about 56 storeys, the KFELS N Class rig can operate in harsh weather conditions in water depths ranging from 400 to 500 feet, which are 40 per cent. deeper than traditional units in benign waters, and drilling depths of 35,000 feet, 15 per cent. deeper compared to existing harsh environment jackup rigs.

The design is in full compliance with the demanding and technical challenging requirements of rigs operating in the Norwegian sector of the North Sea. The North Sea region is one of the world's harshest operating environments for offshore exploration and production.

The design also provides customers the flexibility of having a jackup unit that can undertake drilling and production activities concurrently. This state-of-the-art jackup drilling rig has features that readily accept process modules for production activities.

Versatile Wind Turbine Installation Solution - KFELS MPSEP

The KFELS multi-purpose self-elevating platform (MPSEP) is a cutting-edge wind turbine installation vessel that can withstand harsh offshore environmental conditions all year round in water depth of 65 metres in the North Sea.

Compared with existing wind turbine installation vessels, and the majority of those being constructed, this vessel can operate in some 45 per cent. deeper waters, while reducing downtime even in extreme storm conditions, thus providing a potentially longer operational window.

In addition to being well-suited for servicing offshore wind farms, it also meets all the stringent operating regulations of the offshore oil & gas industry and can support a wide range of related activities such as accommodation, well intervention, maintenance, construction and decommissioning.

Advanced Deepwater Technology - DSS™ Series of Semisubmersibles

Designed for maximum uptime with reduced emissions and discharges, the DSS™ Series of semisubmersibles is among the world's most technically advanced deepwater drilling rigs. These rigs can operate at a water depth of 3,000 metres (10,000 feet) and are suited to drill deep and complicated wells of 10,000 metres (30,000 feet).

Rigs in the series also have distinct ‘double-skin’ columns, which protect the critical equipment within from damage by external impact. This greatly reduces rig downtime in the case of hurricanes or strong climatic pressures out at sea. The layout of the engine rooms has also been designed to minimise the potential of both being shut down at the same time in an emergency.

With their robust features, DSS™ rigs are well-suited to operate in the deepwater golden triangle comprising offshore Brazil, West Africa and Gulf of Mexico, and may be further customised to meet the unique challenges of each location.

These well-established DSS™ Series of semisubmersibles are jointly designed by DTG and GustoMSC.

<u>Advanced Deepwater Rig - DSS™ 38E</u>
Advancing Keppel’s innovative suite of deepwater solutions, the DSSTM 38E is an enhancement of the DSSTM 38. It is rated to drill to depths of 10,000 metres below the rotary table in 3,000 metres water depth.

The DSSTM 38E has accommodation facilities to house a crew of up to 160 men. It has both vertical and horizontal riser storage. The vessel is also designed to keep position via eight azimuthing thrusters and the configuration complies with the American Bureau of Shipping’s Dynamic Position System (DPS-3) requirements.

Designed to maximize uptime with reduced emissions and discharges, the DSSTM 38 rig is well-suited to handle the operational requirements in the deepwater "Golden Triangle" region, which comprises Brazil, Africa and the Gulf of Mexico.

<u>Deepwater Solutions for Harsh Environment Drilling - DSS™ 51/60HE</u>
Keppel FELS has developed the sixth generation semisubmersibles capable of working in the harsh environments of the North Sea deepwater region.

The high-specification DSSTM 51HE and DSSTM 60HE semis are among the world’s most advanced drilling semis. Equipped with DP 3 capabilities, they have winterized features such as derrick cladding and machinery space heating.

Based on DTG and GustoMSC’s proven DSS series of designs, the rigs are capable of operating in water depths of up to 7,500 feet and drill up to 40,000 feet.

<u>Breakthrough Deepwater Concept - KFELS SSDT™</u>
Conventional drilling tenders can only be deployed next to fixed platforms, most of which are located in shallow waters. The purpose-built KFELS SSDT™ (semisubmersible drilling tender) has revolutionalised the way in which drilling tenders operate, allowing them to be deployed next to deepwater floating platforms for the first time.

The KFELS SSDT™’s superior hull form provides excellent motion characteristics which makes it possible for two massive floating platforms to work in close proximity of each other without the risk of a major collision. As opposed to traditional tender barges, the KFELS SSDT™ also features superior mooring capabilities and reliable station-keeping for better control.

The KFELS SSDT™ also contributes significantly to environmental protection, as well as the safety and well-being of operators.

Lightweight, safe and versatile solution to drilling operations - Slim Drillship

A product of close collaboration with Keppel FELS and Stena Drilling, KOMtech's slim drillship design is an optimal solution for overcoming challenges in deepwater subsea wellhead intervention operations.

KOMtech's slim drillship design is engineered to economically and effectively perform such well maintenance, intervention and light drilling operations. Equipped with dynamic positioning capabilities and utilising a high pressure riser, the slim drillship is capable of drilling and well intervention work in a maximum well depth of 22,500 feet below rotary table in water depths no deeper than 7,500 feet.

This drillship design offers distinct advantages against traditional drillships through application of slim hole drilling technologies to enable the drilling of slim exploration and development subsea wells and well interventions, which currently are only in use on land rigs or jackups and fixed production platforms offshore.

At 145 metres long, it is a fraction of the average size of a high performance deepwater drillship used in worldwide exploration and is optimised for drilling clusters of subsea wells.

Ice-Class Floating Storage And Offloading Solution - MTD 13028 FSO-IC

Delivered to LUKOIL-Nizhnevolzhskneft on time and within budget, Yuri Korchagin became the first ice-class Floating Storage and Offloading vessel to be completed and deployed in the Caspian region.

The FSO is able to withstand ice conditions of minus 20 degrees Celsius and cut through ice as thick as 0.6 metres. The FSO is meant for uninterrupted services in receiving crude oil from a fixed ice-resistant platoform (IFP-1) through single buoy mooring system, storage of oil onboard and finally offloading of oil to shuttle tankers.

The hull of FSO Yuri Korchagin was built in two longitudinal halves by Keppel Singmarine in Singapore. These were then towed some 11,000 kilometres and through the narrow Volga-Don River canal to Caspian Shipyard Company in Azerbaijan where the vessel was assembled and completed. The vessel's successful completion attests to KOM's ability to manage and execute massive projects seamlessly across various locations in world.

New Generation Accommodation Semisubmersible - SSAU4000NG

The SSAU4000NG is a new generation accommodation semisubmersible design capable of operating alongside fixed platforms, floating platforms and Floating Production Storage and Offloading vessels, with a full complement of deck cranes and fire-fighting capabilities.

It is an enhancement of the proven SSAUTM 3600 design with improved capability and operability.

Featuring the latest technology such as Dynamic Positioning 3 and enhanced station-keeping, the SSAU4000NG is meets the stringent UK Health, Safety & Environment requirements to work in the UK sector of the North Sea as well as the Gulf of Mexico, Brazil and Western Australia.

9. ACCREDITATIONS AND AWARDS

The table below sets out some of the certifications and accreditations which the KOM Group has received.

CERTIFICATE OR ACCREDITATION	DESCRIPTION
ISO 9001:2015 Quality Management System[16]	ISO 9001:2015 specifies requirements for a quality management system when an organization: a) needs to demonstrate its ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements, and b) aims to enhance customer satisfaction through the effective application of the system, including processes for improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements[17].
ISO 14001 Environmental Management System[16]	ISO 14001:2015 specifies the requirements for an environmental management system that an organization can use to enhance its environmental performance. ISO 14001:2015 is intended for use by an organization seeking to manage its environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability[17].
ISO 37001 Anti-Bribery Management System[18]	It's the International Standard that allows organizations of all types to prevent, detect and address bribery by adopting an anti-bribery policy, appointing a person to oversee anti-bribery compliance, training, risk assessments and due diligence on projects and business associates, implementing financial and commercial controls, and instituting reporting and investigation procedures[17].
ISO 45001 Occupational Health and Safety Management System[19]	The ISO 45001 certification provides a robust set of processes for improving HSE standards in global supply chains[19].

Over the years, the KOM Group has received awards and accolades from various government bodies and industry authorities. The following table sets out some of the awards and accolades which the KOM Group has received.

[16] Information obtained and/or extracted from the website of KOM at https://www.keppelom.com/en/home.aspx on 6 September 2022.
[17] Information obtained and/or extracted from the website of the International Organization for Standardization at https://www.iso.org/home.html on 11 January 2023.
[18] Information obtained and/or extracted from KCL's 2021 Annual Report.
[19] Information obtained and/or extracted from KCL's 2021 Sustainability Report.

YEAR	AWARD	DESCRIPTION	AWARDING ORGANISATION
2022	Outstanding Smart City Project, IDC Smart City Asia/Pacific Awards	This was awarded to Singapore's first floating Energy Storage System (ESS), jointly piloted by KOM and the Energy Market Authority (EMA)[20].	International Data Corporation Asia/Pacific
2022	WSH Safety and Health Award Recognition for Projects (SHARP)	KOM received 6 awards under the WSH SHARP category for exemplary project safety and health management systems[20].	Workplace Safety and Health Council, and Ministry of Manpower
2021		KOM received 13 awards under the WSH SHARP category[21].	
2020		KOM received 17 awards under the WSH SHARP category[22].	
2019		KOM received 12 awards under the WSH SHARP category[23].	
2018		KOM received 22 awards under the WSH SHARP category[24].	
2017		KOM received 28 awards under the WSH SHARP category[25].	
2022	WSH Innovation Award	KOM (New Builds Division) received the award for Project Robotic S.G.V, which eliminates the risk of working at heights as workers are able to use the Robotic S.G.V to inspect crane conditions at ground level and apply grease to crane wire ropes remotely[20].	Workplace Safety and Health Council, and Ministry of Manpower
2021		KOM (Conversions & Repairs Division) received the award for developing the Turn Table device, which is capable of holding and rotating loads of up to 23 tonnes. The device improved the manoeuvrability of heavy loads during shifting and lifting operations, significantly reducing the risks associated with workers being exposed to suspended loads. It also enhanced productivity by saving the time and manpower required for such operations by around 50 per cent.[21].	

[20] Information obtained and/or extracted from KCL's newsletter Issue 3/2022.
[21] Information obtained and/or extracted from KCL's 2021 Sustainability Report.
[22] Information obtained and/or extracted from KCL's 2020 Sustainability Report.
[23] Information obtained and/or extracted from KCL's 2019 Sustainability Report.
[24] Information obtained and/or extracted from KOM's newsletter Issue 3/2018.
[25] Information obtained and/or extracted from KOM's newsletter Issue 3/2017.

2020		KOM received the award for developing the PoRtable In-Situ Machine (PRISM) for safer and more efficient machining operations[26].	
2019		Keppel FELS received 2 WSH Innovation Awards for the Smart Robot, a smart unmanned inspection robot which eliminates the risks of having a person work within a confined space and reduced the number of man-hours required; and the iDiver, a remotely operated vehicle that can perform underwater inspections[27].	
2018		Keppel FELS received the award for its new shackle jig which improved the entire process of rigging and de-regging shackles used in the lifting of heavy blocks[24].	
2017		Keppel FELS received the award for the Handy Bolt and Nut Tightener, which improved work productivity and reduced the risk of finger injuries[25].	
2021	WSH Performance Award	KOM (New Builds Division) received the WSH Performance (Silver) Award which recognises companies that have implemented sound safety and health management systems and went to extraordinary lengths to safeguard their employees and contractors across all their worksites[19].	Workplace Safety and Health Council, and Ministry of Manpower
2020		KOM (New Builds Division) received the WSH Performance (Silver) Award[22].	
2019		Keppel FELS received the WSH Performance (Silver) Award[23].	
2018		Keppel Singmarine received the WSH Performance (Gold) Award for its outstanding safety record of over 2.5 million man-hours worked without any accidents in 2017; and Keppel FELS received the WSH Performance (Silver) Award[24].	

[26] Information obtained and/or extracted from KOM's newsletter Issue 1/2021.
[27] Information obtained and/or extracted from KOM's newsletter Issue 3/2019.

2017		Keppel FELS and Keppel Singmarine received the WSH Performance (Silver) Award[25].	
2021	New & Innovative Solutions Award, World of Safety & Health Asia Award 2021	KOM received two New & Innovative Solutions Awards for its Smart Glass Remote Inspection and Mobile Wearable Personal Device safety solutions for its operations[19].	World of Safety & Health Asia
2021	Supply Chain Organisation Award, International Association of Dredging Companies Safety Awards 2021	KOM (New Builds Division) received the award in recognition of its efforts to consistently improve and enhance its existing HSE management systems[19].	International Association of Dredging Companies
2021	World LNG Award 2021 for Outstanding Contribution	FueLNG, a joint venture between KOM and Shell Eastern Petroleum (Pte) Ltd, received the award for its industry-leading role in the LNG value chain, as well as for its contributions to the industry in areas such as innovation and knowledge[28].	World LNG Summit & Awards
2020	Talent Development Award, Seatrade Maritime Awards Asia	KOM received the award for its efforts in nurturing its workforce[29].	Seatrade Maritime
2019	U Safe Award (Champion Category)	Keppel FELS received the award for its innovative robotic diver which removed the need for divers to conduct hazardous underwater inspections[30].	National Trades Union Congress and supported by the Ministry of Manpower and the Workplace Safety and Health Council
2019	NS Advocate Award for Large Companies, Total Defence Awards	KOM Ltd and Keppel Shipyard received this award, which is valid for a period of three years and is the highest accolade acknowledging businesses for their exemplary support towards Total Defence and in particular, National Service[21].	Ministry of Defence

[28] Information obtained and/or extracted from KCL's media release dated 30 December 2021 located at https://www.kepcorp.com/en/media/media-releases-sgx-filings/fuelng-drives-adoption-of-lng-in-singapore-with-over-460-operations-conducted-in-2021/.
[29] Information obtained and/or extracted from KOM newsletter Issue 3/2020.
[30] Information obtained and/or extracted from KOM newsletter Issue 1/2020.

2019	Singapore Police Force Community Partnership Award	KOM received the award which recognises organisations for their close collaboration and partnership with the Police in ensuring a safe and secure environment[27].	Singapore Police Force
2019	Maritime Safety Initiative Award, Seatrade Maritime Awards Asia	Keppel Shipyard received the award for its efforts to promote a stronger safety culture[27].	Seatrade Maritime
2017		Keppel FELS received the award[31].	
2018	Ship Repair & Innovation Award, Seatrade Maritime Awards Asia	Keppel Shipyard received the award in recognition of its impressive track record in ship repair and conversion, which includes the conversion of a semisubmersible heavy lift vessel to a crane vessel in just eight months[24].	Seatrade Maritime
2018	Fuel Supplier of the Year, Lloyd's List Asia Pacific Awards	FueLNG received the award which recognises the role fuel suppliers play in influencing customers to be cleaner and more efficient[32].	Lloyd's List
2017	National Supercomputing Centre Outstanding High Performance Computing Industry Application Award	KOMtech received this award for its research and commercial efforts to tap computational power to drive innovation and raise productivity[33].	National Supercomputing Centre Singapore
2017	ITE 25th Anniversary Distinguished Partner Award	KOM received the award in recognition of its strong partnership with the Institute of Technical Education throughout the years[31].	Institute of Technical Education

10. People Development[34]

KOM invests in long-term skills training, mentorship, talent management and career planning to help its employees realise their full potential. Its structured and sustained manner of developing talent ensures that staff with high potential are given opportunities to prove themselves and be groomed for leadership positions.

10.1 Keppel Offshore & Marine Group Training Centre

The Keppel Offshore & Marine Group Training Centre builds on KOM's training roadmap actively to raise the skill sets, education standards and productivity of its workforce.

The Keppel Offshore & Marine Group Training Centre is recognised by the Workforce Singapore (WSG) for successfully implementing the Workplace Safety & Health for Marine Industry Workforce Skills Qualification course.

[31] Information obtained and/or extracted from KOM newsletter Issue 2/2017.
[32] Information obtained and/or extracted from KOM newsletter Issue 4/2018.
[33] Information obtained and/or extracted from KCL's 2017 Annual Report.
[34] Information in this paragraph 10 obtained and/or extracted from the website of KOM at https://www.keppelom.com/en/home.aspx on 6 September 2022.

KOM's human resources and production departments work closely to identify outstanding employees to undergo training courses such as the Modular Skills Training Programme.

The Employee Development Scheme (EDS) is another key programme under the Keppel Offshore & Marine Group Training Centre which serves to encourage staff to pursue further studies ranging from Higher NITEC courses to Masters programmes.

10.2 Mentoring Scheme

KOM's mentoring scheme enables its experienced employees to effectively pass on knowledge, skill sets and values to their newer colleagues, thus ensuring continuity and succession in its workforce. Guidance by mentors also helps accelerate the assimilation of new employees into the work environment and culture.

10.3 Apprenticeship Scheme

Started since the 1970s, the Keppel Apprenticeship Scheme is offered across KOM's yards worldwide to equip new recruits with strong skills in welding, piping, fabrication, marine technology and more.

To meet the changing needs of the KOM Group and the industry, the scheme continues to be honed and improved. Today, it offers a certified training curriculum that equips the trainees for a spectrum of trades in the offshore and marine industry.

In preparing trainees with essential skills for the industry, the scheme has also helped to enhance the employment quotient of the marine workforce in local communities, allowing them to adapt well to the job demands and challenges. Most trainees would go on to join Keppel yards upon graduation.

10.4 Employee Development Scheme

KOM provides sponsorships for deserving staff who would want to continue their studies through the Employee Development Scheme. This scheme will equip the staff with the relevant skills to apply to the company based on the knowledge gained from the schools.

The sponsorships include:

- Diplomas
- Specialist Diplomas
- Bachelor's degrees
- Master's degrees
- PhD

10.5 Keppel AmFELS

Keppel AmFELS offers various training and educational programs to enhance its employees' skills and advance their careers.

- *Classes and Workshops*
  On-demand classes, seminars and workshops ranging from academic to hands-on training can be arranged according to specific learning and organizational needs.
  - Computer technology
  - Management development

- Work skills development
- Occupational and environmental

- *Production Training Programs*
  Specialized in-house training programs provide customized skills development.
  - Welder training
  - Fitter training
  - Painting/Sandblasting training

- *Education Benefits*
  Upon eligibility, the Educational Assistance Program provides reimbursement of tuition and expenses for classes taken at a qualified university or higher educational institution.

10.6 KOMtech

KOMtech invests in long-term skills training, mentorship, talent management and career planning to help its employees realise their full potential. KOMtech also organises monthly activities for employees that emphasize healthy lifestyle, foster camaraderie and promote family get-togetherness as well as develop leadership and sportsmanship qualities.

11. RESEARCH AND DEVELOPMENT[35]

11.1 Keppel O&M Technology Centre

KOMtech is responsible for research and development, product development as well as process technology aimed at improving productivity in the KOM Group's yards.

Established in December 2007, it augments the commercialisation work of the existing three design and engineering units within the KOM Group - OTD, DTG and MTD.

Leveraging existing and proprietary technologies, KOMtech fulfils a key technology foresight role in advancing the KOM Group's thrust into new markets and opportunities, as well as developing innovative solutions that are commercially viable and adaptable to the needs of the industry.

Its scope includes technology foresight into alternative energy applications as well as developing designs, systems and critical equipment for rigs and ships.

R&D Focus
Commercial viability has always been the key focus of Keppel's technology innovation efforts. This forms the guiding principle for KOMtech in conducting the research and development of new solutions and enhancements to products and processes.

The ongoing research efforts in KOMtech include Arctic structures, drilling systems and mini-LNG supply-chain for associated gas. Other key areas of research also include the development of slim drillships and offshore wind energy research on self-installing platforms for substations, turbine foundations, wind turbine installation vessels and cable laying vessels.

[35] Information in this paragraph 11 obtained and/or extracted from the website of KOM at https://www.keppelom.com/en/home.aspx on 6 September 2022.

- *Arctic*
  The Arctic region is a challenging environment for oil production. Significant ice loads combine with shallow water and harsh temperatures which can plummet below minus 60 degrees Celsius present an array of challenges for vessel designs. Research areas related to Arctic region also include: Arctic Offshore Structure, Conceptual Design for Field Development, Lifeboat for Arctic Evacuation, Ice-Resistant Jackup, Mobile Ice-Resistant Drilling Unit.

- *Liquefied Natural Gas*
  With the growing need for LNG to supplement global natural gas supply, KOMtech is committed to lead the push for new technologies in all aspects of LNG development. LNG research areas include: LNG Regasification, LNG Liquefaction, LNG Offloading System, Small Scale LNG Carrier, FLNG Conversion.

- *Renewable Energy Systems*
  Several technologies for the renewable energy industry, especially wind energy have emerged and are continuously being improved. As such, KOMtech seeks to develop innovative solutions for the offshore wind industry by developing new technologies and achieve technology transfer from the oil and gas sector to renewable energy. Renewable Energy research areas include: Offshore Wind Turbine Installer, Wind Farm Cable Laying & Maintenance Vessel, Wind Turbine Substructures.

- *Deep Waters*
  Offshore oil and gas developments are steadily moving into deeper waters largely due to the depletion of known reserves in shallow waters and traditional offshore regions. These environments require complex engineering design and construction which are providing new technical challenges. Deep Water research areas include: Drilling System Layout, Computational fluid dynamics, Grouted connections for Semisubmersibles, FPSO Topsides, Slim Drillships, Anchor Handling Tugs, Platform Supply Vessel.

- *Shallow Waters*
  Offshore oil drilling in shallow waters is an established market. OTD has been successful in developing a series of proven jackup rig designs which have gained strong market acceptance.

  KOMtech complements its sister technological unit OTD with specialized expertise in drilling, offshore structures and corrosion. Shallow Water research areas include: Drilling System Layout, Predictions of Geotechnical Performance of Spudcan, Next generation jackup design, Self installation platform.

- *Brazil*
  Extendable Draft Semisubmersible (EDS) is a cost-effective, hybrid, ultra-deepwater, dry tree drilling semisubmersible. It can operate in water depth of 2,200 metres in the Santos Basin, offshore Southern Brazil. EDS wave basin model test was successfully conducted in LabOceano in May 2012. Classification societies, ABS and DNV, have acknowledged the feasibility and reliability of this concept for offshore Brazil ultra-deep waters.

- *Other Capabilities & Services*
  KOMtech provides technology support and services to business units in the KOM Group and partners from the academia and professional institutions.

  - Advanced Analysis for Offshore Applications

    - Computational Fluid Dynamics Analysis: Vessel Resistance Analysis; Wave Run-up and Air gap analysis
    - Impact Analysis: Motion Studies
    - Dynamic Analysis: Ice Sheet & JU legs interaction; Spud can penetration analysis
  - Cutting-edge Technology Solutions for Shipyard Processes
    - Process Automation: New Painting Process Technologies; Quayside Onboard Material Loading
    - Energy Management: Energy Audit; Energy Efficiency Improvement Technologies
  - Field Project Development Study
    - Feasibility Study: Economic Analysis
    - Conceptual Design: HYSIS Simulation; BOD, PFD, P&ID; Equipment List; Layout and Plot Plan
    - Project Cost Estimate
    - Logistic Studies
  - Advanced Offshore LNG Solution
    - LNG Supply Chain
    - LNG Bunkering
    - Liquefaction & Regasification

<u>Industry Partnerships</u>
Since its establishment in 2007, KOMtech has been actively engaging and collaborating with many industry partners and academic institutes such as Nanyang Technological University, National University of Singapore, Det Norske Veritas and University of Western Australia to enhance the KOM Group's technologies.

It has multiple Joint Industry Projects and collaborations with leading industry players where they drive innovation and advance technology that may be translated to products and services to yield economic benefit. Research collaborations also allow the pooling of resources and serves as a learning platform for the industry.

In addition, KOMtech also participated in forums, conferences and exhibitions to share and showcase its research and development of new solutions.

<u>Engagements for Brazil</u>
In 2012, KOM, KOMtech, National University of Singapore and FloaTEC formed a consortium named ƒ(K)N, or fKN. This consortium is committed to meet the challenges of deepwater developments in Brazil.

The consortium explores collaborations with Brazilian universities, research institutions as well as offshore and marine industry partners to develop technologies and training opportunities.

11.2 Offshore Technology Development

The KOM Group employs the foremost technology and techniques in the design of new generation jackup rigs and critical systems. Through OTD, the KOM Group has developed a series of proven jackup rig designs which have gained strong market acceptance:

- KFELS A Class Series
- KFELS B Class Series
- KFELS C Class
- KFELS G Class

- KFELS N Class
- KFELS MPSEP (multipurpose platform)

Design & Engineering

OTD has also patented several critical rig components including jacking, fixation, self-positioning and skidding systems, which are used on all Keppel FELS jackup rigs.

Equipped with a wealth of experience in multiple disciplines and industry-proven tools and software, OTD offers an extensive range of solutions, including structural, advanced structural, naval architecture and hydrodynamic consulting services.

Structural Engineering o *Global & Local Analysis & Design* o *Detailed FEA for Key Components* o *Finite Element Assessment of Frame and Plated structures* o *Jack up Structural Assessment & Modifications*	- Fast, practical and cost-effective solutions to suit customer needs. - Optimised and seamless designs via industry-recognised finite element software such as ANSYS, SACS and SESAM. - Finite element assessment or third party review for as-built structures or preliminary designs including frame, plated structures and key mechanical components. - After-sales consultancy services for design, assessment or modifications including leg lengthening, hull, jacking foundation, drill floor, cantilever, spud can, equipment foundation and ice-belt reinforcement.
Advanced Structural Engineering o *Rack Phase Difference (RPD) limit analysis* o *Ship impact analysis* o *Dropped object analysis* o *Vibration response analysis* o *Fatigue analysis* o *Push over analysis* o *Fire, Explosion and Earthquake analysis*	- Offshore accidents can cause sizeable damages and inflict significant costs. By utilising the inherent redundancy found in offshore structures, OTD helps rig operators assess and mitigate risks arising from accidental events. - OTD provides a suite of advanced assessments to evaluate structural robustness of the rig subjected to different accidental conditions. These assessments instil greater confidence in the rig design, allowing optimised weight and cost operations of the rig.
Naval Architecutre o *Hull form and stability* o *Wind heeling moment calculations* o *Water tight subdivision* o *NA General services*	- With extensive experience in naval structures such as jack ups and wind installation vessels, OTD's designs are tailored for good sea-keeping, low resistance and high propulsive efficiency. Catering to the market's foray into deeper waters, it has successfully tackled the challenge of carrying fully retracted long legs in numerous jack ups. - Trained in NAPA, OTD's naval architects are capable of designing customised stability for SPS vessels, including 3-D illustrated wind heeling moments.

Hydrodynamic Analysis o *Wave excitation force computation* o *Motion Analysis* o *Green water analysis* o *Offloading mooring analysis*	- Utilising proven 3D potential flow theory backed by Computational Fluid Dynamics (CFD), OTD's experienced hydrodynamic specialists accurately calculate wave forces to determine loads experienced on both fixed and floating bodies for a range of vessel types. - Backed by a large database of model tests and on-board measurements, OTD is able to confidently predict the motion performance of new vessel designs, allowing meaningful hull shape assessment at an early design stage. - OTD also offers a wide range of other hydrodynamic consultancy services such as offloading mooring analysis, DP calculation, propulsion and resistance calculation, speed and power performance prediction by virtual sea trials.
GeoTechnical Engineering Analysis o *Geotechnical Site Investigation Review* o *Leg Penetration Analysis* o *Foundation assessment* o *Other foundation types design*	- OTD's geotechnical team provides geotechnical consultation services to several rig operators such as Japan Drilling Co., Gulf Drilling International, Seafox and Aban Offshore and makes recommendations for site improvement to mitigate the potential geo-hazards. - Leg penetration behavior is crucial information for operators during jack-up leg lowering and preloading. Potential geotechnical hazards such as punch through can be identified early for mitigation measures. - Soil and foundation issues have caused numerous jack up accidents. Foundation assessments can be carried out to assess foundation bearing & sliding capacity as well as fixity stiffness. - OTD's geotechnical specialists offer a wide range of foundation types such as caisson, mat foundation, pile foundation, gravity base and hybrid foundation customised to different soil conditions and operational requirements. OTD's patented hybrid foundation design combines the merits of suction caisson and mat foundation.

Offshore Installation Engineering o *Jack-up site-specific assessment* o *Leg punch through capability assessment* o *Going on/off location analysis* o *RPD Training*	- OTD provides site specific assessment for quick evaluation of jack up's performance to operate in specific sites based on environmental, elevated configuration and geotechnical conditions. The assessment can be done in accordance to SNAME 5-5A, ISO 19905-1 and/or any specific requirements. - OTD offers punch through capability assessments to assess the leg strength and holding system under simulated punch through conditions. This gives rig operators or owners a clear understanding and assessment of potential risks and allows them to plan for mitigation in advance. - OTD also provides going on/off location analysis, based on factors such as given sea state and specific loading conditions, to determine the respective allowable motion curve and safe over draft limit. - OTD's team can also provide Rack Phase Difference (RPD) training for the rig crew to be equipped with RPD management skills during rig moves. - OTD's clientele includes Transocean Ltd, Rowan, Seafox, PV Drilling, Hercules Offshore, and Aban Offshore. Previous assessments have been conducted for Ekofisk Field, Hejre Field, West and East India, Gulf of Thailand.
Incident Support o *On-site deployment for Preliminary Damage Assessment and Rig Recovery* o *Concurrent Structural and Naval Architectural Analyses for incident damage assessment and rig recovery*	- OTD has a team of technical specialists ready to provide emergency response and engineering support to assist clients in dealing with incidents. The range of technical support includes rig recovery, on-site deployment for preliminary damage assessment and recommendations to recover the rig. - OTD is able to concurrently carry out structural and naval architectural analyses for incident damage assessment as well as rig recovery. - OTD's clientele includes Gulf Drilling International, ENSCO Plc, PV Drilling, and Atwood Beacon.

Offshore

OTD specialises in the design and production of customised systems to meet a variety of requirements. OTD has an extensive range of reliable and cost-effective offshore systems components which include elevating systems, fixation systems, skidding systems and tubular systems.

Elevating System o *Electric Rack & Pinion Jacking System* o *Hydraulic Rack & Pinion Jacking System* o *Cylinder Jacking System*	- Cost effective and reliable system for over 100 vessels worldwide. - Capable of lifting a load upwards of 93,600 kips. - Designed and built in compliance with ABS/DNV rules for self-elevating platforms/ vessels.

Fixation System o *Self-positioning Fixation System*	- Able to hold up to 25,000 kips per leg chord. - Automatic, minimising human intervention and reducing operation time. - Designed and built in compliance with ABS/DNV rules for self-elevating jack up rigs.
Conductor Tensioner Unit o *Conductor Tensioning Unit (Push)* o *Conductor Tensioning Unit (Pull)*	- Latest innovation in Conductor Tensioning Units, using Hydraulic Tensioning Cylinders with a dedicated Hydraulic Power Unit (HPU) and an integrated control panel. - Customisable to suit the customer's requirements.
OTD Catwalk	- Designed for jackup drilling rigs operating in an offshore environment. - Automatic transfer of drilling and completion tubular from the cantilever pipe storage area to the mouse-hole and well centre pick-up positions on the drill floor. - Improves rig safety and capabilities.
Winch System o *Mooring / Anchor* o *Traction & Storage / Water Fall* o *Riser-Pulling / Chain Jacking*	- Customised range of winches and fairleads solutions for jackup rigs and semisubmersible rigs. - Safe, reliable, easy-to-handle, low maintenance and environmentally friendly. - Designed and built in accordance to ABS/DNV rules.
Skidding System o *Lift & Roll System (Hydraulic)* o *Hydraulic Cylinder Skidding System* o *Electric Rack & Pinion Skidding System* o *Hydraulic Gripper*	- Tracks and records the skidding of massive structures of up to 3,700 tonnes. - Designed and built in compliance with Classification rules.
Pressure Vessels o *Bulk Tank / Surge Tank* o *Air Receivers / Cyclone Separators / Dust Collector*	- Customised Pressure Vessel design. - Tailored for operations in harsh environments i.e. Design pressures ranging from 45 to 165 psi and operating temperatures from minus 10 to 100 degrees Celsius. - Conforms to the latest edition of ASME Boiler and Pressure Vessel Code, as well as rules and regulations of American Bureau of Shipping (ABS), Det Norske Veritas and PETROBAS N-13 standards.
Thruster o *Azimuth Thruster* o *Tunnel Thruster*	- Joint-collaboration with ZF Marine Krimpen. - High quality and reliable.
Greasing System	- Semi-automatic greasing system. - Cost effective. - Eliminates the need for manual greasing during every rack & pinion movement operation.

Weighing System o *Electronic weighing system* o *Hydraulic weighing system*	- Monitors the weight of contents in tanks by using electronic hydraulic load cells. - Fulfils the market's need for precision and immediate data monitoring of tank status.

<u>Marine</u>

OTD is at the forefront of designing quality systems and products for the marine industry. Its suite of marine systems and components includes skidding systems, winches and pressure vessels.

Elevating System o *Electric Rack & Pinion Jacking System* o *Hydraulic Rack & Pinion Jacking System* o *Cylinder Jacking System*	- Cost effective and reliable system for over 100 vessels worldwide. - Capable of lifting a load upwards of 93,600 kips. - Designed and built in compliance with ABS/DNV rules for self-elevating platforms/ vessels.
Skidding System o *Lift & Roll System (Hydraulic)* o *Hydraulic Cylinder Skidding System* o *Electric Rack & Pinion Skidding System* o *Hydraulic Gripper*	- Tracks and records the skidding of massive structures of up to 3,700 tonnes. - Designed and built in compliance with Classification rules.
Weighing System o *Electronic weighing system* o *Hydraulic weighing system*	- Monitors the weight of contents in tanks by using electronic hydraulic load cells. - Fulfils the market's need for precision and immediate data monitoring of tank status.
LNG Transfer System o *Ship-to-Ship LNG Transfer System*	- OTD offers an efficient ship-to-ship LNG transfer system that minimises both human intervention and connection time. - Multiple hoses are lifted together and simultaneously connected. This improves productivity compared to the conventional way of fitting hoses one at a time. - This method of handling also reduces human intervention, curtailing the risk of human error.
Winch System o *Mooring / Anchor* o *Traction & Storage / Water Fall* o *Riser-Pulling / Chain Jacking*	- Customised range of winches and fairleads solutions for jackup rigs and semisubmersible rigs. - Safe, reliable, easy-to-handle, low maintenance and environmentally friendly. - Designed and built in accordance to ABS/DNV rules.
Thruster o *Azimuth Thruster* o *Tunnel Thruster*	- Joint-collaboration with ZF Marine Krimpen. - High quality and reliable.
Greasing System	- Semi-automatic greasing system. - Cost effective. - Eliminates the need for manual greasing during every rack & pinion movement operation.

Shiplift System *ShipLift is a self-propelled, portable or moveable lift system capable of elevating marine crafts- such as ships, vessels and yachts- to multi-storey workshops.*	- Transporter/elevator designed and built for moving ships or marine crafts. - Suited for Multi-Users Yard where house various fabrication or repair facilities. - Typical payload size for the ShipLift is a ship size of 50 metres x 12 metres x 18 metres, with a weight of 350 megatonnes. - Lifting height of approximately 25 metres. - Safety Features include Auto-locking system, Safe braking devices, and Level monitoring system. - Customisable.

<u>Scada & Rig Move</u>

Reliable monitoring and control systems for offshore & marine infrastructure significantly help detect and even eliminate unforeseen circumstances and human error. OTD is committed to the design and provision of highly reliable, cost effective and robust monitoring systems.

Rack Phase Differential (RPD) Monitoring	- Designed to work with any type of jacking system as a stand-alone system for new installation or retrofit projects. - Utilises rotary sensors to track the travelling distance on each chord and simultaneously compute the RPD for each leg. - Monitoring of RPD to ensure it is within allowable limits.
Crane Load Monitoring	- The complete solution that can be applied to any crane type. - Capabilities include the continuous tracking of the individual hoist load, computation of corresponding outreach and monitoring of total lifting load based on the design load limits. - Ensures continuous, smooth and safe lifting operation.
Dynamic Lift Monitoring	- Designed for transfer of cargo between ships or between floating and fixed platforms. - Adopts wireless communication to provide real-time motion information of primary and target vessels. - Reduces load impact and rope tension during transfer.
Vessel Motion Monitoring	- Accurate monitoring of vessel/platform motion during tow operations in harsh sea environments. - Real time comparison of vessel motion against the critical design limits. - Adopts wireless communication for the sensors. - Easy transfer and quick installation on different vessels.

Leg Impact Monitoring	- High technology sensors monitor the distance between leg bottom and seabed, alerting the operator when the vessel motion is reaching the allowable limits. - Adopts wireless communication for the sensors. - Easy transfer and quick installation on different vessels.
Leg Penetration Monitoring	- High technology sensors monitor the leg reaction on each leg against the vessel penetration curves during pre-loading operations. - Adopts wireless communication for the sensors. - Easy transfer and quick installation on different vessels.
Vessel Stability	- Capable of calculating loads exerted on the platform for any given operation. - Generates comprehensive reports for the rig crew to efficiently plan daily operations and execute activities safely.

After Sales

OTD has a dedicated service team on standby round the clock to ensure maximum up-time for its customers' OTD system. OTD's team is equipped to provide a full range of services including inspection, troubleshooting, commissioning, maintenance, repair and operations. The experienced service team is able to service more than 100 different jackup rig designs and can be on site as quickly as within 24 hours of activation.

Operational Inspection	- An error in the Jacking and Fixation System during rig moving operations can be very costly. This can happen due to the tempering of the OTD system by third party inspectors or unauthorised personnel. - Pre-jacking and during-jacking inspections by the OTD Service Team provide important information on the actual condition of jacking and fixation equipment, which can be overlooked or undetected during routine maintenance by the rig crew. - OTD's operational inspection service is designed for safe and cost-effective rig move operations.
Periodical Inspection	- Numerous third party inspections offer general system inspection without trained inspectors or the relevant component design data. These inspections provide inaccurate system health assessment and can create vulnerabilities in your OTD system. - With accurate system design information and support from OTD product design engineers, OTD's OEM-trained Service Team is capable of delivering effective yearly inspections to ensure hassle-free rig operations. - In addition to standard periodical inspections, the OTD Service Team provides other specialised services such as: Borescope Inspection, Thermographic Inspection, Vibration Diagnostics, UAV Drone Inspection.

Maintenance/ Technical Support	Customers engaging OTD's Service Teams to conduct Periodical Inspection/Maintenance also have the option of alternative offsite technical support via a Customer Care Hotline. Using information collected from previous site assessments, OTD service engineers provide rig personnel with swift technical support 24 hours a day, 7 days a week.
Product Training	- Improper OTD system handling, maintenance and troubleshooting can result in monetary losses and operation time-loss, especially when rig crew are not professionally trained to handle the system. - Equipped with knowledge of OTD systems of over 100 vessels, the OTD Service Team offers comprehensive operator training packages designed to provide rig personnel with important OTD Product knowledge and skills needed in effective rig operation and maintenance.
Inspection, Repair and Overhauling (I.R.O.)	- A reliable service partner I.R.O. services is critical in delivering cost effective service programmes and minimising system downtime. - With the support of the KOM Group's 20 yards and engineering offices, OTD's Service Team offers the complete I.R.O package. - OTD's OEM specialists also provide complete overhauling services to extend OTD product life, as well as detailed inspection/analysis coverage to preserve day rates.
Spare Parts	- Although aftermarket components may look the same, the version and performance can greatly differ and cause setbacks to the OTD system. - With a vast in-house OTD component design engineering library and extensive logistics support, OTD's Service Team is capable of preparing and delivering the right component to a customer's doorstep anywhere in the world, and at the shortest time possible. - By maintaining a wide-ranging OTD product component inventory, the Service Team optimises parts availability and eliminates system downtime. - OTD devises strategies that ensure the continuity of rig operations. This is supported by the provision of operational parts and critical spares throughout the lifetime of the rig.

11.3 Deepwater Technology Group

The KOM Group is the only global offshore and marine group to possess a suite of in-house deepwater rig designs.

Through DTG, the KOM Group provides design and engineering solutions spanning semisubmersibles and various floating structures such as drilling tenders, accommodation semisubmersibles and drillships. Its range of deepwater solutions is further enhanced through FloaTEC LLC, KOM's joint venture with J.Ray McDermott, which specialises in floating production systems.

Semisubmersibles	- KFELS DSS™ Series - ESemi II - KFELS SSDT™ 3600E (drilling tender) - DSS™ 20NS (floating accommodation) - SSAU™ 3600 (floating accommodation)
Drillships	- DrillDeep DS10000 - DrillDeep DS12000
Floating Production Systems	- Extended Tension Leg Platform - Extendable Draft Semi Submersible - DeepDraft Semi
Research and Development	- WaveRun Joint Industry Project - Current Affairs Joint Industry Project - Ice Effect on Arctic Offshore Structures - Grouted Connection Testing

11.4 Gas Technology Development ("GTD")

The KOM Group brings together its research & development capabilities, marine conversion and shipbuilding expertise to develop a suite of robust solutions that can monetise LNG in a fast and cost-efficient way.

Set up in 2015, GTD focuses and augments Keppel's efforts in providing the following suite of gas solutions: gas to LNG, LNG to gas, LNG to users, LNG to power and utilise LNG as fuel.

<u>Gas to LNG - Liquefaction solutions</u>
Economical, safe and quick to market - GTD's innovative offshore and onshore liquefaction solutions address the growing midstream needs of the LNG industry. It is a result of Keppel's proprietary liquefaction technology, PreNEx, and over 35 years of experience and expertise in conversion and modularisation.

<u>LNG to Gas - Regasification and storage solutions</u>
The KOM Group has a strong track record in the conversion of Floating Storage and Regasification Units, which enables customers to bring their gas to markets in a fast and cost effective manner, as opposed to conventional land-based terminals.

<u>LNG to users - Transportation and bunkering solutions</u>
The KOM Group has designed a range of robust carriers ranging from 3,000 cubic metres to 30,000 cubmic metres capacity with non-propelled or self-propelled designs that can deliver LNG along shallow water rivers, coastal areas and inter-islands.

LNG to power - Bringing power to users

The KOM Group's LNG-fuelled power barges are designed with enhanced efficiency and can be installed quickly and economically.

LNG as fuel - Engine conversion

With the world embracing cleaner emissions, the KOM Group is well-placed to provide retrofit solutions and newbuild designs for dual-fuel (diesel/LNG) propulsion systems.

12. CORPORATE SOCIAL RESPONSIBILITY

12.1 Environment

The KOM Group continues to seize opportunities in renewables and gas solutions, which made up 39 per cent. of its order book as at end-2021[36].

As a founding partner of the Energy Efficiency National Partnership (EENP) programme launched by the National Environment Agency, Keppel FELS seeks to help advance Singapore's sustainable development blueprint as well as step up its continuous efforts to adopt best practices[37].

12.1.1 Operations[38]

(i) Steel is the primary raw material used in the fabrication of parts and construction of various offshore and marine vessels. KOM's shipyards have established a robust quality assurance management system with a 'getting it right the first time' philosophy to minimise any rejects and wastage of steel. In the event of any discards or rejects, such steel parts are recycled to scrap dealers and not disposed to landfill or incineration.

(ii) The offshore vessels and ships that KOM builds comply with all six technical annexes of the international convention for the prevention of pollution from ships (MARPOL 73/78) which is the main international convention covering prevention of pollution of the marine environment by ships.

(iii) KOM has an installation of PV panels spanning 52,800 square metres on the rooftops of its shipyards. In 2021, these panels generated approximately 8.8 million kWh of renewable energy which helped to reduce emissions from yard operations.

12.1.2 Floating Living Lab[39]

KOM is developing the Floating Living Lab (FLL), a first-of-its-kind floating launchpad for the development and test bedding of sustainable marine solutions in Singapore, which will be used to testbed the electric vessel charging infrastructure. In addition, the FLL will facilitate the use of renewable energy such as solar energy in the charging infrastructure. In 2021, KOM and the Energy Market Authority jointly awarded a research grant to pilot Singapore's first floating Energy Storage System (ESS) on the

[36] Information obtained and/or extracted from KCL's 2021 Annual Report.
[37] Information obtained and/or extracted from the website of KOM at https://www.keppelom.com/en/home.aspx on 6 September 2022.
[38] Information in this paragraph 12.1.1 obtained and/or extracted from KCL's 2021 Sustainability Report.
[39] Information in this paragraph 12.1.2 obtained and/or extracted from KCL's 2021 Sustainability Report.

floating living lab. The ESS can potentially reduce the footprint required for deployment by up to 40 per cent.. In addition, the ESS will be integrated with a smart energy management system which is supported by artificial intelligence and machine learning algorithms to enhance its operational efficiency.

12.1.3 Exploration of Ammonia as Marine Fuel[40]

In 2021, Sumitomo Corporation and Keppel FELS, signed a Memorandum of Understanding (MOU) to explore the feasibility and implementation of various ammonia fuel applications in Singapore.

Ammonia, a compound of hydrogen and nitrogen, emits no carbon dioxide when combusted, and therefore has long been considered as a next-generation fuel for thermal power generation and large ocean-going vessels. Ammonia is also expected to play a role as an energy carrier for hydrogen since it is easier to liquefy and transport than hydrogen.

Through this MOU, Sumitomo Corporation and KOM will work on the implementation of ammonia bunkering in Singapore, with the aim to commence commercial operations in the mid-2020s. Sumitomo Corporation and KOM will accelerate the development of an ammonia bunkering vessel in coordination with the relevant authorities, expediting the implementation of ammonia bunkering in Singapore and contributing to the realization of zero carbon shipping. Sumitomo Corporation and KOM will also work to expand the ammonia value chain in Singapore.

12.1.4 First dual-fuel dredger in Singapore[41]

In April 2022, KOM delivered the first dual-fuel Trailing Suction Hopper Dredger (TSHD) built in Singapore to Van Oord with no loss-time incidents. Named Vox Ariane, the high-specification dredger has a hopper capacity of 10,500 cubic metres and can run on LNG. It is the sixth dredger built by KOM, and the first to be delivered to Van Oord. The KOM is also currently building two more identical dredgers for Van Oord, named Vox Apolonia and Vox Alexia.

Built to the requirements of the International Maritime Organisation's (IMO) Tier III regulations, the Dutch flagged Vox Ariane includes several features that considerably reduce fuel consumption and carbon emissions. It is also equipped with innovative and sustainable systems and has obtained the Green Passport and Clean Ship Notation by Bureau Veritas.

12.2 Labour[42]

Migrant workers are an important part of KOM's workforce. In line with its efforts to enhance the well-being of migrant workers, KOM wrote to its contractors and employment agents in 2021 to require that they abide by the Dhaka Principles for Migration with Dignity going forward. The Dhaka Principles are a set of human rights-based principles to enhance respect for the rights of migrant workers from the moment of recruitment, during overseas employment, and through

[40] Information in this paragraph 12.1.3 obtained and/or extracted from KOM's media release dated 27 December 2021 located at https://www.keppelom.com/en/news-item.aspx?sid=2605&aid=13521&title=sumitomo-corporation-and-keppel-offshore--marine-enter-mou-to-explore-ammonia-fuel-business-in-singapore.

[41] Information in this paragraph 12.1.4 obtained and/or extracted from KOM's media release dated 20 April 2022 located at https://www.keppelom.com/en/news-item.aspx?sid=2605&aid=14801&title=keppel-om-delivers-the-first-dual-fuel-dredger-in-singapore.

[42] Information in this paragraph 12.2 obtained and/or extracted from KCL's 2021 Sustainability Report.

to safe return to home countries. The principles include no charging of recruitment or placement fees to migrant workers, the provision of clear and transparent worker contracts and safe and decent living conditions, among others.

KOM conducts regular internal audits of resident subcontractors to ensure their adherence to the International Labour Organisation's declaration on fundamental principles and rights at work and Singapore's Ministry of Manpower marine sponsorship scheme requirements for the employment of local and foreign employees.

The scope of these audits includes fair remuneration, living standards, workplace safety, as well as abuse and harassment. KOM ensures that monthly interviews are done directly with subcontract workers on a rotational basis to determine their levels of satisfaction pertaining to the above topics. The respective management of the subcontractor companies are then required to address any areas of concern, under a structured mechanism of monitoring and close out.

KOM also conducts outreach programmes and briefings to subcontractor workers to inform them of their employment rights, and the available channels to report any violation of their rights. It also collaborates with Singapore's Ministry of Manpower to raise awareness among subcontractors on the common breaches in the industry in relation to the requirements under the Marine Sponsorship Scheme.

12.3 Safety

Health, Safety & Environment (HSE) is the KOM Group's top priority. Motivated to create a zero-incident workplace, the KOM Group is constantly improving and innovating to eliminate risks to its people, property and the environment and continuously driving a strong safety culture through leadership, education, empowerment and stakeholders' involvement in its effort.

Together with its customers and government authorities, the KOM Group equips every worker and subcontractor with the right skills and exhort them to adopt safe work practices as a way of life[43].

12.3.1 bizSAFE[44]

As a bizSAFE partner under the Workplace Safety and Health (WSH) Council's bizSAFE programme, which is a nationally recognised capability building programme designed to help companies in Singapore build workplace safety and health capabilities, KOM actively encourages its contractors to progress through the five levels of the bizSAFE programme. Since 2018, KOM has imposed the requirement for resident contractors to have a bizSAFE Level 4 (second-highest) certification before they can undertake work at its yards.

12.3.2 Smart Wearables[45]

KOM and M1, together with other partners, also collaborated on a smart wearables initiative to improve workforce safety and productivity. Samsung smart watches equipped with features such as heart rate monitoring and fall detection have been distributed to workers. If a wearer is in distress, an SOS signal can be triggered via the

[43] Information obtained and/or extracted from the website of KOM at https://www.keppelom.com/en/home.aspx on 6 September 2022.
[44] Information in this paragraph 12.3.1 obtained and/or extracted from KCL's 2021 Sustainability Report.
[45] Information in this paragraph 12.3.2 obtained and/or extracted from KCL's 2021 Sustainability Report.

smart watch to seek immediate assistance. The smart watch can provide the real-time position of the wearer for emergency response teams, should incidents occur, and is also equipped with features to facilitate COVID-19 safe management measures.

12.4 Community Engagement[46]

12.4.1 Business & Industry

Through the Keppel Professorship at the National University of Singapore, KOM has been aiding the initiation of research projects, as well as product and technology development in the offshore and marine industry since 2002. A public lecture is also conducted annually by an eminent academic appointed to the Chair of the Keppel Professorship.

As a founding member of National University of Singapore's Centre for Offshore, Research and Engineering (CORE), KOM continues to facilitate joint participation in R&D by the industry, institutions and government agencies. KOM also supports the annual Chua Chor Teck Memorial Lecture organised by the Society of Naval Architects & Marine Engineers Singapore.

KOM takes an active role in promoting Singapore as an International Maritime Centre. It continues to sustain a significant presence as anchor supporters or key presenters at international conventions such as the Offshore Technology Conference (OTC) in Houston, and Sea Asia and Latin Asia Business Forum in Singapore.

12.4.2 KOM Scholarships

KOM offers scholarships at the Higher Nitec, Diploma and Undergraduate level. The scholarship packages provide deserving students, who have the passion in the offshore and marine industry, with a rewarding career.

12.4.3 Joint Scholarships with Association of Singapore Marine Industries ("ASMI")

KOM offers scholarships jointly with ASMI and its member companies.

12.4.4 Keppel AmFELS

Keppel AmFELS has grown its role as a responsible corporate citizen and continues to back the local community through consistent support in the areas of education, health and community welfare.

Over the years, Keppel AmFELS has contributed over US$2 million to improve the lives of families and children in Brownsville through the non-profit volunteer organization, United Way of Southern Cameron County (United Way). In addition to donations from employees, the yard also consistently supplied manpower and logistical resources to support United Way's fundraising events.

Keppel AmFELS' Annual Charity Golf Tournament is an event which attracts strong support from employees, customers and partners. In 2015, the funds raised from the

[46] Information in this paragraph 12.4 obtained and/or extracted from the website of KOM at https://www.keppelom.com/en/home.aspx on 6 September 2022.

tournament were pledged to the Camille Playhouse, Community Development Corporation of Brownsville - YouthBuild, Tip of Texas Family Outreach and Keppel AmFELS Scholarship Endowment Fund.

Since its inception in 2004, the tournament has donated over US$600,000 to local charities and various scholarship programs including the Cameron County Advocacy Center, Children's Museum, Child Welfare Board of Cameron County, University of Texas Art Center, Rio Grande Valley Food Bank, Gladys Porter Zoo, Partners for Post-secondary Success, Moody Clinic, Cameron Family Network, Good Neighbor Settlement House, Community Health Center, Friendship of Women, Proyecto Juan Diego, Ozanam Homeless Center, Brownsville Museum of Fine Arts, and the Brownsville Literacy Center.

Another annual tradition for the employees of Keppel AmFELS includes pooling efforts and resources to participate in toy collection drives for the Tip of Texas Family Outreach Agency, Texas Department of Family and Protective Service, and the Brownsville Fire Department's Christmas Giveaway. Benefitting those who have been neglected or abused, many employees opened their hearts to fulfill the wishes of these underprivileged children.

12.4.5 Keppel Philippines Marine

KPMI regularly spearheads and engages in activities to improve the well-being and welfare of others as well as protect the Philippines's rich heritage. Active volunteers, KPMI employees have provided valuable support to a range of causes including raising funds to educate out-of-school youths, cleaning up beaches and building homes for poor families.

13. LITIGATION, CLAIMS AND OTHER PROCEEDINGS[47]

13.1 EIG Energy Fund XIV, L.P., et al. v. Keppel Offshore & Marine Ltd., (United States District Court, Southern District of New York)

In February 2018, the KOM Group was served a summons by eight investment funds ("**Plaintiffs**") managed by EIG Management Company, LLC ("**EIG**") where a civil action was commenced by the Plaintiffs pursuant to the Racketeer Influenced and Corrupt Organizations Act ("**RICO**") in the United States District Court, Southern District of New York. In April 2018, the Plaintiffs added, among other things, a state law claim for aiding and abetting fraud. In May 2020, the Court dismissed the Plaintiffs' civil RICO conspiracy claim but denied the KOM Group's motion to dismiss the Plaintiff's claim on aiding and abetting fraud under New York state law. Consequently, the Plaintiffs currently seek US$221 million plus punitive damages, interest, attorney's fees, costs and disbursements, based on the remaining claim for aiding and abetting fraud.

Following completion of factual depositions, in late September 2021, the Plaintiffs and the KOM Group have each served a motion for summary judgment, seeking judgment on the abovementioned claim which the Plaintiffs have presently quantified at approximately US$820 million in aggregate, including US$442 million in punitive damages and US$157 million as pre-judgment interest. Each party's opening brief, opposition brief and reply brief were filed with the Court on 2 November 2021. There currently is no scheduled hearing date for the summary judgment motions.

[47] Unless otherwise specified, information in this paragraph 13 obtained and/or extracted from KCL's 2021 Annual Report.

Based on the advice obtained from an external legal counsel, the remaining claim for aiding and abetting fraud is without merit and the KOM Group will vigorously defend itself. As at 31 December 2021, based on advice obtained from external legal counsel, it is premature to predict or determine the eventual outcome of this remaining claim and hence, the potential amount of loss cannot currently be assessed.

13.2 Termination of Two Mid-Water Semisubmersible Drilling Rig Contracts

A subsidiary of KOM ("**KOM subsidiary**") terminated two contracts with subsidiaries of a customer for the construction of two mid-water semisubmersible drilling rig for harsh environment use:

(i) In June 2020, the buyer under the first of these contracts ("**First Contract**") alleged a breach of contract by the KOM subsidiary and purportedly terminated the First Contract and sought recovery of the payments already made to the KOM subsidiary with interest. The allegations by the buyer were refuted and the purported termination of the contract was rejected by the KOM subsidiary. The buyer subsequently failed to pay an instalment due under the First Contract. Non-payment of any instalment by the customer is a default in accordance with the First Contract, entitling the KOM subsidiary to terminate the First Contract, retain all payments received to date (approximately US$54 million), and seek compensation for the work done to date and claim ownership of the rig. The KOM subsidiary had therefore issued a notice of termination of the First Contract to the buyer and commenced arbitration to enforce its rights under the First Contract against the buyer.

(ii) In December 2020, the KOM subsidiary issued a notice of termination of the second of these contracts ("**Second Contract**") and commenced arbitration to enforce its rights under the Second Contract against the buyer, which rights include the right to retain the amounts already paid by the buyer to date of approximately US$43 million and to seek reimbursement of the KOM subsidiary's costs of the project to the date of termination.

Subsequent to the issuance of this notice of termination, the KOM subsidiary has received a notice from the buyer purporting to terminate the Second Contract, alleging breaches under the Second Contract. As it had already terminated the Second Contract, the KOM subsidiary's position is that the notice of termination can have no effect. In any event, the KOM subsidiary refutes the abovementioned allegations by the buyer in the notice.

The KOM Group is working with legal advisers to enforce its rights and will continue to evaluate the potential financial impact in consultation with its advisers. Based on currently available information, including opinion from the legal advisers, no provision was made in respect of the recovery of the payments already made to the KOM Group by the two buyers.

13.3 Global resolution with criminal authorities in relation to corrupt payments

In 2017, KOM reached a global resolution with the criminal authorities in the United States of America, Brazil and Singapore in relation to corrupt payments made in relation to KOM's various projects with Petrobras and Sete Brasil in Brazil, which were made with knowledge or approval of former KOM executives. Fines in an aggregate amount of US$422,216,980, or equivalent to approximately S$570 million, paid/payable had been allocated between the three jurisdictions.

As part of the global resolution, KOM accepted a Conditional Warning from the Corrupt Practices Investigation Bureau ("**CPIB**") in Singapore, and entered into a Deferred Prosecution Agreement ("**DPA**") with the U.S. Department of Justice ("**DOJ**"), while Keppel FELS Brasil S.A., a wholly-owned subsidiary of KOM, entered into a Leniency Agreement with the Public Prosecutor's Office in Brazil, the Ministerio Publico Federal ("**MPF**") which became effective following the approval of the Fifth Chamber for Coordination and Review of the MPF in April 2018. In addition, Keppel Offshore & Marine USA, Inc ("**KOM USA**"), also a wholly-owned subsidiary of KOM, pleaded guilty to one count of conspiracy to violate the U.S. Foreign Corrupt Practices Act and entered into a Plea Agreement with the DOJ.

KOM has successfully complied with its obligations under the DPA and the DPA has accordingly concluded on 22 December 2020. KOM has also been in compliance with its obligations under the Conditional Warning issued by the CPIB and the Leniency Agreement entered into with the MPF. As part of the applicable fines payable under the global resolution, a sum of US$52,777,122.50 (less any penalties that KOM may pay to specified Brazilian authorities) was payable to CPIB within three years from the date of the Conditional Warning and has been included in accrued expenses since FY 2017. As the discussions with the specified Brazilian authorities remained ongoing, and CPIB had agreed to extend the three-year period for a further 12 months to 22 December 2021 followed by a further 6 months to 22 June 2022, thereafter for a further 3 months to 22 September 2022 and thereafter for a further 6 months until 22 March 2023[48].

In June 2020, the Office of the Comptroller General of Brazil ("**CGU**") published a notice in the Official Gazette ("**Notice**") to the effect that CGU has initiated an administrative enforcement procedure ("**AEP**") against KOM, Prismatic Services Ltd., Keppel FELS Ltd., Keppel FELS Brasil S.A., and BrasFELS S.A., in relation to alleged irregularities under the Brazilian Anti-Corruption Statute. Neither the Notice nor any summons has been served on any of the foregoing entities to date.

On 19 December 2022, KCL announced[49] that KOM had reached a joint resolution and concluded a leniency agreement with the authorities in Brazil, namely the Brazilian Attorney-General's Office ("**AGU**") and the CGU. This is in relation to the corrupt payments made by KOM's former agent in Brazil, which was previously announced in December 2017, following the global resolution reached with criminal authorities in Brazil, the United States and Singapore.

In Brazil, AGU and CGU are authorities that have a parallel mandate with the Brazilian criminal authorities to enforce certain anti-corruption laws. KCL therefore engaged in a separate negotiation process with AGU and CGU following the conclusion of the 19 December 2017 Leniency Agreement with the MPF.

This additional leniency agreement with AGU and CGU brings to conclusion the negotiations with the authorities in Brazil relating to KOM's former agent in Brazil. This settlement also resolves CGU's administrative enforcement procedure against KOM and several other KOM entities, which, as announced by KCL on 20 August 2020, had been suspended pending the ongoing discussions with these Brazilian authorities.

[48] Information obtained and/or extracted from KCL's announcement dated 9 September 2022 located at https://links.sgx.com/FileOpen/KCL%20Announcement%20on%20Extensions%20of%20Credit%20Period_090922.ashx?App=Announcement&FileID=731267.

[49] Information obtained and/or extracted from KCL's announcement dated 19 December 2022 located at https://links.sgx.com/FileOpen/MREL%20-%20KOM%20reaches%20joint%20resolution%20with%20Brazilian%20AGU%20and%20CGU_19122022.ashx?App=Announcement&FileID=741952.

KOM has committed under the leniency agreement to a payment of fines and damages to the Brazilian Federal Treasury and Petrobras totaling R$343,571,455.25 (equivalent to approximately US$65 million)[50] within 30 days from the signing of the leniency agreement. KOM has also committed to continuing cooperation with AGU and CGU, and to ongoing compliance enhancements.

As part of the 2017 global resolution, AGC and CPIB had agreed for KOM to pay the balance sum of US$52,777,122.50 to CPIB within three years from the date of the Conditional Warning, less any fines and criminal penalties paid by KOM to specified Brazilian authorities (namely CGU and AGU). As previously announced by KCL, AGC and CPIB had subsequently extended the credit period to 23 March 2023 in the light of KOM's then ongoing discussions with CGU and AGU. AGC and CPIB have agreed in principle to allow KOM to seek crediting of up to US$52,777,122.50 in respect of the fines payable by KOM to the Brazilian authorities pursuant to the terms of CPIB's 2017 Conditional Warning. On 30 January 2023, KCL announced[51] that AGC and CPIB had confirmed that KOM may avail itself of the crediting of up to US$52,777,122.50 pursuant to the terms of the Conditional Warning in respect of the fines payable by KOM to the Brazilian authorities, and that KOM has made full payment of the fines and damages payable under the leniency agreement.

The leniency agreement results from KOM's full cooperation with AGU's and CGU's investigations, which the two authorities recognized along with KOM's extensive remediation efforts and significant compliance enhancements in response to the issues involving the former agent in Brazil. KCL remains committed to maintaining high ethical standards and robust controls in all its global operations.

The leniency agreement with the MPF and this additional leniency agreement by KOM with AGU and CGU each provides for the payment of fines and damages in connection to the same matter. With the two leniency agreements in place, KOM does not expect there to be any further grounds for liability in Brazil in relation to these issues.

13.4 Arbitration in relation to two Floating Production Storage and Offloading Units

Two of KOM's wholly-owned subsidiaries have received a request for arbitration from the customer ("**Claimant**") to two engineering, procurement and construction contracts relating to Floating Production Storage and Offloading units ("**EPC Contracts**"). The Claimant has withheld a total of approximately US$11.3 million due to the subsidiaries and has claimed a further amount of approximately US$38.2 million on the basis that the Claimant is allegedly entitled to a price reduction and remediation costs associated with defective equipment supplied under the EPC contracts (the "**Claim**").

The subsidiaries, in consultation with legal advisers, deny the Claimant's alleged right to such price reductions and the defective equipment and vehemently challenge the Claimant's right to withhold payments due to the subsidiaries and its supposed right to claim such price reductions. The subsidiaries intend to vigorously defend the claim and in addition, seek remedies, including counterclaims for the sums unduly withheld by the Claimant.

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[50] The settlement amount is subject to both inflation and currency adjustment until the date of KOM's payment of the settlement amount.

[51] Information obtained and/or extracted from KCL's announcement dated 30 January 2023 located at https://links.sgx.com/FileOpen/Keppel%20OM%20joint%20resolution%20with%20Brazilian%20Authorities.ashx?App=Announcement&FileID=745063.

Based on currently available information, including opinion from the legal advisers, no provision was made in respect of the Claim as at 31 December 2021.

14. MISCELLANEOUS

Impact of COVID-19[52]

The KOM Group was particularly affected in 2020 by the COVID-19 crisis and measures to contain its spread, as well as the fall in global demand for oil. The pandemic also brought about many challenges ranging from supply chain disruptions to manpower constraints at the KOM Group's yards. COVID-19 and the measures to contain its spread caused a sharp drop in manpower at the KOM Group's yards in Singapore in the second and third quarters of 2020. As at end-2020, work has resumed at all yards, with safe management measures in place. As at 30 June 2021, the KOM Group had several rigs that were under construction for certain customers, where the customers had requested for deferral of delivery dates of the rigs in prior years and have higher counterparty risks. The KOM Group had also delivered rigs to customers where receipt of the construction revenue have been deferred under certain financing arrangements. Please refer to the Risk Factor "*The Enlarged Group is affected by external environment risks, including pandemics such as the COVID-19 pandemic, and geopolitical conflicts*" as set out in **Appendix C** of this Circular for further details.

[52] Information obtained and/or extracted from the Keppel OC.

APPENDIX F: GENERAL INFORMATION ON THE ENLARGED GROUP

1. PRINCIPAL BUSINESS

Upon completion of the Proposed Combination, the Enlarged Group's principal activities will focus on offshore renewables, new energy and cleaner solutions in the O&M sector.

2. BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

2.1 The particulars of members of the Proposed Board (including the Proposed Chief Executive Officer) as at the Latest Practicable Date are set out below:

Name	Age	Address	Designation
Mr Mark Gainsborough	63	Browns Oak Cottage Etchingham TN197DL United Kingdom	Chairman and Independent Director
Mr Yap Chee Keong	62	c/o 80 Tuas South Boulevard Singapore 637051	Deputy Chairman and Independent Director
Mr Chris Ong Leng Yeow	48	c/o 50 Gul Road Singapore 629351	Executive Director and Chief Executive Officer[1]
Mr Nagi Hamiyeh	53	c/o 60B Orchard Road #06-18 Tower 2 The Atrium@Orchard Singapore 238891	Non-Executive Non-Independent Director
Mr Jan Holm	53	c/o Seaborg Singapore Pte. Ltd. 21 Merchant Road #04-01 Singapore 058267	Independent Director
Mr Lai Chung Han	49	c/o Ministry of Education 1 North Buona Vista Drive Singapore 138675	Independent Director

Mr Yap Chee Keong is an existing Director of SCM. The Proposed New Directors are as follows:

(i) Mr Mark Gainsborough;
(ii) Mr Chris Ong Leng Yeow;
(iii) Mr Nagi Hamiyeh;
(iv) Mr Jan Holm; and
(v) Mr Lai Chung Han.

[1] It is intended that Mr Wong Weng Sun, the current President & Chief Executive Officer of the Company, will be a Senior Adviser to the Proposed Board following completion of the Proposed Combination.

The existing SCM Directors (save for Mr Yap Chee Keong) will be stepping down upon completion of the Proposed Combination as it would be an opportune time to bring new perspectives to the Enlarged Group as a premier global player focusing on offshore renewables, new energy and cleaner solutions in the offshore and marine sector. At the same time, some continuity is expected to be preserved at Board level with each of Mr Yap Chee Keong (currently a Non-Executive Independent Director and Deputy Chairman of SCM) and Mr Chris Ong (currently a KOM Director) being members of the Proposed Board.

The composition of the Proposed Board has taken into account the skills, experience, independence and knowledge of each individual that the Proposed Board requires as a whole to function and lead the Enlarged Group effectively. The Proposed Board comprises six members who are reputable / recognised business leaders and who have diverse experience and backgrounds in offshore renewables, energy, engineering, management consulting, corporate finance, technology and security. The Proposed Board also has significant experience in sectors in which the Enlarged Group is currently active in and is actively pursuing as part of the global energy transition to renewables. The Proposed Board will also be augmented as and when there are further suitable candidates who can add new perspectives and dimensions to the Enlarged Group.

Each member of the Proposed Board will also be put forth for re-election by SCM Shareholders at the first AGM following the completion of the Proposed Combination.

2.2 Information on the business and working experience, education and professional qualifications and areas of responsibilities of the Proposed Board (including the Proposed Chief Executive Officer) is set out below.

Mr Mark Gainsborough is proposed to be appointed as the Chairman and an independent director of the Company upon completion of the Proposed Combination. Mr Gainsborough is a Co-Founder and Chairman of Low Carbon Advisors, which is engaged in helping CEOs and Boards achieve net-zero carbon emissions. Mr Gainsborough spent 39 years with Royal Dutch Shell where he held various appointments, his last appointment being Executive Vice-President (EVP) and head of Shell's New Energies business. He was responsible for building and acquiring positions in renewable power generation, electricity supply, energy storage, hydrogen, advanced biofuels and nature-based solutions. Prior to this he was EVP Global Commercial, leading Shell’s Lubricants, Bitumen, Jet Fuel, Marine Fuels and Sulphur businesses with a team of 16,000 staff in 40 countries. Mr Gainsborough also has extensive experience in mergers, acquisitions, divestments, supply chain, as well as the transportation industry, having led sales teams working with the aviation, marine and road transport sectors. Mr Gainsborough is currently a board member of companies engaged in large-scale renewables, energy access through distributed generation and advanced plastics recycling. He serves on a number of advisory boards including Beyond Net Zero, an Energy Transition investment fund. His past professional interests also include the healthcare sector, serving for five years as a non-executive director of one of the UK's National Health Service Trusts. He has also served as a board member of the European Petroleum Industry Association. Mr Gainsborough completed a Master’s degree in Environmental Policy in 2008 and holds a Bachelor of Science degree in Psychology from University College, London. He is a Fellow of the UK Energy Institute.

In September 2021, Mr Gainsborough was engaged as an independent adviser to Temasek, a controlling shareholder of the Company, under an advisory agreement. Under the advisory agreement, Mr Gainsborough provided his independent views on the proposed integration and the wider industry outlook. The advisory agreement will be terminated upon his appointment as a director of the Company. Mr Gainsborough has also confirmed that his role as independent adviser to Temasek does not require him to or result in him having to act in accordance with any instructions, directions or wishes of Temasek in relation to the corporate affairs of the Company. In light of the foregoing, the Proposed Board has reviewed the independence of Mr Gainsborough, and having carried out such review, the Proposed Board is satisfied Mr Gainsborough's independent advisory role with Temasek as described above will not interfere with Mr Gainsborough's independent judgment and ability to act with regard to the interests of all shareholders of the Company as a whole. For the avoidance of doubt, both Mr Gainsborough and Mr Hamiyeh (who is currently a Managing Director and the Head of Portfolio Development Group at Temasek) have recused themselves from all discussions and decisions of the Proposed Board in relation to Mr Gainsborough's independence.

Mr Yap Chee Keong was appointed as Deputy Chairman and an independent director of the Company in December 2021. He will remain as Deputy Chairman and an independent director after completion of the Proposed Combination. Mr Yap was formerly the Executive Director of The Straits Trading Company and Chief Financial Officer of Singapore Power Ltd. He currently serves on various boards including Shangri-La Asia Limited, Olam Group Limited, Sembcorp Industries Limited, MediaCorp Pte Ltd, Ensign InfoSecurity Pte. Ltd., PIL Pte Ltd and Singapore Life Holdings Pte. Ltd. Mr Yap previously served on the board of Singapore's Accounting and Corporate Regulatory Authority (ACRA) and was a member of ACRA's Public Accountants Oversight Committee. He was a member of the working group convened by the MAS, Singapore Exchange (SGX) and ACRA to review the Guidebook for Audit Committees in Singapore, as well as the panel convened by MAS, SGX, ACRA and the Singapore Institute of Directors, which formulated guidelines for board risk committees. Mr Yap holds a Bachelor of Accountancy from the National University of Singapore and is a Fellow of the Institute of Singapore Chartered Accountants, CPA Australia and Singapore Institute of Directors.

Mr Chris Ong Leng Yeow is proposed to be appointed as an executive director and the Chief Executive Officer of the Company upon completion of the Proposed Combination. Mr Ong has been the CEO of KOM since 1 July 2017, and is concurrently the Managing Director of Keppel Renewable Energy. Prior to these appointments, he served as the Managing Director of Keppel FELS Limited from July 2016 to July 2019. Mr Ong is a board member of the Maritime and Port Authority of Singapore, the Institute of Technical Education Board of Governors, and the Deputy Chairman of the Singapore Institute of Technology Industry Advisory Panel for Marine, Naval Architecture and Offshore course. He is a council member of Stiftelsen Det Norske Veritas and a committee member of American Bureau of Shipping. He also holds directorships in several subsidiaries and associated companies of KOM and KCL. Mr Ong holds a Bachelor of Engineering (Electrical and Electronics) and Master of Science (Electrical and Electronics Engineering) from the National University of Singapore and has completed Berkeley-Nanyang's Advanced Management Programme.

Mr Nagi Hamiyeh is proposed to be appointed as a non-executive non-independent director of the Company upon completion of the Proposed Combination. Mr Hamiyeh is currently a Managing Director and the Head of Portfolio Development Group at Temasek. Previously, Mr Hamiyeh led Temasek's Natural Resources, Industrials, Consumer and Real Estate Investment teams and was Joint Head of Enterprise Development Group and Head of Africa and Middle East, Australia and New Zealand. He is a director on the boards of Sembcorp Industries, Dream International, Olam Group, Olam Food Ingredients, Startree Investments, CapitaLand Group, CLA Real Estate Holdings, Kyanite Investment Holdings and Kyanite Investment Holdings (I).

Mr Hamiyeh has more than 28 years of experience in strategy, corporate finance, mergers and acquisitions, growth equity, private equity and public investing in multiple industries across the globe. Prior to joining Temasek in 2005, Mr. Hamiyeh was a banker with Credit Suisse First Boston's Energy Group. He began his career at Bain & Company. Mr Hamiyeh holds a Master of Science degree in Civil and Environmental Engineering from Massachusetts Institute of Technology, as well as a Bachelor of Science degree in Civil Engineering from University of Texas.

Mr Jan Holm is proposed to be appointed as an independent director of the Company upon completion of the Proposed Combination. Mr Holm is currently EVP of Seaborg Technologies where he is responsible for its Southeast Asia business. Mr Holm previously worked in the Maersk Group for 17 years in various positions including CEO of Maersk Drilling in Singapore where he was responsible for the business of Maersk Drilling in Asia. Prior to that, he worked in Danske Bank Group within finance and business development. Mr Holm is Chairman of the board and investor of Risk Intelligence A/S, as well as the co-founder and Chairman of the board of the Singapore based think tank Centre for Strategic Energy and Resources. Mr Holm holds a Master of Science degree in Economics & Business Administration from Aarhus Business School as well as an Executive MBA from Copenhagen Business School. Mr. Holm has completed the INSEAD Advanced Management Program and Asian International Executive Program. Finally, Mr. Holm is a certified international director from INSEAD.

Mr Lai Chung Han is proposed to be appointed as an independent director of the Company upon completion of the Proposed Combination. Mr Lai has been Permanent Secretary for Education since April 2019. Prior to that, he was the Second Permanent Secretary of Education and Home Affairs from 2017. Before joining the Ministry of Education, Mr Lai spent 25 years in the Singapore Armed Forces as a naval officer and was appointed as Chief of Navy in August 2014. Mr Lai is a Member of the Board of Trustees of Nanyang Technological University, the National University of Singapore and chairs the National Institute of Education Council. He was previously Director of ST Marine, ST Electronics (Info-Comm Systems) and the Maritime and Port Authority of Singapore, as well as a former member of the Board of Trustees for the Singapore Management University and Board of Governors of Temasek Polytechnic. Mr Lai graduated with a Bachelor of Arts (First Class Honours) and Master of Arts in Economics from Cambridge University, UK, as well as a Master in Public Administration from the Kennedy School, Harvard University, USA.

2.3 **Experience and Training of the Proposed New Directors.** Of the Proposed New Directors, Mr Hamiyeh and Mr Ong have prior experience as directors of an issuer listed on the SGX-ST and are familiar with the roles and responsibilities of a director of an issuer listed on the SGX-ST. While Mr Gainsborough, Mr Holm and Mr Lai do not have prior experience as directors of an issuer listed on the SGX-ST, they have been briefed on the roles and responsibilities of a director of an issuer listed on the SGX-ST and have undertaken to attend the mandatory training as prescribed by the Listing Manual within one year from their appointment to the Proposed Board.

2.4 **Relationships, Arrangement or Understanding.** As at the Latest Practicable Date and save as disclosed in this **Appendix F**, none of the Proposed New Directors:

2.4.1 are related to each other;

2.4.2 has any family relationships with any SCM Directors, directors of KOM, substantial shareholders of SCM, substantial shareholders of KOM and/or any directors of each of SCM's and KOM's principal subsidiaries;

2.4.3 has any arrangement or understanding with any of the Company's substantial shareholders or the Restructured KOM Group's clients, customers, or suppliers or other persons, pursuant to which any of the Proposed New Directors are or will be appointed; and

2.4.4 has any connections (including business relationships) with the Company and/or the Restructured KOM Group, or any of their directors, shareholders or employees of their clients, customers or suppliers, save for any relationships arising from their respective existing capacities as directors and/or officers of the Restructured KOM Group.

2.5 **Conflict of Interest.** None of the Proposed New Directors or their associates (as defined in the Listing Manual) has any material interest, whether direct or indirect, in:

2.5.1 any material transactions to which the SCM Group and/or the KOM Group was or is a party in the five years immediately preceding the Latest Practicable Date;

2.5.2 any company carrying on the same business or dealing in similar products as the Enlarged Group; and

2.5.3 any business that is a competitor, supplier or customer of the Enlarged Group.

2.6 None of the independent directors of the Proposed Board are appointed or will be appointed, upon completion of the Proposed Combination, to the boards of the principal subsidiaries (as defined in the Listing Manual) of the Company that are based in jurisdictions other than Singapore.

2.7 **Shareholding Interest.** The shareholding interest of the Proposed New Directors in the Company and its subsidiaries is set out below:

Name	SCM Group Company	Number of shares
Mr Mark Gainsborough	None	None
Mr Chris Ong Leng Yeow	Company	5,000
Mr Nagi Hamiyeh	None	None
Mr Jan Holm	None	None
Mr Lai Chung Han	None	None

2.8 **Present and Past Directorships of the Proposed Board.** The present and past directorships of the Proposed Board held in the five years preceding the Latest Practicable Date are set out below:

Name	Present Directorships	Past Directorships
Mr Mark Gainsborough	<u>Companies within the Enlarged Group</u> None <u>Other Companies</u>	<u>Companies within the Enlarged Group</u> None <u>Other Companies</u> Corvus Energy A.S.

Name	Present Directorships	Past Directorships
	Green Mantra Recycling Technologies Ltd. Greenko Energy Holdings Husk Power Systems Inc. Low Carbon Advisors Pte. Ltd. NZE50 Consulting Ltd Off The Line Vineyard Ltd.	<u>Others</u> European Petroleum Industry Association Low Carbon Vehicle Partnership
Mr Yap Chee Keong	<u>Companies within the Enlarged Group</u> Sembcorp Marine Ltd <u>Other Companies</u> Ensign InfoSecurity Pte Ltd MediaCorp Pte Ltd Olam Group Limited(1) PIL Pte Ltd Pacific International Lines (Private) Limited PIL Enterprises Pte Ltd PIL Marine Pte Ltd Professional Investment Advisory Services Pte Ltd Sembcorp Industries Ltd(1) Shangri-La Asia Limited(1) Singapore Life Holdings Pte. Ltd. Singapore Life Ltd. Singlife Financial Pte. Ltd. The Assembly of Christians of Singapore Ltd	<u>Companies within the Enlarged Group</u> Bayberry Limited <u>Other Companies</u> Certis CISCO Security Pte Ltd Citibank Singapore Limited Malaysia Smelting Corp Berhad(1) Maxeon Solar Technologies Ltd Olam International Limited(2) Rahman Hydraulic Tin Sdn Bhd The Straits Trading Company Limited(1)
Mr Chris Ong Leng Yeow	<u>Companies within the Enlarged Group</u> Asian Lift Pte Ltd Caspian Shipyard Company LLC FELS Offshore Pte Ltd Keppel Amfels Inc Keppel FELS Brasil SA Keppel FELS Limited Keppel Offshore & Marine Ltd Keppel Offshore & Marine USA, Inc Keppel Shipyard Limited KS Investments Pte Ltd <u>Other Companies</u> Keppel Digi Pte. Ltd. Keppel Infrastructure Holdings Pte Ltd	<u>Companies within the Enlarged Group</u> Azerfels Pte Ltd Benniway Pte. Ltd. FueLNG Pte. Ltd. Gas Technology Development Pte. Ltd. Green Scan Pte. Ltd. Keppel FloaTEC LLC Keppel LeTourneau Middle East FZE Keppel LeTourneau USA, Inc Keppel Marine & Deepwater Technology Pte. Ltd. Keppel Nantong Heavy Industry Co. Ltd Keppel Nantong Shipyard Co. Ltd

Name	Present Directorships	Past Directorships
	Keppel Renewable Energy Pte Ltd Keppel Renewable Investments Pte Ltd Keppel Technology and Innovation Pte. Ltd. Keppel Renewable Investments Pte. Ltd. Rigco Holding Pte Ltd <u>Others</u> Board of Governors, Institute of Technical Institution Maritime and Port Authority of Singapore Board of Governors, Keppel-NUS Corporate Laboratory	Keppel Offshore & Marine Technology Centre Pte. Ltd. Keppel Sea Scan Pte Ltd Keppel SingMarine Pte. Ltd. Northstar Investments Pte. Ltd. Offshore Technology Development Pte Ltd Regency Steel Japan Limited <u>Other Companies</u> Antares Singapore Pte. Ltd. Bennett Offshore LLC Blue Tern Limited FELS Asset Co Pte. Ltd. Floatel International Ltd. Keppel FELS Baltech OOD Keppel LeTourneau Singapore Pte. Ltd. Keppel Walvis Bay Offshore and Marine (Pty) Ltd KrisEnergy Ltd. (In Official Liquidation)[(2)] Marine Technology Development Pte. Ltd. Ocean Mineral Singapore Pte. Ltd. Ocean Mineral Singapore Holding Pte. Ltd. Seafox 5 Asia Pacific Pte. Ltd.
Mr Nagi Hamiyeh	<u>Companies within the Enlarged Group</u> None <u>Other Companies</u> CapitaLand Group Pte. Ltd. CLA Real Estate Holdings Pte. Ltd. Dream International BV Kyanite Investment Holdings Pte. Ltd. Kyanite Investment Holdings (I) Pte. Ltd. ofi Group Ltd Olam Agri Holdings Pte. Ltd. Olam Group Limited [(1)] Sembcorp Industries Ltd[(1)] Startree Investments Pte. Ltd.	<u>Companies within the Enlarged Group</u> None <u>Other Companies</u> Aquarius Healthcare Investments Pte. Ltd. Canopus Healthcare Investments Pte. Ltd. Carinus Healthcare Investments Pte. Ltd. Gallienus Healthcare Investments Pte. Ltd. Imperius Healthcare Investments Pte. Ltd. Kyanite Holdings Pte. Ltd. Kyanite Investment Holdings (II) Pte. Ltd. Lebanese International Finance Executives

Name	Present Directorships	Past Directorships
		Olam International Limited[(2)] Polaris Healthcare Investments Pte. Ltd. Sheares Healthcare China Holdings Pte. Ltd. Sheares Healthcare Group Pte Ltd. Sheares Healthcare India Holdings Pte. Ltd. Sheares Healthcare International Holdings Pte. Ltd. Sheares Healthcare Management Pte. Ltd. Sheares Healthcare Solutions Pte. Ltd. Sigma Healthcare Management Pte. Ltd. Tana Africa Capital Limited Tana Africa Investment Managers Ltd Valerius Healthcare Investments Pte. Ltd.
Mr Jan Holm	<u>Companies within the Enlarged Group</u> None <u>Other Companies</u> Alexandra Road Ventures Pte. Ltd. Oceanway Holdings Pte. Ltd. Risk Intelligence A/S Risk Intelligence Singapore Pte. Ltd. Rov-Tech Pte. Ltd. Seaborg Singapore Pte. Ltd. Sirius Venture Pte. Ltd. <u>Others</u> Centre for Strategic Energy and Resources Limited	<u>Companies within the Enlarged Group</u> None <u>Other Companies</u> A.P. Moller Singapore Pte. Ltd. Africasia Capital Pte. Ltd. Dropboy ApS Holdingselskabet af 29.11.2017 A/S Maersk Drilling JS-Services Lda (Angola) Maersk Drilling Labuan Ltd. Maersk Drilling Malaysia Sdn. Bhd. Maersk Rigworld Ghana Limited Maersk Supply Service Singapore Pte. Ltd. Noble Drilling Nigeria Holdings Pte. Ltd. Noble Drilling Services Singapore Pte. Ltd. Noble Drillship I Singapore Pte. Ltd. Noble Drillship II Singapore Pte. Ltd.

Name	Present Directorships	Past Directorships
		Noble Drillship IV Singapore Pte. Ltd. Noble Highlander UK Ltd, Singapore Branch Noblecorp Drilling Holdings Singapore Pte. Ltd. Own Suite Home Pte. Ltd.
Mr Lai Chung Han	Companies within the Enlarged Group None Other Companies None Others Board of Trustees, Nanyang Technological University Board of Trustees, National University of Singapore National Institute of Education	Companies within the Enlarged Group None Other Companies None Others Board of Trustees, Singapore Management University

Notes:

(1) Listed on the Mainboard of the SGX-ST.

(2) Previously listed on the Mainboard of the SGX-ST.

2.9 **Service Agreements**. There are no existing or proposed service agreements between any of the Proposed New Directors and the Company or its subsidiaries which provide for benefits upon termination of employment.

2.10 Material Background Information

2.10.1 Save as disclosed in paragraph 2.10.2 below, as at the Latest Practicable Date, none of the Proposed New Directors has:

(i) at any time during the last ten years, had an application or a petition under any bankruptcy laws of any jurisdiction 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 two years from the date he ceased to be a partner;

(ii) at any time during the last ten years, had an application or a petition under any law of any jurisdiction 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 two years after 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;

(iii) any unsatisfied judgment against him;

(iv) 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;

(v) 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 been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;

(vi) at any time during the last ten years, had judgment 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 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;

(vii) ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;

(viii) 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;

(ix) 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;

(x) ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:

(a) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;

(b) 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;

(c) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

(d) 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 the period when he was so concerned with the entity or business trust; or

(xi) been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

2.10.2 Relevant Disclosures relating to Mr Chris Ong Leng Yeow

(i) Mr Ong was, from January 2018 to July 2020, a non-executive director of KrisEnergy Ltd (In Official Liquidation) ("**KrisEnergy**") which was listed on the Mainboard of the SGX-ST. On 4 June 2021, KrisEnergy submitted a winding-up petition to the Grand Court of the Cayman Islands to be placed in liquidation. The winding-up petition was approved by the Grand Court of the Cayman Islands on 12 July 2021.

(ii) KCL had previously announced[2] that investigations had been conducted by authorities in the United States, Brazil and Singapore in relation to corrupt payments made by a former agent of KOM in relation to certain KOM projects in Brazil. During the relevant period between 2000 to 2015 when the matters giving rise to the investigations had occurred, Mr Ong had been:

(a) a key executive of KOM;

(b) a director and key executive of Keppel FELS Limited; and

(c) a director of Keppel Shipyard Limited, FELS Offshore Pte. Ltd. and Keppel AmFELS LLC (now known as Keppel AmFELS Inc.).

All of the entities in this paragraph 2.10.2(ii)(a) to (c) had been involved in the relevant matters and had accordingly been subject to investigations by the relevant authorities. However, Mr Ong had no personal involvement in the facts relating to the relevant matters and was not a personal subject of the investigations.

2.11 Board Committees

2.11.1 After completion of the Proposed Combination, the Audit Committee and Board Risk Committee will be re-constituted as the Audit and Risk Committee (the "**ARC**"), and the Nominating Committee and Executive Resource & Compensation Committee will be re-constituted as the Nomination and Remuneration Committee (the "**NRC**") as follows:

(1) **Audit and Risk Committee.** The members of the ARC will be Mr Gainsborough, Mr Hamiyeh and Mr Holm and the Chairman will be Mr Yap.

[2] For more information, please refer to: (i) KCL's announcement dated 23 December 2017 located at https://links.sgx.com/FileOpen/Media%20Release_20171223.ashx?App=Announcement&FileID=483185; (ii) KCL's announcement dated 19 December 2022 located at https://links.sgx.com/FileOpen/MREL%20-%20KOM%20reaches%20joint%20resolution%20with%20Brazilian%20AGU%20and%20CGU_19122022.ashx?App=Announcement&FileID=741952; (iii) the Risk Factor *"The Enlarged Group is subject to operational, business and political risks in Brazil, where it operates"* in **Appendix C** to this Circular; and (iv) Paragraph 13.3 of **Appendix E** to this Circular.

(2) **Nomination and Remuneration Committee.** The members of the NRC will be Mr Yap, Mr Hamiyeh, and Ms Chan Wai Ching[3], a non-director, and the Chairman will be Mr Gainsborough.

2.11.2 In addition, a Corporate Social Responsibility Committee (the **"CSRC"**) and a Transformation Committee (the "**TC**") will also be established and be constituted as follows:

(1) **Corporate Social Responsibility Committee.** The members of the CSRC will be Mr Gainsborough, Mr Yap, Mr Lai and Mr Ong and the Chairman will be Mr Holm.

(2) **Transformation Committee.** The members of the TC will be Mr Yap, Mr Hamiyeh, Mr Holm and Mr Ong and the Chairman will be Mr Gainsborough.

3. PROSPECTS AND FUTURE PLANS

3.1 The Enlarged Group is expected to focus on offering products, services and solutions in the following areas:

3.1.1 **Offshore Renewables:** Building on the existing wins to date to scale up the Enlarged Group's footprint in offshore wind energy, a sector that is expected to see global expenditures of S$260 billion between 2021 and 2030[4], with participation across the value chain, including substations and wind turbine installation vessels. Examples of product offerings in this vertical include, but are not limited to, fixed wind farm substation – high voltage direct current (HVDC), floating wind farm HVDC substation, bottom-fixed wind solution, semi-submersible floating wind solution, circular hull floating wind solution, offshore wind turbine installation vessels and hydrogen-fuelled wind farm crew-transfer vessels;

3.1.2 **New Energy:** Making select early investments in new energy sources, such as hydrogen and ammonia, and in carbon capture technologies, with a view to building successful franchises in these areas for the decades ahead. Examples of product offerings in this vertical include, but are not limited to, energy hub (H_2/NH_2 generation), ammonia (NH_2) carrier, hydrogen (H_2) bunker vessels and carbon dioxide (CO_2) carriers; and

3.1.3 **Cleaner O&M solutions:** Contributing to energy production and resiliency by continuing to serve the demand for floating production systems, such as floating production storage and offloading (FPSO) units, and other offshore oil & gas solutions, estimated to amount to a S$290 billion opportunity in terms of market size[8] above, through focusing on innovating and applying new technologies to reduce the carbon footprint of such structures. Examples of product offerings in this vertical include, but are not limited to, wind electrification FPSOs, carbon capture utilisation storage, LNG

[3] Ms Chan is currently Chief Corporate Officer and Head, Organisation & People at Temasek. Ms Chan's career in human resources spans 28 years and includes appointments at Fullerton Financial Holdings, Citibank N.A., Singapore Technologies, United Overseas Bank and Overseas Union Bank. Given her extensive experience as a leader in human resources, Ms Chan brings domain expertise and insights into organisational development, leadership as well as remuneration matters to the NRC.

[4] According to market research for 2021 to 2030 by a leading global management consultancy.

bunker vessels, battery-powered roll-on/roll-off passenger ferries (Ropax) and wind assisted vessels.

4. COMPETITIVE STRENGTHS

The Enlarged Group is expected to leverage off the strengths of both SCM and KOM, with a focus on:

4.1.1 leveraging the combined technical and engineering abilities, as well as in-house design and research and development know-how, to expand its suite of technological capabilities and to carry out a wider scope of work;

4.1.2 combining the respective track records of successful executions and deliveries, and reinforcing the Enlarged Group's distinctive intellectual property and thought leadership in complex projects;

4.1.3 building a global footprint and integrating the operations in Singapore into a centre of excellence focused on high-value-added, specialised projects and modules; and

4.1.4 generating greater economies of scale and developing more rigorous project execution capabilities.

5. FINANCIAL INFORMATION

Please refer to **Appendix L** (Report on the Compilation of Unaudited Pro Forma Financial Information of the Enlarged Group for FY2019, FY2020, FY2021, 1H2021 and 1H2022) for information on the Pro Forma Financial Information of the Enlarged Group for FY2019, FY2020, FY2021, 1H2021 and 1H2022.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OF THE ENLARGED GROUP

6.1 FY2020 compared against FY2019

6.1.1 **Turnover.** The Enlarged Group's turnover decreased by S$1.6 billion or 36 per cent. from S$4.5 billion in FY2019 to S$2.9 billion in FY2020. This is mainly due to the adverse impact of the COVID-19 pandemic on the macro-environment and the resulting oil price volatility. Delays in execution of existing projects and the securing of new projects contributed to the lower turnover.

Due to the circuit breaker measures imposed by the Government of Singapore, which involved the lock-down of foreign worker dormitories, this resulted in temporary suspension of works in Singapore which had a negative impact on revenues.

6.1.2 **Earnings.** The Enlarged Group recorded a higher net loss attributable to owners of the Company of S$745 million in FY2020, compared with net loss of S$72 million in FY2019.

This was mainly due to the disruption from the COVID-19 pandemic causing (i) delays in projects execution and securing of new projects, resulting in lower overall business volumes; (ii) incurrence of higher overall project costs, as well as (iii) asset impairments and provisions. The loss was partly offset by significant government grants for the COVID-19 pandemic.

6.2 FY2021 compared against FY2020

6.2.1 **Turnover.** The Enlarged Group recorded a 34 per cent. increase in revenue year-on-year, closing FY2021 with a revenue of S$3.9 billion – notwithstanding the impact of COVID-19 challenges on business sentiment and its operations.

The improvement in the Enlarged Group's revenue was largely due to the higher revenue recognition for various projects with the lifting of COVID-19 restrictions as well as contributions from new projects secured (by the Restructured KOM Group) in FY2020.

6.2.2 **Earnings.** The Enlarged Group net loss increased by 71 per cent. to S$1.3 billion in FY2021. This was mainly due to the significant impact of ongoing COVID-19 disruptions causing further delays and increase in manpower and other related costs to complete existing projects, increase in provision for yards reinstatement cost, impairment loss on a marine vessel and project stock written down to net realisable value.

6.3 1H2022 compared against 1H2021

6.3.1 **Turnover.** The Enlarged Group recorded revenue of S$2.3 billion for 1H2022, an increase of S$620 million or 38 per cent. compared to the corresponding period in the prior year. This was mainly attributed to positive outcomes for project completion terms with key customers, as well as initial contributions from new projects.

6.3.2 **Earnings.** The Enlarged Group reported a net loss of S$39 million for 1H2022, a 94 per cent. reduction from 1H2021 net loss of S$661 million. The 1H2022 loss was due to lower than breakeven activity volume, as existing orders are completed and new orders secured in 1H2022 would start contributing to revenue mainly in subsequent periods. Residual COVID-19 challenges also contributed to one-off increases in cost provisions and overheads in 1H2022. This is partially offset by gain from divestment of certain joint ventures. Overall, operational and financial performance of the Enlarged Group improved significantly for the reported period with the progressive resolution of COVID-19 challenges to enable smoother completion of existing projects, and ongoing prudent costs and overheads management.

6.4 Cash flow and liquidity

6.4.1 **FY2021.** As at 31 December 2021, the Enlarged Group's cash and cash equivalents amounted to S$1.6 billion.

Cash flows used in operating activities before changes in working capital were S$854 million in FY2021. Net cash used in operating activities for FY2021 at S$896 million was mainly due to working capital for ongoing projects and net interest paid, offset by receipts from completed projects.

Net cash used in investing activities for FY2021 was S$41 million, mainly due to purchase of property, plant and equipment, offset by proceeds from disposal of asset held for sale and dividends and distribution received.

Net cash generated from financing activities for FY2021 was S$1.2 billion, mainly due to net proceeds from rights issue, offset by net repayment of borrowings and payment of lease liabilities.

6.4.2 **1H2022.** As at 30 June 2022, the Enlarged Group's cash and cash equivalents amounted to S$1.9 billion.

Cash flows generated from operating activities before changes in working capital was S$39 million in 1H 2022. Net cash generated from operating activities for 1H2022 at S$198 million was mainly due to receipts from completed projects, offset by working capital for ongoing projects and net interest paid.

Net cash generated from investing activities for 1H2022 at S$6 million was mainly due to proceeds from disposal of asset held for sale, offset by purchase of property, plant and equipment.

Net cash generated from financing activities for 1H2022 was S$143 million, mainly due to net proceeds from borrowings, offset by payment of lease liabilities.

APPENDIX G: PROPOSED COMBINATION CONDITIONS

All capitalised terms used and not defined in this ***Appendix G*** *shall have the same meanings given to them in the Amended and Restated Combination Framework Agreement. Unless otherwise defined, all references to Clauses and Schedules in this* ***Appendix G*** *refer to the clauses and schedules of the Amended and Restated Combination Framework Agreement and references to "Agreement" in this* ***Appendix G*** *refer to the Amended and Restated Combination Framework Agreement.*

1. **SCM Shareholders' Approval**: the approval of the KOM Combination by the SCM Shareholders at the SCM EGM;

2. **KCL Shareholders' Approval**: the approval of the KOM Combination, the Asset Co Transaction and the KCL Distribution by the KCL Shareholders at the KCL EGM;

3. **Completion of Asset Co Transaction:** the completion of the Asset Co Transaction taking place immediately prior to the KOM Restructuring and the KOM Combination;

4. **Completion of KOM Restructuring:** upon completion of the Asset Co Transaction, the completion of the KOM Restructuring taking place immediately prior to the KOM Combination;

5. **Regulatory Approvals:** (1) all the Regulatory Approvals: (A) having been obtained or made on terms satisfactory to the Parties, acting reasonably; and (B) remaining in full force and effect from the date such Regulatory Approvals are obtained or granted up to the Relevant Date; (2) where relevant, all applicable waiting periods in relation to the Regulatory Approvals having expired or been terminated; (3) all conditions to which the Regulatory Approvals are subject and required to be satisfied as at the Relevant Date having been fulfilled; and (4) no Governmental Authority having issued or provided any Party with any indication that it will not or does not intend to grant the Regulatory Approvals on terms satisfactory to the Parties, acting reasonably. The Regulatory Approvals to be obtained for the purposes of fulfilling this Condition are limited to the following:

   (i) **SIC Confirmations.** Confirmation from the SIC that Temasek Holdings (Private) Limited, KCL and parties acting in concert with them are not obliged, pursuant to or as a result of the issuance of the SCM Shares, to make an offer for SCM under Rule 14 of the Code;

   (ii) **SGX-ST Approvals.** in respect of the KOM Combination, the approval-in-principle from the SGX-ST for the issuance by KCL of the KCL Circular to Shareholders and the issuance by SCM of the SCM Circular to Shareholders and the approval in principle from the SGX-ST for the listing of the KOM Consideration Shares;

   (iii) **No Regulatory Impediment.** no Governmental Authority having taken, or proposed and notified to any Party that the Governmental Authority may take, any steps (including the initiation of any investigation), and there being no law or ruling by any Governmental Authority, which would or the result of which may be to, prohibit, materially delay or restrict the Proposed Combination;

   (iv) **Authorisations.** Any approvals, clearances, consents, authorisations, exemptions and/or waivers ("**Authorisations**") from (and all notifications and/or filings to) each Governmental Authority which are necessary or appropriate in connection with the Proposed Combination having been obtained and remaining in full force and effect as at the Relevant Date (or any applicable waiting period thereunder having expired or been terminated). The Authorisations to be obtained for the purposes of fulfilling this Condition are:

(a) approval from the Administrative Council for Economic Defense (Brazil);

(b) approval from the Competition and Consumer Commission of Singapore; and

(v) in relation to the KOM In-Scope Entities, approval from the Maritime Port Authority of Singapore ("**MPA**") in relation to the change in effective control of FueLNG Pte. Ltd. under the licence issued by the MPA for the supply of bunker in the Port of Singapore as a result of the Proposed Combination;

(vi) in relation to the SCM Group:

(a) approval from the MPA in relation to the change in effective control of Jurong Marine Services Private Limited under the public licence for towage services (harbour tug licence) granted under Section 81 of the Maritime and Port Authority Act 1996, as a result of the Proposed Combination; and

(b) notification to the MPA in relation to the change in ownership of SCM Marine Integrated Yard Pte. Ltd. ("**SMIY**") under the letter dated 6 January 2021 from the MPA to SMIY specifying certain facilities as shipyards and/or specified offshore marine location for the purposes of port duties, as a result of the Proposed Combination; and

(vii) **Others.** Such other Regulatory Approvals as may be identified and mutually agreed by the Parties within 30 days from the Agreement Date;

6. **SCM Warranties:**

(i) the SCM Warranties set out in this Agreement:

(a) which are qualified as to materiality being true and correct; and

(b) which are not qualified as to materiality being true and correct in all material respects,

in each case as at the Agreement Date and as at the Relevant Date as though made on and as at that date except to the extent any such SCM Warranty expressly relates to an earlier date (in which case as at such earlier date); and

(ii) SCM shall have, as at the Relevant Date performed and complied in all material respects with all of its covenants, undertakings and agreements contained in this Agreement which SCM is required to perform or comply with, on or prior to the Relevant Date and which are material in the context of the Proposed Combination;

7. **KCL Warranties:**

(i) the KCL Warranties set out in this Agreement:

(a) which are qualified as to materiality being true and correct; and

(b) which are not qualified as to materiality being true and correct in all material respects,

in each case as at the Agreement Date and as at the Relevant Date as though made on and as at that date except to the extent any such KCL Warranty expressly relates to an earlier date (in which case as at such earlier date); and

(ii) KCL shall have, as at the Relevant Date performed and complied in all material respects with all of its covenants, undertakings and agreements contained in this Agreement which KCL is required to perform or comply with, on or prior to the Relevant Date and which are material in the context of the Proposed Combination;

8. **No SCM Material Adverse Change:** no diminution in the net tangible asset of the SCM Group (as set out in the SCM Audited FY2021 Financial Statements) by an amount in excess of S$600 million as at the Subsequent Financials Accounts Date, based on the Last SCM Subsequent Financials (calculated on the same basis as the calculation of the net tangible assets of the SCM Group in the SCM Audited FY2021 Financial Statements) (such diminution, an "**SCM Material Adverse Change**"); and

9. **No KOM Material Adverse Change:** no diminution in the net tangible asset of the KOM In-Scope Group (based on the KOM Pro Forma Financial Statements) by an amount in excess of S$600 million as at the Subsequent Financials Accounts Date based on the Last KOM Subsequent Financials (calculated on the same basis as the calculation of the net tangible assets of the KOM In-Scope Group in the KOM Pro Forma Financial Statements) (such diminution, a "**KOM Material Adverse Change**"). For the avoidance of doubt, any financing or indebtedness to be incurred by a KOM In-Scope Entity for paying the Cash Component shall be disregarded in computing any decrease in the net tangible assets of the KOM In-Scope Group.

APPENDIX H: UNDERTAKINGS

*All capitalised terms used and not defined in this **Appendix H** shall have the same meanings given to them in the Amended and Restated Combination Framework Agreement. Unless otherwise defined, all references to Clauses and Schedules in this **Appendix H** refer to the clauses and schedules of the Amended and Restated Combination Framework Agreement and references to "Agreement" in this **Appendix H** refer to the Amended and Restated Combination Framework Agreement.*

Part 1 – SCM Undertakings

1. Each SCM Group Company shall not between the Agreement Date and up to the Closing Date:

(a) enter into, or exercise an option in relation to, any agreement or incur any commitment involving any capital expenditure (other than capital expenditure incurred for maintenance of existing assets or current and new projects undertaken in the ordinary course of business ("**OOC Capex**")) which, whether singly or collectively with any other option, agreement or commitment (other than OOC Capex) entered into during the Relevant Period, exceeds S$10,000,000;

(b) acquire or dispose of, or agree to acquire or dispose of, any material asset, or enter into or incur any commitment to do so, in each case involving consideration, expenditure or liabilities other than in the ordinary course of business in excess of S$20,000,000, exclusive of Tax, other than the assets identified at Appendix 2 of the SCM Disclosure Letter which have been identified for acquisition or disposal;

(c) incur any additional borrowings or debts, other than in relation to (i) the refinancing of existing borrowings for an amount which does not exceed the total debt or debt commitments available to the SCM Group or (ii) incurring additional indebtedness (including, through provision of guarantees) in the ordinary course of business or in connection with the business contracts awarded to an SCM Group Company;

(d) create, allot or issue any shares in the capital of any SCM Group Company or grant any option or right to subscribe for the same or redeem, purchase, or undertake any other return of capital to the shareholders, other than pursuant to the SCM Share Plans and for issuances made to SCM Directors in lieu of cash for payment of SCM Directors' fees;

(e) amend its constitution or constitutional document except as required by Law, save where amendments to the constitution or constitutional document are to reflect a change in management;

(f) in relation to any SCM Property:

(i) enter into or vary any agreement, lease, tenancy, or other commitment which is material in the context of a SCM Group Company, save and except for renewal of tenancy of the SCM Property; or

(ii) assign or novate such SCM Property or grant any rights or easements over such SCM Property or enter into any covenants affecting such SCM Property or agree to do any of the foregoing;

(g) declare, make or pay any dividend or other distribution, or repay any monies to SCM Shareholders;

(h) save as required by Law or under SFRS(I), make any change to the SCM Group Company's accounting practices or policies;

(i) make any Tax election or settle or compromise any liability to Tax or submit any Tax return which is inconsistent with past practice or incurring any liability for Tax other than in the ordinary course of business;

(j) other than in respect of (A) the Relevant SCM Regulatory Matters and/or (B) any other legal proceedings to the extent such amounts have already been provisioned for in the SCM Audited FY2021 Financial Statements, settle any legal proceedings where the amount payable by the relevant SCM Group Company is in excess of S$100 million; and

(k) agree, conditionally or otherwise, to do any of the matters referred in paragraphs 1(a) to 1(j) of this Schedule 5.

Part 2 – KOM Undertakings

2. Other than for the purposes of effecting the Permitted Transactions, each KOM In-Scope Entity shall not between the Agreement Date and up to the Closing Date:

(a) enter into, or exercise an option in relation to, any agreement or incur any commitment involving any capital expenditure (other than OOC Capex which, whether singly or collectively with any other option, agreement or commitment (other than OOC Capex) entered into during the Relevant Period, exceeds S$10,000,000;

(b) acquire or dispose of, or agree to acquire or dispose of, any material asset, or enter into or incur any commitment to do so, in each case involving consideration, expenditure or liabilities other than in the ordinary course of business in excess of S$20,000,000, exclusive of Tax, other than the assets identified in Schedule 1 of the KCL Disclosure Letter which have been identified for acquisition or disposal;

(c) incur any additional borrowings or debts, other than in relation to (i) the refinancing of existing borrowings for an amount which does not exceed the total debt or debt commitments available to the KOM In-Scope Group or (ii) incurring additional indebtedness (including, through provision of guarantees) in the ordinary course of business or in connection with the business contracts awarded to a KOM In-Scope Entity in respect of the Restricted Business only and not in respect of any KOM Out-of-Scope Entities or Asset or any KOM Retained Asset;

(d) create, allot or issue any shares in the capital of any KOM In-Scope Entity or grant any option or right to subscribe for the same or redeem, purchase, or undertake any other return of capital to the shareholders;

(e) amend its constitution or constitutional document except as required by Law, save where amendments to the constitution or constitutional document are to reflect a change in management;

(f) in relation to any KOM Property:

(i) enter into or vary any agreement, lease, tenancy, or other commitment which is material in the context of a KOM In-Scope Entity, save and except for renewal of tenancy of the KOM Property; or

(ii) assign or novate such KOM Property or grant any rights or easements over such KOM Property or enter into any covenants affecting such KOM Property or agree to do any of the foregoing;

(g) save in connection with the KOM Restructuring, declare, make or pay any dividend or other distribution, or repay any monies to the KOM Shareholder, the KCL Group or any KOM Out of Scope Entity, provided that the foregoing shall not apply to any payment made by KOM-In-Scope Entity for trade and other payables incurred in the ordinary course of business;

(h) save as required by Law or under SFRS(I), make any change to the KOM In-Scope Entity's accounting practices or policies;

(i) make any Tax election or settle or compromise any liability to Tax or submit any Tax return which is inconsistent with past practice or incur any liability for Tax other than in the ordinary course of business;

(j) other than in respect of (A) the Relevant KOM In-Scope Matters and/or (B) any other legal proceedings to the extent such amounts have already been provisioned for in the KOM Pro Forma Financial Statements, settle any legal proceedings where the amount payable by the relevant KOM In-Scope Entity is in excess of S$100 million; and

(k) agree, conditionally or otherwise, to do any of the matters referred in paragraphs 2(a) to 2(j) of this Schedule 5.

APPENDIX I: PRESCRIBED OCCURRENCES

*All capitalised terms used and not defined in this **Appendix I** shall have the same meanings given to them in the Amended and Restated Combination Framework Agreement. Unless otherwise defined, all references to Clauses and Schedules in this **Appendix I** refer to the clauses and schedules of the Amended and Restated Combination Framework Agreement and references to "Agreement" in this **Appendix I** refer to the Amended and Restated Combination Framework Agreement.*

Part 1 – Prescribed Occurrence in relation to any SCM Group Company

For the purposes of this Agreement, a "**Prescribed Occurrence**" means, in relation to any SCM Group Company, the occurrences set out in paragraphs (a) to (s) of Part 1 of this Schedule (other than any of the Permitted Transactions).

(a) **Conversion of Shares**: any SCM Group Company converting all or any of its shares into a larger or smaller number of shares;

(b) **Share Buy-back**: any SCM Group Company entering into a share buy-back agreement or resolving to approve the terms of a share buy-back agreement under the Companies Act or the equivalent companies or securities legislation, other than for the purpose of settling awards under the SCM Share Plans and for the payment of fees to the SCM Directors in lieu of cash;

(c) **Reduction of Share Capital**: any SCM Group Company resolving to reduce its share capital in any way;

(d) **Allotment of Shares**: any SCM Group Company making an allotment of, or granting an option to subscribe for, any shares or securities convertible into shares or agreeing to make such an allotment or to grant such an option or convertible security (other than to another SCM Group Company), other than pursuant to the SCM Share Plans;

(e) **Issuance of Debt Securities**: any SCM Group Company issuing, or agreeing to issue, convertible notes or other debt securities (other than to another SCM Group Company);

(f) **Dividends and Distributions:** any SCM Group Company declaring, making or paying any dividends or any other form of distribution to its shareholders (other than to another SCM Group Company) or making repayment of loans in excess of S$300 million;

(g) **Suspension or Delisting from the SGX-ST**: SCM being suspended or delisted;

(h) **Injunctions**: an injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the KOM Combination or any part thereof by SCM;

(i) **Resolution for Winding Up**: any SCM Group Company resolving that it be wound up;

(j) **Appointment of Liquidator and Judicial Manager**: the appointment of a liquidator, provisional liquidator, judicial manager, provisional judicial manager and/or other similar officer of any SCM Group Company;

(k) **Order of Court for Winding Up**: the making of an order by a court of competent jurisdiction for the winding up of any SCM Group Company ;

(l) **Composition**: any SCM Group Company entering into any arrangement or general assignment or composition for the benefit of its creditors generally;

(m) **Appointment of Receiver**: the appointment of a receiver or a receiver and manager, in relation to the property or assets of any SCM Group Company;

(n) **Insolvency**: any SCM Group Company becoming or being deemed by law or a court of competent jurisdiction to be insolvent or stops or suspends or defaults on or threatens to stop or suspend or default on payment of its debts of a material amount as they fall due;

(o) **Cessation of Business**: any SCM Group Company ceases or threatens to cease for any reason to carry on business in the ordinary and usual course;

(p) **Breach of this Agreement**: SCM being in material breach of any of the provisions of this Agreement which has not been remedied within 30 days after SCM has been notified of such material breach;

(q) **Investigations and Proceedings**: any SCM Group Company or any of their respective directors becomes the subject of any governmental, quasi-governmental, criminal, regulatory or stock exchange investigation and/or proceeding which is material to the business of the SCM Group as a whole and has not been previously disclosed to the other Parties;

(r) **Related Party Transactions**: any SCM Group Company entering into, terminating or modifying any transaction with its related corporations which are not SCM Group Companies; or

(s) **Analogous Event**: any event occurs which, under the laws of any jurisdiction, has an analogous or equivalent effect to any of the foregoing event(s).

Part 2 – Prescribed Occurrence in relation to any KOM In-Scope Entity

For the purposes of this Agreement, a "**Prescribed Occurrence**" means, in relation to any KOM In-Scope Entity, the occurrences set out in paragraphs (a) to (s) of Part 2 of this Schedule (other than any of the Permitted Transactions).

(a) **Conversion of Shares**: any KOM In-Scope Entity converting all or any of its shares into a larger or smaller number of shares;

(b) **Share Buy-back**: any KOM In-Scope Entity entering into a share buy-back agreement or resolving to approve the terms of a share buy-back agreement under the Companies Act or the equivalent companies or securities legislation;

(c) **Reduction of Share Capital**: any KOM In-Scope Entity resolving to reduce its share capital in any way;

(d) **Allotment of Shares**: any KOM In-Scope Entity making an allotment of, or granting an option to subscribe for, any shares or securities convertible into shares or agreeing to make such an allotment or to grant such an option or convertible security (other than to another KOM In-Scope Entity);

(e) **Issuance of Debt Securities**: any KOM In-Scope Entity issuing, or agreeing to issue, convertible notes or other debt securities (other than to another KOM In-Scope Entity);

(f) **Dividends and Distributions:** any KOM In-Scope Entity declaring, making or paying any dividends or any other form of distribution to its shareholders (other than to another KOM In-Scope Entity) or making repayment of loans (other than to another KOM In-Scope Entity);

(g) **Injunctions**: an injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the KOM Restructuring, the consummation of the KOM Combination or any part thereof by KOM;

(h) **Resolution for Winding Up**: any KOM In-Scope Entity resolving that it be wound up (other than in respect of the KOM In-Scope Entities identified as undergoing or potentially undergoing liquidation as set out in Schedule 1 of the KCL Disclosure Letter);

(i) **Appointment of Liquidator and Judicial Manager**: the appointment of a liquidator, provisional liquidator, judicial manager, provisional judicial manager and/or other similar officer of any KOM In-Scope Entity (other than in respect of the KOM In-Scope Entities identified as undergoing or potentially undergoing liquidation as set out in Schedule 1 of the KCL Disclosure Letter);

(j) **Order of Court for Winding Up**: the making of an order by a court of competent jurisdiction for the winding up of any KOM In-Scope Entity;

(k) **Composition**: any KOM In-Scope Entity entering into any arrangement or general assignment or composition for the benefit of its creditors generally;

(l) **Appointment of Receiver**: the appointment of a receiver or a receiver and manager, in relation to the property or assets of any KOM In-Scope Entity;

(m) **Insolvency**: any KOM In-Scope Entity becoming or being deemed by law or a court of competent jurisdiction to be insolvent or stops or suspends or defaults on or threatens to stop or suspend or default on payment of its debts of a material amount as they fall due;

(n) **Cessation of Business**: any KOM In-Scope Entity ceases or threatens to cease for any reason to carry on business in the ordinary and usual course (other than in respect of the KOM In-Scope Entities identified as undergoing or potentially undergoing liquidation as set out in Schedule 1 of the KCL Disclosure Letter);

(o) **Breach of this Agreement**: KCL being in material breach of any of the provisions of this Agreement which has not been remedied within 30 days after KCL has been notified of such material breach;

(p) **Investigations and Proceedings**: any KOM In-Scope Entity or any of their respective directors becomes the subject of any governmental, quasi-governmental, criminal, regulatory or stock exchange investigation and/or proceeding which is material to the business of the KOM In-Scope Group as a whole and has not been previously disclosed to the other Parties;

(q) **Related Party Transactions**: save for transactions that have been approved pursuant to a general or specific mandate by KCL Shareholders under Chapter 9 of the Listing Manual, any KOM In-Scope Entity entering into, terminating or modifying any transaction with its related corporations which are not KOM In-Scope Entities;

(r) **Analogous Event**: any event occurs which, under the laws of any jurisdiction, has an analogous or equivalent effect to any of the foregoing event(s); or

(s) **Write-off of Receivables**: any write-off by a KOM In-Scope Entity of any receivables due from the KCL Group to such KOM In-Scope Entity.

APPENDIX J: AUDITED FINANCIAL STATEMENTS OF THE KOM GROUP FOR FY2019, FY2020 AND FY2021

The Audited Financial Statements of the KOM Group for FY2019, FY2020 and FY2021 have been extracted from the Accounting and Corporate Regulatory Authority of Singapore and reproduced in this ***Appendix J*** *without modifications.*

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KEPPEL OFFSHORE & MARINE LTD AND ITS SUBSIDIARIES

(Registration No. 199900642R)

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED 31 DECEMBER 2019

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KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED 31 DECEMBER 2019

CONTENTS

KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT
FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Directors present their statement to the member together with the audited financial statements of Keppel Offshore & Marine Ltd ("the Company") and its subsidiaries ("the Group") and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 December 2019.

In the opinion of the Directors,

(a) the consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company as set out on pages 9 to 91 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 2019 and the financial performance, changes in equity and cash flows of the Group and the financial performance and changes in equity of the Company for the financial year then ended, and

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

1 DIRECTORS

The Directors of the Company in office at the date of this statement are as follows:

Loh Chin Hua	-	Chairman
Chris Ong Leng Yeow	-	Chief Executive Officer
Po'ad Bin Shaik Abu Bakar Mattar		
Stephen Pan Yue Kuo		
Tan Ek Kia		
Lim Chin Leong		
Robert Deering Somerville		
Chan Hon Chew		
Kevin Kwok Khien	-	(resigned on 31 March 2019)
Tham Sai Choy	-	(appointed on 1 November 2019)

2 AUDIT AND RISK COMMITTEE

The Audit and Risk Committee of the Board of Directors comprises five members of whom four are independent Directors. Members of the Committee at the date of this statement are as follows:

Po'ad Bin Shaik Abu Bakar Mattar	-	Chairman
Stephen Pan Yue Kuo		
Tan Ek Kia		
Chan Hon Chew		
Kevin Kwok Khien	-	(resigned on 31 March 2019)
Tham Sai Choy	-	(appointed on 1 November 2019)

The Audit and Risk Committee carried out its function in accordance with its terms of reference. These include the following:

a) reviewed and approved the overall scope of the internal and external audits;

b) reviewed and discussed the results of the respective examination of internal and external audits, including their evaluation of the internal controls; and

c) reviewed and discussed the matters relating to Enterprise Risk Management.

3 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, other than as disclosed in paragraph 4 in this statement.

4 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of Directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, except as follows:

	Interests held	
	At 1.1.2019 or date of appointment, if later	At 31.12.2019
Keppel Corporation Limited		
(No. of Ordinary shares)		
Loh Chin Hua	895,341	1,310,592
Loh Chin Hua (deemed interest)	38,500	38,500
Chris Ong Leng Yeow	141,087	110,330
Tan Ek Kia	42,825	51,825
Lim Chin Leong	13,200	13,200
Chan Hon Chew	202,233	370,443
Chan Hon Chew (deemed interest)	7,770	7,770
Tham Sai Choy (appointed on 1 November 2019)	-	155,570
(Unvested restricted shares to be delivered after 2016) [1]		
Loh Chin Hua	60,000	-
Chris Ong Leng Yeow	16,600	-
Chan Hon Chew	28,400	-
(Unvested restricted shares to be delivered after 2017) [1]		
Loh Chin Hua	181,568	90,784
Chris Ong Leng Yeow	27,250	13,625
Chan Hon Chew	80,267	40,134

4 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

	Interests held	
	At 1.1.2019 or date of appointment, if later	At 31.12.2019
(Unvested restricted shares to be delivered after 2018) [1]		
Loh Chin Hua	-	174,936
Chris Ong Leng Yeow	-	16,519
Chan Hon Chew	-	81,354
(Contingent award of performance shares issued in 2016 to be delivered after 2018) [2, 3]		
Loh Chin Hua	300,000	-
Chan Hon Chew	100,000	-
(Contingent award of performance shares issued in 2017 to be delivered after 2019) [2, 3]		
Loh Chin Hua	330,000	330,000
Chan Hon Chew	150,000	150,000
(Contingent award of performance shares issued in 2018 to be delivered after 2020) [2, 3]		
Loh Chin Hua	320,000	320,000
Chan Hon Chew	140,000	140,000
(Contingent award of performance shares issued in 2019 to be delivered after 2021) [2, 3]		
Loh Chin Hua	-	365,000
Chan Hon Chew	-	150,000
(Contingent award of performance shares – Transformation Incentive issued in 2016 to be delivered after 2021) [2, 3]		
Loh Chin Hua	750,000	750,000
Chris Ong Leng Yeow	125,000	125,000
Chan Hon Chew	350,000	350,000
(Contingent award of performance shares – Transformation Incentive issued in 2017 to be delivered after 2021) [2, 3]		
Chris Ong Leng Yeow	75,000	75,000
Keppel REIT		
(No. of Units)		
Loh Chin Hua	7,000	7,000
Loh Chin Hua (deemed interest)	556,160	556,160
Chris Ong Leng Yeow	3,212	3,212
Tan Ek Kia	1,939	1,939
Lim Chin Leong	3,798	3,842
Chan Hon Chew	1,100	1,100
Chan Hon Chew (deemed interest)	1,875	1,875

4 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

	Interests held	
	At 1.1.2019 or date of appointment, if later	At 31.12.2019
Keppel Telecommunications & Transportation Ltd *(No. of Ordinary Shares)*		
Lim Chin Leong	16,000	-

[1] *Restricted shares are shares under award pursuant to Keppel Corporation Limited's Restricted Share Plan.*

[2] *Performance shares are shares under awards pursuant to Keppel Corporation Limited's Performance Share Plan.*

[3] *Depending on the achievement of pre-determined performance targets, the actual number of shares to be released could range from zero to 150% of the number stated.*

5 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no option to take up unissued shares of the Company or any corporation in Keppel Group was granted.

(b) *Option exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

6 INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept reappointment.

ON BEHALF OF THE BOARD

Loh Chin Hua
Chairman

Chris Ong Leng Yeow
Chief Executive Officer

Singapore
26 February 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF KEPPEL OFFSHORE & MARINE LTD

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Keppel Offshore & Marine Ltd (the "Company") and its subsidiaries (the "Group") and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the 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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the financial performance and changes in equity of the Company for the financial year ended on that date.

What we have audited

The financial statements of the Group and of the Company comprise:
- the statements of financial position of the Group and of the Company as at 31 December 2019;
- the statements of comprehensive income of the Group and of the Company for the year then ended;
- the statements of changes in equity of the Group and of the Company for the year then ended;
- the statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

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.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information 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, 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.

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.

Auditor's 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF KEPPEL OFFSHORE & MARINE LTD (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- 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 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.

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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore
26 February 2020

KEPPEL OFFSHORE & MARINE LTD AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	Company 31 December 2019 $'000	Company 31 December 2018 $'000	Group 31 December 2019 $'000	Group 31 December 2018 $'000
ASSETS					
Current assets					
Cash and cash equivalents	5	2,466	2,767	508,179	550,948
Trade debtors	6	-	-	1,170,174	1,088,210
Other debtors, deposits and prepayments	7	29	2	213,598	252,996
Stocks	8	-	-	819,634	816,486
Contract assets	9	-	-	3,324,020	3,184,561
Amounts due from related companies	10	1,091,673	1,144,803	107,260	136,117
Financial assets, at FVOCI	11	335	729	27,821	34,428
Derivative assets	14	-	-	23,043	18,213
Total current assets		1,094,503	1,148,301	6,193,729	6,081,959
Non-current assets					
Trade debtors	6	-	-	638,308	-
Other debtors, deposits and prepayments	7	-	-	8,020	22,042
Amounts due from related companies	10	-	-	192,993	162,382
Financial assets, at FVOCI	11	-	-	28,857	27,771
Financial assets, at FVPL	12	-	-	67,007	82,108
Other assets	13	-	-	17,753	15,163
Derivative assets	14	-	-	11,276	1,647
Property, plant and equipment	15	-	-	1,288,908	1,336,890
Right-of-use assets	16 (a)	-	-	351,910	-
Subsidiaries	17	940,426	929,942	-	-
Associated companies	18	12,583	12,583	558,137	631,825
Joint ventures	19	-	-	87,808	74,363
Intangible assets	20	-	-	68,754	71,043
Deferred taxation	25	-	-	74,115	50,899
Total non-current assets		953,009	942,525	3,393,846	2,476,133
Total assets		2,047,512	2,090,826	9,587,575	8,558,092
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other creditors	21	1,040	884	2,155,050	2,024,750
Provision for warranty	22	-	-	29,475	63,331
Contract liabilities	9	-	-	783,213	943,525
Amounts due to related companies	10	214,055	304,275	2,656,429	1,098,745
Derivative liabilities	14	-	-	12,911	22,631
Borrowings	23	-	-	206,888	74,895
Lease liabilities	24	-	-	39,286	-
Provision for taxation		691	58	23,480	31,746
Total current liabilities		215,786	305,217	5,906,732	4,259,623
Non-current liabilities					
Borrowings	23	-	-	145,769	160,457
Lease liabilities	24	-	-	365,086	-
Amounts due to related companies	10	-	-	156,904	1,056,250
Deferred taxation	25	-	-	49,814	46,793
Deferred liabilities	26	-	-	1,027	988
Derivative liabilities	14	-	-	3,786	510
Accrued expenses	21	71,196	71,196	77,766	83,142
Total non-current liabilities		71,196	71,196	800,152	1,348,140
Capital and reserves					
Share capital	27	339,716	339,716	339,716	339,716
Capital reserves	28	(861)	(467)	2,117	(13,129)
Perpetual securities	29	-	-	2,131,743	2,038,959
Foreign exchange translation reserve		-	-	(162,042)	(137,525)
Retained profits		1,421,675	1,375,164	524,506	674,143
Equity attributable to equity holders of the Company		1,760,530	1,714,413	2,836,040	2,902,164
Non-controlling interests	17	-	-	44,651	48,165
Total equity		1,760,530	1,714,413	2,880,691	2,950,329
Total liabilities and equity		2,047,512	2,090,826	9,587,575	8,558,092

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

KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Company 2019 $'000	Company 2018 $'000	Group 2019 $'000	Group 2018 $'000
Revenue	30	-	-	2,219,720	1,874,574
Raw materials and consumables used		-	-	(846,603)	(384,319)
Contract labour and subcontractors' costs		-	-	(534,632)	(690,114)
Staff costs	31 (a)	-	-	(566,324)	(495,248)
Depreciation and amortisation	15, 16, 20	-	-	(121,126)	(99,091)
Other operating income/(expenses) – net	31 (b)	32,638	(176,188)	(84,886)	(453,703)
Impairment on financial assets	31 (c)	-	-	(9,108)	(94,532)
Dividend income		14,272	1,074,621	4,988	1,199
Interest income	31 (d)	559	531	74,444	53,675
Interest expense	31 (e)	(283)	(3,080)	(107,123)	(102,630)
Share of results of associated companies and joint ventures	18, 19	-	-	(56,823)	8,001
Profit/(Loss) before taxation	31	47,186	895,884	(27,473)	(382,188)
Taxation	32	(675)	(16)	33,182	2,523
Profit/(Loss) for the year		46,511	895,868	5,709	(379,665)
Profit/(Loss) attributable to:					
Equity holders of the Company		46,511	895,868	(85,734)	(417,209)
Holders of perpetual securities		-	-	92,784	38,959
Non-controlling interests	17	-	-	(1,341)	(1,415)
Profit/(Loss) for the year		46,511	895,868	5,709	(379,665)

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

KEPPEL OFFSHORE & MARINE LTD AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME (cont'd) FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Company 2019 $'000	Company 2018 $'000	Group 2019 $'000	Group 2018 $'000
Profit/(Loss) for the year		46,511	895,868	5,709	(379,665)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Cash flow hedges					
- Fair value changes arising during the year		-	-	8,161	(57,642)
- Realised and transferred to profit and loss account		-	-	19,175	184,830
Foreign exchange translation					
- Exchange difference arising during the year		-	-	(24,517)	(38,742)
Share of other comprehensive income of associated companies					
- Cash flow hedges		-	-	(519)	3,449
		-	-	2,300	91,895
Items that will not be reclassified subsequently to profit and loss account:					
Other assets					
- Fair value changes arising during the year, net of tax		-	-	(932)	(1,974)
Financial assets, at FVOCI					
- Fair value changes arising during the year, net of tax		(394)	(467)	(10,894)	(22,150)
Foreign exchange translation					
- Exchange difference arising during the year		-	-	(499)	(3,075)
Other comprehensive (loss)/income for the year, net of tax		(394)	(467)	(10,025)	64,696
Total comprehensive income/(loss) for the year		46,117	895,401	(4,316)	(314,969)
Total comprehensive income/(loss) attributable to:					
Equity holders of the Company		46,117	895,401	(95,166)	(349,472)
Holders of perpetual securities		-	-	92,784	38,959
Non-controlling interests		-	-	(1,934)	(4,456)
Total comprehensive income/(loss) for the year		46,117	895,401	(4,316)	(314,969)

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

STATEMENTS OF CHANGES IN EQUITY - GROUP
FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Equity attributable to equity holders of the Company							
	Share capital $'000	Capital reserves $'000	Perpetual securities $'000	Foreign exchange translation reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance, 1 January 2018	339,716	(119,608)	-	(98,783)	1,091,352	1,212,677	54,756	1,267,433
Total comprehensive loss for the year								
Loss for the year	-	-	38,959	-	(417,209)	(378,250)	(1,415)	(379,665)
Other comprehensive income/(loss) for the year	-	106,479	-	(38,742)	-	67,737	(3,041)	64,696
Total	-	106,479	38,959	(38,742)	(417,209)	(310,513)	(4,456)	(314,969)
Transactions with owners, recognised directly in equity								
Issuance of perpetual securities (Note 29)	-	-	2,000,000	-	-	2,000,000	-	2,000,000
Dividends paid to non-controlling interests	-	-	-	-	-	-	(2,135)	(2,135)
Total	-	-	2,000,000	-	-	2,000,000	(2,135)	1,997,865
Balance, 31 December 2018	339,716	(13,129)	2,038,959	(137,525)	674,143	2,902,164	48,165	2,950,329
Adoption of SFRS (I) 16 (Note 35)	-	-	-	-	(63,742)	(63,742)	(1,144)	(64,886)
Balance, 1 January 2019	339,716	(13,129)	2,038,959	(137,525)	610,401	2,838,422	47,021	2,885,443
Total comprehensive loss for the year								
Profit for the year	-	-	92,784	-	(85,734)	7,050	(1,341)	5,709
Other comprehensive income/(loss) for the year	-	15,246	-	(24,517)	(161)	(9,432)	(593)	(10,025)
Total	-	15,246	92,784	(24,517)	(85,895)	(2,382)	(1,934)	(4,316)
Transactions with owners, recognised directly in equity								
Dividends paid to non-controlling interests	-	-	-	-	-	-	(436)	(436)
Total	-	-	-	-	-	-	(436)	(436)
Balance, 31 December 2019	339,716	2,117	2,131,743	(162,042)	524,506	2,836,040	44,651	2,880,691

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

KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY - COMPANY
FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Share capital $'000	Capital reserves $'000	Retained profits $'000	Total equity $'000
Balance, 1 January 2018	339,716	-	479,296	819,012
Total comprehensive income for the year				
Profit for the year	-	-	895,868	895,868
Other comprehensive loss for the year	-	(467)	-	(467)
Total	-	(467)	895,868	895,401
Balance, 31 December 2018	339,716	(467)	1,375,164	1,714,413
Total comprehensive income for the year				
Profit for the year	-	-	46,511	46,511
Other comprehensive loss for the year	-	(394)	-	(394)
Total	-	(394)	46,511	46,117
Balance, 31 December 2019	339,716	(861)	1,421,675	1,760,530

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

KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

STATEMENT OF CASH FLOWS
FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group	
	2019	2018
	$'000	$'000
Operating activities:		
Loss before taxation	(27,473)	(382,188)
Adjustments for:		
Depreciation and amortisation	121,126	99,091
Interest expense	107,123	102,630
Interest income	(74,444)	(53,675)
Dividend income	(4,988)	(1,199)
Share of results of associated companies and joint ventures	56,823	(8,001)
Gain on disposal of property, plant and equipment	355	(1,985)
Gain on disposal of unquoted investments	-	(2,751)
Impairment loss on associated company	-	6,000
Property, plant and equipment written off	-	4,348
Cash flows provided/(used) by operations before changes in working capital	178,522	(237,730)
Working capital changes, excluding changes relating to cash:		
Stocks	(3,148)	118,168
Contract assets and liabilities	(299,771)	(369,545)
Trade and other debtors, deposits and prepayments	(697,007)	632,709
Other assets	(3,593)	284
Financial assets, at FVPL	14,401	(11,817)
Trade creditors, provisions for warranty and accrued expenses	83,618	(431,064)
Amount due from/(to) related companies	53,254	(35,905)
Derivative instruments – net	6,433	211,186
Cash used in operations	(667,291)	(123,714)
Interest received	58,408	42,910
Dividend received	4,988	1,199
Income tax refund/(paid)	38,243	(11,907)
Net cash used in operating activities	(565,652)	(91,512)
Investing activities:		
Purchase of property, plant and equipment	(77,042)	(84,531)
Proceeds from sale of property, plant and equipment	1,000	2,874
Prepayment of leases	(31)	-
Purchase of financial assets, at FVOCI	(2,849)	(2,226)
Dividends and distribution received	18,901	3,927
Addition of investment in joint venture	(18,398)	(2,968)
Net cash used in investing activities	(78,419)	(82,924)

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

STATEMENT OF CASH FLOWS (cont'd)
FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group 2019 $'000	Group 2018 $'000
Financing activities:		
Repayment of borrowings	(53,534)	(48,980)
Proceeds from borrowings	172,225	131,605
Proceeds/(repayment) of loans from a related company – net	619,366	(317,202)
Principal payment of lease liabilities	(26,512)	-
Interest paid	(107,123)	(102,630)
Dividend payment to non-controlling interests	(436)	(2,135)
Net cash provided by financing activities	603,986	(339,342)
Net changes in cash and cash equivalents	(40,085)	(513,778)
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	(2,684)	(725)
Cash and cash equivalents at beginning of financial year	550,948	1,065,451
Cash and cash equivalents at end of financial year (Note 5)	508,179	550,948

Reconciliation of liabilities arising from financing activities

2019

	1 January 2019	Proceeds from borrowings	Principal and interest payments	Non-cash changes: Adoption of SFRS(I) 16	Non-cash changes: Addition during the year	Non-cash changes: Interest expense and others	Non-cash changes: Foreign exchange movement	31 December 2019
	$'000		$'000	$'000	$'000	$'000	$'000	$'000
Borrowings	235,352	172,225	(64,738)	-	-	11,204	(1,386)	352,657
Loans from a related company	2,104,333	619,366	(65,224)	-	-	65,224	-	2,723,699
Perpetual securities	2,038,959	-	-	-		92,784[1]	-	2,131,743
Lease liabilities	-	-	(53,031)	411,077	31,438	26,519	(11,631)	404,372

2018

	1 January 2018	Proceeds from borrowings	Principal and interest payments	Non-cash changes: Transfer/ Issuance	Non-cash changes: Interest expense and others	Non-cash changes: Foreign exchange movement	31 December 2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Borrowings	155,119	131,605	(54,851)	-	5,871	(2,392)	235,352
Loans from a related company [2]	4,421,535	-	(410,257)	(2,000,000)	93,055	-	2,104,333
Perpetual securities	-	-	-	2,000,000	38,959[1]	-	2,038,959

[1] Relates to distribution to perpetual securities holder.
[2] Loans from a related company was previously reported in operating activities and reclassified to financing activities in the current financial year. The comparative figures have been retrospectively reclassified.

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

1 GENERAL

The Company (Registration Number 199900642R) is incorporated in Singapore with its principal place of business at 50 Gul Road, Singapore 629351 and registered office at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632. The financial statements are expressed in Singapore dollars.

The Company's principal activity is that of an investment holding company.

The principal activities of the subsidiaries, associated companies and joint ventures are detailed in Notes 17, 18 and 19 to the financial statements respectively.

The Company's immediate and ultimate holding company is Keppel Corporation Limited, incorporated in Singapore.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs"). All references to SFRS(I)s and IFRSs are referred to collectively as SFRS(I)s in these financial statements, unless specified otherwise. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

On 1 January 2019, the Group has adopted the new or amended SFRS(I)s, which comprise standards and interpretations, that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s.

The adoption of these new or amended SFRS(I)s did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 Leases, where details are disclosed in Note 35.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries.

The financial statements of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated financial statements from their respective dates of obtaining control or ceasing control. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 BASIS OF CONSOLIDATION (cont'd)

Acquisition of subsidiaries is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair value of the assets transferred, equity instruments issued, liabilities incurred or assumed at the date of exchange and the fair values of any contingent consideration arrangement and any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised in the profit and loss account as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests, except for deferred tax assets/liabilities, share-based related accounts and assets held for sale.

Any excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted and the difference between the change in the carrying amounts of the non-controlling interests and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group derecognises all assets (including any goodwill), liabilities and non-controlling interests at their carrying amounts. Amounts previously recognised in other comprehensive income in respect of that former subsidiary are reclassified to the profit and loss account or transferred directly to revenue reserves if required by a specific Standard. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in the profit and loss account.

On a transaction-by-transaction basis, the measurement of non-controlling interests is either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree.

Contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in the profit and loss account.

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 owners 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 in a subsidiary based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 FINANCIAL ASSETS

(a) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through profit or loss ("FVPL"); and
- Fair value through other comprehensive income ("FVOCI").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, listed and unlisted debt securities.

There are three subsequent measurement categories adopted by the Group which is dependent on its business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other gains and losses".

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 FINANCIAL ASSETS (cont'd)

(a) Classification and measurement (cont'd)

(i) Debt instruments (cont'd)

- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other gains and losses". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains and losses", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains / losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, lease receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 FINANCIAL ASSETS (cont'd)

(c) Recognition and derecognition (cont'd)

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

2.4 FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other creditors are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months, or is expected to be realised in the Group's normal operating cycle.

Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Note 14 to the financial statements contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the cash flow hedge reserve in other comprehensive income are also detailed in Note 28 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (cont'd)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other gains and losses. Amounts recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and when the forecast transaction is ultimately recognised in profit or loss, such gains and losses are recognised in profit or loss, or transferred from equity and included in the initial measurement of the cost of the asset or liability as described above. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was accumulated in equity is recognised immediately in profit or loss.

2.6 OFFSETTING ARRANGMENTS

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company or the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

2.7 PROPERTY, PLANT AND EQUIPMENT

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, and other fixed assets are stated in the statement of financial position at their costs, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Capital work-in-progress are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and capital work-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

		Number of years
Buildings on freehold land	-	between 20 and 50
Buildings on leasehold land	-	between 15 and 50
Plant, machinery and equipment	-	between 5 and 30
Furniture, fittings and office equipment	-	between 2 and 10
Cranes	-	between 5 and 30
Small equipment and tools	-	between 2 and 20
Vessels	-	between 10 and 30

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

2.8 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit and loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL (cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.9 SUBSIDIARIES

A subsidiary is an entity (including structured entities) over which the Group has control. The Group controls an entity when the Group 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 Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Investments in subsidiaries are stated in the financial statements of the Company at cost less accumulated impairment losses. On disposal of a subsidiary, the difference between net disposal proceeds and carrying amount of the investment is taken to profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 ASSOCIATED COMPANIES AND JOINT VENTURES

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

(i) Acquisitions

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated company or joint venture over the Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' or joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income.

Dividends received or receivable from the associated companies or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture.

If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company or joint venture includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at fair value.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 ASSOCIATED COMPANIES AND JOINT VENTURES (cont'd)

(iii) Disposals (cont'd)

The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries, associated companies, and joint ventures" for the accounting policy on investments in associated companies and joint ventures in the separate financial statements of the Company.

2.11 INTANGIBLE ASSETS

Goodwill on acquisitions

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

Patents and trademarks, and Research and development, and Customer relationships

Patents and trademarks, research and development and customer relationships are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 3 to 20 years, which is the shorter of their estimated useful lives and periods of contractual rights.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 STOCKS

Stocks are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.13 LEASES

a) The accounting policy for leases before 1 January 2019 are as follows:

(i) When the Group is the lessee:

The Group leases yards, office space and equipment under operating leases from non-related parties. Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in profit or loss when incurred.

(ii) When the Group is the lessor:

The Group leases vessels, buildings and equipment under operating leases to non-related parties. Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income. Contingent rents are recognised as income in profit or loss when earned.

b) The accounting policy for leases from 1 January 2019 are as follows:

(i) When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

Right-of-use assets

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 LEASES (cont'd)

b) The accounting policy for leases from 1 January 2019 are as follows (cont'd):

(i) When the Group is the lessee (cont'd):

Right-of-use assets (cont'd)

These right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is a modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 LEASES (cont'd)

b) The accounting policy for leases from 1 January 2019 are as follows (cont'd):

(i) When the Group is the lessee (cont'd):

Short term and low value leases

The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group recognises those lease payments in profit or loss in the periods that triggered those lease payments.

(ii) When the Group is the lessor:

The accounting policy applicable to the Group as a lessor – operating lease in the comparative period were the same under SFRS(I) 16.

Lessor – Finance leases

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable is recognised on the balance sheet. The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2.14 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 PROVISIONS (cont'd)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. These provisions include a provision for warranty which is set up, upon completion of a contract, to cover the estimated liability which may arise during the warranty period. Any provision no longer required at the end of the warranty period will be written back while additional provision will be made when required.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.15 REVENUE

The Group enters into rigbuilding, shipbuilding and repairs contracts with customers. These contracts are fixed in prices. Revenue is recognised when the control over the contract work is transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the contract work over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

The contract work 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 contract work.

The measure of progress for rigbuilding contracts and shipbuilding contracts is determined by engineers' estimates.

For contract where the customer is invoiced on a milestone payment schedule, a contract asset is recognised if the value of the contract work transferred by the Group exceed the receipts from the customer and a contract liability is recognised if the receipts from the customer exceed the value of the contract work transferred by the Group.

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.

Revenue from sale of goods is recognised when the Group satisfies a performance obligation by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied performance obligation.

Revenue from the rendering of services is recognised when the services have been rendered.

Dividend income from investments is recognised when such dividend income is declared to be payable.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined retirement benefit plans, the cost of providing benefits is determined based on the computation of their salary for each completed year of service. Contributions to the scheme are charged to profit or loss.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

2.17 EMPLOYEE LEAVE ENTITLEMENT

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2.18 INCOME TAX

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 INCOME TAX (cont'd)

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits similar to accounting for other tax credits where a deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised.

2.19 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the financial statements of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences which relate to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

Exchange differences on transactions entered into in order to hedge certain foreign currency risks are described in the hedge accounting policies above.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation accumulated in a separate component of equity, shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (cont'd)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associated company that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associated companies or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in foreign currency translation reserve (attributed to minority interest, as appropriate).

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and on demand deposits, and other short-term highly liquid assets that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.21 SHARE CAPITAL AND PERPETUAL SECURITIES

Ordinary shares and perpetual securities are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity or to exchange financial assets or liabilities with another person or entity that are potentially unfavourable to the issuer.

Incremental costs directly attributable to the issue of new shares or options or perpetual capital securities are shown in equity as a deduction, net of tax, from the proceeds. The proceeds received net of any directly attributable transaction costs are credited to share capital or perpetual securities.

2.22 DIVIDENDS TO COMPANY'S SHAREHOLDER

Dividends to the Company's shareholder are recognised when the dividends are approved for payment.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key judgements, estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

(a) Revenue from rigbuilding, shipbuilding and repairs

The Group recognises contract revenue and contract cost over time by reference to the Group's progress towards completing the construction of the contract work. The stage of completion is measured in accordance with the accounting policy stated in Note 2.15. Significant estimations and assumptions are required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract cost and the recoverability of the contracts. In making the estimations and assumptions, the Group evaluates by relying on past experience and the work of engineers. Revenue from construction contracts is disclosed in Note 30.

Revenue arising from additional claims and variation orders, whether billed or unbilled, is recognised when negotiations have reached an advanced stage such customer has accepted the claims or approved the variation orders.

(b) Claims, litigations and reviews

The Group entered into various contracts with third parties in its ordinary course of business and is exposed to the risk of claims, litigations, latent defects or review from the contractual parties and/or government agencies. These can arise for various reasons, including change in scope of work, delay and disputes, defective specifications or routine checks etc. The scope, enforceability and validity of any claim, litigation or review may be highly uncertain. In making its judgment as to whether it is probable that any such claim, litigation or review will result in a liability and whether any such liability can be measured reliably, management relies on past experience and the opinion of legal and technical expertise.

Civil action by EIG funds

In February 2018, the Group was served a summons by eight investment funds ("plaintiffs") managed by EIG Management Company, LLC ("EIG") where a civil action was commenced by the plaintiffs pursuant to the Racketeer Influenced and Corrupt Organizations Act ("RICO") in the United States District Court, Southern District of New York. The plaintiffs seek damages for its loss of investment of US$221,000,000 in Sete Brasil, trebled under RICO to US$663,000,000, plus interest, costs and mandatory attorneys' fees under RICO.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(b) Claims, litigations and reviews (cont'd)

Civil action by EIG funds (cont'd)

This lawsuit came after an earlier civil action commenced by eight of EIG's managed funds in the United States District Court, District of Columbia against, among others, the holding company and the Group. The case was dismissed by the Court on 30 March 2017.

Management is of the view that the reported cause of action by the plaintiffs is without merit and the Group will vigorously defend itself. As at the date of these financial statements, it is premature to predict or determine the eventual outcome of the action and hence, the potential amount of any loss cannot currently be assessed. The Group has filed a motion to dismiss EIG's complaint.

(c) Recoverability of contract assets and trade debtors in relation to construction contracts

Contracts with Sete Brasil ("Sete")

The Group had previously entered into Engineering, Procurement and Construction ("EPC") contracts with Sete's subsidiaries for the construction of six semisubmersible drilling rigs for which progress payments from Sete had ceased since November 2014. In April 2016, Sete filed for bankruptcy protection and its authorised representatives had been in discussion with the Group on the eventual completion and delivery of some of the rigs. Total cumulative losses recognised in relation to these contracts amounted to $476,000,000 (2018: $476,000,000).

On 3 October 2019, Sete's creditors approved a settlement agreement between the Group and Sete, as well as a proposal for Magni Partners (Bermuda) Ltd ("Magni") to purchase Sete's four subsidiaries, of which two have EPC contracts with the Group.

Under the settlement agreement with Sete, which is subject to fulfilment of certain conditions precedent, the Group will take over ownership of four uncompleted rigs arising from the performance of the above EPC contracts. When the settlement agreement comes into effect, the EPC contracts and related agreements entered for these uncompleted rigs will be deemed to be amicably terminated, with no penalties, refunds and/or any additional amounts being due to any party, and the parties will waive all rights to any claims.

The Group has a receivable of approximately US$260 million from Sete and this amount has been included in Sete's court-approved Judicial Reorganisation Plan. The outstanding amount will be paid to the Group proportionally and pari passu with other creditors of Sete as part of, and out of proceeds of, its Judicial Reorganisation Plan.

As at the date of these financial statements, management is in discussions with Magni on the terms to complete the construction of the two rigs.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(c) Recoverability of contract assets and trade debtors in relation to construction contracts (cont'd)

Contracts with Sete Brasil ("Sete") (cont'd)

As at the balance sheet date, management has performed an assessment to estimate the cost of discontinuance of related agreements of the EPC contracts, offset by possible options in extracting values from the uncompleted rigs and possible payout from the Judicial Reorganisation Plan. In addition, management has estimated the net present value of the cash flows relating to the impending construction contract for two rigs with Magni.

Arising from the above assessment, management is of the opinion that the loss allowance for trade debtors of $183,000,000 (Note 6) (2018: $183,000,000) and the provision for contract related costs of $245,000,000 (Note 21 - included in accrued expenses) (2018: $245,000,000) are adequate to address the cost of discontinuance, salvage cost and unpaid progress billings relating to these EPC contracts.

Other contracts

As at 31 December 2019, the Group had several rigs/vessels that were under construction for customers where customers had requested for deferral of delivery dates of the rigs/vessels in prior years. See Note 9 on contract assets balances.

In addition, the Group has delivered rigs/vessels to customers where receipt of the construction revenue amounting to $778,734,000 (2018: $139,890,000) have been deferred under certain financing arrangements.

Management has assessed each deferred construction project individually to make judgment as to whether the customers will be able to fulfil their contractual obligations and take delivery of the rigs at the revised delivery dates.

Management has also performed an assessment of the expected credit loss on contract assets and trade receivables on an individual customer basis to determine if a provision for expected loss is necessary.

In the event that a customer is unable to fulfill its contractual obligations, the Group can exercise its right to retain payments received to date and the legal possession of the rigs/vessels under construction. For balances relating to delivered rigs, the Group has also retained title to the rigs, other than for an amount of $139,761,000 (2018: $139,890,000) of receivables from one customer, in which, the amount is guaranteed by its parent.

Management has further assessed if the values of the rigs/vessels would exceed the carrying values of contract assets and trade receivables secured on the rigs/vessels.

Management has estimated, with the assistance of an independent professional firm, the values of the rigs/vessels using Discounted Cash Flow ("DCF") calculations that cover each class of rig/vessel under construction. The most significant inputs to the DCF calculations include day rates and discount rates. Management has assessed the values of the rigs/vessels based on the higher of the potential sales quotation or the value of the rigs/vessels using DCF.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(c) Recoverability of contract assets and trade debtors in relation to construction contracts (cont'd)

Other contracts (cont'd)

If the potential sales quotation or the estimated day rates used in the DCF had been 15% lower than management estimates, no impairment is required.

If the discount rate used in the DCF had been 1% higher than management estimates, no impairment is required.

(d) Investments in Floatel International Limited ("Floatel")

		31 December	
		2019	2018
		$'000	$'000
Equity interest	Note 18	**311,000**	362,760
Preference shares	Note 12	**10,449**	21,845
Loan receivable	Note 10	**155,425**	139,799
Carrying amount		**476,874**	524,404

In November 2019, credit rating agencies downgraded Floatel's credit rating, citing market environment for accommodation vessels remaining difficult with limited activity and pressure on day-rates. The rating agencies also commented that if Floatel fails to contract work for its idle vessels in the near future, it may not be able to meet its leverage covenant at its first test at the year-end 2020.

Floatel subsequently reported that its financial situation is unsustainable as liquidity is under pressure. There is a material uncertainty as to whether Floatel will be able to service its secured financial liabilities and net working capital requirements for the coming 12 months, which cast significant doubt on Floatel's ability to continue as a going concern. The long-term viability of Floatel's business depends on it finding a solution to its financial situation and Floatel management has initiated discussions with key creditors, in which, in the view of Floatel's board of directors, there is reasonable expectations of success. In a situation where going concern for Floatel no longer can be assumed, there is a risk for significant write down of its assets.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(d) Investments in Floatel International Limited ("Floatel") (cont'd)

Management performed an impairment assessment of the recoverability of the Group's total exposure in Floatel by first performing an assessment to ascertain whether Floatel would reasonably continue as a going concern in the next 12 months. If Floatel cannot reasonably continue as a going concern in the next 12 months, the carrying amount of the Group's investment in Floatel may be subject to significant write-down.

Management conducted a review of the business and cash flow projections through discussions with Floatel's management and corroborated those information based on management's understanding of the business environment that Floatel operates in. Management also discussed with Floatel's management to understand the on-going dialogue with Floatel's lenders and advisers. Based on the results of the review, discussions and information currently available, management concurred with the judgement made by Floatel's management and board of directors in relation to the going-concern matter.

In assessing impairment of the equity shares, management had focused on whether Floatel's vessels were stated at their appropriate recoverable amounts. The Group's carrying value of investment in Floatel's equity shares was reduced by its share of loss of $50,724,000 which included impairment loss on the carrying value of three vessels amounting to $19,642,000. The recoverable amounts of the vessels were determined on their Value-In-Use, using a discounted cash flow model. Management reviewed the appropriateness of key inputs used in the estimation of the recoverable amount of Floatel's vessels.

With respect to preference shares, management had performed an estimation of its fair value as at 31 December 2019 using a dividend discount model and recognised a fair value loss of $11,395,000.

In assessing the expected credit loss of the loan receivable repayable on 31 December 2025, management expects full recovery of the receivable on the basis that Floatel operates in a niche market and supply of similar services should normalise over time. Given the extended date before the loan is due for repayment, management expects Floatel to continue as a viable business in the longer term and will be able to repay the loan when due in 2025.

(e) Global resolution with criminal authorities in relation to corrupt payments

In 2017, the Group reached a global resolution with the criminal authorities in the United States of America, Brazil and Singapore in relation to corrupt payments made in relation to the Group's various projects with Petrobras and Sete Brasil in Brazil, which were made with knowledge or approval of former executives. Fines in an aggregate amount of US$422,216,980, or equivalent to approximately S$570,422,000, paid/payable had been allocated between the three jurisdictions.

As part of the global resolution, the Company accepted a Conditional Warning from the Corrupt Practices Investigation Bureau ("CPIB") in Singapore, and entered into a Deferred Prosecution Agreement ("DPA") with the U.S. Department of Justice ("DOJ"), while Keppel FELS Brasil S.A., a wholly-owned subsidiary of the Company, entered into a Leniency Agreement with the Public Prosecutor's Office in Brazil, the Minsterio Publico Federal ("MPF") which became effective following the approval of the Fifth Chamber for Coordination and Review of the MPF in April 2018. In addition, Keppel Offshore & Marine USA, Inc ("KOM USA"), also a wholly-owned subsidiary of the Company, pleaded guilty to one count of conspiracy to violate the U.S. Foreign Corrupt Practices Act and had entered into a Plea Agreement with the DOJ.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(e) Global resolution with criminal authorities in relation to corrupt payments (cont'd)

Pursuant to the DPA, the Company paid a monetary penalty of US$105,554,245, of which US$4,725,000 was paid as a criminal fine by KOM USA, to the United States Treasury in 2018. In addition, the Company paid a monetary penalty of US$211,108,490 to the MPF and a monetary penalty of US$52,777,122.50 to CPIB in 2018. A further US$52,777,122.50, which amount payable has been included as accrued expenses since FY2017, will be payable to CPIB within three years (or an extended period as approved by CPIB and DOJ) from the date of the Conditional Warning (less any penalties that the Group may pay to specified Brazilian authorities during this period, for which discussions with the specified authorities are ongoing).

As part of the global resolution with the authorities, the Group had also committed to strengthening the compliance and governance regime in the Group. Amongst others, it included a commitment to secure certification of ISO 37001 Anti-Bribery Management System and testing of the effectiveness of the policies and procedures put in place. As of the date of these financial statements, the Group's entities in Singapore, Brazil, Bulgaria, China, India, Philippines, United Arab Emirates and the United States had secured certification of ISO 37001 Anti-Bribery Management System.

Anti-bribery and corruption compliance audits were also performed on entities within the Group. These audits revealed enhanced policies and procedures put in place to-date were, in general, functioning as intended. The audits performed in 2018 had, however, identified certain matters relating to contracts entered into several years ago which required follow-up actions and further review. The follow-up actions and further reviews were concluded in 2019.

Based on currently available information, management is of the opinion that no additional provision is required.

(f) Estimating net realisable value ("NRV") of Stocks (work-in-progress)

The net realisable value of stocks represent the estimated selling price for these stocks less all estimated cost of completion and costs necessary to make the sale.

For construction projects under work-in-progress, the Group determines the estimated selling price based on recent sale transactions for similar assets or discounted cash flow models where recent sale transactions for similar assets were not available.

The Group has stocks (work-in-progress) amounting to $598,800,000 (after a provision of $50,000,000 made in prior year) (Note 8). The carrying amount represented the estimated net realisable value of the stocks. Management has determined the NRV of the stocks based on arrangements to market the asset and a discounted cash flow model.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(g) Impairment of non-financial assets

Determining whether the carrying value of a non-financial asset is impaired requires an estimation of the value in use of the cash-generating units. This requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amounts of fixed assets, investments in subsidiaries, investment in associates and joint ventures, and intangibles are disclosed in the balance sheet. Management performed impairment tests on these non-financial assets as at 31 December 2019. Refer to Note 15, 17, 18, 19 and 20 for more details.

(h) Leases terms - options to extend

As at 31 December 2019, lease liabilities of the Group included $2,926,000 where lease extension options on land and buildings are included in the estimation of the lease term as it is reasonably certain that the lease would be extended, based on facts and circumstances that create an economic incentive to exercise the extension option. The following factors are considered in determining whether there is significant economic incentive to extend the lease:

- Leasehold improvements are expected to have significant remaining value as significant investments were undertook since the commencement of the lease; and
- Significant costs expected to be incurred and business disruption for relocation of the operations.

The assessment of reasonable certainty to exercise extension options is only revised if a significant change in circumstances occurs which affects this assessment, and that is within the control of the lessee. During the current financial year, there was no revision of lease term.

As at 31 December 2019, potential future (undiscounted) cash outflows of approximately $611,174,000 have not been included in lease liabilities because it is not reasonably certain that the leases will be extended.

(i) Uncertain tax positions

The Group is subject to income taxes in the jurisdictions in which it operates. In determining the income tax liabilities, management has made estimates of income that are subject to tax and the deductibility of certain expenses ("uncertain tax positions") at each jurisdiction.

At the balance sheet date, the Group has made tax filings with a tax authority in a foreign jurisdiction which are currently open. Management believes that the tax positions are sustainable based on prior experience and filings. Accordingly, the Group has not recognised additional tax liability, if any, on these uncertain tax positions.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT

(A) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Company		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Financial assets				
Derivative financial instruments	-	-	34,319	19,860
Financial assets,				
- at amortised cost	1,094,168	1,147,572	2,723,926	1,945,485
- at FVOCI	335	729	56,678	62,199
- at FVPL	-	-	67,007	82,108
Financial liabilities				
Derivative financial instruments	-	-	(16,697)	(23,141)
Term loans and payables at amortised cost	(286,291)	(376,355)	(5,770,060)	(4,491,304)

(B) Financial instruments subject to offsetting, enforceable master netting arrangements and similar arrangements

The Group and Company do not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting arrangements.

(C) Financial risk management policies and objectives

The Group operates internationally and is exposed to a variety of financial risks, comprising market risk (including currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. Financial risk management is carried out by the Keppel Group Treasury Department in accordance with established policies and guidelines. These policies and guidelines are established by the Group Central Finance Committee and are updated to take into account changes in the operating environment. This committee is chaired by the Chief Financial Officer of the Company and includes Chief Financial Officers of the Group's key operating companies and Head Office specialists.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(a) Market risk management

(i) Currency risk management

The Group has debtors, cash and short-term placements, creditors, term loans and bank overdrafts denominated in foreign currencies, mainly US dollars ("USD") and Euro dollars ("Euro"). The Group's foreign currency exposures arise mainly from the exchange rate movement of these foreign currencies against the respective entities' functional currencies. To hedge against the volatility of future cash flows caused by changes in foreign currency rates, the Group utilises forward foreign currency contracts to hedge the Group's exposure to specific currency risks relating to investments, debtors, creditors and other commitments. Keppel Group Treasury Department monitors the current and projected foreign currency cash flow of the Group and aims to reduce the exposure of the net position in each currency.

Other than the above hedged foreign currency contracts, the unhedged currency exposure of financial assets and financial liabilities denominated in currencies other than the respective entities' functional currencies are as follows:

	At 31 December 2019		
	USD	BRL	Others
	$'000	$'000	$'000
Group			
Financial assets			
Cash and short-term placements	5,317	53	4,977
Trade debtors	506,908	318,767	920
Amount due from related companies	171,948	-	-
Financial assets, at FVOCI	29,942	-	3,467
Financial assets, at FVPL	67,007	-	-
Total financial assets	781,122	318,820	9,364
Financial liabilities			
Trade creditors	(123,347)	(18,542)	(9,789)
Amount due to related companies	(645)	-	-
Term loans	(18,905)	-	-
Total financial liabilities	(142,897)	(18,542)	(9,789)
Net financial assets	638,225	300,278	(425)

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(a) Market risk management (cont'd)

(i) Currency risk management (cont'd)

	At 31 December 2018		
	USD $'000	BRL $'000	Others $'000
Group			
Financial assets			
Cash and short-term placements	5,149	1,823	1,334
Trade debtors	484,738	360,479	1,766
Amount due from related companies	156,209	-	-
Financial assets, at FVOCI	42,740	-	3,295
Financial assets, at FVPL	82,108	-	-
Total financial assets	770,944	362,302	6,395
Financial liabilities			
Trade creditors	(33,877)	(5,393)	(10,234)
Amount due to related companies	(1,140)	-	-
Term loans	(3,472)	-	-
Total financial liabilities	(38,489)	(5,393)	(10,234)
Net financial assets	732,455	356,909	(3,839)

	2019 USD $'000	2018 USD $'000
Company		
Financial assets		
Cash and short-term placements	1	9
Financial assets, at FVOCI	335	729
	336	738
Financial liability		
Amount due to related companies	(1,230)	(6,035)
Net financial liability	(894)	(5,297)

The Company has several investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Further details on the forward exchange derivative hedging instruments are found in Note 14 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(a) Market risk management (cont'd)

(i) Currency risk management (cont'd)

Sensitivity analysis for currency risk

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment on the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they give rise to an impact on the Group's profit or loss and/or equity.

If the relevant foreign currency change against the functional currency by 5% with all other variables held constant, the positive/(negative) effects on profit before tax and other equity will be as follows:

	Profit after tax		Other equity	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Group				
USD against S$				
- Strengthened	25,244	28,623	1,497	2,137
- Weakened	(25,244)	(28,623)	(1,497)	(2,137)
BRL against S$				
- Strengthened	12,462	14,812	-	-
- Weakened	(12,462)	(14,812)	-	-
Company				
US$ against S$				
- Strengthened	(51)	(250)	17	36
- Weakened	51	250	(17)	(36)

In management's opinion, the sensitivity analysis is not indicative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(a) Market risk management (cont'd)

(ii) Interest rate risk management

The Group is exposed to interest rate risk for changes in interest rates primarily for debt obligations and placements in the money market. The Group policy is to maintain a mix of fixed and variable rate debt instruments with varying maturities.

Sensitivity analysis for interest rate risk

The sensitivity analyses below have been determined based on the exposure to interest rates for term loans at the end of the reporting periods and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 5% increase/decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 5% higher or lower and all other variables were held constant, the Group's profit after tax would increase/decrease by $136,001,000 (2018: loss after tax would increase/decrease by $54,460,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings during the year.

The Company's profit or loss and equity are not affected by the changes in interest rates as the interest-bearing instruments carry fixed interest and are measured at amortised cost.

(iii) Equity price risk management

The Group and Company are exposed to equity securities price risk arising from equity investments classified as financial assets, at FVOCI (Note 11). To manage its price risk arising from investments in equity securities, the Group and Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Sensitivity analysis for price risk

As at 31 December 2019, if prices for quoted investments increase/decrease by 5% (2018: 5%), the Group's fair value reserve in other comprehensive income would have been higher/lower by $1,391,000 (2018: $1,721,000) as a result of higher/lower fair value gains on investments at fair value through other comprehensive income, in the case of 2018, available-for-sale investments.

If prices for quoted investments increase/decrease by 5% (2018: 5%) with all other variables held constant, the Company's fair value reserve would have been higher/lower by $17,000 (2018: $36,000) as a result of higher/lower fair value gains on investments at fair value through other comprehensive income.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(b) Credit risk management

Credit risk refers to the risk that debtors will default on their obligation to repay the amount owing to the Group. A substantial portion of the Group's revenue is on credit terms. The Group adopts stringent procedures on extending credit terms to customers and on the monitoring of credit risk. The credit policy spells out clearly the guidelines on extending credit terms to customers, including monitoring the process and using related industry's practices as reference. This includes assessment and valuation of customers' credit reliability and periodic review of their financial status to determine the credit limits to be granted. Customers are also assessed based on their historical payment records. Where necessary, customers may also be requested to provide security or advance payment before services are rendered. In addition, contract assets and receivables for the Group's construction of newbuild rigs/vessels are secured on the assets being constructed. The Group's policy does not permit non-secured credit risk to be significantly centralised in one customer or a group of customers.

Credit risk assessment on an individual customer is based on historical, current and forward-looking information such as:

- Historical financial and default rate of the customer
- Any publicly available information on the customer
- Any macro-economic or geopolitical information relevant to the customer
- Any other objectively supportable information on the quality and abilities of the customer's management relevant for its performance

The Group assesses on a forward-looking basis the expected credit loss ("ECLs") associated with financial assets which are mainly debtors, amounts due from associated companies and bank balances, deposits and cash.

ECLs are probability-weighted estimates 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 the financial asset. At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and at FVOCI 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. These events include probability of insolvency, significant financial difficulties of the debtor and default or significant delay in payments.

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 undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group/s historical experience and informed credit assessment and includes forward-looking information.

The Group uses a provision matrix to measure ECLs on receivables from customers and counterparties that have not been individually assessed. These are grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as debtor failing to engage in a repayment plan with the Group.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(b) Credit risk management (cont'd)

The Group's credit risk exposure in relation to debtors under SFRS(I) 9 that have not been assessed on a contract-by-contract basis are set out in the provision matrix as follows :

Group	Current $'000	1 to 3 months $'000	3 to 6 months $'000	> 6 months $'000	Total $'000
31 December 2019					
Expected loss rate	6.13%	13.32%	12.25%	69.38%	
Trade debtors	2,902	758	1,265	3,308	8,233
Loss allowance	178	101	155	2,295	2,729
31 December 2018					
Expected loss rate	0.76%	4.83%	6.12%	95.00%	
Trade debtors	3,667	2,214	850	2,138	8,869
Loss allowance	28	107	52	2,031	2,218

Trade debtors that have been assessed on a contract-by-contract basis involve mainly those with collaterals held or guarantees provided to the Group amounting to $778,734,000 (2018: $139,890,000).

Balances due from associated companies are subject to immaterial credit loss other than balance due from Floatel International Limited where details are disclosed in Note 3(d).

Cash and cash equivalents with banks consider to have low credit risk. The cash balances are measured on 12-month expected credit losses and subject to immaterial credit loss.

The Company has assessed that its subsidiaries have financial capacity to meet the contractual cash flow obligations and hence does not expect significant credit losses.

The Company has issued financial guarantees to banks for borrowings of its subsidiaries where details are disclosed in Note 33. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(c) Liquidity risk management

Prudent liquidity risk management requires the Group to maintain sufficient cash, internally generated cash flows, and the availability of funding resources through an adequate amount of committed credit facilities. Group Treasury also maintains a mix of short-term money market borrowings and medium/long-term loans to fund working capital requirements and capital expenditures/investments. Due to the dynamic nature of business, the Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time.

Information relating to maturity profile of loans is disclosed in Note 23 to the financial statements. The other significant non-derivative financial assets and financial liabilities are repayable on demand or due within 1 year.

Liquidity and interest risk analysis

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Effective Interest rate	On demand or less than 1 year $'000	1 year to 5 years $'000	After 5 years $'000
Group				
2019				
Non-interest bearing	-	2,473,705	-	-
Variable interest rate	2.13 to 9.41	2,773,789	37,632	-
Fixed interest rate	2.38 to 9.30	123,830	12,396	122,002
Lease liabilities (fixed rate)	1.49 to 10.00	54,323	257,977	304,498
Total		5,425,647	308,005	426,500
2018				
Non-interest bearing	-	3,207,323	-	-
Variable interest rate	1.81 to 9.13	1,125,312	12,993	-
Fixed interest rate	2.38 to 9.30	110,904	13,362	131,514
Total		4,443,539	26,356	131,514

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(c) Liquidity risk management (cont'd)

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments of the Group and the Company based on contractual undiscounted cash inflows/(outflows). The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that require gross settlement.

	On demand or less than 1 year $'000	1 year to 5 years $'000
Gross-settled forward foreign exchange contracts		
Group		
2019		
- Receipts	2,339,897	1,019,237
- Payments	(2,339,739)	(1,004,718)
Net	158	14,519
2018		
- Receipts	2,968,573	390,754
- Payments	(2,980,464)	(394,166)
Net	(11,891)	(3,412)

(d) Fair value of financial instruments

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). Fair value is determined by reference to the net tangible assets of the investments.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(d) Fair value of financial instruments (cont'd)

The following table presents the assets and liabilities measured at fair value.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2019				
Financial assets				
Derivative financial instruments	-	34,319	-	34,319
Unquoted investments				
- Investments at fair value through other comprehensive income	-	28,857	-	28,857
- Investments at fair value through profit or loss	-	67,007	-	67,007
Quoted investments				
- Investments at fair value through other comprehensive income	27,821	-	-	27,821
	27,821	130,183	-	158,004
Financial liabilities				
Derivative financial instruments	-	16,697	-	16,697

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2018				
Financial assets				
Derivative financial instruments	-	19,860	-	19,860
Unquoted investments				
- Investments at fair value through other comprehensive income	-	27,771	-	27,771
- Investments at fair value through profit or loss	-	82,108	-	82,108
Quoted investments				
- Investments at fair value through other comprehensive income	34,428	-	-	34,428
	34,428	129,739	-	164,167
Financial liabilities				
Derivative financial instruments	-	23,141	-	23,141

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(d) Fair value of financial instruments (cont'd)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company				
2019				
Financial assets				
Investments at fair value through other comprehensive income	335	-	-	335
2018				
Financial assets				
Investments at fair value through other comprehensive income	729	-	-	729

There have been no transfers between Level 1, Level 2 and Level 3 for the Group and Company in 2019 and 2018.

The fair value of financial instruments categorised under Level 1 of the fair value hierarchy is based on published market bid prices at the balance sheet date.

The fair value of financial instruments categorised under Level 2 of the fair value hierarchy are fair valued under valuation techniques with market observable inputs. These include forward pricing and swap models utilising present value calculations using inputs such as observable foreign exchange rates (forward and spot rates), interest rate curves and forward rate curves and discount rates that reflects the credit risks of various counterparties. The fair value of investment at fair value through profit or loss categorised under Level 2 of the fair value hierarchy is based on the consideration specified in a sales and purchase agreement.

(e) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

The Company and Group review its capital structure at least annually to ensure that the Company and Group will be able to continue as a going concern. The capital structure of the Company comprises only of issued capital reserve and retained profits.

The Group's and Company's overall strategy remains unchanged from prior year.

5 CASH AND CASH EQUIVALENTS

	Company		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Cash at bank	1	1	115,114	106,319
Fixed deposits	-	-	209,466	233,303
Deposits with related companies	2,465	2,766	183,599	211,326
Total	2,466	2,767	508,179	550,948

Deposits placed with related companies bear interest of 0% to 2.46% (2018: 0.60% to 2.64%) per annum and are repayable on demand. Deposits with a related company, which functions as the central treasury of the Keppel group of companies, are subject to an arrangement with a bank where bank balances above or below a preset amount are transferred from/to a bank account of the related company on a daily basis.

Fixed deposits with banks earn interests which are pegged to the prevailing market rates of 0.01% - 6.80% (2018: 0.02% - 7.00%) per annum.

6 TRADE DEBTORS

	Group	
	2019	2018
	$'000	$'000
Trade debtors	1,899,161	1,200,936
Less: loss allowance	(216,440)	(221,900)
Net	1,682,721	979,036
Accrued receivables	125,761	109,174
Total	1,808,482	1,088,210
Due after one year	(638,308)	-
Due within one year	1,170,174	1,088,210

Movements in the loss allowance are as follows:

Balance, 1 January	221,900	120,832
Adoption of SFRS (I) 9	-	23,288
Currency realignment	58	(42)
Charge (Note 31 (c))	8,769	107,461
Write back on recovery (Note 31 (c))	(1,523)	(14,513)
Utilised	(12,764)	(6,092)
Reclassification	-	(9,034)
Balance, 31 December	216,440	221,900

The average credit period on trade debtors is 30 days (31 December 2018: 30 days). Interest is charged at 1.0% - 18.0% (2018: 1.0% - 18.0%) per annum on the outstanding balance.

Trade receivables are related to financing arrangements for delivered rigs where the Group has retained title.

$125,444,000 is due from one customer and bears floating interest at LIBOR plus a margin, and repayable in October 2024. The remainder is due from another customer, bears fixed interest and repayable in February 2024 and December 2029. The customer has options for early repayment.

7 OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	Company		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Advances to suppliers	-	-	45,610	32,170
Recoverables	25	-	41,590	37,087
Loan receivables	-	-	8,707	10,936
Prepayments and deposits	-	-	17,060	22,175
Tax recoverable	-	-	22,667	39,183
Claims receivable	-	-	13,079	21,659
Prepaid leases	-	-	-	12,432
Sundry debtors	-	-	83,748	112,139
Others	4	2	6,544	6,777
Total	29	2	239,005	294,558
Less: loss allowance	-	-	(17,387)	(19,520)
Net	29	2	221,618	275,038
Due after one year	-	-	(8,020)	(22,042)
Due within one year	29	2	213,598	252,996

Movements in loss allowance are as follows:

	Company 2019	Company 2018	Group 2019	Group 2018
Balance, 1 January	-	-	19,520	17,290
Adoption of SFRS (I) 9	-	-	-	1,282
Currency realignment	-	-	(28)	162
Charge (Note 31 (c))	-	-	1,862	1,584
Utilised	-	-	(3,967)	(798)
Balance, 31 December	-	-	17,387	19,520

The amount due after one year is made up of:

	Company 2019	Company 2018	Group 2019	Group 2018
Loan receivables	-	-	7,286	9,571
Prepaid lease	-	-	-	11,587
Other prepayments	-	-	734	884
Total	-	-	8,020	22,042

8 STOCKS

	Group 2019 $'000	Group 2018 $'000
Stocks - work-in-progress (i)	653,814	594,312
Goods for sale (ii)	63,794	67,947
Consumable materials (ii)	100,294	152,670
Finished goods	1,732	1,557
	819,634	816,486

(i) Stocks - work-in-progress

	Group 2019 $'000	Group 2018 $'000
Construction costs	703,814	648,009
Less: Allowance for write-down to net realisable value	(50,000)	(53,697)
Net	653,814	594,312

Movements in the allowance for write-down are as follows:

	Group 2019 $'000	Group 2018 $'000
Balance, 1 January	53,697	52,483
Currency alignment	68	(55)
Charge (Note 31 (b))	-	634
Utilised	(3,160)	-
Reclassification	(605)	635
Balance, 31 December	50,000	53,697

(ii) Consumable materials and goods for sale

	Group 2019 $'000	Group 2018 $'000
Gross stocks:		
Goods for sale	106,369	101,973
Consumable materials	106,853	161,478
	213,222	263,451
Less: Allowance for write-down to net realisable value:		
Goods for sale	(42,575)	(34,026)
Consumable materials	(6,559)	(8,808)
	(49,134)	(42,834)
Net	164,088	220,617

8 STOCKS (cont'd)

(ii) Consumable materials and goods for sale (cont'd)

Movements in the allowance for write-down are as follows:

	Group	
	2019 $'000	2018 $'000
Balance, 1 January	42,834	37,431
Currency alignment	(91)	512
Charge (Note 31 (b))	9,822	6,595
Utilised	(1,041)	22
Write back (Note 31 (b))	(2,995)	(1,726)
Reclassification	605	-
Balance, 31 December	49,134	42,834

The allowance for stocks is made in respect of write-downs of stocks to net realisable value. Previous write-downs have been reversed as a result of these stocks being utilised in the production process at the original cost or market price.

9 CONTRACT ASSETS AND CONTRACT LIABILITIES

	Group	
	2019 $'000	2018 $'000
Contract assets	3,345,020	3,205,561
Less: Expected credit loss allowance	(21,000)	(21,000)
	3,324,020	3,184,561
Contract liabilities	783,213	943,525

Movements in the expected credit loss allowance are as follows:

Balance, 1 January	21,000	-
Charge (Note 31 (b))	-	21,000
Balance, 31 December	21,000	21,000

Contract assets relating to certain rig building contracts where the scheduled dates of the rigs have been deferred and have higher counter-party risks amounted to $1,431,744,000 (2018: $1,383,286,000).

Revenue recognised during the financial year ended 31 December 2019 in relation to contract liability balance at 1 January 2019 was $114,520,000 (2018: $217,957,000).

The aggregate amount of the transaction price allocated to the remaining performance obligation is $2,798,065,000 (2018: $2,014,432,000) and the Group expects to recognise this revenue over the next 1 to 5 years (2018: 1 to 4 years).

10 AMOUNTS DUE FROM/TO RELATED COMPANIES

	Company		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Due from related companies:				
- Holding company	-	-	110	3,514
- Subsidiaries	1,063,254	1,113,040	-	-
- Associated companies	28,416	31,761	257,581	241,418
- Fellow subsidiaries	3	2	42,562	53,567
Net	1,091,673	1,144,803	300,253	298,499
Due to related companies:				
- Holding company	-	9	9,626	2,683
- Subsidiaries	214,000	273,020	-	-
- Associated companies	-	-	20,132	13,266
- Fellow subsidiaries	55	31,246	2,783,575	2,139,046
Total	214,055	304,275	2,813,333	2,154,995

Presentation on statements of financial position:	Company		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current assets	1,091,673	1,144,803	107,260	136,117
Non-current assets	-	-	192,993	162,382
Total	1,091,673	1,144,803	300,253	298,499
Current liabilities	214,055	304,275	2,656,429	1,098,745
Non-current liabilities	-	-	156,904	1,056,250
Total	214,055	304,275	2,813,333	2,154,995

The non-current assets are made up of amounts due from a fellow subsidiary and associated companies.

Amounts due from/to the holding company are primarily non-trade, interest-free, receivable/payable on demand and expected to be settled in cash.

Amounts due from/to subsidiaries of the Company are non-trade in nature, unsecured, interest free, receivable/payable on demand and expected to be settled in cash.

Amount due from/to associated companies are non-trade in nature, unsecured, interest free and repayable on demand, except for:

(i) Amount due from associated companies amounting to $39,489,000 (2018: $33,431,000) which are trade in nature and unsecured; and

(ii) $213,310,000 (2018: $207,987,000) due from associated companies which bear interest ranging from 1.66% - 12.00% (2018: 1.64% - 11.50%) per annum. Included within this amount is an unsecured US Dollar interest-bearing loan due from Floatel International Ltd., a material associated company of the Group, amounting to $155,425,000 (2018: $139,799,000) which is repayable in 2025.

10 AMOUNTS DUE FROM/TO RELATED COMPANIES (cont'd)

Amounts due from/to fellow subsidiaries are primarily non-trade, interest-free and receivable/payable on demand, except for:

(i) A short-term loan due to a fellow subsidiary amounting to $2,572,444,000 (2018: $1,053,585,000) which bears variable interest of 2.53% to 3.83% (2018: 1.81% to 4.14%) per annum and is expected to be repaid within the next 12 months;

(ii) A long-term loan due to a fellow subsidiary amounting to $156,904,000 (2018: $1,056,250,000) which bears fixed interest of 2.10% to 3.95% (31 December 2018: 2.66% to 3.95%) per annum is repayable in October 2022;

(iii) A long-term loan due from a fellow subsidiary amounting to $20,309,000 (2018: $20,366,000) bears interest of 3.86% (31 December 2018: 3.86%) per annum and not expected to be repaid within the next 12 months; and

(iv) A revolving credit loan due from a fellow subsidiary amounting to $2,914,000 (2018: $2,218,000) bears interest of 4.00% (31 December 2018: 4.00%) per annum and not expected to be repaid within the next 12 months.

The fair values of non-current term loan bearing fixed interest rate due from/to related companies are computed on the discounted cash flow method using a discount rate based upon the borrowing rate which the Group expect would be available as at the balance sheet date. The fair values are within Level 2 of the fair values hierarchy. The fair values are as follows:

	Company		Group	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Fair values:				
Due from related companies:				
- Associated companies	-	-	18,954	139,799
- Fellow subsidiaries	-	-	22,261	21,608
Total	-	-	41,215	161,407
Due to related companies:				
- Fellow subsidiaries	-	-	150,732	1,068,408

11 FINANCIAL ASSETS, AT FVOCI

	Company		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Balance 1 January	729	1,196	62,199	83,774
Currency alignment	-	-	329	(212)
Fair value losses	(394)	(467)	(8,682)	(21,431)
Additions	-	-	2,849	2,226
Distribution	-	-	-	(2,158)
Disposals	-	-	(17)	-
Balance, 31 December	335	729	56,678	62,199

	Company		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current assets				
Listed equity shares:				
- Valaris plc (fka Rowan Co. Inc.)	-	-	15,301	28,732
- Others	335	729	12,520	5,696
	335	729	27,821	34,428
Non-current assets				
Non-listed equity shares	-	-	28,857	27,771
Total	335	729	56,678	62,199

12 FINANCIAL ASSETS, AT FVPL

	Group	
	2019	2018
	$'000	$'000
Balance 1 January	82,108	133,439
Currency alignment	(700)	2,145
Fair value (loss)/gain (Note 31(b))	(14,401)	45,341
Interest income recognised on loan	-	7,000
Conversion of loan to equity	-	30,153
Reclassification (a)	-	(135,970)
Balance, 31 December	67,007	82,108

	Group	
	2019	2018
	$'000	$'000
Non-current assets		
Non-listed preference shares in Floatel	10,449	21,845
Non-listed convertible bonds (b)	21,568	22,267
Non-listed equity investments	34,990	37,996
Total	67,007	82,108

15 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings $'000	Buildings on leasehold land $'000	Plant, machinery, equipment and others [1] $'000	Vessels $'000	Capital work-in-progress $'000	Total $'000
Cost:						
Balance, 1 January 2018	75,524	1,181,859	1,323,116	300,324	228,182	3,109,005
Currency alignment	(2,331)	(15,811)	(19,031)	(5,123)	(1,242)	(43,538)
Additions	69	692	4,294	65	79,411	84,531
Disposals	(17)	(6,970)	(26,056)	(8,102)	-	(41,145)
Write off	-	-	-	-	(4,348)	(4,348)
Reclassifications	(109)	14,072	24,848	71,135	(109,946)	-
Balance, 31 December 2018	73,136	1,173,842	1,307,171	358,299	192,057	3,104,505
Adoption of SFRS(I) 16	-	(29,312)	-	-	-	(29,312)
Balance, 1 January 2019	73,136	1,144,530	1,307,171	358,299	192,057	3,075,193
Currency alignment	1,416	(8,197)	(4,644)	(6,273)	(32)	(17,730)
Additions	39	1,863	26,595	262	48,283	77,042
Disposals	-	(238)	(17,578)	(386)	-	(18,202)
Write off	-	-	(667)	-	-	(667)
Revaluation Adjustments	-	-	-	-	-	-
Reclassifications	150	4,184	2,442	184,778	(191,554)	-
Balance, 31 December 2019	74,741	1,142,142	1,313,319	536,680	48,754	3,115,636
Accumulated depreciation and impairment losses:						
Balance, 1 January 2018	32,375	561,547	951,940	141,679	38,585	1,726,126
Currency alignment	(660)	(4,895)	(8,520)	(1,133)	(27)	(15,235)
Depreciation charge	1,881	29,412	56,260	9,427	-	96,980
Disposals	(17)	(6,964)	(25,187)	(8,088)	-	(40,256)
Reclassifications	(170)	-	170	12,410	(12,410)	-
Balance, 31 December 2018	33,409	579,100	974,663	154,295	26,148	1,767,615
Adoption of SFRS(I) 16	-	(3,962)	-	-	-	(3,962)
Balance, 1 January 2019	33,409	575,138	974,663	154,295	26,148	1,763,653
Currency alignment	920	(2,451)	(1,545)	(2,983)	-	(6,059)
Depreciation charge	1,852	26,680	46,092	12,026	-	86,650
Disposals	-	(228)	(16,235)	(386)	-	(16,849)
Write off	-	-	(667)	-	-	(667)
Reclassifications	(135)	135	-	-	-	-
Balance, 31 December 2019	36,046	599,274	1,002,308	162,952	26,148	1,826,728
Carrying amount:						
Balance, 31 December 2019	38,695	542,868	311,011	373,728	22,606	1,288,908
Balance, 31 December 2018	39,727	594,742	332,508	204,004	165,909	1,336,890

[1] Others comprise furniture, fittings and office equipment, cranes and small equipment and tools.

15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Included in freehold land and buildings is freehold land amounting to $4,513,000 (2018: $4,901,000).

Bank borrowings are secured over certain vessels of the Group with carrying value amounting to $82,943,000 (2018: $89,305,000).

The recoverable amounts of these property, plant and equipment were determined using value-in-use models and valuation performed by independent professional firm. The value-in-use models incorporated cash flow projections based on financial forecasts approved by management. Management determined the forecasted cash flows based on past performance and its expectations of market development. A Weighted Average Cost of Capital ranging from 6% to 11% (2018: 6% to 11%) per annum was used to discount the cash flows for various CGUs.

16 LEASES

Nature of the Group's leasing activities

The Group leases land for use as shipyards, warehouses and offices in several countries for remaining lease period ranging from 1 to 24 years. The Group has made upfront payment to secure the right-of-use of certain leasehold lands located in Singapore and China. The Group also makes annual lease payments for leasehold lands in Singapore, Brazil, United States of America, Japan, Philippines and Indonesia.

The leases for leasehold land in Japan contain extension periods, for which the related lease payments was included in lease liabilities as the Group is reasonably certain to exercise this extension option.

The Group leases barges to carry heavy loads for the offshore operation and leases equipment for office and operation use.

There is no externally imposed covenant on these lease arrangements.

(a) Carrying amounts of right-of-use assets

	Group	
	31 December 2019	1 January 2019
	$'000	$'000
Land - shipyards, warehouses and offices	348,124	356,776
Equipment and barges	3,786	4,217
Total	351,910	360,993

(b) Depreciation charge during the year

	2019
	$'000
Land - shipyards, warehouses and offices	30,763
Equipment and barges	1,528
Total	32,291

12 FINANCIAL ASSETS, AT FVPL (cont'd)

(a) On 26 October 2018, the Group agreed to refinance a secured US Dollar interest-bearing loan due from Floatel, an associated company, which was classified as financial assets, FVPL prior to refinancing as the contractual cash flows did not represent solely payments of principal and interest. With the change of the terms upon refinancing, the loan met the criteria for classification as a financial asset to be measure at amortised cost under SFRS(1) 9 and was reclassified to amount due from related companies (Note 10) at its estimated fair value.

(b) As at 31 December 2019, the unquoted convertible bonds bear interest at 4% per annum (2018: 4% per annum) and maturing on 30 December 2027. According to the initial terms of the bond agreements, the yearly repayment at 4% of nominal value of the securities commenced on 30 December 2017 up till 2026 with a final payment of 52% due on 30 December 2027. In accordance with the resolution of General meeting of Shareholders dated 28 December 2015, payment of interest payable for the period starting from the date of placement of loans till 30 December 2019 and also principal amount on bonds repayable from 2015 till 2019 were deferred to 30 December 2020.

13 OTHER ASSETS

Other assets pertain to retirement benefit assets held by a subsidiary of the Group. The Group maintains a funded, non-contributory defined benefit plan (the "Plan") for qualifying employees. Under the Plan, the employees are entitled to retirement benefits based on the latest monthly basic salary for every year of credited service.

14 DERIVATIVE ASSETS/LIABILITIES

	Group					
	2019			2018		
	Contract notional amount	Fair value		Contract notional amount	Fair value	
		Asset	Liability		Asset	Liability
	$'000	$'000	$'000	$'000	$'000	$'000
Derivatives held for hedging						
Cash-flow hedges						
- Forward foreign exchange contracts	3,441,802	34,319	(16,697)	3,496,148	19,860	(23,141)
Less: Current portion		(23,043)	12,911		(18,213)	22,631
Non-current portion		11,276	(3,786)		1,647	(510)

Forward foreign exchange contracts

Forward foreign exchange contracts are transacted to hedge highly probable forecast transactions denominated in foreign currency. The forward foreign exchange contracts have maturity dates that coincide within the expected occurrence of these transactions. Gains and losses recognised in other comprehensive income prior to the occurrence of these transactions are reclassified to profit or loss in the period or periods during which the hedged forecast transaction affects profit or loss.

The changes in fair value of the hedging instruments approximate the changes in fair value of the hedged items, which resulted in minimal hedge ineffectiveness recognised in profit or loss. The weighted average hedged rate for the hedging instruments is USD1:USD1.36 (2018: USD1:SGD1.35) in 2019.

16 LEASES (cont'd)

(c) Addition to right-of-use assets during the year

	2019 $'000
Land - shipyards, warehouses and offices	30,112
Equipment and barges	1,131
Total	31,243

(d) Lease expense not capitalised in lease liabilities

	2019 $'000
Short-term leases	9,750

(e) Total cash outflow for all the leases in 2019 was $62,781,000.

Carrying amount of lease liabilities are disclosed in Note 24.

17 SUBSIDIARIES

	Company	
	2019 $'000	2018 $'000
Unquoted shares - at cost		
Balance, 1 January and 31 December	1,151,012	1,151,012
Less: Allowance for impairment loss	(210,586)	(221,070)
Net	940,426	929,942

Movements in the allowance for impairment loss are as follows:

	Company	
	2019 $'000	2018 $'000
Balance, 1 January	221,070	41,563
(Write back)/Charge (Note 31 (b))	(10,484)	179,507
Balance, 31 December	210,586	221,070

The allowance for impairment loss had been made for certain subsidiaries of the Company as a result of their recoverable amounts being estimated to be less than their carrying amount.

17 SUBSIDIARIES (cont'd)

Details of the subsidiaries of the Company are described below:

Subsidiaries	Effective interest and voting power held 2019 %	2018 %	Carrying amount of investments 2019 $'000	2018 $'000	Country of incorporation/ operations	Principal activities
FELS Offshore Pte Ltd	100	100	489,062	478,578	Singapore	Holding of long-term investments
Fornost Limited	100	100	218	218	Hong Kong	Holding of long-term investments and provision of procurement services
Green Scan Pte Ltd	100	100	547	547	Singapore	Trading and installation of hardware, industrial, marine and building- related products, leasing and provision of services
Hygrove Investments Limited	100	100	#	#	British Virgin Islands	Holding of long-term investments
Keppel FELS Energy Manila, Inc (in the process of liquidation)	100	100	220	220	Philippines	Generating and converting fuel energy
Keppel FELS Limited	100	100	33,799	33,799	Singapore	Construction, fabrication and repair of offshore production facilities and drilling rigs, power barges, specialised vessels and other offshore production facilities
Keppel Housing Pte Ltd	100	100	15,246	15,246	Singapore	Provision of staff housing
Keppel Marine & Deepwater Technology Pte Ltd (fka Deepwater Technology Group Pte Ltd)	100	100	#	#	Singapore	Research and experimental development on deepwater engineering
Keppel Offshore & Marine Technology Centre Pte Ltd	100	100	100	100	Singapore	Research and development on marine and offshore engineering
Keppel Sea Scan Pte Ltd	100	100	18,399	18,399	Singapore	Trading and installation of hardware, industrial, marine and building related products, leasing and provision of services

17 SUBSIDIARIES (cont'd)

Subsidiaries	Effective interest and voting power held 2019 %	2018 %	Carrying amount of investments 2019 $'000	2018 $'000	Country of incorporation/ operations	Principal activities
Keppel Shipyard Limited	100	100	262,735	262,735	Singapore	Ship repairing, shipbuilding and conversions
KS Investments Pte Ltd	100	100	120,000	120,000	Singapore	Holding of long-term investments
Offshore Partners Pte Ltd (fka Caspian Rigbuilders Pte Ltd)	100	100	#	#	Singapore	Arrange, syndicate and/or provide financing to customers of Keppel Group
Offshore Technology Development Pte Ltd	100	100	100	100	Singapore	Production of jacking systems
Total			940,426	929,942		

\# *Cost less than $1,000.*

Details of the subsidiaries of the Group are described below:

Subsidiaries	Effective interest and voting power held 2019 %	2018 %	Country of incorporation/ operations	Principal activities
Held by FELS Offshore Pte Ltd				
Alfa Paulista Propriedades Ltda	63	63	Brazil	Holding of long-term investments and property management
Angra Propriedades & Administracao Ltda	100	100	Brazil	Holding of long-term investments and property management
AmFELS Offshore Ltd [1]	-	100	British Virgin Islands	Holding of long-term investments
AzerFELS Pte Ltd	68	68	Singapore	Holding of long-term investments
Bennett Offshore LLC	100	100	U.S.A.	Offshore and marine-related services
Benniway Pte Ltd	100	100	Singapore	Holding of long-term investments
Bintan Offshore Fabricators Pte Ltd	60	60	Singapore	Offshore engineering and construction business
Caspian Offshore Limited	100	100	British Virgin Islands	Offshore and marine-related services
Caspian Shipyard Company LLC (in the process of liquidation)	51	51	Azerbaijan	Construction and repair of offshore drilling rigs

17 SUBSIDIARIES (cont'd)

Subsidiaries	Effective interest and voting power held 2019 %	2018 %	Country of incorporation/ operations	Principal activities
Delporton Navegacao e Participacoes Ltda	100	100	Brazil	Engineering, construction, manufacturing and repair of offshore platforms and vessels
DRU 1 Pte Ltd (2)	100	-	Singapore	Chartering of ships, barges and boats with crew
Estaleiro BrasFELS Ltda	100	100	Brazil	Engineering, construction and fabrication of platforms for the oil and gas sector, shipyard works and other general business activities
FELS Asset Co Pte Ltd	100	100	Singapore	Chartering of ships, barges and boats with crew
FELS Asset Co 2 Pte Ltd (2)	100	-	Singapore	Chartering of ships, barges and boats with crew
Fernvale Pte Ltd	100	100	Singapore	Construction, fabrication and repair of drilling rigs and offshore production facilities
FSTP Brasil Ltda	75	75	Brazil	Procurement of equipment and materials for the construction of offshore production facilities
FSTP Pte Ltd	75	75	Singapore	Project management, engineering and procurement
Greenwood Pte Ltd	100	100	Singapore	Holding of long-term investments
Guanabara Navegacao Ltda	100	100	Brazil	Ship owning
Keppel AmFELS, LLC	100	100	U.S.A.	Construction and repair of offshore drilling rigs and offshore production facilities
Keppel AmFELS Mexico Engineering, SA de CV	100	100	Mexico	Provision of engineering and drafting services
Keppel FELS Brasil SA	100	100	Brazil	Engineering, construction and fabrication of platforms for the oil and gas industry
Keppel FELS Brasil Navegacao Ltda	100	100	Brazil	Ship owning
Keppel FELS Brasil Investments Ltda	100	100	Brazil	Holding of long-term investments
Keppel FELS Engineering Shenzhen Co. Ltd	100	100	China	Marine and offshore engineering Services

17 SUBSIDIARIES (cont'd)

Subsidiaries	Effective interest and voting power held 2019 %	2018 %	Country of incorporation/ operations	Principal activities
Keppel FELS Engineering Wuhan Co. Ltd	100	100	China	Marine and offshore engineering services
Keppel Letourneau Middle East FZE	100	100	United Arab Emirates	Oilfield equipment trading, service and repair
Keppel Letourneau Singapore Pte Ltd	100	100	Singapore	Design and license of various offshore rigs and platforms
Keppel Letourneau USA, Inc	100	100	U.S.A.	Design and license of various offshore rigs and platforms
Keppel Offshore & Marine Engineering Services Kuala Lumpur Sdn Bhd (2)	100	-	Malaysia	Marine and offshore engineering services
Keppel Offshore & Marine Engineering Services Mumbai Private Limited	100	100	India	Marine and offshore engineering services
Keppel MexFELS SA de CV	100	100	Mexico	Construction and repair of offshore drilling rigs and offshore production facilities
Keppel Offshore & Marine USA, Inc	100	100	U.S.A.	Offshore and marine-related services
Keppel Singmarine Brasil Ltda	100	100	Brazil	Shipbuilding
Keppel Floatec LLC	100	100	U.S.A.	Fabrication of offshore platforms and structures
Keppel Walvis Bay Offshore & Marine Pty Ltd	100	100	Namibia	Marine vessel and offshore rigs repairs and modification
KV Enterpises B.V.	100	100	Netherlands	Holding of long-term investments
KV Ventus B.V.	100	100	Netherlands	Financial holdings
KVE Administradora de Bens Imoveis Ltda	100	100	Brazil	Holding of long-term investments and property management
KVE Investimentos Brasil Ltda	100	100	Brazil	Holding of long-term investments and property management
KVE Investments B.V.	100	100	Netherlands	Project management services
Lenity Pioneer Pte Ltd (2)	100	-	Singapore	Service activities related to oil and gas extraction
Lindel Pte Ltd	100	100	Singapore	Project management, engineering and procurement
Navegantes Administracoes de Bens Moveis e Imoveis Ltda	100	100	Brazil	Shipbuilding

17 SUBSIDIARIES (cont'd)

Subsidiaries	Effective interest and voting power held 2019 %	2018 %	Country of incorporation/ operations	Principal activities
Northstar Investments Pte Ltd	100	100	Singapore	Investment holding company
Offshore Partners 2 Pte Ltd (2)	100	-	Singapore	Chartering of ships, barges and boats with crew
Offshore Wind 1 Pte Ltd (2)	100	-	Singapore	Chartering of ships, barges and boats with crew
OWEC Tower AS	100	100	Norway	Offshore engineering and construction
Prismatic Services Limited	100	100	British Virgin Islands	Project procurement
PT Bintan Offshore	60	60	Indonesia	Offshore engineering and construction
Regency Steel Japan Limited	51	51	Japan	Sourcing, fabricating and supply of specialised steel components
Renewables Assets Partners Pte Ltd (2)	100	-	Singapore	Chartering of ships, barges and boats with crew
Wideluck Enterprises Limited	100	100	British Virgin Islands	Holding of long-term investments
Willalpha Limited	100	100	British Virgin Islands	Holding of long-term investments
Held by Keppel FELS Limited				
Keppel FELS Baltech Ltd	100	100	Bulgaria	Marine and offshore engineering services
Held by Fornost Limited				
SPC Investments B.V.	100	100	Netherlands	Holding of long-term investments
Held by KS Investments Pte Ltd				
Alpine Engineering Services Pte Ltd	100	100	Singapore	Marine contracting
Blastech Abrasives Pte Ltd	100	100	Singapore	Painting, blasting, shot blasting, process and sale of slag
Blue Ocean Solutions Pte Ltd	70	70	Singapore	Manufacture and repair of marine engines and ship parts
Gas Technology Development Pte Ltd	100	100	Singapore	Engineering design, procurement and construction of gas-related projects
Keppel Batangas Shipyard, Inc	98	98	Philippines	Shipbuilding and shiprepair
Keppel Cebu Shipyard, Inc	98	98	Philippines	Shipbuilding and repairing

17 SUBSIDIARIES (cont'd)

Subsidiaries	Effective interest and voting power held 2019 %	2018 %	Country of incorporation/ operations	Principal activities
Keppel Nantong Heavy Industry Co. Ltd	100	100	China	Engineering and construction of specialised vessels
Keppel Nantong Shipyard Co. Ltd	100	100	China	Engineering and construction of specialised vessels
Keppel Philippines Marine, Inc	98	98	Philippines	Shipbuilding and repairing
Keppel Singmarine Philippines, Inc [(1)]	-	100	Philippines	Shipbuilding and repairing
Keppel Singmarine Pte Ltd	100	100	Singapore	Shipbuilding and repairing
Keppel Subic Shipyard, Inc	78	78	Philippines	Shipbuilding and repairing
KSI Production Pte Ltd [(1)]	-	100	British Virgin Islands	Holding of long-term investments
KSI Production (2017) Pte Ltd	100	100	Singapore	Holding of long-term investments
KSM Management Ltd [(1)]	-	100	British Virgin Islands	Provision of technical consultancy services
Marine Technology Development Pte Ltd	100	100	Singapore	Provision of technical consultancy for ship design and engineering works
Nusa Maritime Pte Ltd	100	100	Singapore	Provision of sea transportation services

(1) Liquidated during the year.
(2) Incorporated during the year.

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

Name of subsidiary	Proportion of ownership interests and voting rights held by non-controlling interests 2019	2018	Accumulated non-controlling interests 2019 $'000	2018 $'000	(Loss)/profit for the year allocated to non-controlling interests 2019 $'000	2018 $'000
Regency Steel Japan Ltd	49%	49%	34,466	32,050	1,314	757
Bintan Offshore Fabricators Pte Ltd	40%	40%	(41,642)	(41,098)	(544)	(177)
FSTP Brasil Ltda	25%	25%	21,612	22,452	999	862
Keppel Subic Shipyard Inc	22%	22%	23,185	23,329	(218)	(159)
Individually immaterial subsidiaries with non-controlling interests			7,030	11,432	(210)	132
			44,651	48,165	1,341	1,415

17 SUBSIDIARIES (cont'd)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Regency Steel Japan Ltd		Bintan Offshore Fabricators Pte Ltd	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Non-current assets	6,594	3,815	-	-
Current assets	74,930	65,994	2,016	19,784
Non-current liabilities	(178)	2,478	-	-
Current liabilities	(11,008)	(6,866)	(106,121)	(122,528)
Net assets	70,338	65,421	(104,105)	(102,744)

	FSTP Brasil Ltda		Keppel Subic Shipyard Inc	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Non-current assets	-	-	118,299	119,001
Current assets	93,447	97,634	25,717	19,373
Non-current liabilities	-	-	(531)	(466)
Current liabilities	(7,001)	(7,828)	(39,097)	(32,868)
Net assets	86,446	89,806	104,388	105,040

	Regency Steel Japan Ltd		Bintan Offshore Fabricators Pte Ltd		FSTP Brasil Ltda		Keppel Subic Shipyard Inc	
	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	42,537	35,317	2,200	8,535	-	-	27,899	26,169
(Loss)/profit for the year	2,682	1,542	(1,361)	(442)	3,994	3,448	(981)	(716)
Total comprehensive (loss)/income for the year	2,682	1,542	(1,361)	(442)	3,994	3,448	(981)	(716)
Net cash flow (used in)/ from operations	25,579	12,178	1,701	1,793	3,696	4,442	7,448	2,919
Dividends paid to non-controlling interest	-	6,021	-	-	-	-	448	582

18 ASSOCIATED COMPANIES

	Company		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Equity investments at cost				
Balance, 1 January and 31 December	12,583	12,583	-	-
Balance, 1 January	12,583	12,583	631,825	620,080
Currency alignment	-	-	(901)	(778)
Additions	-	-	-	41
Impairment loss	-	-	-	(6,000)
Dividend received	-	-	(10,847)	(1,769)
Share of (loss)/ profit	-	-	(50,561)	18,494
Share of taxation	-	-	(7,787)	(6,571)
Share of other comprehensive income – currency translation reserve	-	-	(3,592)	6,717
Reclassified from other assets	-	-	-	1,611
Balance, 31 December	12,583	12,583	558,137	631,825

Summarised financial information in respect of the associated companies is set out below:

	Group	
	2019	2018
	$'000	$'000
Total assets	3,211,387	3,440,735
Total liabilities	(1,923,503)	(2,043,312)
Net assets	1,287,884	1,397,423
Group's share of associated companies' net assets	558,137	631,825
Revenue	484,342	650,647
(Loss)/profit after taxation for the year	(65,104)	23,022
Group's share of associated companies' (loss)/profit after taxation	(58,348)	11,923

Details of associated companies of the Company are described below:

Associated companies	Effective interest and voting power held		Cost of investments		Country of incorporation/ operations	Principal activities
	2019	2018	2019	2018		
	%	%	$'000	$'000		
Asian Lift Pte Ltd	50	50	2,833	2,833	Singapore	Provision of heavy-lift equipment and related services
Atwin Offshore & Marine Pte Ltd	30	30	9,500	9,500	Singapore	Investment holding company
Marine Housing Services Pte Ltd	30	50	250	250	Singapore	Provision of housing services for marine workers
			12,583	12,583		

18 ASSOCIATED COMPANIES (cont'd)

Associated companies	Effective interest and voting power held 2019 %	2018 %	Country of incorporation/ operations	Principal activities
Held by FELS Offshore Pte Ltd				
Antares Singapore Pte Ltd	45	45	Singapore	Engineering services and consultancy services
Blue Tern Ltd (fka Seafox 5 Ltd)	49	49	Isle of Man	Owning and leasing of multi-purpose self-elevating platforms
BPP Cables Limited	30	30	England	Design and supply of subsea power cables and consultancy service for deepwater cables
Deepwater Marine Technology LLC	50	50	Cayman Islands	Acquiring and holding of intellectual property rights relating to offshore structures
FloaTEC LLC	50	50	U.S.A.	Development and marketing of offshore floating production facilities
Floatec Offshore Servicos de Petroleo Do Brasil Ltda	50	50	Brazil	Operating of oil rigs
FloaTEC Singapore Pte Ltd	50	50	Singapore	Manufacturing and repair of oil rigs
FloaTec de Mexico SA de CV	50	50	Mexico	Procurement
Floatel International Ltd	50	50	Bermuda	Operating accommodation and construction support vessels (floatels) for the offshore oil and gas industry.
MOD Prefab Pte Ltd	20	20	Singapore	Other specialised construction and related activities
South Coast Maritime Corporation	25	25	U.S.A.	Barge and tug services
Held by KS Investments Pte Ltd				
Arab Heavy Industries PJSC	33	33	UAE	Shipbuilding and repairing
Consort Land, Inc	24	24	Philippines	Property owners
Dyna-Mac Holdings Ltd	24	24	Singapore	Fabrication & assembly of topside modules for FPSOs and FSOs
Dyna-Mac Keppel Philippines Inc	40	40	Philippines	Fabrication and assembly of topside modules for FPSOs and FSOs
Goodstart Properties, Inc	39	39	Philippines	Property owners
Nakilat - Keppel Offshore and Marine Ltd	20	20	Qatar	Ship repairing
PV Keez Pte Ltd	20	20	Singapore	Chartering of ships, barges and boats with crew
Joint Shipyard Management Services Pte Ltd	24	24	Singapore	Provision of staff housing

18 ASSOCIATED COMPANIES (cont'd)

The carrying amounts of the Group's material associated companies, all of which are equity accounted for and whose activities are strategic to the Group's activities, are as follows:

Name of associated company	2019 $'000	2018 $'000
Floatel International Ltd	311,000	362,760
Blue Tern Ltd (fka Seafox 5 Ltd)	84,663	90,512
Dyna-Mac Holdings Ltd	37,412	37,141
PV Keez Pte Ltd	58,609	59,221
Other individually immaterial associated companies	66,453	82,191
Total carrying amount	558,137	631,825

The summarised financial information of the material associated companies, based on its SFRS (I)/IFRSs financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Floatel International Ltd		Blue Tern Ltd (fka Seafox 5 Ltd)	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current assets	137,367	186,613	34,072	35,915
Non-current assets	1,655,424	1,771,181	229,153	249,504
Total assets	1,792,791	1,957,794	263,225	285,419
Current liabilities	(79,669)	(104,714)	(59,124)	(22,855)
Non-current liabilities	(1,105,306)	(1,141,620)	(31,321)	(77,845)
Total liabilities	(1,184,975)	(1,246,334)	(90,445)	(100,700)
Net assets	607,816	711,460	172,780	184,719
Proportion of the Group's ownership	49.92%	49.92%	49.00%	49.00%
Group's share of net assets	303,422	355,161	84,663	90,512
Goodwill	7,578	7,599	-	-
Carrying amount of the investment	311,000	362,760	84,663	90,512
Revenue	250,286	393,535	50,308	47,393
(Loss)/Profit after tax	(100,572)	22,225	(6,131)	12,419
Other comprehensive (loss)/income	(1,039)	6,796	-	-
Total comprehensive (loss)/income	(101,611)	29,021	(6,131)	12,419

18 ASSOCIATED COMPANIES (cont'd)

	Dyna-Mac Holdings Ltd		PV Keez Pte Ltd	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current assets	104,415	119,276	32,726	37,594
Non-current assets	81,404	41,615	290,207	333,399
Total assets	185,819	160,891	322,933	370,993
Current liabilities	(49,685)	(55,410)	(32,352)	(40,756)
Non-current liabilities	(29,838)	(297)	(24,929)	(61,498)
Total liabilities	(79,523)	(55,707)	(57,281)	(102,254)
Net assets	106,296	105,184	265,652	268,739
Proportion of the Group's ownership	24.43%	24.43%	20.00%	20.00%
Group's share of net assets	25,965	25,694	53,130	53,748
Goodwill	47,087	47,087	5,479	5,473
Impairment losses	(35,640)	(35,640)	-	-
Carrying amount of the investment	37,412	37,141	58,609	59,221
Revenue	84,518	109,297	66,235	65,385
Profit/(loss) after tax	332	(17,959)	15,277	14,468
Other comprehensive income/(loss)	780	(902)	-	-
Total comprehensive income/(loss)	1,112	(18,861)	15,277	14,468
Dividend received	-	-	3,525	1,579
Fair value of ownership interest (listed) *	42,000	28,500	N/A	N/A

* Based on the quoted market price at 31 December 2019 and 2018.

In 2018, the Group carried out a review of the recoverable amount of its investment in Dyna-Mac, in consideration of the significant and prolonged decline in share price of the associated company, which resulted in the fair value of the investment to be below the carrying amount of the Group's ownership interest. The recoverable amount of the investment in Dyna-Mac of $37,141,000 was determined based on value-in-use model and valuation performed by independent professional valuers. Cash flow projections used in the valuation was based on financial forecasts approved by management. Management determined the budgeted cash flows based on past performance and their expectations of market development. Cash inflows were based on revenue projections from existing order books and Management's estimate of the terminal growth rate of 1.20% and were discounted by applying a discount rate of 10.25% per annum. In 2018, an impairment charge of $6,000,000 (Note 31 (b)) was recognised as a result of the above review.

Aggregate information about the Group's investments in associated companies that are not individually material are as follows:

	2019	2018
	$'000	$'000
Loss before taxation for the year	(8,620)	(3,655)
Share of taxation	(179)	(108)
Group's share of associated companies' loss after taxation for the year	(8,799)	(3,763)

19 JOINT VENTURES

	Group	
	2019 $'000	2018 $'000
Equity investments, at net asset value		
Balance, 1 January and 31 December	87,808	74,363
Balance, 1 January	74,363	74,361
Additions	18,398	2,968
Dividend received	(10,200)	-
Share of profit/(loss)	1,525	(3,922)
Share of other comprehensive income – currency translation reserve	3,722	956
Balance, 31 December	87,808	74,363

Details of joint ventures of the Group are described below:

Joint Ventures	Effective interest and voting power held 2019 %	2018 %	Country of incorporation/ operations	Principal activities
Held by KS Investments Pte Ltd				
Keppel Smit Towage Pte Ltd	51	51	Singapore	Provision of towage services
Maju Maritime Pte Ltd	51	51	Singapore	Provision of towage services
FueLNG Pte Ltd	50	50	Singapore	Provide end-to-end LNG bunkering supply solution

The carrying amounts of the Group's joint ventures, all of which are equity accounted for and whose activities are strategic to the Group's activities, are as follows:

Name of Joint Venture	2019 $'000	2018 $'000
Keppel Smit Towage Pte Ltd ("KST")	41,218	46,607
Maju Maritime Pte Ltd ("Maju")	24,390	23,430
FueLNG Pte Ltd ("FueLNG")	22,200	4,326
Total carrying amount	87,808	74,363

19 JOINT VENTURES (cont'd)

The summarised financial information of the joint ventures, based on its SFRS(I)/IFRSs financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	KST		Maju	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current assets	76,991	89,601	27,832	27,897
Includes:				
- Cash and cash equivalent	10,750	2,486	2,274	663
Non-current assets	72,219	59,456	25,776	27,908
Current liabilities	(27,640)	(15,795)	(2,772)	(7,274)
Includes:				
- Financial liabilities (excluding trade payables)	(24,989)	(10,299)	(2,593)	(6,846)
Non-current liabilities	(40,750)	(41,878)	(3,012)	(2,589)
Includes:				
- Financial liabilities (excluding trade payables)	(33,447)	(34,211)	-	-
Net assets	80,820	91,384	47,824	45,942
Proportion of the Group's ownership	51.00%	51.00%	51.00%	51.00%
Group's share of net assets /Carrying amount of the investment	41,218	46,606	24,390	23,430

Summarised statement of comprehensive income

	KST		Maju	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Revenue	65,241	37,531	8,945	10,044
Interest income	2,205	1,286	1,208	748
Expenses				
Includes:				
- Depreciation	(12,511)	(6,218)	(1,431)	(2,825)
- Interest expense	(1,621)	(1,017)	-	-
Profit/(Loss) from continuing operations	888	(7,951)	4,452	383
Income tax expense	(1,170)	(281)	(612)	140
Post-tax profit/(loss) from continuing operations	(282)	(8,232)	3,840	523
Other comprehensive income	7,258	(722)	42	2,597
Total comprehensive income/(loss)	6,976	(8,954)	3,882	3,120

The information above reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the joint ventures.

**KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2019**

20 INTANGIBLE ASSETS

Group	Goodwill [a] $'000	Patent and landmark $'000	Research and development $'000	Customer relationships $'000	Total $'000
Cost:					
Balance, 1 January 2018	36,363	8,813	4,587	27,775	77,538
Currency alignment	-	133	66	569	768
Additions	-	4	-	-	4
Disposals	-	-	-	(2)	(2)
Balance, 31 December 2018	36,363	8,950	4,653	28,342	78,308
Currency alignment	-	(33)	(17)	(138)	(188)
Balance, 31 December 2019	36,363	8,917	4,636	28,204	78,120
Accumulated amortisation:					
Balance, 1 January 2018	-	882	565	3,508	4,955
Currency alignment	-	18	10	173	201
Amortisation charge	-	428	220	1,463	2,111
Disposals	-	-	-	(2)	(2)
Balance, 31 December 2018	-	1,328	795	5,142	7,265
Currency alignment	-	(12)	(7)	(65)	(84)
Amortisation charge	-	483	221	1,481	2,185
Balance, 31 December 2019	-	1,799	1,009	6,558	9,366
Carrying amount:					
Balance, 31 December 2019	36,363	7,118	3,627	21,646	68,754
Balance, 31 December 2018	36,363	7,622	3,858	23,200	71,043

20 INTANGIBLE ASSETS (cont'd)

(a) Goodwill arising on consolidation

Goodwill is allocated to cash generating units ("CGU") identified that are expected to benefit from the business combination. The carrying amounts of goodwill of each CGU are as follows:

	Group	
	2019	2018
	$'000	$'000
Subsidiary:		
Keppel Shipyard Limited	36,363	36,363

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the cash generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepared cash flow forecasts derived from the most recent financial forecasts approved by the management for the next five years and used a discount rate of 6.85% (2018: 7.03%) per annum. The growth rate used does not exceed the long-term average growth rate of the respective industry and country in which the subsidiary operates. The discount rate applied to the cash flow projections are derived from the cost of capital plus a reasonable risk premium at the date of the assessment of the subsidiary.

Management has performed a sensitivity analysis assessing the impact of change in key assumptions. No reasonably possible change in the key assumptions would result in an impairment charge being recognised.

21 TRADE AND OTHER CREDITORS

	Company		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade creditors	-	-	454,941	244,283
Customers' advances and deposits	-	-	29,226	4,321
Sundry creditors	-	-	63,431	102,849
Accrued expenses	1,040	884	1,564,638	1,641,412
Retention monies	-	-	40,779	30,457
Interest payable	-	-	2,035	1,428
	1,040	884	2,155,050	2,024,750
Other non-current liabilities :				
Accrued expenses	71,196	71,196	77,766	83,142

The average credit period on trade creditors is 30 days (2018: 30 days).

Included in accrued expenses are:

(a) a provision for customer potential claims arising from a rig contract. In view of commercial sensitivity, the Group was unable to disclose the name of the customer or the amount of the potential claims. The original contract value was adjusted for cost escalations. The validity of the contract value adjustments was subsequently challenged.

(b) US$52,777,122.50 payable relating to global resolution with criminal authorities in the United States of America, Brazil and Singapore (Note 3(e)).

22 PROVISION FOR WARRANTY

	Group	
	2019	2018
	$'000	$'000
Balance, 1 January	63,331	107,877
Currency realignment	10	(929)
Provision (Note 31(b))	23,036	43,446
Reversal (Note 31(b))	(38,427)	(43,999)
Utilisation	(18,475)	(43,064)
Balance, 31 December	29,475	63,331

The Group provides for warranty upon delivery, depending on the type of rigs and vessels constructed. Any unutilised provision outstanding at the expiry of the warranty period is written back to profit or loss.

23 BORROWINGS

	Group	
	2019	2018
	$'000	$'000
Unsecured bank loans - Note (a)	261,645	137,244
Secured bank loans - Note (b)	91,012	98,108
Total	352,657	235,352
Due within one year	(206,888)	(74,895)
Due after one year	145,769	160,457

The average effective interest rate is 5.18% (2018: 4.87%) per annum.

(a) Unsecured bank loans amounting to a total of $200,074,000 (2018: $68,058,000) is repayable within one year from the balance sheet date.

(i) Unsecured term loans of $114,069,000 (2018: $101,628,000) is repayable between 2020 and 2031. The loans bear fixed interest rate ranging from 2.38% to 9.30% (2018: 2.38% to 9.3%) per annum.

(ii) Unsecured term loans of $147,576,000 (2018: $35,616,000) is repayable between 2020 and 2031. The loans bear floating interest ranging from 2.12% to 9.41% (2018: 3.15% to 9.13%) per annum at the balance sheet date.

(b) Secured bank loans amounting to a total of $6,814,000 (2018: $6,837,000) is repayable within one year from the balance sheet date.

(i) Secured term loan of $46,880,000 (2018: $50,629,000) bear fixed interest rate range of 2.38% to 4.43% (31 December 2018: 2.38% to 4.43%) per annum, monthly repayments from 2020 to 2032 and final repayment on 10 December 2032.

(ii) Secured term loan of $44,132,000 (2018: $47,479,000) bear fixed interest rate range of 2.38% to 4.43% (31 December 2018: 2.38% to 4.43%) per annum, monthly repayments from 2020 to 2033 and final repayment on 12 September 2033.

Fair value of non-current term loans bearing fixed interest rate for the Group is $120,088,000 (2018: $132,647,000). These fair values, under Level 2 of the fair values hierarchy, are computed on the discounted cash flow method using a discount rate based upon the borrowing rate which the Group expect would be available as at the balance sheet date.

24 LEASE LIABILITIES

Maturity analysis of lease liabilities:

	Group 2019 $'000
Year 1	54,323
Year 2	90,526
Year 3	96,344
Year 4	36,410
Year 5	34,697
Year 6 and onwards	304,498
Total undiscounted lease liabilities	616,798
Less: unearned interest	(212,426)
Total	404,372

	Group 2019 $'000
Presented as:	
Current	39,286
Non-current	365,086
Total	404,372

25 DEFERRED TAXATION

The following are the deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	Excess of tax over book depreciation $'000	ROU assets/ lease liabilities	Provisions $'000	Tax losses and research & development tax credits $'000	Others $'000	Total $'000
Balance, 1 January 2018	62,511	-	(32,268)	(36,187)	11,133	5,189
Currency realignment	(13)	-	33	(557)	(180)	(717)
Charged/(Credited) to profit or loss (Note 32)	590	-	(2,034)	571	(8,747)	(9,620)
Charged to other comprehensive income	-	-	1,046	-	(4)	1,042
Balance, 31 December 2018	63,088	-	(33,223)	(36,173)	2,202	(4,106)
Adoption of SFRS (I) 16	-	(19,100)	251	1,196	-	(17,653)
Balance, 1 January 2019	63,088	(19,100)	(32,972)	(34,977)	2,202	(21,759)
Currency realignment	(69)	817	(234)	89	64	667
(Credited)/Charged to profit or loss (Note 32)	(15,412)	(152)	26,720	(12,558)	(1,791)	(3,193)
Charged to other comprehensive income	-	-	4	-	(20)	(16)
Balance, 31 December 2019	47,607	(18,435)	(6,482)	(47,446)	455	(24,301)

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	Group 2019 $'000	Group 2018 $'000
Deferred tax liabilities	49,814	46,793
Deferred tax assets	(74,115)	(50,899)
Net deferred tax assets	(24,301)	(4,106)

The Group has unrecognised deferred tax liabilities of $45,070,000 (2018: $42,547,000) for taxes that would be payable on the undistributed earnings of certain subsidiaries as these earnings would not be distributed in the foreseeable future and the Group is in a position to control the timing of the reversal of the temporary differences.

The Group has unutilised tax losses and capital allowances of $194,047,000 (2018: $50,093,000) for which no deferred tax benefit is recognised in the balance sheet. These tax losses and capital allowances can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The unutilised tax losses and capital allowances do not have expiry dates.

The Company has no deferred tax liabilities and assets as at 31 December 2019 (31 December 2018: Nil).

26 DEFERRED LIABILITIES

	Group	
	2019 $'000	2018 $'000
Provision for staff retirement benefits	1,027	988
Movements in the provision are as follows:		
Balance, 1 January	988	1,012
Provision	80	82
Reversal	(41)	-
Utilised	-	(106)
Balance, 31 December	1,027	988

The Group operates a retirement benefit scheme for certain employees based on their salaries for each completed year of service. Contributions to the scheme are charged to profit or loss.

27 SHARE CAPITAL

	Company and Group			
	2019	2018	2019	2018
	Number of ordinary shares		$'000	$'000
Issued and paid up ordinary shares	664,556,126	664,556,126	339,716	339,716

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

28 CAPITAL RESERVES

	Company		Group	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Fair value reserve	(861)	(467)	(39,462)	(28,577)
Hedging reserve	-	-	11,673	(15,144)
Others	-	-	29,906	30,592
	(861)	(467)	2,117	(13,129)

Movements in hedging reserve by risk category:

Group **2019**	Foreign exchange risk $'000	Interest rate risk $'000	Total $'000
Balance, 1 January	(29,594)	14,450	(15,144)
Fair value gain arising during the year, net of tax	8,161	-	8,161
Realised and transferred to profit and loss account	19,175	-	19,175
Share of other comprehensive income of associated companies	-	(519)	(519)
	27,336	(519)	26,817
Balance, 31 December	(2,258)	13,931	11,673

28 CAPITAL RESERVES (cont'd)

Movements in hedging reserve by risk category (cont'd):

Group 2018	Foreign exchange risk $'000	Interest rate risk $'000	Total $'000
Balance, 1 January	(156,782)	11,001	(145,781)
Fair value loss arising during the year, net of tax	(57,642)	-	(57,642)
Realised and transferred to profit and loss account	184,830	-	184,830
Share of other comprehensive income of associated companies	-	3,449	3,449
	127,188	3,449	130,637
Balance, 31 December	(29,594)	14,450	(15,144)

29 PERPETUAL SECURITIES

On 27 July 2018, Keppel FELS Limited and Keppel Shipyard Limited, wholly owned subsidiaries of the Group, issued fixed rate senior perpetual securities (the "perpetual securities") with an aggregate principal amount of $2,000,000,000 to a related corporation.

Such perpetual securities bear distributions at a rate of 4.50% per annum, payable semi-annually. Subject to the relevant terms and conditions in the offering memorandum, the Group may elect to defer making distributions on the perpetual securities, and is not subject to any limits as to the number of times a distribution can be deferred.

As a result, the perpetual securities do not meet the definition for classification as a financial liability under SFRS(I) 1-32 Financial Instruments: Disclosure and Presentation. The whole instrument is presented within equity, and distributions are treated as dividends.

During the financial year, profits of $92,784,000 (2018: $38,959,000) were attributed to the perpetual security holder.

30 REVENUE

	Group 2019 $'000	Group 2018 $'000
Revenue from rigbuilding, shipbuilding and repairs	2,087,680	1,725,929
Revenue from services rendered	91,717	107,658
Revenue from sale of goods	40,323	40,987
Total	2,219,720	1,874,574
Revenue – at a point in time	96,963	97,835
Revenue – over time	2,122,757	1,776,739
	2,219,720	1,874,574

31 PROFIT/(LOSS) BEFORE TAXATION

(a) The breakdown of the staff costs (including Directors' remuneration) for the Group is as follows:

	Group	
	2019 $'000	2018 $'000
Salaries and wages	522,743	455,391
Contributions to Central Provident Fund	38,017	35,308
Share options and share plans	5,564	4,549
Total	566,324	495,248

(b) Other operating income/(expenses) – net

Other operating income/(expenses) included the following items:

	Company		Group	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Allowance for stocks, net of write back (Note 8)	-	-	(6,827)	(5,503)
Amount due to/from subsidiaries written off - net	21,350	11,022	-	-
Expected credit loss on contract assets (Note 9)	-	-	-	(21,000)
Fair value (loss)/gain on financial assets, at FVPL (Note 12)	-	-	(14,401)	45,341
Foreign exchange gain/(loss)	186	207	25,344	(40,222)
Gain on disposal of quoted investments	-	-	-	2,751
Impairment loss on an associated company (Note 18)	-	-	-	(6,000)
(Loss)/gain on disposal of property, plant and equipment	-	-	(355)	1,985
Management fee to holding company	(50)	(50)	(18,215)	(13,369)
Property, plant and equipment written off - net (Note 15)	-	-	-	(4,348)
Provision for contract related costs	-	-	-	(65,000)
Reversal of warranty provisions - net (Note 22)	-	-	15,391	553
Stocks written off	-	-	(2,080)	-
(Write back)/Impairment loss on subsidiaries (Note 17)	10,484	(179,507)	-	-

(c) Impairment on financial assets

	Group	
	2019 $'000	2018 $'000
Loss allowance, net of write back:		
Trade debtors (Note 6)	7,246	92,948
Other debtors (Note 7)	1,862	1,584
Total	9,108	94,532

31 PROFIT/(LOSS) BEFORE TAXATION (cont'd)

(d) Interest income

	Company		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Financial assets measured at amortised cost				
Related companies	30	85	4,201	7,223
Associated companies	529	446	18,689	11,971
Bank deposits	-	-	8,776	15,083
Trade debtors under financing arrangement	-	-	25,409	17,502
Others	-	-	17,369	1,896
Total	559	531	74,444	53,675

(e) Interest expense

	Company		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Term loans	-	-	15,380	9,575
Related companies	283	3,080	65,224	93,055
Lease liabilities	-	-	26,519	-
Total	283	3,080	107,123	102,630

(f) Compensation of Directors and key management personnel

The remuneration of key management personnel, which comprises mainly the Directors of the Group, are as follows:

	Group	
	2019	2018
	$'000	$'000
Directors' fee to Company's Directors	522	695
Short-term benefits	2,923	3,035
Post-employment benefits	54	48
Share options and share plans	1,759	1,547
Total	5,258	5,325

32 TAXATION

	Company		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current	680	52	6,593	25,214
Withholding tax	-	-	585	631
Over provision in prior years	(5)	(36)	(37,167)	(18,748)
Net	675	16	(29,989)	7,097
Deferred (Note 25)	-	-	(3,193)	(9,620)
Net	675	16	(33,182)	(2,523)

The income tax varied from the amount of taxation determined by applying the Singapore income tax rate of 17% (2018: 17%) to profit/(loss) before taxation as a result of the following differences:

	Company		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Profit/(loss) before taxation	47,186	895,884	(27,473)	(382,188)
Share of profit/(loss) of associated companies and joint venture, net of tax	-	-	56,823	(8,001)
Profit/(loss) before tax and share of profit/loss of associated companies and joint ventures	47,186	895,884	29,350	(390,189)
Taxation at statutory income tax rate of 17% (2018: 17%)	8,022	152,300	4,990	(66,332)
Different tax rates in other countries	-	-	(3,062)	7,432
Income not subject to tax	(7,551)	(183,448)	(22,045)	(15,282)
Expenses not deductible for tax purposes	209	31,200	23,517	89,776
Withholding tax	-	-	585	631
Over provision in prior years	(5)	(36)	(37,167)	(18,748)
Net	675	16	(33,182)	(2,523)

33 CONTINGENT LIABILITIES (UNSECURED) AND GUARANTEES

	Company		Group	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Performance guarantees issued for contracts awarded to customers and third parties	905,504	615,179	110,288	41,100
Guarantees in respect of banks and other loans granted to related companies	-	-	7,518	9,527
Others	8,218	16,279	20,228	22,104
Total	913,722	631,458	138,034	72,731

34 FUTURE CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure not provided for in the financial statements:

	Group	
	2019	2018
	$'000	$'000
Contracted but not provided for:		
- for acquisition of property, plant and equipment	684	658
- for construction and upgrading of rigbuilding, shipbuilding and repair facilities	2,126	-
- investment commitments	2,858	5,702
- others	148	1,206
	5,816	7,566
Authorised but not contracted for:		
- for acquisition of property, plant and equipment	19,709	1,255
- for construction and upgrading of rigbuilding, shipbuilding and repair facilities	13,775	148,500
- others	6,824	8,648
	40,308	158,403
Total	46,124	165,969

35 ADOPTION OF SFRS(I) 16 LEASES

(a) When the Group is the lessee

The Group leases land, yards, office space and equipment from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Leases are negotiated for an average term of 10 to 30 years.

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

	Group $'000
Minimum lease payments under operating leases recognised as expense in 2018	50,173

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.13.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 Lease and SFRS(I) INT 4 *Determining whether an Arrangement contains a Leases*, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

ii) On a lease-by-lease basis, the Group has:

a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

(i) On a lease-by-lease basis, the Group chooses to measure its ROU assets at either:

a) a carrying amount as if SFRS(I) 16 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at 1 January 2019; or
b) an amount equal to the lease liability,

adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of transition.

35 ADOPTION OF SFRS(I) 16 LEASES (cont'd)

(ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

(iii) The difference between the carrying amounts of the ROU assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained profits. Comparative information is not restated.

(b) When the Group is a lessor

There are no material changes to accounting by the Group as a lessor.

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

Group Balance Sheet	Increase/ (decrease) $'000
Right-of-use assets	360,993
Deferred tax assets	17,653
Prepayments	(13,639)
Property, plant and equipment	(25,350)
Lease liabilities	411,077
Accrued expenses	(6,534)
Retained profits	(63,742)
Non-controlling interests	(1,144)

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

	$'000
Operating lease commitment disclosed as at 31 December 2018	649,197
Less: Short-term leases	(6,258)
Less: Committed non-cancellable leases with lease terms commencing after 1 January 2019	(39,352)
Less: Discounting effect using weighted average incremental borrowing rate ranging from 1.49% to 10.00%	(224,897)
Add: Extension options which are reasonably certain to be exercised	3,058
Add: Adjustments relating to changes in the index or rate affecting variable payments	19,166
Add: Undisclosed lease commitment as at 31 December 2018	10,163
Lease liabilities recognised as at 1 January 2019	411,077

36 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

(a) Amendments to SFRS(I) 3 Business Combination (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

(b) Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020)

In December 2019, the ASC issued 'Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 Interest Rate Benchmark Reform' (effective 1 January 2020). The amendments provide exceptions that allow entities to continue hedge accounting for existing hedge relationships under the assumption that Inter Bank Offer Rate (IBOR) based hedged cash flows are not altered as a result of the IBOR Reform.

These amendments are issued due to global reform of interest rate benchmarks such as IBORs. IBORs are key reference rates for financial instruments such as derivatives, loans and bonds. In response to cases of attempted manipulation in relation to key IBORs, and to the decline in liquidity in key interbank unsecured funding markets, the Financial Stability Board made several recommendations relating to:

- strengthening of IBORs by anchoring them to a greater number of transactions, where possible, and improving the processes and controls around submissions;
- identifying alternative near-risk-free rates (RFRs) and, where suitable, encouraging market participants to transition new contracts to an appropriate RFR.

Regulators in a number of jurisdictions, including Singapore, are in the midst of phasing out IBORs and replacing them with more suitable alternative reference rates. There is currently uncertainty around the timing and precise nature of these changes.

The management anticipates that the adoption of the above amendments to SFRS(I)s in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

37 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors of the Company on 26 February 2020.

KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES
(Registration No. 199900642R)

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED 31 DECEMBER 2020

KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED 31 DECEMBER 2020

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KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT
FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Directors present their statement to the member together with the audited financial statements of Keppel Offshore & Marine Ltd ("the Company") and its subsidiaries ("the Group") and the statement of financial position of the Company for the financial year ended 31 December 2020.

In the opinion of the Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 9 to 97 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 2020 and the financial performance, changes in equity and cash flows of the Group for the financial year then ended, and

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

1 DIRECTORS

The Directors of the Company in office at the date of this statement are as follows:

Loh Chin Hua	-	Chairman
Chris Ong Leng Yeow	-	Chief Executive Officer
Po'ad Bin Shaik Abu Bakar Mattar		
Stephen Pan Yue Kuo		
Tan Ek Kia		
Lim Chin Leong		
Robert Deering Somerville		
Chan Hon Chew		
Tham Sai Choy		

2 AUDIT AND RISK COMMITTEE

The Audit and Risk Committee of the Board of Directors comprises five members of whom four are independent Directors. Members of the Committee at the date of this statement are as follows:

Po'ad Bin Shaik Abu Bakar Mattar	-	Chairman
Stephen Pan Yue Kuo		
Tan Ek Kia		
Chan Hon Chew		
Tham Sai Choy		

The Audit and Risk Committee carried out its function in accordance with its terms of reference. These include the following:

a) reviewed and approved the overall scope of the internal and external audits;

b) reviewed and discussed the results of the respective examination of internal and external audits, including their evaluation of the internal controls; and

c) reviewed and discussed the matters relating to Enterprise Risk Management.

3 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, other than as disclosed in paragraph 4 in this statement.

4 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of Directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, except as follows:

	Interests held	
	At 1.1.2020	At 31.12.2020
Keppel Corporation Limited		
(No. of Ordinary shares)		
Loh Chin Hua	1,310,592	1,860,772
Loh Chin Hua (deemed interest)	38,500	38,500
Chris Ong Leng Yeow	110,330	220,552
Tan Ek Kia	51,825	62,825
Lim Chin Leong	13,200	13,200
Chan Hon Chew	370,443	593,173
Chan Hon Chew (deemed interest)	7,770	7,770
Tham Sai Choy	155,570	155,570
(Unvested restricted shares to be delivered after 2017) [1]		
Loh Chin Hua	90,784	-
Chris Ong Leng Yeow	13,625	-
Chan Hon Chew	40,134	-
(Unvested restricted shares to be delivered after 2018) [1]		
Loh Chin Hua	174,936	87,469
Chris Ong Leng Yeow	16,519	16,519
Chan Hon Chew	81,354	40,677

4 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

	Interests held	
	At 1.1.2020	At 31.12.2020
(Unvested restricted shares to be delivered after 2019) [1]		
Loh Chin Hua	-	201,258
Chris Ong Leng Yeow	-	38,156
Chan Hon Chew	-	100,839
(Contingent award of performance shares issued in 2017 to be delivered after 2019) [2, 3]		
Loh Chin Hua	330,000	-
Chan Hon Chew	150,000	-
(Contingent award of performance shares issued in 2018 to be delivered after 2020) [2, 3]		
Loh Chin Hua	320,000	320,000
Chris Ong Leng Yeow	100,000	100,000
Chan Hon Chew	140,000	140,000
(Contingent award of performance shares issued in 2019 to be delivered after 2021) [2, 3]		
Loh Chin Hua	365,000	365,000
Chris Ong Leng Yeow	120,000	120,000
Chan Hon Chew	150,000	150,000
(Contingent award of performance shares issued in 2020 to be delivered after 2022) [2, 3]		
Loh Chin Hua	-	365,000
Chris Ong Leng Yeow	-	100,000
Chan Hon Chew	-	140,000
(Contingent award of performance shares – Transformation Incentive issued in 2016 to be delivered after 2021) [2, 3]		
Loh Chin Hua	750,000	750,000
Chris Ong Leng Yeow	125,000	125,000
Chan Hon Chew	350,000	350,000
(Contingent award of performance shares – Transformation Incentive issued in 2017 to be delivered after 2021) [2, 3]		
Chris Ong Leng Yeow	75,000	75,000
(Contingent award of performance shares – Transformation Incentive issued in 2020 to be delivered after 2021) [2,3]		
Chan Hon Chew	-	50,000
Chris Ong Leng Yeow	-	50,000

4 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

	Interests held	
	At 1.1.2020	At 31.12.2020
Keppel REIT *(No. of Units)*		
Loh Chin Hua	7,000	7,000
Loh Chin Hua (deemed interest)	556,160	556,160
Chris Ong Leng Yeow	3,212	3,212
Tan Ek Kia	1,939	1,939
Lim Chin Leong	3,842	3,842
Chan Hon Chew	1,100	1,100
Chan Hon Chew (deemed interest)	1,875	1,875

[1] *Restricted shares are shares under award pursuant to Keppel Corporation Limited's Restricted Share Plan.*

[2] *Performance shares are shares under awards pursuant to Keppel Corporation Limited's Performance Share Plan.*

[3] *Depending on the achievement of pre-determined performance targets, the actual number of shares to be released could range from zero to 150% of the number stated.*

5 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no option to take up unissued shares of the Company or any corporation in Keppel Group was granted.

(b) *Option exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

6 INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept reappointment.

ON BEHALF OF THE BOARD

Loh Chin Hua
Chairman

Chris Ong Leng Yeow
Chief Executive Officer

Singapore
26 February 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF KEPPEL OFFSHORE & MARINE LTD

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Keppel Offshore & Marine Ltd ("the Company") and its subsidiaries ("the Group") and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the 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 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Group and of the Company comprise:
- the statements of financial position of the Group and of the Company as at 31 December 2020;
- the statement of comprehensive income of the Group for the year then ended;
- the statement of changes in equity of the Group for the year then ended;
- the statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority 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.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF KEPPEL OFFSHORE & MARINE LTD (continued)

Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information 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, 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.

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.

Auditor's 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 auditor's 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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF KEPPEL OFFSHORE & MARINE LTD (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- 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.

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.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore
26 February 2021

KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	Company 31 December 2020 $'000	Company 31 December 2019 $'000	Group 31 December 2020 $'000	Group 31 December 2019 $'000
ASSETS					
Current assets					
Cash and cash equivalents	5	74,402	2,466	565,789	508,179
Trade debtors	6	-	-	957,510	1,170,174
Other debtors, deposits and prepayments	7	4	29	192,328	190,931
Stocks	8	-	-	1,300,861	819,634
Contract assets	9	-	-	2,501,174	3,324,020
Amounts due from related companies	10	1,154,351	1,091,673	106,220	107,260
Financial assets, at FVOCI	11	3	335	35,802	27,821
Derivative assets	14	-	-	41,245	23,043
Tax recoverable		-	-	51,980	22,667
Total current assets		1,228,760	1,094,503	5,752,909	6,193,729
Non-current assets					
Trade debtors	6	-	-	875,810	638,308
Other debtors, deposits and prepayments	7	-	-	6,007	8,020
Amounts due from related companies	10	-	-	39,719	192,993
Financial assets, at FVOCI	11	-	-	24,305	28,857
Financial assets, at FVPL	12	-	-	49,194	67,007
Other assets	13	-	-	18,039	17,753
Derivative assets	14	-	-	38,532	11,276
Property, plant and equipment	15	-	-	1,218,358	1,288,908
Right-of-use assets	16 (a)	-	-	325,318	351,910
Subsidiaries	17	735,627	940,426	-	-
Associated companies	18	12,583	12,583	276,760	558,137
Joint ventures	19	-	-	84,077	87,808
Intangible assets	20	-	-	43,675	68,754
Deferred taxation	25	-	-	119,109	74,115
Total non-current assets		748,210	953,009	3,118,903	3,393,846
Total assets		1,976,970	2,047,512	8,871,812	9,587,575
LIABILITIES					
Current liabilities					
Trade and other creditors	21	76,543	1,040	1,898,986	2,155,050
Contract liabilities	9	-	-	854,618	783,213
Provision for warranty	22	-	-	24,609	29,475
Amounts due to related companies	10	351,712	214,055	3,312,746	2,656,429
Derivative liabilities	14	-	-	11,689	12,911
Borrowings	23	-	-	243,715	206,888
Lease liabilities	24	-	-	37,865	39,286
Provision for taxation		1,608	691	8,817	23,480
Total current liabilities		429,863	215,786	6,393,045	5,906,732
Non-current liabilities					
Borrowings	23	-	-	87,305	145,769
Lease liabilities	24	-	-	337,112	365,086
Amounts due to related companies	10	-	-	386,461	156,904
Deferred taxation	25	-	-	45,940	49,814
Deferred liabilities	26	-	-	919	1,027
Derivative liabilities	14	-	-	2,505	3,786
Accrued expenses	21	-	71,196	6,503	77,766
Total non-current liabilities		-	71,196	866,745	800,152
Total liabilities		429,863	286,982	7,259,790	6,706,884
NET ASSETS		1,547,107	1,760,530	1,612,022	2,880,691
EQUITY					
Capital and reserves					
Share capital	27	339,716	339,716	339,716	339,716
Capital reserves	28	(1,193)	(861)	(48,152)	2,117
Perpetual securities	29	-	-	2,229,020	2,131,743
Foreign exchange translation reserve		-	-	(167,110)	(162,042)
Retained profits/(accumulated losses)		1,208,584	1,421,675	(769,106)	524,506
Equity attributable to equity holders of the Company		1,547,107	1,760,530	1,584,368	2,836,040
Non-controlling interests	17	-	-	27,654	44,651
Total Equity		1,547,107	1,760,530	1,612,022	2,880,691

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

KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 $'000	2019 $'000
Revenue	30	**1,574,088**	2,219,720
Raw materials and consumables used		**(612,377)**	(846,603)
Contract labour and subcontractors' costs		**(472,338)**	(534,632)
Staff costs	31 (a)	**(513,102)**	(566,324)
Depreciation and amortisation	15, 16, 20	**(119,653)**	(121,126)
Other operating (expenses)/income – net	31 (b)	**(165,425)**	(84,886)
Impairment on financial and contract assets	31 (c)	**(618,040)**	(9,108)
Dividend income		**3,449**	4,988
Interest income	31 (d)	**60,429**	74,444
Interest expense	31 (e)	**(104,237)**	(107,123)
Share of results of associated companies and joint ventures	18, 19	**(330,421)**	(56,823)
Loss before taxation	31	**(1,297,627)**	(27,473)
Taxation	32	**94,421**	33,182
(Loss)/Profit for the year		**(1,203,206)**	5,709
(Loss)/Profit attributable to:			
Equity holders of the Company		**(1,295,094)**	(85,734)
Holders of perpetual securities		**97,277**	92,784
Non-controlling interests	17	**(5,389)**	(1,341)
(Loss)/Profit for the year		**(1,203,206)**	5,709

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

KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME (cont'd)
FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 $'000	2019 $'000
(Loss)/Profit for the year		(1,203,206)	5,709
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
- Fair value changes arising during the year		30,436	8,161
- Realised and transferred to profit and loss account		(51,255)	19,175
Foreign exchange translation			
- Exchange difference arising during the year		(6,972)	(24,517)
- Realised and transferred to profit and loss account		3,231	-
Share of other comprehensive income of associated companies			
- Cash flow hedges		(9,694)	(519)
		(34,254)	2,300
Items that will not be reclassified subsequently to profit and loss account:			
Other assets			
- Fair value changes arising during the year, net of tax		(1,313)	(932)
Financial assets, at FVOCI			
- Fair value changes arising during the year, net of tax		(18,081)	(10,894)
- Realised and transferred to revenue reserves		(155)	-
Foreign exchange translation			
- Exchange difference arising during the year		(2,849)	(499)
Other comprehensive loss for the year, net of tax		(56,652)	(10,025)
Total comprehensive loss for the year		(1,259,858)	(4,316)
Total comprehensive loss attributable to:			
Equity holders of the Company		(1,348,949)	(95,166)
Holders of perpetual securities		97,277	92,784
Non-controlling interests		(8,186)	(1,934)
Total comprehensive loss for the year		(1,259,858)	(4,316)

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

KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
FINANCIAL YEAR ENDED 31 DECEMBER 2020

	<------- Equity attributable to equity holders of the Company					------->		
	Share capital $'000	Capital reserves $'000	Perpetual securities $'000	Foreign exchange translation reserve $'000	Retained profits/ (accumulated losses) $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance, 1 January 2019	339,716	(13,129)	2,038,959	(137,525)	610,401	2,838,422	47,021	2,885,443
Total comprehensive loss for the year								
Profit for the year	-	-	92,784	-	(85,734)	7,050	(1,341)	5,709
Other comprehensive income/(loss) for the year	-	15,246	-	(24,517)	(161)	(9,432)	(593)	(10,025)
Total	-	15,246	92,784	(24,517)	(85,895)	(2,382)	(1,934)	(4,316)
Transactions with owners, recognised directly in equity								
Dividends paid to non-controlling interests	-	-	-	-	-	-	(436)	(436)
Total	-	-	-	-	-	-	(436)	(436)
Balance, 31 December 2019	339,716	2,117	2,131,743	(162,042)	524,506	2,836,040	44,651	2,880,691
Total comprehensive loss for the year								
Loss for the year	-	-	97,277	-	(1,295,094)	(1,197,817)	(5,389)	(1,203,206)
Other comprehensive (loss)/income for the year	-	(50,269)	-	(3,741)	155	(53,855)	(2,797)	(56,652)
Reclassification	-	-	-	(1,327)	1,327	-	-	-
Total	-	(50,269)	97,277	(5,068)	(1,293,612)	(1,251,672)	(8,186)	(1,259,858)
Transactions with owners, recognised directly in equity								
Dividends paid to non-controlling interests	-	-	-	-	-	-	(8,811)	(8,811)
Total	-	-	-	-	-	-	(8,811)	(8,811)
Balance, 31 December 2020	339,716	(48,152)	2,229,020	(167,110)	(769,106)	1,584,368	27,654	1,612,022

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

KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

STATEMENT OF CASH FLOWS
FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group	
	2020 **$'000**	2019 $'000
Operating activities:		
Loss before taxation	**(1,297,627)**	(27,473)
Adjustments for:		
Depreciation and amortisation	**119,653**	121,126
Impairment loss on intangible assets	**23,015**	-
Impairment loss on property, plant and equipment	**19,694**	-
Impairment loss on right-of-use assets	**2,879**	-
Dividend income	**(3,449)**	(4,988)
Interest expense	**104,237**	107,123
Interest income	**(60,429)**	(74,444)
Share of results of associated companies and joint ventures	**330,421**	56,823
(Gain)/loss on disposal of property, plant and equipment	**(80)**	355
Loss on deemed disposal of an associated company	**5,778**	-
Fair value loss on financial assets, at FVPL	**18,133**	14,401
Property, plant and equipment written off	**11**	-
Cash flows (used)/provided by operations before changes in working capital	**(737,764)**	192,923
Working capital changes, excluding changes relating to cash:		
Stocks	**(481,227)**	(3,148)
Contract assets and liabilities	**894,251**	(299,771)
Trade and other debtors, deposits and prepayments	**(1,549)**	(697,007)
Other assets	**(1,885)**	(3,593)
Trade creditors, provisions for warranty and accrued expenses	**(346,753)**	83,618
Amount due from/(to) related companies	**(11,923)**	53,254
Derivative instruments – net	**(68,780)**	6,433
Cash used in operations	**(755,630)**	(667,291)
Interest received	**30,422**	58,408
Dividend received	**3,449**	4,988
Income tax (paid)/refund	**(1,227)**	38,243
Net cash used in operating activities	**(722,986)**	(565,652)
Investing activities:		
Purchase of property, plant and equipment	**(51,505)**	(77,042)
Proceeds from sale of property, plant and equipment	**246**	1,000
Prepayment of leases	**-**	(31)
Purchase of financial assets, at FVOCI	**(1,001)**	(2,849)
Dividends and distribution received	**20,575**	18,901
Addition of investment in joint venture	**(10,327)**	(18,398)
Net cash used in investing activities	**(42,012)**	(78,419)

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

KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

STATEMENT OF CASH FLOWS (cont'd)
FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group 2020 $'000	Group 2019 $'000
Financing activities:		
Repayment of borrowings	**(77,052)**	(53,534)
Proceeds from borrowings	**75,490**	172,225
Proceeds of loans from a related company – net	**894,072**	619,366
Principal payment of lease liabilities	**(28,304)**	(26,512)
Interest paid	**(104,237)**	(107,123)
Dividend payment to non-controlling interests	**(8,811)**	(436)
Net cash provided by financing activities	**751,158**	603,986
Net changes in cash and cash equivalents	**(13,840)**	(40,085)
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	**887**	(2,684)
Cash and cash equivalents at beginning of financial year	**508,179**	550,948
Cash and cash equivalents at end of financial year (Note 5)	**495,226**	508,179

Reconciliation of liabilities arising from financing activities

2020

	1 January 2020	Proceeds from borrowings	Principal and interest payments	Non-cash changes: Remeasurement of lease liabilities	Non-cash changes: Addition during the year	Non-cash changes: Interest expense	Non-cash changes: Foreign exchange movement and others	31 December 2020
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Borrowings	352,657	75,490	(88,791)	-	-	11,739	(20,075)	331,020
Loans from a related company	2,723,699	894,072	(69,167)	-	-	69,167	-	3,617,771
Perpetual securities	2,131,743	-	-	-	-	97,277[1]	-	2,229,020
Lease liabilities	404,372	-	(51,533)	25,455	4,259	23,229	(30,805)	374,977

2019

	1 January 2019	Proceeds from borrowings	Principal and interest payments	Non-cash changes: Adoption of SFRS(I) 16	Non-cash changes: Addition during the year	Non-cash changes: Interest expense	Non-cash changes: Foreign exchange movement and others	31 December 2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Borrowings	235,352	172,225	(68,914)	-	-	15,380	(1,386)	352,657
Loans from a related company	2,104,333	619,366	(65,224)	-	-	65,224	-	2,723,699
Perpetual securities	2,038,959	-	-	-		92,784[1]	-	2,131,743
Lease liabilities	-	-	(53,031)	411,077	31,438	26,519	(11,631)	404,372

[1] Relates to distribution to perpetual securities holder.

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

1 GENERAL

The Company (Registration Number 199900642R) is incorporated in Singapore with its principal place of business at 50 Gul Road, Singapore 629351 and registered office at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632. The financial statements are expressed in Singapore dollars.

The Company's principal activity is that of an investment holding company.

The principal activities of the subsidiaries, associated companies and joint ventures are detailed in Notes 17, 18 and 19 to the financial statements respectively.

The Company's immediate and ultimate holding company is Keppel Corporation Limited ("Keppel"), incorporated in Singapore.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs"). All references to SFRS(I)s and IFRSs are referred to collectively as SFRS(I)s in these financial statements, unless specified otherwise. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

2.2 ADOPTION OF NEW AND REVISED STANDARDS

The Group adopted the new/revised SFRS(I)s, SFRS (I) Interpretations and amendments to SFRS(I)s that are effective for annual periods beginning on or after 1 January 2020. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s, SFRS (I) Interpretations and amendments to SFRS(I)s.

The following are the new or amended SFRS(I)s, SFRS (I) Interpretations and amendments to SFRS(I)s, that are relevant to the Group:

- Amendments to SFRS(I) 1-1 *Presentation of Financial Statements* and SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Definition of Material)
- Amendments to SFRS(I) 3 *Business Combinations* (Definition of a Business)
- Amendments to SFRS(I) 9 *Financial Instruments*, SFRS(I) 1-39 *Financial Instruments: Recognition and measurement* and SFRS(I) 7 *Financial Instruments: Disclosures* (Interest Rate Benchmark Reform)
- Conceptual Framework for Financial Reporting

The adoption of the above new or amended SFRS(I)s, SFRS (I) Interpretations and amendments to SFRS(I)s did not have any significant impact on the financial statements of the Group in the current or future periods except as follow:

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

Interest Rate Benchmark Reform

In accordance with the transition provisions, the Group has adopted the amendments to SFRS(I) 9 and SFRS(I) 7 effective 1 January 2020 retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by inter-bank offered rate (IBOR) reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the income statement. The reliefs will cease to apply when the uncertainties arising from interest rate benchmark reform are no longer present.

Note 4C(a)(ii) provides information about the uncertainty arising from IBOR reform for hedging relationships for which the Group has applied the reliefs. No changes were required to any of the amounts recognised in the current or prior period as a result of these amendments.

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries.

The financial statements of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated financial statements from their respective dates of obtaining control or ceasing control. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Acquisition of subsidiaries is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair value of the assets transferred, equity instruments issued, liabilities incurred or assumed at the date of exchange and the fair values of any contingent consideration arrangement and any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised in the profit and loss account as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests, except for deferred tax assets/liabilities, share-based related accounts and assets held for sale.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 BASIS OF CONSOLIDATION (cont'd)

Any excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted and the difference between the change in the carrying amounts of the non-controlling interests and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group derecognises all assets (including any goodwill), liabilities and non-controlling interests at their carrying amounts. Amounts previously recognised in other comprehensive income in respect of that former subsidiary are reclassified to the profit and loss account or transferred directly to revenue reserves if required by a specific Standard. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in the profit and loss account.

On a transaction-by-transaction basis, the measurement of non-controlling interests is either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree.

Contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in the profit and loss account.

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 owners 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 in a subsidiary based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 FINANCIAL ASSETS

(a) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through profit or loss ("FVPL"); and
- Fair value through other comprehensive income ("FVOCI").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, listed and unlisted debt securities.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other operating (expenses)/income - net".

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 FINANCIAL ASSETS (cont'd)

(a) Classification and measurement (cont'd)

(i) Debt instruments (cont'd)

- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other operating (expenses)/income - net". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other operating (expenses)/income - net", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains / losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, lease receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 FINANCIAL ASSETS (cont'd)

(c) Recognition and derecognition (cont'd)

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

2.5 FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other creditors are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months, or is expected to be realised in the Group's normal operating cycle.

Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Note 14 to the financial statements contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the cash flow hedge reserve in other comprehensive income are also detailed in Note 28 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (cont'd)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other gains and losses. Amounts recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and when the forecast transaction is ultimately recognised in profit or loss, such gains and losses are recognised in profit or loss, or transferred from equity and included in the initial measurement of the cost of the asset or liability as described above. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was accumulated in equity is recognised immediately in profit or loss.

2.7 OFFSETTING ARRANGMENTS

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company or the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

2.8 PROPERTY, PLANT AND EQUIPMENT

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, and other fixed assets are stated in the statement of financial position at their costs, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Capital work-in-progress are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and capital work-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

		Number of years
Buildings on freehold land	-	between 20 and 50
Buildings on leasehold land	-	between 15 and 50
Plant, machinery and equipment	-	between 5 and 30
Furniture, fittings and office equipment	-	between 2 and 10
Cranes	-	between 5 and 30
Small equipment and tools	-	between 2 and 20
Vessels	-	between 10 and 30

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

2.9 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit and loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL (cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.10 SUBSIDIARIES

A subsidiary is an entity (including structured entities) over which the Group has control. The Group controls an entity when the Group 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 Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Investments in subsidiaries are stated in the financial statements of the Company at cost less accumulated impairment losses. On disposal of a subsidiary, the difference between net disposal proceeds and carrying amount of the investment is taken to profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 ASSOCIATED COMPANIES AND JOINT VENTURES

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

(i) Acquisitions

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated company or joint venture over the Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' or joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income.

Dividends received or receivable from the associated companies or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture.

If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company or joint venture includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at fair value.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 ASSOCIATED COMPANIES AND JOINT VENTURES (cont'd)

(iii) Disposals (cont'd)

The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

2.12 INTANGIBLE ASSETS

Goodwill on acquisitions

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

Patents and trademarks, Research and development, and Customer relationships

Patents and trademarks, research and development and customer relationships are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 3 to 20 years, which is the shorter of their estimated useful lives and periods of contractual rights.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 STOCKS

Stocks are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.14 LEASES

(a) When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

Right-of-use assets

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 LEASES (cont'd)

(a) When the Group is the lessee (cont'd):

Lease liabilities (cont'd)

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is a modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short term and low value leases

The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group recognises those lease payments in profit or loss in the periods that triggered those lease payments.

Rent concessions

The Group has elected to early adopt Amendments to SFRS(I) 16 *Leases* (Covid-19-Related Rent Concessions) effective for annual periods commencing on 1 June 2020, but may be early adopted, for the current financial year ended 31 December 2020.

Under the practical expedient, the Group, as a lessee, has elected not to assess whether a rent concession is a lease modification, if all the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 LEASES (cont'd)

(b) When the Group is the lessor:

The Group leases vessels, buildings and equipment under operating leases to non-related parties.

Lessor – Finance leases

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable is recognised on the balance sheet. The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2.15 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. These provisions include a provision for warranty which is set up, upon completion of a contract, to cover the estimated liability which may arise during the warranty period. Any provision no longer required at the end of the warranty period will be written back while additional provision will be made when required.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 REVENUE

The Group enters into rigbuilding, shipbuilding and repairs contracts with customers. These contracts are fixed in prices. Revenue is recognised when the control over the contract work is transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the contract work over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

The contract work 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 contract work.

The measure of progress for rigbuilding contracts and shipbuilding contracts is determined by engineers' estimates.

For contract where the customer is invoiced on a milestone payment schedule, a contract asset is recognised if the value of the contract work transferred by the Group exceed the receipts from the customer and a contract liability is recognised if the receipts from the customer exceed the value of the contract work transferred by the Group.

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.

Revenue from sale of goods is recognised when the Group satisfies a performance obligation by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied performance obligation.

Revenue from the rendering of services is recognised when the services have been rendered.

Dividend income from investments is recognised when such dividend income is declared to be payable.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.17 GOVERNMENT GRANT

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined retirement benefit plans, the cost of providing benefits is determined based on the computation of their salary for each completed year of service. Contributions to the scheme are charged to profit or loss.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

2.19 EMPLOYEE LEAVE ENTITLEMENT

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2.20 INCOME TAX

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 INCOME TAX (cont'd)

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits similar to accounting for other tax credits where a deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised.

2.21 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the financial statements of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences which relate to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

Exchange differences on transactions entered into in order to hedge certain foreign currency risks are described in the hedge accounting policies above.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation accumulated in a separate component of equity, shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.21 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (cont'd)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associated company that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associated companies or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in foreign currency translation reserve (attributed to minority interest, as appropriate).

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.22 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and on demand deposits, and other short-term highly liquid assets that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.23 SHARE CAPITAL AND PERPETUAL SECURITIES

Ordinary shares and perpetual securities are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity or to exchange financial assets or liabilities with another person or entity that are potentially unfavourable to the issuer.

Incremental costs directly attributable to the issue of new shares or options or perpetual capital securities are shown in equity as a deduction, net of tax, from the proceeds. The proceeds received net of any directly attributable transaction costs are credited to share capital or perpetual securities.

2.24 DIVIDENDS TO COMPANY'S SHAREHOLDER

Dividends to the Company's shareholder are recognised when the dividends are approved for payment.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the management is of the opinion that there is no instance of application of judgments which is expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations and as follows:

Interest rate benchmark reform Phase 1 relief

Following the global financial crisis, the reform and replacement of benchmark interest rates such as the Singapore Swap Offer Rate ('SOR'), USD London Interbank Offered Rate ('LIBOR') and other inter-bank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes.

To transition existing contracts and agreements that reference IBORs to replacement benchmark rates, adjustments for term differences and credit differences might need to be applied to enable the two benchmark rates to be economically equivalent on transition.

The greatest change will be amendments to the contractual terms of the floating-rate loans as well as the associated swap and the corresponding update of the hedge designation. Amendments will also be made to the contractual terms of certain receivables that are IBOR-referenced. The changed reference rate may also affect other systems, processes as well as having tax and accounting implications.

Relief applied

The Group has applied the following reliefs that were introduced by the amendments made to SFRS(I) 9 *Financial Instruments*:

a. When considering the 'highly probable' requirement, the Group has assumed that the IBOR interest rate on which the Group's hedged debt is based does not change as a result of the reform;
b. In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Group has assumed that the IBOR interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by the reform; and
c. The Group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

Assumptions made

In calculating the change in fair value attributable to the hedged risk of floating-rate loan, the Group has made the following assumptions that reflect its current expectations:

a. Existing floating-rate loans will progressively move to the replacement benchmark rates from 2021 onwards and the spread adjustment between the current and replacement benchmark rates will be similar to the spread adjustment included in the interest rate swap used as the hedging instrument;
b. No other material changes to the terms of the floating-rate loans, other than the transition to the replacement benchmark rates are anticipated.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Key sources of estimation uncertainty

The key judgements, estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

(a) Coronavirus Disease 2019 ("COVID-19") and volatility in oil prices

The evolving situation of the outbreak of the COVID-19 and volatility in oil prices, including the sharp reduction in global oil demand, could impact the assessment of the carrying amounts of the Group's assets and liabilities. As these events and conditions have significant financial reporting implications, Accounting and Corporate Regulatory Authority of Singapore ("ACRA") had published financial reporting practice guidance notes in May and December 2020 highlighting key focus areas when preparing and reviewing the financial statements, especially in areas where estimates, assumptions and judgment are required. In the assessment for the current year, management has carried out a review to assess the assumptions used in the assessment of the carrying values of certain assets of the Group. Management has exercised judgment in determining the significant assumptions used and has relied on information currently available, including the COVID-19 official updates from the authorities, the experts' consensus on global oil prices and the work performed by independent advisers on certain assets, in the assessment of the appropriateness of the carrying values of the Group's assets, including but not limited to the following assets as at 31 December 2020:

- Recoverability of contract assets and receivable balances in relation to construction contracts with Sete Brasil and other customers
- Estimation of net realisable value of stocks
- Impairment of non-financial assets
- Investments in associated companies, including Floatel International Limited and related exposures

As the COVID-19 situation continues to evolve, the Group will proactively implement measures in mitigating the potential impact on the Group. Should the COVID-19 situation take a longer than expected period to recover and/or the recovery of the long term oil prices, dayrates or utilisation rates take a longer period or to a lower level than expected, the assessment of the carrying amounts of the assets of the Group could be impacted, and material provisions may be made and additional liabilities may arise in the subsequent financial periods.

(b) Revenue from rigbuilding, shipbuilding and repairs

The Group recognises contract revenue and contract cost over time by reference to the Group's progress towards completing the construction of the contract work. The stage of completion is measured in accordance with the accounting policy stated in Note 2.16. Significant estimations and assumptions are required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract cost and the recoverability of the contracts. In making the estimations and assumptions, the Group evaluates by relying on past experience and the work of engineers. Revenue from construction contracts is disclosed in Note 30.

Revenue arising from additional claims and variation orders, whether billed or unbilled, is recognised when negotiations have reached an advanced stage such customer has accepted the claims or approved the variation orders.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(c) Claims, litigations and reviews

The Group entered into various contracts with third parties in its ordinary course of business and is exposed to the risk of claims, litigations, latent defects or review from the contractual parties and/or government agencies. These can arise for various reasons, including change in scope of work, delay and disputes, defective specifications or routine checks etc. The scope, enforceability and validity of any claim, litigation or review may be highly uncertain. In making its judgment as to whether it is probable that any such claim, litigation or review will result in a liability and whether any such liability can be measured reliably, management relies on past experience and the opinion of legal and technical expertise.

Civil action by EIG funds

In February 2018, the Group was served a summons by eight investment funds ("Plaintiffs") managed by EIG Management Company, LLC ("EIG") where a civil action was commenced by the Plaintiffs pursuant to the Racketeer Influenced and Corrupt Organizations Act ("RICO") in the United States District Court, Southern District of New York. The Plaintiffs sought damages for its loss of investment of US$221 million in Sete, trebled under RICO to US$663 million, plus interest, costs and mandatory attorneys' fees under RICO.

This new lawsuit came after an earlier civil action commenced by eight of EIG's managed funds in the United States District Court, District of Columbia against, among others, the holding company and the Group. The case was dismissed by the Court on 30 March 2017.

In March 2018, the Group submitted a letter pursuant to the Court's rules seeking permission to file a motion to dismiss the Complaint. In April 2018, in response to the letter, the Plaintiffs filed the First Amended Complaint which added, among other things, a state law claim for aiding and abetting fraud.

In July 2018, the Group filed a motion to dismiss the First Amended Complaint. The Plaintiffs filed their brief in opposition to the motion in August 2018, and the Group filed its reply brief in August 2018.

In May 2020, the Court issued an order granting in part and denying in part the Group's motion to dismiss. The Court dismissed the Plaintiffs' civil RICO conspiracy claim but found that the First Amended Complaint adequately pleaded an aiding and abetting fraud claim under New York state law and denied the Group's motion to dismiss that claim.

Consequently, Plaintiffs currently seek damages of $221,000,000 (without the earlier treble damage claim of US$663 million under RICO in respect of which the Group has been successful in dismissing the claim), plus punitive damages, interest, attorneys' fees, costs and disbursements, based on their remaining claim for aiding and abetting fraud.

Management is of the view that the remaining claim for aiding and abetting fraud is without merit and the Group will vigorously defend itself. As at the date of these financial statements, it is premature to predict or determine the eventual outcome of this remaining claim and hence, the potential amount of loss cannot currently be assessed.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(c) Claims, litigations and reviews (Cont'd)

Termination of Two Mid-Water Semisubmersible Drilling Rig Contracts

A wholly owned subsidiary of the Company ("KOM Subsidiary") terminated two contracts with subsidiaries of a customer for the construction of two mid-water semisubmersible drilling rig for harsh environment use:

(i) In June 2020, the buyer under the first of these contracts ("First Contract") alleged a breach of contract by the KOM Subsidiary and purportedly terminated the First Contract and sought recovery of the payments already made to the KOM Subsidiary with interest. The allegations by the buyer were refuted and the purported termination of the contract was rejected by the KOM Subsidiary. The buyer subsequently failed to pay an instalment due under the First Contract. Non-payment of any instalment by the buyer is a default in accordance with the First Contract, entitling the KOM Subsidiary to terminate the First Contract, retain all payments received to date (approximately US$54 million), and seek compensation for the work done to date and claim ownership of the rig. The KOM Subsidiary had therefore issued a notice of termination of the First Contract to the buyer and commenced arbitration to enforce its rights under the First Contract against the buyer.

(ii) In December 2020, the KOM Subsidiary issued a notice of termination of the second of these contracts ("Second Contract") and commenced arbitration to enforce its rights under the Second Contract against the buyer, which rights include the right to retain the amounts already paid by the buyer to date of approximately US$43 million and to seek reimbursement of the KOM Subsidiary's costs of the project up to the date of termination.

Subsequent to the issuance of this notice of termination, the KOM Subsidiary has received a notice from the buyer purporting to terminate the Second Contract, alleging breaches under the Second Contract. As it had already terminated the Second Contract, the KOM Subsidiary's position is that the notice of termination can have no effect. In any event, the KOM Subsidiary refutes the abovementioned allegations by the buyer in the notice.

The Group is working with legal advisors to enforce its rights and will continue to evaluate the potential financial impact in consultation with its advisors. Based on currently available information, no provision was made in respect of the recovery of the payments already made to the Group by the two buyers.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(d) Recoverability of contract assets and trade debtors in relation to construction contracts

Contracts with Sete Brasil ("Sete")

The Group had previously entered into contracts with Sete for the construction of six rigs for which progress payments from Sete had ceased since November 2014. In April 2016, Sete filed for bankruptcy protection and its authorised representatives had been in discussion with the Group on the eventual completion and delivery of some of the rigs. In October 2019, the Settlement Agreement as well as the winning bid proposal for Magni Partners (Bermuda) Ltd ("Magni") to purchase four Sete subsidiaries, two of which are special-purpose entities ("SPEs") for uncompleted rigs constructed by the Group, was approved by the creditors. As part of the Settlement Agreement, which is subject to fulfilment of certain conditions precedent, the Group will take over ownership of remaining four uncompleted rigs and will be able to explore various options to extract the best value from these assets. The EPC Contracts and related agreements entered into in relation to these four rigs will be deemed to be amicably terminated, with no penalties, refunds and/or any additional amounts being due to any party, and the parties will waive all rights to any claims. The Group has a receivable of approximately US$260 million from Sete and this amount has been included in Sete's court-approved Judicial Reorganisation Plan. The outstanding amount will be paid to the Group proportionally and pari passu with other creditors of Sete as part of, and out of proceeds of, its Judicial Reorganisation Plan.

In December 2019, Petrobras issued a press release to communicate their Board's approval on the continuation of four charter agreements, and for Magni and their operator Etesco to step in as the new party to the agreements. Since then, the Group has been in constructive discussions with Magni to finalise the construction contracts for the two rigs and with Sete to close out the condition precedents in the Settlement Agreement. As a result of the global COVID-19 pandemic and the extended time required for Magni to secure financing, finalisation of the agreements between the various parties have been delayed. On 12 November 2020, Petrobras issued a press release that their mediation agreement deadline with Sete has been extended to 31 January 2021 for Sete to conclude their sale transaction. As of the date of these financial statements, Magni has yet to secure the full financing required to complete the sale transaction with Sete.

On 26 January 2021, Petrobras issued a media release to inform that it had received notification from Sete that it will not be able to comply with the conditions in the mediation agreement by the (extended) due date of 31 January 2021 and Sete had requested to begin a new negotiation with Petrobras. The Executive Board of Petrobras has authorised this request from Sete, in search of a joint solution with Sete.

Notwithstanding that the deadline to complete the mediation agreement has not been extended, the Group believes that Petrobras, in approving a new negotiation, will continue to seek for solutions on these rigs with the relevant stakeholders which may yield several other alternative arrangements between the stakeholders. The Group will also be in active discussions with Sete and Magni as Sete enters into the new negotiation with Petrobras.

Management estimated the net present value of the cashflows relating to the construction contract for two rigs with Magni. In addition, management performed an assessment to estimate the cost of discontinuance of related agreements of the EPC contracts with Sete, offset by possible options in extracting value from the uncompleted rigs and possible payout from the Judicial Reorganisation Plan.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(d) Recoverability of contract assets and trade debtors in relation to construction contracts (cont'd)

Contracts with Sete Brasil ("Sete") (cont'd)

Arising from the above assessment, the loss allowance for trade debtors of $183,000,000 (2019: $183,000,000) and the provision for related contract costs of $245,000,000 (2019: $245,000,000) made in prior years remain adequate to address the cost of discontinuance, salvage cost and unpaid progress billings relating to EPC contracts with Sete.

Taking into consideration cost of completion, cost of discontinuance, salvage cost and unpaid progress billings with regards to these rigs, the total cumulative loss recognised in relation to these rig contracts amounted to $476,000,000 as at 31 December 2020 (31 December 2019: $476,000,000).

The above assessment had been made with the following key assumptions:

(i) Petrobras will continue to require the rigs for execution of its business plans and will charter them at the dayrates and tenure previously agreed with Sete;

(ii) Magni will be able to secure financing to complete the purchase of the rigs with Sete and complete the construction contract with the Group at the terms previously discussed with Magni; and

(iii) The future cost of construction of the rigs are not materially different from management's current estimation.

At the date of these financial statements, the commencement of a new negotiation between Petrobras and Sete has been authorised by the Executive Board of Petrobras. Should the conclusion of the negotiation result in significant changes to the key assumptions above, additional material provision may be required, including adjustments to the net carrying amounts (net of total cumulative losses as described above) relating to the Sete contracts amounting to $113,645,000 as at 31 December 2020.

Other contracts

As at 31 December 2020, the Group had several rigs that were under construction for customers where customers had requested for deferral of delivery dates of the rigs in prior years and have higher counterparty risks. In the event that the customers are unable to fulfill their contractual obligations, the Group can exercise the right to retain payments received to date and retain title to the rigs.

The Group had also delivered rigs to customers where receipt of the construction revenue have been deferred under certain financing arrangements, amounting to $848,117,000 as at 31 December 2020 (2019: $778,734,000) of which $772,443,000 (2019: $638,973,000) is secured on the rigs and $75,674,000 (2019: $139,761,000) is unsecured but the Group has obtained parental guarantee from the customers.

Management has assessed each deferred construction project individually to make judgment as to whether the customers will be able to fulfil their contractual obligations and take delivery of the rigs at the revised delivery dates. Management has also performed an assessment of the expected credit loss on contract assets and trade receivables of deferred projects and of rigs delivered on financing arrangements to determine if a provision for expected loss is necessary.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(d) Recoverability of contract assets and trade debtors in relation to construction contracts (cont'd)

Other contracts (cont'd)

The global economic environment has been and continues to be significantly affected by COVID-19 and the oil and gas industry in particular, has experienced an unprecedented and very difficult period as a result of lower expected demands. The Group remains cognizant of these developments and have been closely monitoring the market and industry developments relating to utilisation rates, dayrates, oil price outlook and other relevant information.

For the above contract assets and secured trade receivables, in the event that the customers are unable to fulfil their contractual obligations, management has considered the most likely outcome for the rigs delivered or under construction is for the Group to take possession of the asset and charter it out to work with an operator. The value of the rig on this basis would be based on an estimation of the Value-in-use ("VIU") of the rig, i.e. through estimating the net present value of cash flows from operating the rig over the useful life of the asset.

Management has engaged independent professional firms to assist in their assessment on whether the VIU of the rigs would exceed the carrying values of contract assets and trade receivables as at 31 December 2020. The VIU model used by the independent firm is consistent with prior years and is based on Discounted Cash Flow calculations that cover each class of rig. In addition to the independent firm responsible for the valuation based on VIU calculations, management has also engaged a separate industry expert to independently provide a view of the market outlook, assumptions and parameters which are used in the valuations based on estimation of VIU. Key inputs into the estimation of the VIU include dayrates and cost assumptions, utilisation rates, discount rates and estimated commencement of deployment of the assets. The valuation of the rigs would decrease if the expected income from operating the rigs decline, or discount rates were higher, or the estimated commencement of deployment were delayed.

Management has also appointed an independent advisor to conduct an assessment of the recoverability of unsecured receivables as at 31 December 2020.

Accordingly, the Group recognised an expected credit loss allowance of $430,842,000 (2019: Nil) on contract assets, and $169,611,000 (2019: Nil) on non-current trade debtors during the financial year ended 31 December as follows:

	Contract assets	Financing to customers Secured	Financing to customers Unsecured	Total
	$'000	$'000	$'000	$'000
As at 31 December 2020				
Gross balance	2,933,715	871,605	138,595	3,943,915
Less: Expected credit loss				
Balance, 1 January	21,000	-	-	21,000
Currency alignment	-	(4,634)	(2,894)	(7,528)
Impairment charged	430,842	103,796	65,815	600,453
Reclassification (Note 9)	(19,301)	-	-	(19,301)
Balance, 31 December	432,541	99,162	62,921	594,624
Net balance	2,501,174	772,443	75,674	3,349,291

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(d) Recoverability of contract assets and trade debtors in relation to construction contracts (cont'd)

Other contracts (cont'd)

	Contract assets	Financing to customers Secured	Unsecured	Total
	$'000	$'000	$'000	$'000
As at 31 December 2019				
Gross balance	3,345,020	638,973	139,761	4,123,754
Less: Expected credit loss				
Balance, 1 January and 31 December	21,000	-	-	21,000
Net balance	3,324,020	638,973	139,761	4,102,754

The valuations of the rigs based on estimated VIU are most sensitive to discount rates and dayrates.

- A discount rate of 7% has been used in the valuation as at 31 December 2020 (2019:6.8%). An increase of 1% of the discount rate would increase the expected credit loss by approximately S$7,000,000 for the year (2019:$Nil).
- A decrease in dayrates of US$5,000 per day across the entire asset useful life of 25 years would not result in any further expected credit loss (2019: $Nil).

Management has been actively seeking to deploy, including charter or sale of the completed rigs. As further described in Note 35, the announcement subsequent to year end for Keppel Offshore and Marine Limited to be organised in distinct parts and provide greater clarity on management's approach in seeking solutions for the assets. When the impairment losses are crystallised, such cumulative expected credit losses are claimable as tax losses and utilised against any taxable profits of the claimant or may be transferred to other Singapore incorporated related companies of the Group via group tax relief. The ultimate holding company expects that there are sufficient taxable profits within the ultimate holding company and its subsidiaries to utilise such tax losses and has accordingly recognised in 2020 deferred tax credits amounting to approximately $74,000,000 arising from these expected credit losses.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(e) Investments in Floatel International Limited ("Floatel")

	31 December	
	2020	2019
	$'000	$'000
Equity interest (Note 18)	-	311,000
Loan receivable (Note 18)	95,668	-
Carrying amount	95,668	311,000
Other related exposures:		
Preference shares (Note 12)	-	10,449
Loan receivable (Note 10)	-	155,425

In February 2020, Floatel reported that its financial situation is unsustainable as liquidity is under pressure. There is a material uncertainty as to whether Floatel will be able to service its secured financial liabilities and net working capital requirements for the coming 12 months, which cast significant doubt on Floatel's ability to continue as a going concern. The long term viability of Floatel's business depends on it finding a solution to its financial situation.

On 5 December 2020, at the expiry of the forbearance under a Forbearance Agreement entered into between Floatel and certain bondholders, Floatel entered into a Lock-Up Agreement with FELS Offshore Pte Ltd (the member of the Group with the equity interest in Floatel), an ad hoc group (the "AHG") of holders of Floatel's 9% senior secured 1L Bondholders, and other consenting 1L Bondholders holding in aggregate over 56% by value of the 1L Bonds and 2L Bondholders holding in aggregate close to 13% of the 2L Bonds (the "Lock-Up Agreement"). The Lock-Up Agreement commits Floatel, the Group, the AHG and any acceding 1L Bondholders and 2L Bondholders to use reasonable endeavours to implement a comprehensive financial and corporate restructuring of the Floatel group (the "Restructuring"). As part of the Lock-Up Agreement, FELS Offshore Pte Ltd has committed to use reasonable endeavours to procure the provision and funding of a new US$100,000,000 revolving credit facility ("RCF") for Floatel and another member of the Group may provide credit support for the RCF in the form of a risk participation.

On 16 December 2020, Floatel announced an increased level of support of the Lock-Up Agreement by the 1L (more than ⅔) and 2L Bondholders. In addition, the terms of new warrants to be issued were also agreed in a revised Lock-Up Agreement on 14 December 2020.

On 8 January 2021, bank lenders of Floatel agreed to accept a cash settlement of US$46,000,000 less Lenders' advisory fees for full settlement of amounts owing to them and release of the charge on one of the five vessels owned by Floatel.

On 12 February 2021, the 2L Bondholders approved the restructuring.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(e) Investments in Floatel International Limited ("Floatel") (cont'd)

As the loan from the relevant member of the Group to Floatel is considered as part of the Group's net investment in Floatel (i.e. settlement is neither planned nor foreseen), management has continued to equity account for its share of loss in Floatel's results against the carrying value of the loan to Floatel, after reducing the carrying value of the equity investment in Floatel to zero as of 30 June 2020. For the financial year ended 31 December 2020, the Group has recognised a total share of operating loss from Floatel of $82,779,000 and share of impairment loss of vessels of $228,107,000. The latter was estimated based on industry parameters provided by an independent industry advisor and adopted in the VIU calculation of the vessels. In addition, the carrying value of preference shares, based on the fair value assessment conducted by an independent financial advisor using the dividend discount model had similarly been written down to Nil as at 31 December 2020.

The Group has considered that the recovery of its net investment in Floatel is dependent on Floatel successfully carrying out the Restructuring and continuing operation of its fleet of vessels. Management has retained an independent financial advisor to support the review of Floatel's business plan and cash flow projections. In the event that the Restructuring of Floatel fails to go through, Floatel would not have adequate cash from its operations and cash on hand to continue as a going concern beyond year 2021 and in this scenario the Group's investment in Floatel is not expected to be recoverable.

As at the date of these financial statements, the Restructuring is progressing positively and the Group is in advanced stages of discussion with financial institutions to provide the US$100,000,000 RCF.

(f) Global resolution with criminal authorities in relation to corrupt payments

In 2017, the Group reached a global resolution with the criminal authorities in the United States of America, Brazil and Singapore in relation to corrupt payments made in relation to the Group's various projects with Petrobras and Sete Brasil in Brazil, which were made with knowledge or approval of former executives. Fines in an aggregate amount of US$422,216,980, or equivalent to approximately S$570 million, paid/payable had been allocated between the three jurisdictions.

As part of the global resolution, the Company accepted a Conditional Warning from the Corrupt Practices Investigation Bureau ("CPIB") in Singapore, and entered into a Deferred Prosecution Agreement ("DPA") with the U.S. Department of Justice ("DOJ"), while Keppel FELS Brasil S.A., a wholly owned subsidiary of the Company, entered into a Leniency Agreement with the Public Prosecutor's Office in Brazil, the Ministerio Publico Federal ("MPF") which became effective following the approval of the Fifth Chamber for Coordination and Review of the MPF in April 2018. In addition, Keppel Offshore & Marine USA, Inc ("KOM USA"), also a wholly owned subsidiary of the Company, pleaded guilty to one count of conspiracy to violate the U.S. Foreign Corrupt Practices Act and entered into a Plea Agreement with the DOJ.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(f) Global resolution with criminal authorities in relation to corrupt payments (cont'd)

The Group has successfully complied with its obligations under the DPA and the DPA has accordingly concluded. The Group has also been in compliance with its obligations under the Conditional Warning issued by the CPIB and the Leniency Agreement entered into with the MPF. As part of the applicable fines payable under the global resolution, a sum of US$52,777,122.50 (less any penalties that the Group may pay to specified Brazilian authorities) was payable to CPIB within three years from the date of the Conditional Warning and has been included in accrued expenses since FY 2017. The discussions with the specified Brazilian authorities remain ongoing, and CPIB has agreed to extend this three-year period for a further 12 months until 22 December 2021.

It has been brought to the holding company's attention that the Office of the Comptroller General of Brazil ("CGU") has published a notice in the Official Gazette ("Notice") to the effect that CGU has initiated an administrative enforcement procedure ("AEP") against the Company, Prismatic Services Ltd., Keppel FELS Ltd., Keppel FELS Brasil S.A., and BrasFELS S.A., in relation to alleged irregularities under the Brazilian Anti-Corruption Statute, and appointed two CGU officials to form a panel to preside over the proceedings. The holding company has been advised that, following the issuance of the Notice, the CGU would carry out further internal investigations, and the panel has to thereafter decide whether any summons is to be served on the defendants, and if so, the defendants will then have 30 days thereafter to file a defence. Neither the Notice nor any summons has been served on any of the foregoing entities to-date.

The Notice does not provide any factual particulars and the holding company is therefore currently unable to assess the matter or its impact, if any. The holding company understands from CGU that the AEP will not affect the ongoing negotiations with the Brazil authorities, and that the AEP has been suspended pending these ongoing discussions.

Over the course of the DPA reporting period, Keppel Group continued its remediation efforts and implemented significant compliance enhancements across its businesses. The Group's successful completion of the DPA reflects Keppel Group's ongoing commitment to ethics, integrity, and robust controls in all its business operations. In 2019, The Group successfully achieved global certification for the ISO 37001 Anti-Bribery Management System, and Keppel is progressively implementing the same standard throughout the Group.

Anti-bribery and corruption compliance audits were also performed on entities within the Group. These audits revealed enhanced policies and procedures put in place to-date were, in general, functioning as intended. The results of the audits performed in 2020 were satisfactory with no adverse findings requiring follow-up actions.

Based on currently available information, no additional provision was made in relation to the ongoing discussions with the specified Brazilian authorities.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(g) Estimating net realisable value ("NRV") of stocks - work-in-progress

The net realisable value of stocks represent the estimated selling price for these stocks less all estimated cost of completion and costs necessary to make the sale.

As at 31 December 2020, stocks under work-in-progress amounted to $1,072,890,000 (after a provision of $91,508,000). This amount included a balance of $447,337,000, which were transferred from contract assets during the year as described in note 3(c) – "Termination of Two Mid-Water Semisubmersible Drilling Rig Contracts".

The assessment of carrying value of these stocks - work-in-progress were performed in conjunction with the valuation assessment of contract assets based on a VIU approach as described in note 3(d).

Based on the results of the assessments, the Group recognised an impairment provision of $41,508,000 on stocks under work-in-progress during the financial year ended 31 December 2020.

The valuation of these stocks - work-in-progress based on estimated VIU are most sensitive to discount rates and dayrates.

- An increase of 1% of the discount rate would result in an impairment of approximately $158,000,000 (2019: $Nil).
- A decrease in dayrates of US$5,000 per day across the entire asset life of 25 years would result in an impairment of approximately $21,000,000 (2019: $Nil).

(h) Impairment of non-financial assets

Determining whether the carrying value of a non-financial asset is impaired requires an estimation of the value in use of the cash-generating units. This requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amounts of fixed assets, investments in subsidiaries, investment in associates and joint ventures, and intangibles are disclosed in the balance sheet. Management performed impairment tests on these non-financial assets as at 31 December 2020. Refer to Note 15, 17, 18, 19 and 20 for more details.

Each rigbuilding, shipbuilding and repair facilities has been identified as individual CGUs. The recoverable amounts of these CGUs were determined using value-in-use models that incorporated cash flow projections based on financial forecasts approved by management. Management had determined the forecasted cash flows based on past performance and its current expectations of market development.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(i) Leases terms - options to extend

As at 31 December 2020, lease liabilities of the Group included $3,683,000 (2019: $2,926,000) where lease extension options on land and buildings are included in the estimation of the lease term as it is reasonably certain that the lease would be extended, based on facts and circumstances that create an economic incentive to exercise the extension option. The following factors are considered in determining whether there is significant economic incentive to extend the lease:

- Leasehold improvements are expected to have significant remaining value as significant investments were undertook since the commencement of the lease; and
- Significant costs expected to be incurred and business disruption for relocation of the operations.

The assessment of reasonable certainty to exercise extension options is only revised if a significant change in circumstances occurs which affects this assessment, and that is within the control of the lessee. During the current financial year, there was no revision of lease term.

As at 31 December 2020, potential future (undiscounted) cash outflows on lease extension options of approximately $476,544,000 (2019: $611,174,000) have not been included in lease liabilities because it is not reasonably certain that the leases will be extended.

(j) Uncertain tax positions

The Group is subject to income taxes in the jurisdictions in which it operates. In determining the income tax liabilities, management has made estimates of income that are subject to tax and the deductibility of certain expenses ("uncertain tax positions") at each jurisdiction.

At the balance sheet date, the Group has made tax filings with a tax authority in a foreign jurisdiction which are currently open. Management believes that the tax positions are sustainable based on prior experience and filings. Accordingly, the Group has not recognised additional tax liability, if any, on these uncertain tax positions.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT

(A) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Company		Group	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Financial assets				
Derivative financial instruments	**-**	-	**79,777**	34,319
Financial assets,				
- at amortised cost	**1,228,757**	1,094,168	**2,668,320**	2,723,926
- at FVOCI	**3**	335	**60,107**	56,678
- at FVPL	**-**	-	**49,194**	67,007
Financial liabilities				
Derivative financial instruments	**-**	-	**(14,194)**	(16,697)
Term loans and payables				
at amortised cost	**(428,097)**	(286,291)	**(6,268,432)**	(5,770,060)

(B) Financial instruments subject to offsetting, enforceable master netting arrangements and similar arrangements

The Group and Company do not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting arrangements.

(C) Financial risk management policies and objectives

The Group operates internationally and is exposed to a variety of financial risks, comprising market risk (including currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. Financial risk management is carried out by the Keppel Group Treasury Department in accordance with established policies and guidelines. These policies and guidelines are established by Keppel Group Central Finance Committee and are updated to take into account changes in the operating environment. This committee is chaired by the Chief Financial Officer of Keppel Group and includes Chief Financial Officers of Keppel Group's key operating companies and Head Office specialists.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(a) Market risk management

(i) Currency risk management

The Group has receivables and payables denominated in foreign currencies via US Dollars ("USD"), Brazilian Real ("BRL") and other currencies. The Group's foreign currency exposures arise mainly from the exchange rate movement of these foreign currencies against the respective entities' functional currencies. To hedge against the volatility of future cash flows caused by changes in foreign currency rates, the Group utilises forward foreign currency contracts to hedge the Group's exposure to specific currency risks relating to investments, debtors, creditors and other commitments. Keppel Group Treasury Department monitors the current and projected foreign currency cash flow of the Group and aims to reduce the exposure of the net position in each currency by borrowing in foreign currency and other currency contracts where appropriate.

As at the end of the financial year, the Group has outstanding forward foreign exchange contracts (details refer to Note 14).

Other than the above hedged foreign currency contracts, the unhedged currency exposure of financial assets and financial liabilities denominated in currencies other than the respective entities' functional currencies are as follows:

	At 31 December 2020		
	USD $'000	BRL $'000	Others $'000
Group			
Financial assets			
Cash and short-term placements	4,463	37	347
Trade debtors	2,461	312,242	1,310
Amount due from related companies	11,625	-	-
Financial assets, at FVOCI	10,368	-	3,573
Financial assets, at FVPL	49,194	-	-
Total financial assets	78,111	312,279	5,230
Financial liabilities			
Trade creditors	(485)	(19,538)	(6,685)
Amount due to related companies	(1,150,450)	-	-
Term loans	(3,008)	-	-
Total financial liabilities	(1,153,943)	(19,538)	(6,685)
Net financial (liabilities)/assets	(1,075,832)	292,741	(1,455)

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(a) Market risk management (cont'd)

(i) Currency risk management (cont'd)

	At 31 December 2019		
	USD $'000	BRL $'000	Others $'000
Group			
Financial assets			
Cash and short-term placements	5,317	53	4,977
Trade debtors	506,908	318,767	920
Amount due from related companies	171,948	-	-
Financial assets, at FVOCI	29,942	-	3,467
Financial assets, at FVPL	67,007	-	-
Total financial assets	781,122	318,820	9,364
Financial liabilities			
Trade creditors	(123,347)	(18,542)	(9,789)
Amount due to related companies	(1,091,136)	-	-
Term loans	(18,905)	-	-
Total financial liabilities	(1,233,388)	(18,542)	(9,789)
Net financial (liabilities)/assets	(452,266)	300,278	(425)

	2020 USD $'000	2019 USD $'000
Company		
Financial assets		
Cash and short-term placements	**73,335**	1
Financial assets, at FVOCI	**3**	335
	73,338	336
Financial liabilities		
Accrued expenses	**(70,563)**	(71,196)
Amount due to related companies	**(68,226)**	(1,230)
	(138,789)	(72,426)
Net financial assets/(liabilities)	**(65,451)**	(72,090)

The Company has several investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Further details on the forward exchange derivative hedging instruments are found in Note 14 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(a) Market risk management (cont'd)

(i) Currency risk management (cont'd)

Sensitivity analysis for currency risk

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment on the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they give rise to an impact on the Group's profit or loss and/or equity.

If the relevant foreign currency change against the functional currency by 5% with all other variables held constant, the positive/(negative) effects on profit after tax and other equity will be as follows:

	Profit after tax		Other equity	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Group				
USD against S$				
- Strengthened	**(45,077)**	(20,012)	**518**	1,497
- Weakened	**45,077**	20,012	**(518)**	(1,497)
BRL against S$				
- Strengthened	**12,149**	12,462	**-**	-
- Weakened	**(12,149)**	(12,462)	**-**	-
Company				
US$ against S$				
- Strengthened	(2,716)	(3,006)	-	17
- Weakened	2,716	3,006	-	(17)

In management's opinion, the sensitivity analysis is not indicative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(a) Market risk management (cont'd)

(ii) Interest rate risk management

The Group is exposed to interest rate risk for changes in interest rates primarily for debt obligations and placements in the money market. The Group policy is to maintain a mix of fixed and variable rate debt instruments with varying maturities.

Sensitivity analysis for interest rate risk

The sensitivity analyses below have been determined based on the exposure to interest rates for term loans at the end of the reporting periods and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 0.5% p.a. increase/decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% p.a. higher or lower and all other variables were held constant, the Group's loss after tax would increase/decrease by $14,202,000 (2019: profit after tax would decrease/increase by $11,288,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings during the year.

The Company's profit or loss and equity are not affected by the changes in interest rates as the interest-bearing instruments carry fixed interest and are measured at amortised cost.

(iii) Equity price risk management

The Group and Company are exposed to equity securities price risk arising from equity investments classified as financial assets, at FVOCI (Note 11). To manage its price risk arising from investments in equity securities, the Group and Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Sensitivity analysis for price risk

As at 31 December 2020, if prices for quoted investments increase/decrease by 5% (2019: 5%), the Group's fair value reserve in other comprehensive income would have been higher/lower by $1,790,000 (2019: $1,391,000) as a result of higher/lower fair value gains on investments at fair value through other comprehensive income.

If prices for quoted investments increase/decrease by 5% (2019: 5%) with all other variables held constant, the Company's fair value reserve would have been higher/lower by Nil (2019: $17,000) as a result of higher/lower fair value gains on investments at fair value through other comprehensive income.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(b) Credit risk management

Credit risk refers to the risk that debtors will default on their obligation to repay the amount owing to the Group. A substantial portion of the Group's revenue is on credit terms. The Group adopts stringent procedures on extending credit terms to customers and on the monitoring of credit risk. The credit policy spells out clearly the guidelines on extending credit terms to customers, including monitoring the process and using related industry's practices as reference. This includes assessment and valuation of customers' credit reliability and periodic review of their financial status to determine the credit limits to be granted. Customers are also assessed based on their historical payment records. Where necessary, customers may also be requested to provide security or advance payment before services are rendered. In addition, contract assets and receivables for the Group's construction of newbuild rigs/vessels are secured on the assets being constructed. The Group's policy does not permit non-secured credit risk to be significantly centralised in one customer or a group of customers.

Credit risk assessment on an individual customer is based on historical, current and forward-looking information such as:

- Historical financial and default rate of the customer
- Any publicly available information on the customer
- Any macro-economic or geopolitical information relevant to the customer
- Any other objectively supportable information on the quality and abilities of the customer's management relevant for its performance

The Group assesses on a forward-looking basis the expected credit loss ("ECLs") associated with financial assets which are mainly debtors, amounts due from associated companies and bank balances, deposits and cash.

ECLs are probability-weighted estimates 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 the financial asset. At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and at FVOCI 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. These events include probability of insolvency, significant financial difficulties of the debtor and default or significant delay in payments.

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 undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

The Group uses a provision matrix to measure ECLs on receivables from customers and counterparties that have not been individually assessed. These are grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as debtor failing to engage in a repayment plan with the Group.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(b) Credit risk management (cont'd)

The Group's credit risk exposure in relation to debtors under SFRS(I) 9 that have not been assessed on a contract-by-contract basis are set out in the provision matrix as follows:

Group	Current $'000	1 to 3 months $'000	3 to 6 months $'000	> 6 months $'000	Total $'000
31 December 2020					
Expected loss rate	**2.27%**	**8.62%**	**10.41%**	**8.99%**	
Trade debtors	**2,996**	**3,038**	**1,230**	**4,371**	**11,635**
Loss allowance	**68**	**262**	**128**	**393**	**851**
31 December 2019					
Expected loss rate	1.00%	1.92%	2.67%	8.48%	
Trade debtors	4,082	3,486	1,498	1,675	10,741
Loss allowance	41	67	40	142	290

Trade debtors that have been assessed on a contract-by-contract basis involve mainly those with collaterals held or guarantees provided to the Group amounting to $848,117,000 (2019: $778,734,000) (See further in note 3(d) other contracts).

Cash and cash equivalents with banks consider to have low credit risk. The cash balances are measured on 12-month expected credit losses and subject to immaterial credit loss.

The Company has assessed that its subsidiaries have financial capacity to meet the contractual cash flow obligations and hence does not expect significant credit losses.

The Company has issued financial guarantees to banks for borrowings of its subsidiaries where details are disclosed in Note 33. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(c) Liquidity risk management

Prudent liquidity risk management requires the Group to maintain sufficient cash, internally generated cash flows, and the availability of funding resources through an adequate amount of committed credit facilities. Group Treasury also maintains a mix of short-term money market borrowings and medium/long-term loans to fund working capital requirements and capital expenditures/investments. Due to the dynamic nature of business, the Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time.

Information relating to maturity profile of loans is disclosed in Note 23 to the financial statements. The other significant non-derivative financial assets and financial liabilities are repayable on demand or due within 1 year.

Liquidity and interest risk analysis

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	On demand or less than 1 year $'000	1 year to 5 years $'000	After 5 years $'000
Group			
2020			
Non-interest bearing	**1,981,365**	**-**	**-**
Variable interest rate	**3,478,045**	**847**	**4,123**
Fixed interest rate	**438,674**	**27,979**	**115,195**
Lease liabilities (fixed rate)	**52,266**	**192,398**	**294,804**
Total	**5,950,350**	**221,224**	**414,122**
2019			
Non-interest bearing	2,473,705	-	-
Variable interest rate	2,773,789	37,632	-
Fixed interest rate	123,830	12,396	122,002
Lease liabilities (fixed rate)	54,323	257,977	304,498
Total	5,425,647	308,005	426,500

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(c) Liquidity risk management (cont'd)

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments of the Group and the Company based on contractual undiscounted cash inflows/(outflows). The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that require gross settlement.

Gross-settled forward foreign exchange contracts	On demand or less than 1 year $'000	1 year to 5 years $'000
Group		
2020		
- Receipts	1,449,620	1,833,805
- Payments	(1,436,142)	(1,797,836)
Net	13,478	35,969
2019		
- Receipts	2,339,897	1,019,237
- Payments	(2,339,739)	(1,004,718)
Net	158	14,519

(d) Fair value of financial instruments

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). Fair value is determined by reference to the net tangible assets of the investments.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(d) Fair value of financial instruments (cont'd)

The following table presents the assets and liabilities measured at fair value.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2020				
Financial assets				
Derivative financial instruments	-	**79,777**	-	**79,777**
Unquoted investments				
- Investments at FVOCI	-	-	**24,305**	**24,305**
- Investments at FVPL	-	**21,887**	**27,307**	**49,194**
Quoted investments				
- Investments at FVOCI	**35,802**	-	-	**35,802**
	35,802	**101,664**	**51,612**	**189,078**
Financial liabilities				
Derivative financial instruments	-	**14,194**	-	**14,194**

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2019				
Financial assets				
Derivative financial instruments	-	34,319	-	34,319
Unquoted investments				
- Investments at FVOCI	-	-	28,857	28,857
- Investments at FVPL	-	32,017	34,990	67,007
Quoted investments				
- Investments at FVOCI	27,821	-	-	27,821
	27,821	66,336	63,847	158,004
Financial liabilities				
Derivative financial instruments	-	16,697	-	16,697

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(d) Fair value of financial instruments (cont'd)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company				
2020				
Financial assets				
Investments at FVOCI	**3**	**-**	**-**	**3**
2019				
Financial assets				
Investments at FVOCI	335	-	-	335

There have been no transfers between Level 1, Level 2 and Level 3 for the Group and Company in 2020 and 2019.

The following table presents the reconciliation of financial instruments measured at fair value based on significant unobservable inputs (Level 3).

	Group	
	2020 $'000	2019 $'000
Balance, 1 January	**63,847**	65,767
Currency alignment	**429**	329
Fair value losses	**(11,207)**	(5,098)
Purchases	**1,001**	2,849
Sales	**(1,966)**	-
Reclassification	**(492)**	-
Balance, 31 December	**51,612**	63,847

The fair value of financial instruments categorised under Level 1 of the fair value hierarchy is based on published market bid prices at the balance sheet date.

The fair value of financial instruments categorised under Level 2 of the fair value hierarchy are fair valued under valuation techniques with market observable inputs. These include forward pricing and swap models utilising present value calculations using inputs such as observable foreign exchange rates (forward and spot rates), interest rate curves and forward rate curves and discount rates that reflects the credit risks of various counterparties.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(d) Fair value of financial instruments (cont'd)

The following table presents the valuation techniques and key inputs that were used to determine the fair value of financial instruments and investment properties categorised under Level 3 of the fair value hierarchy.

Description	Fair value as at 31 December 2020 $'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Unquoted funds	11,267	Net asset value	Net asset value *	Not applicable
Unquoted equity	40,345	Discounted cash flow	Discount rate	9% - 11%

Description	Fair value as at 31 December 2019 $'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Unquoted funds	16,050	Net asset value	Net asset value *	Not applicable
Unquoted equity	47,797	Discounted cash flow and sale transaction price	Discount rate	8%

* Fair value of unquoted equity instruments is determined by reference to the underlying assets value of the investee companies, which comprise mainly investments stated at fair value.

(e) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

The Company and Group review its capital structure at least annually to ensure that the Company and Group will be able to continue as a going concern. The capital structure of the Company comprises only of issued capital reserve and retained profits.

The Group's and Company's overall strategy remains unchanged from prior year.

5 CASH AND CASH EQUIVALENTS

	Company		Group	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Cash at bank	**1**	1	**252,504**	115,114
Fixed deposits	**-**	-	**172,179**	209,466
Deposits with related companies	**3,838**	2,465	**70,543**	183,599
Restricted deposit	**70,563**	-	**70,563**	-
Total	**74,402**	2,466	**565,789**	508,179
Less: Restricted deposit	**(70,563)**	-	**(70,563)**	-
Cash and cash equivalents in statement of cash flows	**3,839**	2,466	**495,226**	508,179

Restricted deposit represent cash held in an escrow account.

Deposits placed with related companies bear interest of 0% to 1.76% (2019: 0% to 2.46%) per annum and are repayable on demand. Deposits with a related company, which functions as the central treasury of the Keppel group of companies, are subject to an arrangement with a bank where bank balances above or below a preset amount are transferred from/to a bank account of the related company on a daily basis.

Fixed deposits with banks earn interests which are pegged to the prevailing market rates of 0.01% - 6.80% (2019: 0.01% - 6.80%) per annum.

6 TRADE DEBTORS

	Group		
	31 December		1 January
	2020	2019	2019
	$'000	$'000	$'000
Trade debtors	**2,195,114**	1,899,161	1,200,936
Less: Expected credit loss allowance	**(386,503)**	(216,440)	(221,900)
Net	**1,808,611**	1,682,721	979,036
Accrued receivables	**24,709**	125,761	109,174
Total	**1,833,320**	1,808,482	1,088,210
Due after one year	**(875,810)**	(638,308)	-
Due within one year	**957,510**	1,170,174	1,088,210
Movements in the loss allowance are as follows:			
Balance, 1 January	**216,440**	221,900	144,120
Currency realignment	**(11,361)**	58	(42)
Charge (Note 31 (c))	**186,876**	8,769	107,461
Write back on recovery (Note 31 (c))	**(1,589)**	(1,523)	(14,513)
Utilised	**(3,863)**	(12,764)	(6,092)
Reclassification	**-**	-	(9,034)
Balance, 31 December	**386,503**	216,440	221,900

The average credit period on trade debtors is 30 days (2019: 30 days). Interest is charged at 1 % - 16 % (2019: 1% - 18%) per annum on the outstanding balance.

6 TRADE DEBTORS (cont'd)

Included in trade receivables are amounts relating to financing arrangements for delivered rigs (refer to Note 3(d) other contracts).

Included within non-current trade debtors, $369,508,000 (2019: $125,444,000) is due from one customer and bears floating interest at LIBOR plus a margin, and repayable in 2024 and 2025. The remainder of $506,302,000 (2019: $512,864,000) is due from another customer, bears fixed interest and repayable in February 2024, December 2029 and on demand. The customer has options for early repayment.

7 OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	Company		Group	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Advances to suppliers	-	-	**42,700**	45,610
Recoverables	-	25	**40,606**	41,590
Loan receivables	-	-	**6,393**	8,707
Prepayments and deposits	-	-	**12,352**	17,060
Claims receivable	-	-	**6,745**	13,079
Sundry debtors	-	-	**102,084**	83,748
Others	4	4	**6,271**	6,544
Total	4	29	**217,151**	216,338
Less: Expected credit loss allowance	-	-	**(18,816)**	(17,387)
Net	4	29	**198,335**	198,951
Due after one year	-	-	**(6,007)**	(8,020)
Due within one year	4	29	**192,328**	190,931

Movements in loss allowance are as follows:

Balance, 1 January	-	-	**17,387**	19,520
Currency realignment	-	-	**(225)**	(28)
Charge (Note 31 (c))	-	-	**1,911**	1,862
Utilised	-	-	**(257)**	(3,967)
Balance, 31 December	-	-	**18,816**	17,387

The amount due after one year is made up of:

Loan receivables	-	-	**5,578**	7,286
Other prepayments	-	-	**429**	734
Total	-	-	**6,007**	8,020

8 STOCKS

	Group 2020 $'000	Group 2019 $'000
Stocks - work-in-progress (i)	**1,072,890**	653,814
Goods for sale (ii)	**64,183**	63,794
Consumable materials (ii)	**161,554**	100,294
Finished goods	**2,234**	1,732
	1,300,861	819,634

(i) Stocks - work-in-progress

	Group 2020 $'000	Group 2019 $'000
Construction costs	**1,164,398**	703,814
Less: Allowance for write-down to net realisable value	**(91,508)**	(50,000)
Net	**1,072,890**	653,814

Movements in the allowance for write-down are as follows:

	Group 2020 $'000	Group 2019 $'000
Balance, 1 January	**50,000**	53,697
Currency alignment	**-**	68
Charge (Note 31 (b))	**41,508**	-
Utilised	**-**	(3,160)
Reclassification	**-**	(605)
Balance, 31 December	**91,508**	50,000

The allowance for stocks is made in respect of write-downs of stocks to net realisable value (refer to Note 3(g)).

(ii) Consumable materials and goods for sale

	Group 2020 $'000	Group 2019 $'000
Gross stocks:		
Goods for sale	**109,927**	106,369
Consumable materials	**165,680**	106,853
	275,607	213,222
Less: Allowance for write-down to net realisable value:		
Goods for sale	**(45,744)**	(42,575)
Consumable materials	**(4,126)**	(6,559)
	(49,870)	(49,134)
Net	**225,737**	164,088

8 STOCKS (cont'd)

(ii) Consumable materials and goods for sale (cont'd)

Movements in the allowance for write-down are as follows:

	Group	
	2020	2019
	$'000	$'000
Balance, 1 January	**49,134**	42,834
Currency alignment	**(752)**	(91)
Charge (Note 31 (b))	**3,937**	9,822
Write back (Note 31 (b))	**(464)**	(2,995)
Utilised	**(1,985)**	(1,041)
Reclassification	**-**	605
Balance, 31 December	**49,870**	49,134

The allowance for stocks is made in respect of write-downs of stocks to net realisable value. Previous write-downs have been reversed as a result of these stocks being utilised in the production process at the original cost or market price.

9 CONTRACT ASSETS AND CONTRACT LIABILITIES

	Group		
	31 December		1 January
	2020	2019	2019
	$'000	$'000	$'000
Contract assets	**2,933,715**	3,345,020	3,205,561
Less: Expected credit loss allowance	**(432,541)**	(21,000)	(21,000)
	2,501,174	3,324,020	3,184,561
Contract liabilities	**854,618**	783,213	943,525

Movements in the expected credit loss allowance are as follows:

Balance, 1 January	**21,000**	21,000	-
Charge (Note 31 (c))	**430,842**	-	21,000
Reclassified to stocks - work-in-progress	**(19,301)**	-	-
Balance, 31 December	**432,541**	21,000	21,000

During the year, contract assets amounting to $447,337,000 (net of the expected credit loss allowance of $19,301,000), as described in note 3(g) – Estimating net realisable value ("NRV") of stocks - work-in-progress, were reclassified to stocks – work-in-progress.

Contract assets relating to certain rig building contracts where the scheduled dates of the rigs have been deferred and have higher counter-party risks amounted to $1,653,547,000 (2019: $1,431,744,000). Refer to Note 3(d) other contracts.

9 CONTRACT ASSETS AND CONTRACT LIABILITIES (cont'd)

Revenue recognised during the financial year ended 31 December 2020 in relation to contract liability balance at 1 January 2020 was $72,907,000 (2019: $114,520,000).

The aggregate amount of the transaction price allocated to the remaining performance obligation is $2,489,529,000 (2019: $2,798,065,000) and the Group expects to recognise this revenue over the next 1 to 3 years (2019: 1 to 5 years).

10 AMOUNTS DUE FROM/TO RELATED COMPANIES

	Company		Group	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Due from related companies:				
- Holding company	-	-	**2,182**	110
- Subsidiaries	**1,129,351**	1,063,254	-	-
- Associated companies	**25,000**	28,416	**101,311**	257,581
- Fellow subsidiaries	-	3	**42,446**	42,562
Net	**1,154,351**	1,091,673	**145,939**	300,253
Due to related companies:				
- Holding company	-	-	**12,550**	9,626
- Subsidiaries	**283,481**	214,000	-	-
- Associated companies	-	-	**11,407**	20,132
- Fellow subsidiaries	**68,231**	55	**3,675,250**	2,783,575
Total	**351,712**	214,055	**3,699,207**	2,813,333

Presentation on statements of financial position:	Company		Group	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Current assets	**1,154,351**	1,091,673	**106,220**	107,260
Non-current assets	-	-	**39,719**	192,993
Total	**1,154,351**	1,091,673	**145,939**	300,253
Current liabilities	**351,712**	214,055	**3,312,746**	2,656,429
Non-current liabilities	-	-	**386,461**	156,904
Total	**351,712**	214,055	**3,699,207**	2,813,333

The non-current assets are made up of amounts due from a fellow subsidiary and associated companies.

Amounts due from/to the holding company are primarily non-trade, interest-free, receivable/payable on demand and expected to be settled in cash.

Amounts due from/to subsidiaries of the Company are non-trade in nature, unsecured, interest free, receivable/payable on demand and expected to be settled in cash.

Amount due from/to associated companies are non-trade in nature, unsecured, interest free and repayable on demand, except for:

(i) Amount due from associated companies amounting to $43,199,000 (2019: $39,489,000) which are trade in nature and unsecured; and

10 AMOUNTS DUE FROM/TO RELATED COMPANIES (cont'd)

(ii) $53,432,000 (2019: $213,310,000) due from associated companies are unsecured, repayable between 2021 and 2022 and bear interest ranging from 0.18% - 12.00% (2019: 1.66% - 12.00%) per annum. In 2019, included within this amount is an unsecured US Dollar interest-bearing loan due from an associated company, Floatel International Ltd, amounting to $155,425,000 which is repayable in 2025. During the financial year, this loan was classified as investment in associates as it is considered as part of the Group's net investment in Floatel, refer to Note 18.

Amounts due from/to fellow subsidiaries are primarily non-trade, interest-free and receivable/payable on demand, except for:

(i) A short-term loan due to fellow subsidiaries amounting to $3,236,870,000 (2019: $2,572,444,000) which bears variable interest of 0.55% - 4.14% (2019: 2.53% to 3.83%) per annum and is expected to be repaid within the next 12 months;

(ii) A long-term loan due to a fellow subsidiary amounting to $386,461,000 (2019: $156,904,000) which bears fixed interest of 1.84% to 2.66% (2019: 2.10% to 3.95%) per annum is repayable in October 2022;

(iii) A long-term loan due from a fellow subsidiary amounting to $19,876,000 (2019: $20,309,000) bears interest of 3.86% (2019: 3.86%) per annum and not expected to be repaid within the next 12 months; and

(iv) A revolving credit loan due from a fellow subsidiary amounting to $3,520,000 (2019: $2,914,000) bears interest of 4.00% (2019: 4.00%) per annum and not expected to be repaid within the next 12 months.

The fair values of non-current term loan bearing fixed interest rate due from/to related companies are computed on the discounted cash flow method using a discount rate based upon the borrowing rate which the Group expect would be available as at the balance sheet date. The fair values are within Level 2 of the fair values hierarchy. The fair values are as follows:

	Company		Group	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Fair values:				
Due from related companies:				
- Associated companies	-	-	**13,580**	18,954
- Fellow subsidiaries	-	-	**22,345**	22,261
Total	-	-	**35,925**	41,215
Due to related companies:				
- Fellow subsidiaries	-	-	**364,075**	150,732

11 FINANCIAL ASSETS, AT FVOCI

	Company		Group	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Balance, 1 January	**335**	729	**56,678**	62,199
Currency alignment	**-**	-	**429**	329
Fair value losses	**(332)**	(394)	**(18,285)**	(8,682)
Additions	**-**	-	**23,251**	2,849
Disposals	**-**	-	**(1,966)**	(17)
Balance, 31 December	**3**	335	**60,107**	56,678

	Company		Group	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Current assets				
Listed equity shares:				
- Valaris plc (fka Rowan Co. Inc.)	**3**	335	**114**	15,301
- Dyna-Mac Holdings Ltd.	**-**	-	**25,000**	-
- Others	**-**	-	**10,688**	12,520
	3	335	**35,802**	27,821
Non-current assets				
Non-listed equity shares	**-**	-	**24,305**	28,857
Total	**3**	335	**60,107**	56,678

12 FINANCIAL ASSETS, AT FVPL

	Group	
	2020	2019
	$'000	$'000
Balance 1 January	**67,007**	82,108
Currency alignment	**320**	(700)
Fair value loss (Note 31(b))	**(18,133)**	(14,401)
Balance, 31 December	**49,194**	67,007

	Group	
	2020	2019
	$'000	$'000
Non-current assets		
Non-listed preference shares in Floatel (Note 3(e))	**-**	10,449
Non-listed convertible bonds (a)	**21,887**	21,568
Non-listed equity investments	**27,307**	34,990
Total	**49,194**	67,007

12 FINANCIAL ASSETS, AT FVPL (cont'd)

(a) As at 31 December 2020 and 2019, the unquoted convertible bonds bear interest at 4% per annum (2019: 4% per annum) and maturing on 30 December 2027. According to the initial terms of the bond agreements, the yearly repayment at 4% of nominal value of the securities commenced on 30 December 2017 up till 2026 with a final payment of 52% due on 30 December 2027. In accordance with the resolution of General meeting of Shareholders dated 28 December 2015, payment of interest payable for the period starting from the date of placement of loans till 30 December 2019 and also principal amount on bonds repayable from 2015 till 2019 were deferred to 30 December 2020. On 20 November 2020, the bond issuer has requested and the Group has agreed to a further deferment of the payment to 30 December 2021, subject to certain conditions being met.

13 OTHER ASSETS

Other assets pertain to retirement benefit assets held by a subsidiary of the Group. The Group maintains a funded, non-contributory defined benefit plan (the "Plan") for qualifying employees. Under the Plan, the employees are entitled to retirement benefits based on the latest monthly basic salary for every year of credited service.

14 DERIVATIVE ASSETS/LIABILITIES

	Group					
	2020			2019		
	Contract notional amount	Fair value Asset	Fair value Liability	Contract notional amount	Fair value Asset	Fair value Liability
	$'000	$'000	$'000	$'000	$'000	$'000
Derivatives held for hedging						
Cash-flow hedges						
- Forward foreign exchange contracts	**3,262,626**	**79,777**	**(14,194)**	3,441,802	34,319	(16,697)
Less: Current portion		**(41,245)**	**11,689**		(23,043)	12,911
Non-current portion		**38,532**	**(2,505)**		11,276	(3,786)

Forward foreign exchange contracts are transacted to hedge highly probable forecast transactions denominated in foreign currency. The forward foreign exchange contracts have maturity dates that coincide within the expected occurrence of these transactions. Gains and losses recognised in other comprehensive income prior to the occurrence of these transactions are reclassified to profit or loss in the period or periods during which the hedged forecast transaction affects profit or loss. The derivative contracts are entered on behalf by Group Treasury.

The changes in fair value of the hedging instruments approximate the changes in fair value of the hedged items, which resulted in minimal hedge ineffectiveness recognised in profit or loss. The weighted average hedged rate for the hedging instruments is USD1:SGD1.39 (2019: USD1:SGD1.36) with the maturity date ranging from January 2021 to June 2024 (2019: January 2020 to June 2024).

15 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings $'000	Buildings on leasehold land $'000	Plant, machinery, equipment and others [1] $'000	Vessels $'000	Capital work-in-progress $'000	Total $'000
Cost:						
Balance, 1 January 2019	73,136	1,144,530	1,307,171	358,299	192,057	3,075,193
Currency alignment	1,416	(8,197)	(4,644)	(6,273)	(32)	(17,730)
Additions	39	1,863	26,595	262	48,283	77,042
Disposals	-	(238)	(17,578)	(386)	-	(18,202)
Write off	-	-	(667)	-	-	(667)
Reclassifications	150	4,184	2,442	184,778	(191,554)	-
Balance, 31 December 2019	74,741	1,142,142	1,313,319	536,680	48,754	3,115,636
Currency alignment	**1,307**	**(8,467)**	**(16,315)**	**(7,971)**	**(70)**	**(31,516)**
Additions	**162**	**390**	**17,671**	**14,585**	**18,697**	**51,505**
Disposals	**-**	**(810)**	**(13,449)**	**(1,876)**	**-**	**(16,135)**
Write off	**-**	**-**	**-**	**-**	**(11)**	**(11)**
Reclassifications	**784**	**7,889**	**(1,657)**	**(11,384)**	**4,368**	**-**
Balance, 31 December 2020	**76,994**	**1,141,144**	**1,299,569**	**530,034**	**71,738**	**3,119,479**
Accumulated depreciation and impairment losses:						
Balance, 1 January 2019	33,409	575,138	974,663	154,295	26,148	1,763,653
Currency alignment	920	(2,451)	(1,545)	(2,983)	-	(6,059)
Depreciation charge	1,852	26,680	46,092	12,026	-	86,650
Disposals	-	(228)	(16,235)	(386)	-	(16,849)
Write off	-	-	(667)	-	-	(667)
Reclassification	(135)	135	-	-	-	-
Balance, 31 December 2019	36,046	599,274	1,002,308	162,952	26,148	1,826,728
Currency alignment	**1,214**	**(3,159)**	**(8,157)**	**(3,874)**	**-**	**(13,976)**
Depreciation charge	**2,061**	**23,648**	**43,353**	**15,582**	**-**	**84,644**
Disposals	**-**	**(797)**	**(13,296)**	**(1,876)**	**-**	**(15,969)**
Impairment Charge	**-**	**18,099**	**1,595**	**-**	**-**	**19,694**
Reclassifications	**-**	**1,956**	**(1,955)**	**6,592**	**(6,593)**	**-**
Balance, 31 December 2020	**39,321**	**639,021**	**1,023,848**	**179,376**	**19,555**	**1,901,121**
Carrying amount:						
Balance, 31 December 2020	**37,673**	**502,123**	**275,721**	**350,658**	**52,183**	**1,218,358**
Balance, 31 December 2019	38,695	542,868	311,011	373,728	22,606	1,288,908

[1] Others comprise office software and related implementation cost, furniture, fittings and office equipment, cranes and small equipment and tools.

15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Included in freehold land and buildings is freehold land amounting to $3,461,000 (2019: $4,513,000).

Bank borrowings are secured over certain vessels of the Group with carrying value amounting to $76,141,000 (2019: $82,943,000).

During the year, the Group recognised impairment losses on property, plant and equipment amounting to $19,694,000 (2019:Nil) and right-of-use assets (note 16) amounting to $2,879,000 (2019: Nil) included within "other operating (expenses)/income - net" (Note 31(b)). The recoverable amounts of these CGUs were determined using value-in-use models and valuation performed by independent professional firm. The value-in-use models incorporated cash flow projections based on financial forecasts approved by management. Management determined the forecasted cash flows based on past performance and its expectations of market development. A pre-tax Weighted Average Cost of Capital ranging from 6% to 11% (2019: 7% to 12%) per annum was used to discount the cash flows for various CGUs.

16 LEASES

Nature of the Group's leasing activities

The Group leases land for use as shipyards, warehouses and offices in several countries with remaining lease period ranging from 1 to 23 years (2019: 1 to 24 years). The Group has made upfront payment to secure the right-of-use of certain leasehold lands located in Singapore and China. The Group also makes annual lease payments for leasehold lands in Singapore, Brazil, United States of America, Japan, Philippines and Indonesia.

The leases for leasehold land in Japan contain extension periods, for which the related lease payments was included in lease liabilities as the Group is reasonably certain to exercise this extension option.

The Group leases barges to carry heavy loads for the offshore operation and leases equipment for office and operation use.

There is no externally imposed covenant on these lease arrangements.

(a) Carrying amounts of right-of-use assets

	Group	
	2020	2019
	$'000	$'000
Land - shipyards, warehouses and offices	**324,793**	348,124
Equipment and barges	**525**	3,786
Total	**325,318**	351,910

(b) Depreciation charge during the year

	2020	2019
	$'000	$'000
Land - shipyards, warehouses and offices	**31,320**	30,763
Equipment and barges	**1,522**	1,528
Total	**32,842**	32,291

16 LEASES (cont'd)

(c) Addition and remeasurement of right-of-use assets during the year

	2020 $'000	2019 $'000
Land - shipyards, warehouses and offices	29,616	30,112
Equipment and barges	98	1,131
Total	29,714	31,243

(d) Lease expense not capitalised in lease liabilities

	2020 $'000	2019 $'000
Short-term leases	3,518	9,750

(e) Total cash outflow for all the leases in 2020 was $55,051,000 (2019: $62,781,000).

Carrying amount of lease liabilities are disclosed in Note 24.

17 SUBSIDIARIES

	Company	
	2020 $'000	2019 $'000
Unquoted shares - at cost		
Balance, 1 January and 31 December	1,151,012	1,151,012
Less: Allowance for impairment loss	(415,385)	(210,586)
Net	735,627	940,426

Movements in the allowance for impairment loss are as follows:

	Company	
	2020 $'000	2019 $'000
Balance, 1 January	210,586	221,070
Charge /(Write back)	204,799	(10,484)
Balance, 31 December	415,385	210,586

The allowance for impairment loss had been made for certain subsidiaries of the Company as a result of their recoverable amounts being estimated to be less than their carrying amount. The recoverable amounts were determined based on the Net Assets of the subsidiaries.

17 SUBSIDIARIES (cont'd)

Details of the subsidiaries of the Company are described below:

Subsidiaries	Effective interest and voting power held 2020 %	2019 %	Carrying amount of investments 2020 $'000	2019 $'000	Country of incorporation/ operations	Principal activities
FELS Offshore Pte Ltd	**100**	100	**318,062**	489,062	Singapore	Holding of long-term investments
Fornost Limited (in the process of liquidation)	**100**	100	**218**	218	Hong Kong	Holding of long-term investments and provision of procurement services
Green Scan Pte Ltd	**100**	100	**547**	547	Singapore	Trading and installation of hardware, industrial, marine and building- related products, leasing and provision of services
Hygrove Investments Limited	**100**	100	**#**	#	British Virgin Islands	Holding of long-term investments
Keppel FELS Energy Manila, Inc (in the process of liquidation)	**100**	100	**220**	220	Philippines	Generating and converting fuel energy
Keppel FELS Limited	**100**	100	**-**	33,799	Singapore	Construction, fabrication and repair of offshore production facilities and drilling rigs, power barges, specialised vessels and other offshore production facilities
Keppel Housing Pte Ltd	**100**	100	**15,246**	15,246	Singapore	Provision of staff housing
Keppel Marine & Deepwater Technology Pte Ltd (fka Deepwater Technology Group Pte Ltd)	**100**	100	**#**	#	Singapore	Research and experimental development on deepwater engineering
Keppel Offshore & Marine Technology Centre Pte Ltd	**100**	100	**100**	100	Singapore	Research and development on marine and offshore engineering
Keppel Sea Scan Pte Ltd	**100**	100	**18,399**	18,399	Singapore	Trading and installation of hardware, industrial, marine and building related products, leasing and provision of services

17 SUBSIDIARIES (cont'd)

Subsidiaries	Effective interest and voting power held 2020 %	2019 %	Carrying amount of investments 2020 $'000	2019 $'000	Country of incorporation/ operations	Principal activities
Keppel Shipyard Limited	100	100	262,735	262,735	Singapore	Ship repairing, shipbuilding and conversions
KS Investments Pte Ltd	100	100	120,000	120,000	Singapore	Holding of long-term investments
Offshore Partners Pte Ltd	100	100	#	#	Singapore	Arrange, syndicate and/or provide financing to customers of Keppel Group
Offshore Technology Development Pte Ltd	100	100	100	100	Singapore	Production of jacking systems
Total			735,627	940,426		

\# *Cost less than $1,000.*

Details of the subsidiaries of the Group are described below:

Subsidiaries	Effective interest and voting power held 2020 %	2019 %	Country of incorporation/ operations	Principal activities
Held by FELS Offshore Pte Ltd				
Alfa Paulista Propriedades Ltda	63	63	Brazil	Holding of long-term investments and property management
Angra Propriedades & Administracao Ltda	100	100	Brazil	Holding of long-term investments and property management
AzerFELS Pte Ltd	68	68	Singapore	Holding of long-term investments
Bennett Offshore LLC	100	100	U.S.A.	Offshore and marine-related services
Benniway Pte Ltd	100	100	Singapore	Holding of long-term investments
Bintan Offshore Fabricators Pte Ltd	60	60	Singapore	Offshore engineering and construction business
Caspian Offshore Limited	100	100	British Virgin Islands	Offshore and marine-related services
Caspian Shipyard Company LLC (in the process of liquidation)	51	51	Azerbaijan	Construction and repair of offshore drilling rigs

17 SUBSIDIARIES (cont'd)

Subsidiaries	Effective interest and voting power held 2020 %	2019 %	Country of incorporation/ operations	Principal activities
Delporton Navegacao e Participacoes Ltda	100	100	Brazil	Engineering, construction, manufacturing and repair of offshore platforms and vessels
KOM ACE Pte Ltd (fka DRU 1 Pte Ltd)	100	100	Singapore	Chartering of ships, barges and boats with crew
Estaleiro BrasFELS Ltda	100	100	Brazil	Engineering, construction and fabrication of platforms for the oil and gas sector, shipyard works and other general business activities
FELS Asset Co Pte Ltd	100	100	Singapore	Chartering of ships, barges and boats with crew
FELS Asset Co 2 Pte Ltd	100	100	Singapore	Chartering of ships, barges and boats with crew
Fernvale Pte Ltd	100	100	Singapore	Construction, fabrication and repair of drilling rigs and offshore production facilities
FSTP Brasil Ltda	75	75	Brazil	Procurement of equipment and materials for the construction of offshore production facilities
FSTP Pte Ltd	75	75	Singapore	Project management, engineering and procurement
Greenwood Pte Ltd	100	100	Singapore	Holding of long-term investments
Guanabara Navegacao Ltda	100	100	Brazil	Ship owning
Keppel AmFELS, LLC	100	100	U.S.A.	Construction and repair of offshore drilling rigs and offshore production facilities
Keppel AmFELS Mexico Engineering, SA de CV	100	100	Mexico	Provision of engineering and drafting services
Keppel FELS Brasil SA	100	100	Brazil	Engineering, construction and fabrication of platforms for the oil and gas industry
Keppel FELS Brasil Navegacao Ltda	100	100	Brazil	Ship owning
Keppel FELS Brasil Investments Ltda	100	100	Brazil	Holding of long-term investments
Keppel FELS Engineering Shenzhen Co. Ltd	100	100	China	Marine and offshore engineering Services

17 SUBSIDIARIES (cont'd)

Subsidiaries	Effective interest and voting power held 2020 %	2019 %	Country of incorporation/ operations	Principal activities
Keppel FELS Engineering Wuhan Co. Ltd	**100**	100	China	Marine and offshore engineering services
Keppel Letourneau Middle East FZE	**100**	100	United Arab Emirates	Oilfield equipment trading, service and repair
Keppel Letourneau Singapore Pte Ltd (in the process of liquidation)	**100**	100	Singapore	Design and license of various offshore rigs and platforms
Keppel Letourneau USA, Inc	**100**	100	U.S.A.	Design and license of various offshore rigs and platforms
Keppel Offshore & Marine Engineering Services Kuala Lumpur Sdn Bhd	**100**	100	Malaysia	Marine and offshore engineering services
Keppel Offshore & Marine Engineering Services Mumbai Private Limited	**100**	100	India	Marine and offshore engineering services
Keppel MexFELS SA de CV	**100**	100	Mexico	Construction and repair of offshore drilling rigs and offshore production facilities
Keppel Offshore & Marine USA, Inc	**100**	100	U.S.A.	Offshore and marine-related services
Keppel Singmarine Brasil Ltda	**100**	100	Brazil	Shipbuilding
Keppel Floatec LLC	**100**	100	U.S.A.	Fabrication of offshore platforms and structures
Keppel Walvis Bay Offshore & Marine Pty Ltd [(1)]	-	100	Namibia	Marine vessel and offshore rigs repairs and modification
KV Enterpises B.V.	**100**	100	Netherlands	Holding of long-term investments
KV Ventus B.V.	**100**	100	Netherlands	Investment holding company
KVE Administradora de Bens Imoveis Ltda	**100**	100	Brazil	Holding of long-term investments and property management
KVE Investimentos Brasil Ltda	**100**	100	Brazil	Holding of long-term investments and property management
KVE Investments B.V.	**100**	100	Netherlands	Project management services
Lenity Pioneer Pte Ltd	**100**	100	Singapore	Service activities related to oil and gas extraction
Lindel Pte Ltd	**100**	100	Singapore	Project management, engineering and procurement
Navegantes Administracoes de Bens Moveis e Imoveis Ltda	**100**	100	Brazil	Shipbuilding

17 SUBSIDIARIES (cont'd)

Subsidiaries	Effective interest and voting power held 2020 %	2019 %	Country of incorporation/ operations	Principal activities
Northstar Investments Pte Ltd	**100**	100	Singapore	Investment holding company
Offshore Partners 2 Pte Ltd	**100**	100	Singapore	Chartering of ships, barges and boats with crew
Offshore Wind 1 Pte Ltd	**100**	100	Singapore	Chartering of ships, barges and boats with crew
OWEC Tower AS	**100**	100	Norway	Offshore engineering and construction
Prismatic Services Limited	**100**	100	British Virgin Islands	Project procurement
PT Bintan Offshore	**60**	60	Indonesia	Offshore engineering and construction
Regency Steel Japan Limited	**51**	51	Japan	Sourcing, fabricating and supply of specialised steel components
Renewables Assets Partners Pte Ltd	**100**	100	Singapore	Chartering of ships, barges and boats with crew
Wideluck Enterprises Limited (1)	**-**	100	British Virgin Islands	Holding of long-term investments
Willalpha Limited (1)	**-**	100	British Virgin Islands	Holding of long-term investments
Held by Keppel FELS Limited				
Keppel FELS Baltech Ltd	100	100	Bulgaria	Marine and offshore engineering services
Held by Fornost Limited				
SPC Investments B.V. (1)	-	100	Netherlands	Holding of long-term investments
Held by KS Investments Pte Ltd				
Alpine Engineering Services Pte Ltd	**100**	100	Singapore	Marine contracting
Blastech Abrasives Pte Ltd	**100**	100	Singapore	Painting, blasting, shot blasting, process and sale of slag
Blue Ocean Solutions Pte Ltd	**70**	70	Singapore	Manufacture and repair of marine engines and ship parts
Gas Technology Development Pte Ltd	**100**	100	Singapore	Engineering design, procurement and construction of gas-related projects
Keppel Batangas Shipyard, Inc	**98**	98	Philippines	Shipbuilding and shiprepair
Keppel Cebu Shipyard, Inc (1)	**-**	98	Philippines	Shipbuilding and repairing

17 SUBSIDIARIES (cont'd)

Subsidiaries	Effective interest and voting power held 2020 %	2019 %	Country of incorporation/ operations	Principal activities
Keppel Nantong Heavy Industry Co. Ltd	**100**	100	China	Engineering and construction of specialised vessels
Keppel Nantong Shipyard Co. Ltd	**100**	100	China	Engineering and construction of specialised vessels
Keppel Philippines Marine, Inc	**98**	98	Philippines	Shipbuilding and repairing
Keppel Singmarine Pte Ltd	**100**	100	Singapore	Shipbuilding and repairing
Keppel Subic Shipyard, Inc	**78**	78	Philippines	Shipbuilding and repairing
KSI Production (2017) Pte Ltd	**100**	100	Singapore	Holding of long-term investments
Marine Technology Development Pte Ltd (in the process of liquidation)	**100**	100	Singapore	Provision of technical consultancy for ship design and engineering works
Nusa Maritime Pte Ltd	**100**	100	Singapore	Provision of sea transportation services

(1) Liquidated during the year.

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

Name of subsidiary	Proportion of ownership interests and voting rights held by non-controlling interests 2020	2019	Accumulated non-controlling interests 2020 $'000	2019 $'000	Profit/(loss) for the year allocated to non-controlling interests 2020 $'000	2019 $'000
Regency Steel Japan Ltd	**49%**	49%	**27,516**	34,466	**177**	1,314
Bintan Offshore Fabricators Pte Ltd	**40%**	40%	**(43,573)**	(41,642)	**(1,931)**	(544)
FSTP Brasil Ltda	**25%**	25%	**16,915**	21,612	**370**	999
Keppel Subic Shipyard Inc	**22%**	22%	**23,140**	23,185	**(431)**	(218)
Individually immaterial subsidiaries with non-controlling interests			**3,656**	7,030	**(3,574)**	(2,892)
			27,654	44,651	**(5,389)**	(1,341)

17 SUBSIDIARIES (cont'd)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Regency Steel Japan Ltd		Bintan Offshore Fabricators Pte Ltd	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Non-current assets	6,631	6,594	-	-
Current assets	58,873	74,930	731	2,016
Non-current liabilities	(972)	(178)	-	-
Current liabilities	(8,377)	(11,008)	(109,664)	(106,121)
Net assets	56,155	70,338	(108,933)	(104,105)

	FSTP Brasil Ltda		Keppel Subic Shipyard Inc	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Non-current assets	-	-	119,954	118,299
Current assets	72,520	93,447	23,111	25,717
Non-current liabilities	-	-	(515)	(531)
Current liabilities	(4,864)	(7,001)	(38,365)	(39,097)
Net assets	67,656	86,446	104,185	104,388

	Regency Steel Japan Ltd		Bintan Offshore Fabricators Pte Ltd		FSTP Brasil Ltda		Keppel Subic Shipyard Inc	
	2020	2019	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	23,193	42,537	12	2,200	-	-	24,710	27,899
Profit/(loss) for the year	362	2,682	(4,828)	(1,361)	1,479	3,994	(1,942)	(981)
Total comprehensive income/(loss) for the year	362	2,682	(4,828)	(1,361)	1,479	3,994	(1,563)	(981)
Net cash flow from/(used in) from operations	9,585	25,579	1,553	1,701	802	3,696	(1,258)	7,448
Dividends paid to non-controlling interest	8,361	-	-	-	-	-	474	448

18 ASSOCIATED COMPANIES

	Company 2020 $'000	Company 2019 $'000
Equity investments at cost		
Balance, 1 January and 31 December	**12,583**	12,583

Summarised financial information in respect of the associated companies is set out below:

	Group 2020 $'000	Group 2019 $'000
Total assets	**2,225,320**	3,211,387
Total liabilities	**(1,810,902)**	(1,923,503)
Net assets	**414,418**	1,287,884
Group's share of associated companies' net assets	**276,760**	558,137
Revenue	**324,557**	484,342
Loss after taxation for the year	**(812,202)**	(65,104)
Group's share of associated companies' loss after taxation	**(331,585)**	(58,348)

Details of associated companies of the Company are described below:

Associated companies	Effective interest and voting power held 2020 %	2019 %	Cost of investments 2020 $'000	2019 $'000	Country of incorporation/ operations	Principal activities
Asian Lift Pte Ltd	**50**	50	**2,833**	2,833	Singapore	Provision of heavy-lift equipment and related services
Atwin Offshore & Marine Pte Ltd	**30**	30	**9,500**	9,500	Singapore	Investment holding company
Marine Housing Services Pte Ltd	**50**	50	**250**	250	Singapore	Provision of housing services for marine workers
			12,583	12,583		

18 ASSOCIATED COMPANIES (cont'd)

Associated companies	Effective interest and voting power held 2020 %	2019 %	Country of incorporation/ operations	Principal activities
Held by FELS Offshore Pte Ltd				
Antares Singapore Pte Ltd	45	45	Singapore	Engineering services and consultancy services
Blue Tern Holding AS	49	49	Norway	Owning and leasing of multi-purpose self-elevating platforms
BPP Cables Limited	30	30	United Kingdom	Design and supply of subsea power cables and consultancy service for deepwater cables
Deepwater Marine Technology LLC	50	50	Cayman Islands	Acquiring and holding of intellectual property rights relating to offshore structures
FloaTEC LLC	50	50	U.S.A.	Development and marketing of offshore floating production facilities
Floatec Offshore Servicos de Petroleo Do Brasil Ltda	50	50	Brazil	Operating of oil rigs
FloaTEC Singapore Pte Ltd	50	50	Singapore	Manufacturing and repair of oil rigs
FloaTec de Mexico SA de CV	50	50	Mexico	Procurement
Floatel International Ltd	50	50	Bermuda	Operating accommodation and construction support vessels (floatels) for the offshore oil and gas industry.
MOD Prefab Pte Ltd	20	20	Singapore	Other specialised construction and related activities
South Coast Maritime Corporation	25	25	U.S.A.	Barge and tug services
Held by KS Investments Pte Ltd				
Arab Heavy Industries PJSC	33	33	UAE	Shipbuilding and repairing
Consort Land, Inc	24	24	Philippines	Property owners
Dyna-Mac Holdings Ltd	-	24	Singapore	Fabrication & assembly of topside modules for FPSOs and FSOs
Dyna-Mac Keppel Philippines Inc	40	40	Philippines	Fabrication and assembly of topside modules for FPSOs and FSOs
Goodstart Properties, Inc	39	39	Philippines	Property owners
Nakilat - Keppel Offshore and Marine Ltd	20	20	Qatar	Ship repairing
PV Keez Pte Ltd	20	20	Singapore	Chartering of ships, barges and boats with crew
Held by Keppel Shipyard Limited				
Joint Shipyard Management Services Pte Ltd	24	24	Singapore	Provision of staff housing

18 ASSOCIATED COMPANIES (cont'd)

Associated companies	Effective interest and voting power held 2020 %	2019 %	Country of incorporation/ operations	Principal activities
Held by Alfa Paulista Propriedades Ltda				
Maxcasa XXX Empreendimentos Imobiliários Ltda.	**41**	41	Brazil	Real Estate development

The carrying amounts of the Group's material associated companies, all of which are equity accounted for and whose activities are strategic to the Group's activities, are as follows:

Name of associated company	2020 $'000	2019 $'000
Floatel International Ltd	**95,668**	311,000
Blue Tern Holding AS	**68,709**	84,663
Dyna-Mac Holdings Ltd	**-**	37,412
PV Keez Pte Ltd	**49,740**	58,609
Other individually immaterial associated companies	**62,643**	66,453
Total carrying amount	**276,760**	558,137

Receivables from associated companies are disclosed in note 10.

The summarised financial information of the material associated companies, based on its SFRS(I)s/IFRSs financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Floatel International Ltd		Blue Tern Holding AS	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Current assets	**109,865**	137,367	**15,503**	34,072
Non-current assets	**1,017,819**	1,655,424	**232,805**	229,153
Total assets	**1,127,684**	1,792,791	**248,308**	263,225
Current liabilities	**(883,371)**	(79,669)	**(17,713)**	(59,124)
Non-current liabilities	**(366,279)**	(1,105,306)	**(70,022)**	(31,321)
Total liabilities	**(1,249,650)**	(1,184,975)	**(87,735)**	(90,445)
Net (liabilities)/assets	**(121,966)**	607,816	**160,573**	172,780
Proportion of the Group's ownership	**49.92%**	49.92%	**49.00%**	49.00%
Group's share of net assets	**(60,885)**	303,422	**78,681**	84,663
Additions	**156,553**	-	**-**	-
Unrealised profit for sale of vessels to associates	**-**	-	**(9,972)**	-
Goodwill	**-**	7,578	**-**	-
Carrying amount of the investment	**95,668**	311,000	**68,709**	84,663
Revenue	**112,384**	250,286	**27,384**	50,308
Loss after tax	**(730,863)**	(100,572)	**(23,085)**	(6,131)
Other comprehensive loss	**(19,419)**	(1,039)	**-**	-
Total comprehensive loss	**(750,282)**	(101,611)	**(23,085)**	(6,131)

18 ASSOCIATED COMPANIES (cont'd)

	Dyna-Mac Holdings Ltd		PV Keez Pte Ltd	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Current assets	**-**	104,415	**17,341**	32,726
Non-current assets	**-**	81,404	**242,640**	290,207
Total assets	**-**	185,819	**259,981**	322,933
Current liabilities	**-**	(49,685)	**(16,517)**	(32,352)
Non-current liabilities	**-**	(29,838)	**(3,194)**	(24,929)
Total liabilities	**-**	(79,523)	**(19,711)**	(57,281)
Net assets	**-**	106,296	**240,270**	265,652
Proportion of the Group's ownership	**24.43%**	24.43%	**20.00%**	20.00%
Group's share of net assets	**-**	25,965	**48,054**	53,130
Unrealised profit for sale of vessels to associates	**-**	-	**(3,793)**	-
Goodwill	**-**	47,087	**5,479**	5,479
Impairment losses	**-**	(35,640)	**-**	-
Carrying amount of the investment	**-**	37,412	**49,740**	58,609
Revenue	**80,452**	84,518	**67,336**	66,235
(Loss)/profit after tax	**(38,420)**	332	**18,649**	15,277
Other comprehensive income	**-**	780	**-**	-
Total comprehensive (loss)/income	**(38,420)**	1,112	**18,649**	15,277
Dividend received	**-**	-	**7,697**	3,525
Fair value of ownership interest (listed) *	N/A	42,000	N/A	N/A

* Based on the quoted market price at 31 December 2019.

The Group's nominee director on the Board of Directors for Dyna-Mac Holdings Ltd (Dyna-Mac) stepped down on 28 August 2020 and the collaboration agreement between the Group and Dyna-Mac have been cancelled on 11 September 2020. Accordingly, based on the management's assessment under SFRS(I) 1-28 *Investments in Associates and Joint Ventures*, the Group lost significant influence over Dyna- Mac without change in the percentage of ownership. The loss of significant influence over Dyna-Mac was treated as a deemed disposal of an associate where the Group had derecognised the investment in associates and recognised the investment as a financial asset, at FVOCI at its fair value on 28 August 2020.

Aggregate information about the Group's investments in associated companies that are not individually material are as follows:

	2020	2019
	$'000	$'000
Loss before taxation for the year	**(3,594)**	(8,620)
Share of taxation	**(137)**	(179)
Group's share of associated companies' loss after taxation for the year	**(3,731)**	(8,799)

19 JOINT VENTURES

	Group 2020 $'000	Group 2019 $'000
Equity investments, at net asset value		
Balance, 1 January and 31 December	**84,077**	87,808

Details of joint ventures of the Group are described below:

Joint Ventures	Effective interest and voting power held 2020 %	Effective interest and voting power held 2019 %	Country of incorporation/ operations	Principal activities
Held by KS Investments Pte Ltd				
Keppel Smit Towage Pte Ltd	**51**	51	Singapore	Provision of towage services
Maju Maritime Pte Ltd	**51**	51	Singapore	Provision of towage services
FueLNG Pte Ltd	**50**	50	Singapore	Provide end-to-end LNG bunkering supply solution

The carrying amounts of the Group's joint ventures, all of which are equity accounted for and whose activities are strategic to the Group's activities, are as follows:

Name of Joint Venture	2020 $'000	2019 $'000
Keppel Smit Towage Pte Ltd ("KST")	**32,166**	41,218
Maju Maritime Pte Ltd ("Maju")	**20,511**	24,390
FueLNG Pte Ltd ("FueLNG")	**31,400**	22,200
Total carrying amount	**84,077**	87,808

19 JOINT VENTURES (cont'd)

The summarised financial information of the joint ventures, based on its SFRS(I)s/IFRSs financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	KST		Maju	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Current assets	60,823	76,991	24,795	27,832
Includes:				
- Cash and cash equivalent	9,595	10,750	8,240	2,274
Non-current assets	58,348	72,219	21,008	25,776
Current liabilities	(24,773)	(27,640)	(2,487)	(2,772)
Includes:				
- Financial liabilities (excluding trade payables)	(17,881)	(24,989)	(2,294)	(2,593)
Non-current liabilities	(31,327)	(40,750)	(3,098)	(3,012)
Includes:				
- Financial liabilities (excluding trade payables)	(23,684)	(33,447)	-	-
Net assets	63,071	80,820	40,218	47,824
Proportion of the Group's ownership	51.00%	51.00%	51.00%	51.00%
Group's share of net assets /Carrying amount of the investment	32,166	41,218	20,511	24,390

Summarised statement of comprehensive income

	KST		Maju	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Revenue	43,361	65,241	9,132	8,945
Interest income	629	2,205	677	1,208
Expenses				
Includes:				
- Depreciation	(7,439)	(12,511)	(1,437)	(1,431)
- Interest expense	(982)	(1,621)	-	-
Profit from continuing operations	398	888	4,739	4,452
Income tax expense	(1,404)	(1,170)	(205)	(612)
Post-tax (loss)/profit from continuing operations	(1,006)	(282)	4,534	3,840
Other comprehensive (loss)/income	(5,248)	7,258	(2,639)	42
Total comprehensive (loss)/income	(6,254)	6,976	1,895	3,882
Dividend received	5,865	9,180	4,845	1,020

19 JOINT VENTURES (cont'd)

Summarised balance sheet

	FueLNG Pte Ltd 2020 $'000	FueLNG Pte Ltd 2019 $'000
Current assets	**11,702**	2,091
Includes:		
- Cash and cash equivalent	**11,642**	2,040
Non-current assets	**52,268**	42,455
Current liabilities	**(203)**	(145)
Includes:		
- Financial liabilities (excluding trade payables)	**(203)**	(145)
Non-current liabilities	-	-
Includes:		
- Financial liabilities (excluding trade payables)	-	-
Net assets	**63,767**	44,401
Proportion of the Group's ownership	**50.00%**	50.00%
Group's share of net assets	**31,884**	22,200
Less: Unrealised profit for sale of vessels to JV	**(484)**	-
Carrying amount of the investment	**31,400**	22,200

Summarised statement of comprehensive income

	FueLNG Pte Ltd 2020 $'000	FueLNG Pte Ltd 2019 $'000
Revenue	**119**	90
Interest income	-	-
Expenses		
Includes:		
- Depreciation	**(68)**	(32)
- Interest expense	-	-
Loss from continuing operations	**(1,270)**	(1,047)
Income tax expense	-	-
Post-tax loss from continuing operations	**(1,270)**	(1,047)
Other comprehensive income	-	-
Total comprehensive loss	**(1,270)**	(1,047)

The information above reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the joint ventures.

20 INTANGIBLE ASSETS

Group	Goodwill [(b)]	Patent and trademark	Research and development	Customer relationships	Total
	$'000	$'000	$'000	$'000	$'000
Cost:					
Balance, 1 January 2019	36,363	8,950	4,653	28,342	78,308
Currency alignment	-	(33)	(17)	(138)	(188)
Balance, 31 December 2019	36,363	8,917	4,636	28,204	78,120
Currency alignment	-	**(256)**	**(136)**	**(715)**	**(1,107)**
Balance, 31 December 2020	**36,363**	**8,661**	**4,500**	**27,489**	**77,013**
Accumulated amortisation:					
Balance, 1 January 2019	-	1,328	795	5,142	7,265
Currency alignment	-	(12)	(7)	(65)	(84)
Amortisation charge	-	483	221	1,481	2,185
Balance, 31 December 2019	-	1,799	1,009	6,558	9,366
Currency alignment	-	**(117)**	**(66)**	**(1,027)**	**(1,210)**
Amortisation charge	-	**442**	**224**	**1,501**	**2,167**
Impairment charge (a)	-	-	-	**23,015**	**23,015**
Reclassification	-	**2,558**	-	**(2,558)**	-
Balance, 31 December 2020	-	**4,682**	**1,167**	**27,489**	**33,338**
Carrying amount:					
Balance, 31 December 2020	**36,363**	**3,979**	**3,333**	-	**43,675**
Balance, 31 December 2019	36,363	7,118	3,627	21,646	68,754

(a) $7,312,000 included within intangible assets are intangible assets held by a wholly owned subsidiary, after an impairment on customer relationship of $23,015,000 (Note 31(b)) recognised in 2020. In view that the subsidiary has been making losses in continuous years since acquisition and the adverse global economic environment which was significantly affected by COVID-19, the Group is in opinion that the recoverability of the customer relationship was uncertain. Accordingly, the customer relationship was fully impaired during the year.

20 INTANGIBLE ASSETS (cont'd)

(b) Goodwill arising on consolidation

Goodwill is allocated to cash generating units ("CGU") identified that are expected to benefit from the business combination. The carrying amounts of goodwill of each CGU are as follows:

	Group	
	2020 $'000	2019 $'000
Subsidiary:		
Keppel Shipyard Limited	**36,363**	36,363

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the cash generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepared cash flow forecasts derived from the most recent financial forecasts approved by the management for the next five years. Management estimates the terminal growth rate of 1.07% (2019: 1.05%) and used a discount rate of 7% (2019: 8%) per annum. The growth rate used does not exceed the long-term average growth rate of the respective industry and country in which the subsidiary operates. The discount rate applied to the cash flow projections are derived from the cost of capital plus a reasonable risk premium at the date of the assessment of the subsidiary.

Management has performed a sensitivity analysis assessing the impact of change in key assumptions. No reasonably possible change in the key assumptions would result in an impairment charge being recognised.

21 TRADE AND OTHER CREDITORS

	Company		Group	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Trade creditors	-	-	**346,639**	454,941
Customers' advances and deposits	-	-	**38,602**	29,226
Sundry creditors	-	-	**80,862**	63,431
Accrued expenses	**76,543**	1,040	**1,418,087**	1,564,638
Retention monies	-	-	**12,570**	40,779
Interest payable	-	-	**2,226**	2,035
	76,543	1,040	**1,898,986**	2,155,050
Other non-current liabilities:				
Accrued expenses	-	71,196	**6,503**	77,766

The average credit period on trade creditors is 30 days (2019: 30 days).

Included in accrued expenses are:

(a) a provision for customer potential claims arising from a rig contract. In view of commercial sensitivity, the Group was unable to disclose the name of the customer or the amount of the potential claims. The original contract value was adjusted for cost escalations. The validity of the contract value adjustments was subsequently challenged.

(b) US$52,777,123 payable relating to global resolution with criminal authorities in the United States of America, Brazil and Singapore (Note 3(f)).

22 PROVISION FOR WARRANTY

	Group	
	2020	2019
	$'000	$'000
Balance, 1 January	**29,475**	63,331
Currency realignment	**50**	10
Provision (Note 31(b))	**6,866**	23,036
Reversal (Note 31(b))	**(11,782)**	(38,427)
Utilisation	**-**	(18,475)
Balance, 31 December	**24,609**	29,475

The Group provides for warranty upon delivery, depending on the type of rigs and vessels constructed. Any unutilised provision outstanding at the expiry of the warranty period is written back to profit or loss.

23 BORROWINGS

	Group	
	2020	2019
	$'000	$'000
Unsecured bank loans - Note (a)	**245,344**	261,645
Secured bank loans - Note (b)	**85,676**	91,012
Total	**331,020**	352,657
Due within one year	**(243,715)**	(206,888)
Due after one year	**87,305**	145,769

The average effective interest rate is 4.00% (2019: 5.18%) per annum.

(a) Unsecured bank loans amounting to a total of $236,677,000 (2019: $200,074,000) is repayable within one year from the balance sheet date.

(i) Unsecured term loans of $59,986,000 (2019: $114,069,000) is repayable between 2021 and 2031. The loans bear fixed interest rate ranging from 1.11% to 8.58% (2019: 2.38% to 9.30%) per annum.

(ii) Unsecured term loans of $185,358,000 (2019: $147,576,000) is repayable between 2021 and 2031. The loans bear floating interest ranging from 0.54% to 7.47% (2019: 2.12% to 9.41%) per annum at the balance sheet date.

(b) Secured bank loans amounting to a total of $7,038,000 (2019: $6,814,000) is repayable within one year from the balance sheet date.

(i) Secured term loan of $43,950,000 (2019: $46,880,000) bear fixed interest rate range of 2.38% to 4.43% (2019: 2.38% to 4.43%) per annum, monthly repayments from 2021 to 2032 and final repayment on 10 December 2032.

(ii) Secured term loan of $41,726,000 (2019: $44,132,000) bear fixed interest rate range of 2.38% to 4.43% (2019: 2.38% to 4.43%) per annum, monthly repayments from 2021 to 2033 and final repayment on 12 September 2033.

Fair value of non-current term loans bearing fixed interest rate for the Group is $66,828,000 (2019: $120,088,000). These fair values, under Level 2 of the fair values hierarchy, are computed on the discounted cash flow method using a discount rate based upon the borrowing rate which the Group expect would be available as at the balance sheet date.

24 LEASE LIABILITIES

Maturity analysis of lease liabilities:

	Group 2020 $'000	Group 2019 $'000
Year 1	**52,266**	54,323
Year 2	**51,538**	90,526
Year 3	**49,158**	96,344
Year 4	**45,952**	36,410
Year 5	**45,750**	34,697
Year 6 and onwards	**294,804**	304,498
Total undiscounted lease liabilities	**539,468**	616,798
Less: unamortised interest	**(164,491)**	(212,426)
Total	**374,977**	404,372

	Group 2020 $'000	Group 2019 $'000
Presented as:		
Current	**37,865**	39,286
Non-current	**337,112**	365,086
Total	**374,977**	404,372

25 DEFERRED TAXATION

The following are the deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	Excess of tax over book depreciation $'000	ROU assets/ lease liabilities	Provisions and impairment allowance $'000	Tax losses and research & development tax credits $'000	Others $'000	Total $'000
Balance, 1 January 2019	63,088	(19,100)	(32,972)	(34,977)	2,202	(21,759)
Currency realignment	(69)	817	(234)	89	64	667
(Credited)/Charged to profit or loss (Note 32)	(15,412)	(152)	26,720	(12,558)	(1,791)	(3,193)
Charged to other comprehensive income	-	-	4	-	(20)	(16)
Balance, 31 December 2019	47,607	(18,435)	(6,482)	(47,446)	455	(24,301)
Currency realignment	**(48)**	**2,303**	**(626)**	**174**	**116**	**1,919**
Charged/(Credited) to profit or loss (Note 32)	**15,055**	**(385)**	**(98,613)**	**24,088**	**9,260**	**(50,595)**
Charged to other comprehensive income	**-**	**-**	**(212)**	**-**	**20**	**(192)**
Reclassification	**174**	**-**	**-**	**-**	**(174)**	**-**
Balance, 31 December 2020	**62,788**	**(16,517)**	**(105,933)**	**(23,184)**	**9,677**	**(73,169)**

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	Group 2020 $'000	Group 2019 $'000
Deferred tax liabilities	**45,940**	49,814
Deferred tax assets	**(119,109)**	(74,115)
Net deferred tax assets	**(73,169)**	(24,301)

The Group has unrecognised deferred tax liabilities of $32,300,000 (2019: $45,070,000) for taxes that would be payable on the undistributed earnings of certain subsidiaries as these earnings would not be distributed in the foreseeable future and the Group is in a position to control the timing of the reversal of the temporary differences.

The Group has unutilised tax losses and capital allowances of $211,101,000 (2019: $194,047,000) for which no deferred tax benefit is recognised in the balance sheet. These tax losses and capital allowances can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The unutilised tax losses and capital allowances do not have expiry dates.

The Company has no deferred tax liabilities and assets as at 31 December 2020 (31 December 2019: Nil).

26 DEFERRED LIABILITIES

	Group	
	2020 $'000	2019 $'000
Provision for staff retirement benefits	919	1,027
Movements in the provision are as follows:		
Balance, 1 January	1,027	988
Provision	81	80
Reversal	(189)	(41)
Balance, 31 December	919	1,027

The Group operates a retirement benefit scheme for certain employees based on their salaries for each completed year of service. Contributions to the scheme are charged to profit or loss.

27 SHARE CAPITAL

	Company and Group			
	2020	2019	2020	2019
	Number of ordinary shares		$'000	$'000
Issued and paid up ordinary shares	664,556,126	664,556,126	339,716	339,716

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

28 CAPITAL RESERVES

	Company		Group	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Fair value reserve	(1,193)	(861)	(57,850)	(39,462)
Hedging reserve	-	-	(18,840)	11,673
Others	-	-	28,538	29,906
	(1,193)	(861)	(48,152)	2,117

Movements in hedging reserve by risk category:

Group 2020	Foreign exchange risk $'000	Interest rate risk $'000	Total $'000
Balance, 1 January	(2,258)	13,931	11,673
Fair value loss arising during the year, net of tax	30,436	-	30,436
Realised and transferred to profit and loss account	(51,255)	-	(51,255)
Share of other comprehensive income of associated companies	-	(9,694)	(9,694)
	(20,819)	(9,694)	(30,513)
Balance, 31 December	(23,077)	4,237	(18,840)

28 CAPITAL RESERVES (cont'd)

Movements in hedging reserve by risk category (cont'd):

Group 2019	Foreign exchange risk $'000	Interest rate risk $'000	Total $'000
Balance, 1 January	(29,594)	14,450	(15,144)
Fair value gain arising during the year, net of tax	8,161	-	8,161
Realised and transferred to profit and loss account	19,175	-	19,175
Share of other comprehensive income of associated companies	-	(519)	(519)
	27,336	(519)	26,817
Balance, 31 December	(2,258)	13,931	11,673

29 PERPETUAL SECURITIES

On 27 July 2018, Keppel FELS Limited and Keppel Shipyard Limited, wholly owned subsidiaries of the Group, issued fixed rate senior perpetual securities (the "perpetual securities") with an aggregate principal amount of $2,000,000,000 to a related corporation.

Such perpetual securities bear distributions at a rate of 4.50% per annum, payable semi-annually. Subject to the relevant terms and conditions in the offering memorandum, the Group may elect to defer making distributions on the perpetual securities, and is not subject to any limits as to the number of times a distribution can be deferred. As a result, the perpetual securities do not meet the definition for classification as a financial liability under SFRS(I) 1-32 *Financial Instruments: Disclosure and Presentation*. The whole instrument is presented within equity, and distributions are treated as dividends.

During the financial year, profits of $ 97,277,000 (2019: $92,784,000) were attributed to the perpetual security holder.

30 REVENUE

	Group 2020 $'000	Group 2019 $'000
Revenue from rigbuilding, shipbuilding and repairs	**1,460,467**	2,087,680
Revenue from services rendered	**73,539**	91,717
Revenue from sale of goods	**40,082**	40,323
Total	**1,574,088**	2,219,720
Revenue – at a point in time	**113,332**	96,963
Revenue – over time	**1,460,756**	2,122,757
	1,574,088	2,219,720

31 (LOSS)/ PROFIT BEFORE TAXATION

(a) The breakdown of the staff costs (including Directors' remuneration) for the Group is as follows:

	Group	
	2020 $'000	2019 $'000
Salaries and wages	468,667	522,743
Contributions to Central Provident Fund	30,541	38,017
Termination benefits	9,011	-
Share options and share plans	4,883	5,564
Total	513,102	566,324

(b) Other operating (expenses)/income – net

Other operating (expenses)/income included the following items:

	Group	
	2020 $'000	2019 $'000
Allowance for stocks, net of write back (Note 8)	(44,981)	(6,827)
Fair value loss on financial assets, at FVPL (Note 12)	(18,133)	(14,401)
Foreign exchange gain	19,353	25,344
Gain/(loss) on disposal of property, plant and equipment	80	(355)
Government grant income	95,751	434
Loss on deemed disposal of an associated company	(5,778)	-
Impairment loss on intangible assets (Note 20)	(23,015)	-
Impairment loss on property, plant and equipment (Note 15)	(19,694)	-
Impairment loss on right-of-use assets	(2,879)	-
Management fee to holding company	(9,638)	(18,215)
Property, plant and equipment written off - net (Note 15)	(11)	-
Rent concessions	165	-
Reversal of warranty provisions - net (Note 22)	4,916	15,391
Stocks written off	(1,530)	(2,080)

Government grant income of $60,770,000 (2019: Nil) was recognised during the financial year under the Job Support Scheme ("JSS"). The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

Rent concessions are received from lessors to which the Group has applied the practical expedient as disclosed in Note 2.14.

31 (LOSS)/ PROFIT BEFORE TAXATION (cont'd)

(c) Impairment on financial assets and contract assets

	Group 2020 $'000	Group 2019 $'000
Loss allowance, net of write back:		
Trade debtors (Note 6)	185,287	7,246
Other debtors (Note 7)	1,911	1,862
Contract assets (Note 9)	430,842	-
Total	618,040	9,108

(d) Interest income

	Group 2020 $'000	Group 2019 $'000
Financial assets measured at amortised cost		
Related companies	2,932	4,201
Associated companies	8,051	18,689
Bank deposits	3,927	8,776
Trade debtors under financing arrangement	24,877	25,409
Others	20,642	17,369
Total	60,429	74,444

(e) Interest expense

	Group 2020 $'000	Group 2019 $'000
Term loans	11,739	15,380
Related companies	69,167	65,224
Lease liabilities	23,229	26,519
Others	102	-
Total	104,237	107,123

(f) Compensation of Directors and key management personnel

The remuneration of key management personnel, which comprises mainly the Directors of the Group, are as follows:

	Group 2020 $'000	Group 2019 $'000
Directors' fee to Company's Directors	635	522
Short-term benefits	2,078	2,923
Post-employment benefits	58	54
Share options and share plans	2,143	1,759
Total	4,914	5,258

32 TAXATION

	Group 2020 $'000	Group 2019 $'000
Current income tax		
Current	(568)	6,593
Withholding tax	1,293	585
Group relief	(43,460)	(14,405)
Over provision in prior years	(1,091)	(22,762)
Total	(43,826)	(29,989)
Deferred income tax		
Current year	(73,302)	(3,193)
Reversal of deferred tax assets recognised in prior years	22,707	-
Total (Note 25)	(50,595)	(3,193)
Net tax credit	(94,421)	(33,182)

The income tax varied from the amount of taxation determined by applying the Singapore income tax rate of 17% (2019: 17%) to loss before taxation as a result of the following differences:

	Group 2020 $'000	Group 2019 $'000
Loss before taxation	(1,297,627)	(27,473)
Share of loss of associated companies and joint venture, net of tax	330,421	56,823
(Loss)/Profit before tax and share of loss of associated companies and joint ventures	(967,206)	29,350
Taxation at statutory income tax rate of 17% (2019: 17%)	(164,425)	4,990
Different tax rates in other countries	2,887	(3,062)
Income not subject to tax	(15,033)	(22,045)
Expenses not deductible for tax purposes	57,844	17,477
Deferred tax assets not recognised	1,397	6,040
Withholding tax	1,293	585
Reversal of deferred tax assets recognised in prior years	22,707	-
Over provision in prior years	(1,091)	(37,167)
Net	(94,421)	(33,182)

33 CONTINGENT LIABILITIES (UNSECURED) AND GUARANTEES

	Company		Group	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Performance guarantees issued for contracts awarded to customers and third parties	**941,288**	905,504	**133,649**	110,288
Guarantees in respect of banks and other loans granted to related companies	**-**	-	**8,012**	7,518
Others	**4,385**	8,218	**19,142**	20,228
Total	**945,673**	913,722	**160,803**	138,034

34 FUTURE CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure not provided for in the financial statements:

	Group	
	2020	2019
	$'000	$'000
Contracted but not provided for:		
- for acquisition of property, plant and equipment	**1,037**	684
- for construction and upgrading of rigbuilding, shipbuilding and repair facilities	**1,304**	2,126
- investment commitments	**2,160**	2,858
- others	**440**	148
	4,941	5,816
Authorised but not contracted for:		
- for acquisition of property, plant and equipment	**18,353**	19,709
- for construction and upgrading of rigbuilding, shipbuilding and repair facilities	**11,473**	13,775
- others	**6,996**	6,824
	36,822	40,308
Total	**41,763**	46,124

35 EVENTS OCCURRING AFTER BALANCE SHEET DATE

On 28 January 2021, the ultimate holding company, Keppel Corporation Limited (Keppel), announced that amidst the global energy transition and major disruptions facing the oil industry, Keppel will carry out a comprehensive transformation of its wholly-owned subsidiary, Keppel Offshore & Marine and its subsidiaries ("the Group"), to better align the Group with Keppel's Vision 2030 and to create a more competitive Group that is well-placed to support the energy transition. As part of the transformation, the business will be reorganised into three parts, being a Rig Co and a Development Co ("Dev Co"), which will be transient entities created to hold assets including its approximately S$2.9 billion worth of completed and uncompleted rig assets, and an Operating Co ("Op Co") comprising the rest of the Group. This reorganisation into distinct parts provides better clarity for the Group to focus on the requisite resources to deliver on the respective plans.

35 EVENTS OCCURRING AFTER BALANCE SHEET DATE (cont'd)

The Group's completed rigs will be placed under the Rig Co, which will put the completed rigs to work, or sell them if there are suitable opportunities. Uncompleted rigs will come under the Dev Co, which will focus on completing the rigs, while prudently managing cashflow. Op Co will progressively transit to a developer and integrator role, focusing on design, engineering and procurement, exit the offshore rig building business and progressively exit low value adding repairs including other activities with low bottom line contribution. Op Co will seek opportunities in floating infrastructure and infrastructure-like projects that can deliver predictable streams of cashflow, including renewables projects such as offshore wind farms and solar farms, gas solutions, production assets and new energy solutions such as hydrogen and tidal energy.

The reorganisation has commenced and the transformation is expected to be executed over the next two to three years. Reflecting its new focus, the Group will carry out a rebranding exercise and refine its vision and purpose.

36 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

(a) Amendments to SFRS(I) 1-1 *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023)

The narrow-scope amendments to SFRS(I) 1-1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what SFRS(I) 1-1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

(b) Amendments to SFRS(I) 1-16 *Property, Plant and Equipment*: Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022)

The amendment to SFRS(I) 1-16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

(c) Amendments to SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*: Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022)

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the costs of fulfilling it and any compensation or penalties arising from failure to fulfil it. The amendment to SFRS(I) 1-37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts.

36 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (cont'd)

(d) Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16: *Interest Rate Benchmark Reform - Phase 2* (effective for annual periods beginning on or after 1 January 2021)

Hedge relationships

As described in Note 3, the Group adopted the 'Phase 1' amendments on 1 January 2020 which provided temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform.

The 'Phase 2' amendments, which will become effective for the Group for the annual period beginning 1 January 2021, address issues arising during interest rate benchmark reform, including specifying when the 'Phase 1' amendments will cease to apply, when hedge designations and documentation should be updated, and when hedges of the alternative benchmark rate as the hedged risk are permitted.

Financial instruments and lease liabilities

For financial instruments measured using amortised cost measurement, the 'Phase 2' amendments provide a practical expedient which require changes to the basis for determining the contractual cash flows required by interest rate benchmark reform to be reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. This practical expedient exists for lease liabilities as well. These expedients are only applicable to changes that are required by interest rate benchmark reform, which is the case if, and only if, the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

The management anticipates that the adoption of the above amendments to SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

37 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors of the Company on 26 February 2021.

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KEPPEL OFFSHORE & MARINE LTD AND ITS SUBSIDIARIES

(Registration No. 199900642R)

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED 31 DECEMBER 2021

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KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED 31 DECEMBER 2021

C O N T E N T S

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KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT
FINANCIAL YEAR ENDED 31 DECEMBER 2021

The Directors present their statement to the member together with the audited financial statements of Keppel Offshore & Marine Ltd ("the Company") and its subsidiaries ("the Group") and the statement of financial position of the Company for the financial year ended 31 December 2021.

In the opinion of the Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 9 to 97 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 2021 and the financial performance, changes in equity and cash flows of the Group for the financial year then ended, and

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

1 DIRECTORS

The Directors of the Company in office at the date of this statement are as follows:

Loh Chin Hua	-	Chairman
Chris Ong Leng Yeow	-	Chief Executive Officer
Stephen Pan Yue Kuo		
Tan Ek Kia		
Lim Chin Leong		
Chan Hon Chew		
Tham Sai Choy		
Chua Hsien Yang		appointed (1 October 2021)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, other than as disclosed in paragraph 3 in this statement.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of Directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, except as follows:

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3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

	Interests held	
	At 1.1.2021 or date of appointment, if later	At 31.12.2021
Keppel Corporation Limited		
(***No. of Ordinary shares***)		
Loh Chin Hua	1,860,772	2,135,826
Loh Chin Hua (deemed interest)	38,500	38,500
Chris Ong Leng Yeow	220,552	289,662
Tan Ek Kia	62,825	10,000
Lim Chin Leong	13,200	13,200
Chan Hon Chew	593,173	732,250
Chan Hon Chew (deemed interest)	7,770	7,770
Tham Sai Choy	155,570	162,570
Chua Hsien Yang	1,100	1,100
(Unvested restricted shares to be delivered after 2018) [1]		
Loh Chin Hua	87,469	-
Chris Ong Leng Yeow	16,519	-
Chan Hon Chew	40,677	-
(***Unvested restricted shares to be delivered after 2019)*** [1]		
Loh Chin Hua	201,258	100,629
Chris Ong Leng Yeow	38,156	19,079
Chan Hon Chew	100,839	50,420
(***Unvested restricted shares to be delivered after 2020)*** [1]		
Loh Chin Hua	-	173,914
Chris Ong Leng Yeow	-	67,030
Chan Hon Chew	-	95,963
Chua Hsien Yang	31,422	31,422
(Contingent award of performance shares issued in 2018 to be delivered after 2021) [2, 3, 5]		
Loh Chin Hua	320,000	320,000
Chris Ong Leng Yeow	100,000	100,000
Chan Hon Chew	140,000	140,000
(Contingent award of performance shares issued in 2019 to be delivered after 2022) [2, 4, 5]		
Loh Chin Hua	365,000	365,000
Chris Ong Leng Yeow	120,000	120,000
Chan Hon Chew	150,000	150,000

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

	Interests held	
	At 1.1.2021 or date of appointment, if later	At 31.12.2021
(Contingent award of performance shares issued in 2020 to be delivered after 2022) [2, 5]		
Loh Chin Hua	365,000	365,000
Chris Ong Leng Yeow	100,000	100,000
Chan Hon Chew	140,000	140,000
(Contingent award of performance shares issued in 2021 to be delivered after 2023) [2, 5]		
Loh Chin Hua	-	365,000
Chris Ong Leng Yeow	-	100,000
Chan Hon Chew	-	140,000
Chua Hsien Yang	45,000	45,000
(Contingent award of performance shares – Transformation Incentive issued in 2016 to be delivered after 2021) [2, 5]		
Loh Chin Hua	750,000	750,000
Chris Ong Leng Yeow	125,000	125,000
Chan Hon Chew	350,000	350,000
Chua Hsien Yang	90,000	90,000
(Contingent award of performance shares – Transformation Incentive issued in 2017 to be delivered after 2021) [2, 5]		
Chris Ong Leng Yeow	75,000	75,000
Chua Hsien Yang	10,000	10,000
(Contingent award of performance shares – Transformation Incentive issued in 2020 to be delivered after 2021) [2, 5]		
Chan Hon Chew	50,000	50,000
Chris Ong Leng Yeow	50,000	50,000
(Contingent award of performance shares – Transformation Incentive issued in 2021 to be delivered after 2025) [2, 5]		
Loh Chin Hua	-	970,000
Chris Ong Leng Yeow	-	365,000
Chan Hon Chew	-	455,000
Chua Hsien Yang	145,000	145,000

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

[1] *Restricted shares are shares under award pursuant to Keppel Corporation Limited's Restricted Share Plan.*

[2] *Performance shares are shares under awards pursuant to Keppel Corporation Limited's Performance Share Plan.*

[3] *The performance period of the KCL PSP award issued in 2018 was extended for 1 more year as the targets of the award were set before the onset of the COVID-19 pandemic. The achievements in Year 2018, 2019 and 2021 will be used to determine the vesting level of the award at the end of the extended performance period.*

[4] *The performance period of the KCL PSP award issued in 2019 was extended for 1 more year as the targets of the award were set before the onset of the COVID-19 pandemic. The achievements in Year 2019, 2021 and 2022 will be used to determine the vesting level of the award at the end of the extended performance period.*

[5] *Depending on the achievement of pre-determined performance targets, the actual number of shares to be released could range from zero to 150% of the number stated.*

4 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no option to take up unissued shares of the Company or any corporation in Keppel Group was granted.

(b) *Option exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

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5 INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept reappointment.

ON BEHALF OF THE BOARD

Loh Chin Hua

....	....
Loh Chin Hua	Chris Ong Leng Yeow
Chairman	Chief Executive Officer

Singapore
24 February 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF KEPPEL OFFSHORE & MARINE LTD

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Keppel Offshore & Marine Ltd ("the Company") and its subsidiaries ("the Group") and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 ("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 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Group and of the Company comprise:
- the statements of financial position of the Group and of the Company as at 31 December 2021;
- the statement of comprehensive income of the Group for the financial year then ended;
- the statement of changes in equity of the Group for the financial year then ended;
- the statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority 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.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information 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, 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.

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.

Auditor's 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 auditor's 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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF KEPPEL OFFSHORE & MARINE LTD (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- 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.

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.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore
24 February 2022

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KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	Company 31 December 2021 $'000	Company 31 December 2020 $'000	Group 31 December 2021 $'000	Group 31 December 2020 $'000
ASSETS					
Current assets					
Cash and cash equivalents	5	**75,803**	74,402	**468,075**	565,789
Trade debtors	6	**-**	-	**310,865**	957,510
Other debtors, deposits and prepayments	7	**75**	4	**130,429**	192,328
Stocks	8	**-**	-	**1,539,178**	1,300,861
Contract assets	9	**-**	-	**2,961,443**	2,501,174
Amounts due from related companies	10	**1,086,092**	1,154,351	**114,269**	106,220
Financial assets, at FVOCI	11	**5**	3	**25,623**	35,802
Derivative assets	14	**-**	-	**18,294**	41,245
Tax recoverable		**-**	-	**83,573**	51,980
		1,161,975	1,228,760	**5,651,749**	5,752,909
Assets classified as held for sale	36	**-**	-	**168,434**	-
Total current assets		**1,161,975**	1,228,760	**5,820,183**	5,752,909
Non-current assets					
Trade debtors	6	**-**	-	**791,952**	875,810
Other debtors, deposits and prepayments	7	**-**	-	**2,701**	6,007
Amounts due from related companies	10	**-**	-	**27,432**	39,719
Financial assets, at FVOCI	11	**-**	-	**28,120**	24,305
Financial assets, at FVPL	12	**-**	-	**48,098**	49,194
Other assets	13	**-**	-	**17,900**	18,039
Derivative assets	14	**-**	-	**3,193**	38,532
Property, plant and equipment	15	**-**	-	**1,093,588**	1,218,358
Right-of-use assets	16 (a)	**-**	-	**237,728**	325,318
Subsidiaries	17	**735,409**	735,627	**-**	-
Associated companies	18	**12,583**	12,583	**433,776**	276,760
Joint ventures	19	**-**	-	**28,901**	84,077
Intangible assets	20	**-**	-	**43,236**	43,675
Deferred taxation	25	**-**	-	**135,089**	119,109
Total non-current assets		**747,992**	748,210	**2,891,714**	3,118,903
Total assets		**1,909,967**	1,976,970	**8,711,897**	8,871,812
LIABILITIES					
Current liabilities					
Trade and other creditors	21	**78,030**	76,543	**1,903,445**	1,898,986
Contract liabilities	9	**-**	-	**293,731**	854,618
Provision for warranty	22	**-**	-	**16,942**	24,609
Amounts due to related companies	10	**278,344**	351,712	**3,968,480**	3,312,746
Derivative liabilities	14	**-**	-	**15,622**	11,689
Borrowings	23	**-**	-	**146,392**	243,715
Lease liabilities	24	**-**	-	**35,021**	37,865
Provision for taxation		**3,729**	1,608	**35,902**	8,817
Total current liabilities		**360,103**	429,863	**6,415,535**	6,393,045
Non-current liabilities					
Borrowings	23	**-**	-	**84,015**	87,305
Lease liabilities	24	**-**	-	**283,748**	337,112
Amounts due to related companies	10	**-**	-	**384,931**	386,461
Deferred taxation	25	**2**	-	**44,190**	45,940
Deferred liabilities	26	**-**	-	**751**	919
Derivative liabilities	14	**-**	-	**1,397**	2,505
Accrued expenses	21	**-**	-	**6,512**	6,503
Total non-current liabilities		**2**	-	**805,544**	866,745
Total liabilities		**360,105**	429,863	**7,221,079**	7,259,790
NET ASSETS		**1,549,862**	1,547,107	**1,490,818**	1,612,022
EQUITY					
Capital and reserves					
Share capital	27	**339,716**	339,716	**339,716**	339,716
Capital reserves	28	**(1,191)**	(1,193)	**(43,398)**	(48,152)
Perpetual securities	29	**-**	-	**2,330,454**	2,229,020
Foreign exchange translation reserve		**-**	-	**(182,820)**	(167,110)
Retained profits/(accumulated losses)		**1,211,337**	1,208,584	**(975,444)**	(769,106)
Equity attributable to equity holders of the Company		**1,549,862**	1,547,107	**1,468,508**	1,584,368
Non-controlling interests	17	**-**	-	**22,310**	27,654
Total Equity		**1,549,862**	1,547,107	**1,490,818**	1,612,022

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

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KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 $'000	Group 2020 $'000
Revenue	30	**2,013,279**	1,574,088
Raw materials and consumables used		**(847,790)**	(612,377)
Contract labour and subcontractors' costs		**(673,520)**	(472,338)
Staff costs	31 (a)	**(453,025)**	(513,102)
Depreciation and amortisation	15, 16, 20	**(116,062)**	(119,653)
Other operating expenses – net	31 (b)	**(104,734)**	(165,425)
Impairment on financial and contract assets	31 (c)	**(95,554)**	(618,040)
Dividend income		**6,091**	3,449
Interest income	31 (d)	**23,395**	60,429
Interest expense	31 (e)	**(82,209)**	(104,237)
Share of results of associated companies and joint ventures	18, 19	**168,328**	(330,421)
Loss before taxation	31	**(161,801)**	(1,297,627)
Taxation	32	**50,204**	94,421
Loss for the year		**(111,597)**	(1,203,206)
(Loss)/profit attributable to:			
Equity holders of the Company		**(211,149)**	(1,295,094)
Holders of perpetual securities		**101,434**	97,277
Non-controlling interests	17	**(1,882)**	(5,389)
Loss for the year		**(111,597)**	(1,203,206)

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

KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME (cont'd)
FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 $'000	Group 2020 $'000
Loss for the year		**(111,597)**	(1,203,206)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
- Fair value changes arising during the year		**(31,398)**	30,436
- Realised and transferred to profit and loss account		**39,043**	(51,255)
Foreign exchange translation			
- Exchange difference arising during the year		**(15,710)**	(6,972)
- Realised and transferred to profit and loss account		**-**	3,231
Share of other comprehensive income of associated companies			
- Cash flow hedges		**(4)**	(9,694)
		(8,069)	(34,254)
Items that will not be reclassified subsequently to profit and loss account:			
Other assets			
- Remeasurements of post-employment benefit obligations		**(422)**	(1,313)
Financial assets, at FVOCI			
- Fair value changes arising during the year, net of tax		**2,353**	(18,081)
- Realised and transferred to accumulated losses		**-**	(155)
Foreign exchange translation			
- Exchange difference arising during the year		**(2,544)**	(2,849)
Other comprehensive loss for the year, net of tax		**(8,682)**	(56,652)
Total comprehensive loss for the year		**(120,279)**	(1,259,858)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(217,294)**	(1,348,949)
Holders of perpetual securities		**101,434**	97,277
Non-controlling interests		**(4,419)**	(8,186)
Total comprehensive loss for the year		**(120,279)**	(1,259,858)

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

KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
FINANCIAL YEAR ENDED 31 DECEMBER 2021

	<------ Equity attributable to equity holders of the Company ------>							
	Share capital $'000	Capital reserves $'000	Perpetual securities $'000	Foreign exchange translation reserve $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance, 1 January 2020	339,716	2,117	2,131,743	(162,042)	524,506	2,836,040	44,651	2,880,691
Total comprehensive loss for the year								
Loss for the year	-	-	97,277	-	(1,295,094)	(1,197,817)	(5,389)	(1,203,206)
Other comprehensive (loss)/income for the year	-	(50,269)	-	(3,741)	155	(53,855)	(2,797)	(56,652)
Reclassification	-	-	-	(1,327)	1,327	-	-	-
Total	-	(50,269)	97,277	(5,068)	(1,293,612)	(1,251,672)	(8,186)	(1,259,858)
Transactions with owners, recognised directly in equity								
Dividends paid to non-controlling interests	-	-	-	-	-	-	(8,811)	(8,811)
Total	-	-	-	-	-	-	(8,811)	(8,811)
Balance, 31 December 2020	339,716	(48,152)	2,229,020	(167,110)	(769,106)	1,584,368	27,654	1,612,022
Total comprehensive loss for the year								
Loss for the year	-	-	101,434	-	(211,149)	(109,715)	(1,882)	(111,597)
Other comprehensive income/(loss) for the year	-	9,565	-	(15,710)	-	(6,145)	(2,537)	(8,682)
Total	-	9,565	101,434	(15,710)	(211,149)	(115,860)	(4,419)	(120,279)
Transfer of fair value reserve to accumulated losses	-	(4,811)	-	-	4,811	-	-	-
Transactions with owners, recognised directly in equity								
Dividends paid to non-controlling interests	-	-	-	-	-	-	(220)	(220)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	(705)	(705)
Total	-	-	-	-	-	-	(925)	(925)
Balance, 31 December 2021	339,716	(43,398)	2,330,454	(182,820)	(975,444)	1,468,508	22,310	1,490,818

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

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KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

STATEMENT OF CASH FLOWS
FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group	
	2021	2020
	$'000	$'000
Operating activities:		
Loss before taxation	**(161,801)**	(1,297,627)
Adjustments for:		
Depreciation and amortisation	**116,062**	119,653
Impairment loss on intangible assets	**-**	23,015
Impairment loss on property, plant and equipment	**-**	19,694
Impairment loss on right-of-use assets	**-**	2,879
Dividend income	**(6,091)**	(3,449)
Interest expense	**82,209**	104,237
Interest income	**(23,395)**	(60,429)
Share of results of associated companies and joint ventures	**(168,328)**	330,421
Gain on disposal of property, plant and equipment	**(8,784)**	(80)
Loss on liquidation/deemed disposal of associated companies	**20**	5,778
Fair value loss on financial assets, at FVPL	**-**	18,133
Property, plant and equipment written off	**205**	11
Cash flows used in operations before changes in working capital	**(169,903)**	(737,764)
Working capital changes, excluding changes relating to cash:		
Stocks	**(238,317)**	(481,227)
Contract assets and liabilities	**(1,021,156)**	894,251
Trade and other debtors, deposits and prepayments	**810,516**	(1,549)
Other assets	**(283)**	(1,885)
Trade creditors, provisions for warranty and accrued expenses	**(28,452)**	(346,753)
Amount due to/(from) related companies	**14,112**	(11,923)
Derivative instruments – net	**68,930**	(68,780)
Cash used in operations	**(564,553)**	(755,630)
Interest received	**6,971**	30,422
Dividend received	**6,091**	3,449
Income tax (including group tax relief) refunded /(paid)	**28,593**	(1,227)
Net cash used in operating activities	**(522,898)**	(722,986)
Investing activities:		
Purchase of property, plant and equipment	**(24,403)**	(51,505)
Proceeds from sale of property, plant and equipment	**8,930**	246
Purchase of financial assets, at FVOCI	**(760)**	(1,001)
Proceeds from disposal of financial assets, at FVOCI	**8,934**	-
Principal repayment of convertible bonds	**1,279**	-
Dividends and distribution received	**9,090**	20,575
Addition of investment in joint venture	**-**	(10,327)
Net cash provided by/(used in) investing activities	**3,070**	(42,012)

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

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KEPPEL OFFSHORE & MARINE LTD
AND ITS SUBSIDIARIES

STATEMENT OF CASH FLOWS (cont'd)
FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group 2021 $'000	Group 2020 $'000
Financing activities:		
Repayment of borrowings	**(398,385)**	(77,052)
Proceeds from borrowings	**308,914**	75,490
Proceeds of loans from a related company – net	**621,880**	894,072
Principal payment of lease liabilities	**(30,944)**	(28,304)
Interest paid	**(81,123)**	(104,237)
Acquisition of additional interest in a subsidiary	**(705)**	-
Dividend payment to non-controlling interests	**(220)**	(8,811)
Net cash provided by financing activities	**419,417**	751,158
Net changes in cash and cash equivalents	**(100,411)**	(13,840)
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	**1,140**	887
Cash and cash equivalents at beginning of financial year	**495,226**	508,179
Cash and cash equivalents at end of financial year (Note 5)	**395,955**	495,226

Reconciliation of liabilities arising from financing activities

2021

	1 January 2021	Proceeds from borrowings	Principal and interest payments	Non-cash changes: Remeasurement of lease liabilities	Addition during the year	Interest expense	Foreign exchange movement and others	31 December 2021
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Borrowings	331,020	308,914	(404,682)	-	-	6,297	(11,142)	230,407
Loans from a related company	3,617,771	890,752	(323,217)	-	-	54,345	22,574	4,262,225
Perpetual securities	2,229,020	-	-	-	-	101,434[(1)]	-	2,330,454
Lease liabilities	374,977	-	(52,412)	(23,178)	4,738	21,468	(6,824)	318,769

2020

	1 January 2020	Proceeds from borrowings	Principal and interest payments	Non-cash changes: Remeasurement of lease liabilities	Addition during the year	Interest expense	Foreign exchange movement and others	31 December 2020
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Borrowings	352,657	75,490	(88,791)	-	-	11,739	(20,075)	331,020
Loans from a related company	2,723,699	894,072	(69,167)	-	-	69,167	-	3,617,771
Perpetual securities	2,131,743	-	-	-	-	97,277[(1)]	-	2,229,020
Lease liabilities	404,372	-	(51,533)	25,455	4,259	23,229	(30,805)	374,977

(1) Relates to distribution to perpetual securities holder.

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

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1 GENERAL

The Company (Registration Number 199900642R) is incorporated in Singapore with its principal place of business at 50 Gul Road, Singapore 629351 and registered office at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632. The financial statements are expressed in Singapore dollars.

The Company's principal activity is that of an investment holding company.

The principal activities of the subsidiaries, associated companies and joint ventures are detailed in Notes 17, 18 and 19 to the financial statements respectively.

The Company's immediate and ultimate holding company is Keppel Corporation Limited ("Keppel"), incorporated in Singapore.

Memorandum of Understanding ("MoU") with Sembcorp Marine Ltd ("Sembcorp Marine") and Kyanite Investment Holdings Pte Ltd ("Kyanite")

On 24 June 2021, the Company's holding company, Keppel Corporation Limited ("Keppel") signed two non-binding MOUs; the first with Sembcorp Marine to enter into exclusive negotiations with a view to combining the Group and Sembcorp Marine to form a Combined Entity, and the second with Kyanite, a wholly owned subsidiary of Temasek, to sell the Group's legacy completed and uncompleted rigs and associated receivables to a separate Asset Co, which would be majority owned by external investors which Kyanite intends to procure. These two proposed transactions will be inter-conditional and pursued concurrently.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the provisions of the Companies Act 1967, Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs"). All references to SFRS(I)s and IFRSs are referred to collectively as SFRS(I)s in these financial statements, unless specified otherwise. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

2.2 ADOPTION OF NEW AND REVISED STANDARDS

The Group adopted the new/revised SFRS(I)s, SFRS (I) Interpretations and amendments to SFRS(I)s that are effective for annual periods beginning on or after 1 January 2021. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s, SFRS (I) Interpretations and amendments to SFRS(I)s.

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2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (con'd)

The following are the new or amended SFRS(I)s, SFRS (I) Interpretations and amendments to SFRS(I)s, that are relevant to the Group:

- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16: Interest Rate Benchmark Reform - Phase 2
- Amendment to SFRS(I) 16 Leases - Covid-19-Related Rent Concessions beyond 30 June 2021

The adoption of the above new or amended SFRS(I)s, SFRS (I) Interpretations and amendments to SFRS(I)s did not have any significant impact on the financial statements of the Group in the current or future periods except as follow:

Interest Rate Benchmark Reform – Phase 2

The Group has adopted the amendments to SFRS(I) 9, SFRS(I) 7 and SFRS(I) 16 Interest Rate Benchmark Reform – Phase 2 effective 1 January 2021. In accordance with the transition provisions, the amendments shall be applied retrospectively to hedging relationships and financial instruments. Comparative amounts have not been restated, and there was no impact on the current period opening reserves amounts on adoption.

Financial instruments measured at amortised cost and lease liabilities

Phase 2 of the amendments requires that, for financial instruments measured using amortised cost measurement, changes to the basis for determining the contractual cash flows required by IBOR reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. A similar practical expedient exists for lease liabilities.

These expedients are only applicable to changes that are required by IBOR reform, which is the case if, and only if, the change is necessary as a direct consequence of IBOR reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change.

For lease liabilities where there is a change to the basis for determining the contractual cash flows, as a practical expedient the lease liability is remeasured by discounting the revised lease payments using a discount rate that reflects the change in the interest rate where the change is required by IBOR reform. If lease modifications are made in addition to those required by IBOR reform, the Group applies the relevant SFRS(I) 16 requirements to account for the entire lease modification, including those changes required by IBOR reform.

Effect of IBOR reform
The Group's risk exposure that is directly affected by the IBOR reform predominantly comprises its variable rate receivables that are linked to the Singapore Swap Offer Rate ("SOR") or the USD LIBOR.

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2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

Interest Rate Benchmark Reform – Phase 2 (cont'd)

Effect of IBOR reform (cont'd)

SOR will cease publication after 30 June 2023, and it is expected to be replaced by the Singapore Overnight Rate Average ("SORA"). The Group also has $22,500,000 variable-rate SGD receivables which references to SOR and matures after 30 June 2023. The Group's communication with its receivables counterparties is ongoing, but specific changes required by IBOR reform have not yet been agreed. The expected transition from SOR to SORA had no effect on the amounts reported for the current and prior financial years.

USD LIBOR will cease publication after 30 June 2023, and it is expected to be replaced by the Secured Overnight Financing Rate ("SOFR"). The Group also has US$276,370,000 variable-rate USD receivables which references to USD LIBOR and matures after 30 June 2023. The Group's communication with its receivables counterparties is ongoing, but specific changes required by IBOR reform have not yet been agreed. The expected transition from USD LIBOR to SOFR had no effect on the amounts reported for the current and prior financial years.

Affected financial instruments are SOR or USD LIBOR-linked instruments, with interest rate fixing dates falling after 30 June 2023. The following table contains details of all the affected financial instruments that the Group and Company holds at 31 December 2021 which are referenced to SOR or USD LIBOR and have not yet transitioned to new benchmark rates:

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2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

Interest Rate Benchmark Reform – Phase 2 (cont'd)

Effect of IBOR reform (cont'd)

	SOR			
	Group		Company	
31 December 2021	**Carrying Amount $'000**	**Of which: Not yet transitioned to an alternative benchmark rate $'000**	**Carrying Amount $'000**	**Of which: Not yet transitioned to an alternative benchmark rate $'000**
Assets				
- Amount due from associated company	22,500	22,500	22,500	22,500

	USD LIBOR			
	Group		Company	
31 December 2021	**Carrying Amount $'000**	**Of which: Not yet transitioned to an alternative benchmark rate $'000**	**Carrying Amount $'000**	**Of which: Not yet transitioned to an alternative benchmark rate $'000**
Assets				
- Trade receivables	377,660	377,660	-	-

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries.

The financial statements of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated financial statements from their respective dates of obtaining control or ceasing control. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

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2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 BASIS OF CONSOLIDATION (cont'd)

Acquisition of subsidiaries is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair value of the assets transferred, equity instruments issued, liabilities incurred or assumed at the date of exchange and the fair values of any contingent consideration arrangement and any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised in the profit and loss account as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests, except for deferred tax assets/liabilities, share-based related accounts and assets held for sale.

Any excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted and the difference between the change in the carrying amounts of the non-controlling interests and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group derecognises all assets (including any goodwill), liabilities and non-controlling interests at their carrying amounts. Amounts previously recognised in other comprehensive income in respect of that former subsidiary are reclassified to the profit and loss account or transferred directly to revenue reserves if required by a specific Standard. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in the profit and loss account.

On a transaction-by-transaction basis, the measurement of non-controlling interests is either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree.

Contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in the profit and loss account.

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 owners 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 in a subsidiary based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

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2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 FINANCIAL ASSETS

(a) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through profit or loss ("FVPL"); and
- Fair value through other comprehensive income ("FVOCI").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

<u>At initial recognition</u>

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

<u>At subsequent measurement</u>

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, listed and unlisted debt securities.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other operating expenses - net".

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2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 FINANCIAL ASSETS (cont'd)

(a) Classification and measurement (cont'd)

(i) Debt instruments (cont'd)

- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other operating expenses - net". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other operating expenses - net", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains / losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, lease receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 FINANCIAL ASSETS (cont'd)

(c) Recognition and derecognition (cont'd)

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

2.5 FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other creditors are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months, or is expected to be realised in the Group's normal operating cycle.

Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Note 14 to the financial statements contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the cash flow hedge reserve in other comprehensive income are also detailed in Note 28 to the financial statements.

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2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (cont'd)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other gains and losses. Amounts recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and when the forecast transaction is ultimately recognised in profit or loss, such gains and losses are recognised in profit or loss, or transferred from equity and included in the initial measurement of the cost of the asset or liability as described above. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was accumulated in equity is recognised immediately in profit or loss.

2.7 OFFSETTING ARRANGMENTS

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company or the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

2.8 PROPERTY, PLANT AND EQUIPMENT

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, and other fixed assets are stated in the statement of financial position at their costs, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Capital work-in-progress are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

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2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and capital work-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

		Number of years
Buildings on freehold land	-	between 20 and 50
Buildings on leasehold land	-	between 15 and 50
Plant, machinery and equipment	-	between 5 and 30
Furniture, fittings and office equipment	-	between 2 and 10
Cranes	-	between 5 and 30
Vessels and floating docks	-	between 10 and 30

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

2.9 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit and loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL (cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.10 SUBSIDIARIES

A subsidiary is an entity (including structured entities) over which the Group has control. The Group controls an entity when the Group 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 Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Investments in subsidiaries are stated in the financial statements of the Company at cost less accumulated impairment losses. On disposal of a subsidiary, the difference between net disposal proceeds and carrying amount of the investment is taken to profit or loss.

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2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 ASSOCIATED COMPANIES AND JOINT VENTURES

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

(i) Acquisitions

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated company or joint venture over the Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' or joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income.

Dividends received or receivable from the associated companies or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture.

If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company or joint venture includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at fair value.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 ASSOCIATED COMPANIES AND JOINT VENTURES (cont'd)

(iii) Disposals (cont'd)

The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

2.12 INTANGIBLE ASSETS

Goodwill on acquisitions

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

Patents and trademarks, Research and development, and Customer relationships

Patents and trademarks, research and development and customer relationships are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 3 to 20 years, which is the shorter of their estimated useful lives and periods of contractual rights.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

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2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 STOCKS

Stocks are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.14 LEASES

(a) When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

Right-of-use assets

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component.

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2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 LEASES (cont'd)

(a) When the Group is the lessee (cont'd):

Lease liabilities (cont'd)

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is a modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short term and low value leases

The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group recognises those lease payments in profit or loss in the periods that triggered those lease payments.

Rent concessions

The Group has elected to apply the optional practical expedient under Amendments to SFRS(I) 16 *Leases* (Covid-19-Related Rent Concessions).

Under the practical expedient, the Group, as a lessee, has elected not to assess whether a rent concession is a lease modification, if all the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- There is no substantive change to other terms and conditions of the lease.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 LEASES (cont'd)

(b) When the Group is the lessor:

The Group leases vessels, buildings and equipment under operating leases to non-related parties.

Lessor – Finance leases

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable is recognised on the balance sheet. The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2.15 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. These provisions include a provision for warranty which is set up, upon completion of a contract, to cover the estimated liability which may arise during the warranty period. Any provision no longer required at the end of the warranty period will be written back while additional provision will be made when required.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 REVENUE

The Group enters into rigbuilding, shipbuilding and repairs contracts with customers. These contracts are fixed in prices. Revenue is recognised when the control over the contract work is transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the contract work over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

The contract work 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 contract work.

The measure of progress for rigbuilding contracts and shipbuilding contracts is determined by engineers' estimates.

For contract where the customer is invoiced on a milestone payment schedule, a contract asset is recognised if the value of the contract work transferred by the Group exceed the receipts from the customer and a contract liability is recognised if the receipts from the customer exceed the value of the contract work transferred by the Group.

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.

Revenue from sale of goods is recognised when the Group satisfies a performance obligation by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied performance obligation.

Revenue from the rendering of services is recognised when the services have been rendered.

Dividend income from investments is recognised when such dividend income is declared to be payable.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.17 GOVERNMENT GRANT

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

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2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined retirement benefit plans, the cost of providing benefits is determined based on the computation of their salary for each completed year of service. Contributions to the scheme are charged to profit or loss.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

2.19 EMPLOYEE LEAVE ENTITLEMENT

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2.20 INCOME TAX

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 INCOME TAX (cont'd)

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits similar to accounting for other tax credits where a deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised.

2.21 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the financial statements of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences which relate to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

Exchange differences on transactions entered into in order to hedge certain foreign currency risks are described in the hedge accounting policies above.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation accumulated in a separate component of equity, shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.21 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (cont'd)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associated company that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associated companies or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in foreign currency translation reserve (attributed to minority interest, as appropriate).

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.22 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and on demand deposits, and other short-term highly liquid assets that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.23 SHARE CAPITAL AND PERPETUAL SECURITIES

Ordinary shares and perpetual securities are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity or to exchange financial assets or liabilities with another person or entity that are potentially unfavourable to the issuer.

Incremental costs directly attributable to the issue of new shares or options or perpetual capital securities are shown in equity as a deduction, net of tax, from the proceeds. The proceeds received net of any directly attributable transaction costs are credited to share capital or perpetual securities.

2.24 DIVIDENDS TO COMPANY'S SHAREHOLDER

Dividends to the Company's shareholder are recognised when the dividends are approved for payment.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.25 ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets are classified as assets held for sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale.

Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the management is of the opinion that there is no instance of application of judgments which is expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations and as follows:

Key sources of estimation uncertainty

The key judgements, estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

(a) Coronavirus Disease 2019 ("COVID-19") and volatility in oil prices

The evolving situation of the COVID-19 pandemic, including emergence of new variants of the virus, and volatility in oil prices could impact the assessment of the carrying amounts of the Group's assets and liabilities. In the assessment for the current period, management has carried out a review to assess the assumptions used in the assessment of the carrying values of certain assets of the Group. Management has exercised judgment in determining the significant assumptions used and has relied on information currently available in the assessment of the appropriateness of the carrying values of the Group's assets as at 31 December 2021.

Should the COVID-19 situation take a longer than expected period to recover and/or the recovery of the dayrates or utilisation rates take a longer period or to a lower level than expected, the assessment of the carrying amounts of the assets of the Group could be impacted, and material provisions may be made and additional liabilities may arise in the subsequent financial years.

(b) Revenue from rigbuilding, shipbuilding and repairs

The Group recognises contract revenue and contract cost over time by reference to the Group's progress towards completing the construction of the contract work. The stage of completion is measured in accordance with the accounting policy stated in Note 2.16. Significant estimations and assumptions are required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract cost and the recoverability of the contracts. In making the estimations and assumptions, the Group evaluates by relying on past experience and the work of engineers. Revenue from construction contracts is disclosed in Note 30.

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3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(b) Revenue from rigbuilding, shipbuilding and repairs (cont'd)

Revenue arising from additional claims and variation orders, whether billed or unbilled, is recognised when negotiations have reached an advanced stage such customer has accepted the claims or approved the variation orders.

(c) Claims, litigations and reviews

The Group entered into various contracts with third parties in its ordinary course of business and is exposed to the risk of claims, litigations, latent defects or review from the contractual parties and/or government agencies. These can arise for various reasons, including change in scope of work, delay and disputes, defective specifications or routine checks etc. The scope, enforceability and validity of any claim, litigation or review may be highly uncertain. In making its judgment as to whether it is probable that any such claim, litigation or review will result in a liability and whether any such liability can be measured reliably, management relies on past experience and the opinion of legal and technical expertise.

Civil action by EIG funds

In February 2018, the Group was served a summons by eight investment funds ("Plaintiffs") managed by EIG Management Company, LLC ("EIG") where a civil action was commenced by the Plaintiffs pursuant to the Racketeer Influenced and Corrupt Organizations Act ("RICO") in the United States District Court, Southern District of New York. In April 2018, the Plaintiffs added, among other things, a state law claim for aiding and abetting fraud. In May 2020, the Court dismissed the Plaintiffs' civil RICO conspiracy claim but denied the Group's motion to dismiss the Plaintiff's claim on aiding and abetting fraud under New York state law. Consequently, the Plaintiffs currently seek US$221 million plus punitive damages, interest, attorney's fees, costs and disbursements, based on the remaining claim for aiding and abetting fraud.

Following completion of factual depositions, in late September 2021, the Plaintiffs and the Group have each served a motion for summary judgment, seeking judgment on the abovementioned claim which the Plaintiffs have presently quantified at approximately US$820 million in aggregate, including US$442 million in punitive damages and US$157 million as pre-judgment interest. Each party's opening brief, opposition brief and reply brief were filed with the Court on 2 November 2021. There currently is no scheduled hearing date for the summary judgment motions.

Based on the advice obtained from an external legal counsel, the remaining claim for aiding and abetting fraud is without merit and the Group will vigorously defend itself. As at the date of these financial statements, based on advice obtained from external legal counsel, it is premature to predict or determine the eventual outcome of this remaining claim and hence, the potential amount of loss cannot currently be assessed.

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3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(c) Claims, litigations and reviews (cont'd)

Termination of Two Mid-Water Semisubmersible Drilling Rig Contracts

A wholly owned subsidiary of the Company ("KOM Subsidiary") terminated two contracts with subsidiaries of a customer for the construction of two mid-water semisubmersible drilling rig for harsh environment use:

(i) In June 2020, the buyer under the first of these contracts ("First Contract") alleged a breach of contract by the KOM Subsidiary and purportedly terminated the First Contract and sought recovery of the payments already made to the KOM Subsidiary with interest. The allegations by the buyer were refuted and the purported termination of the contract was rejected by the KOM Subsidiary. The buyer subsequently failed to pay an instalment due under the First Contract. Non-payment of any instalment by the buyer is a default in accordance with the First Contract, entitling the KOM Subsidiary to terminate the First Contract, retain all payments received to date (approximately US$54 million), and seek compensation for the work done to date and claim ownership of the rig. The KOM Subsidiary had therefore issued a notice of termination of the First Contract to the buyer and commenced arbitration to enforce its rights under the First Contract against the buyer.

(ii) In December 2020, the KOM Subsidiary issued a notice of termination of the second of these contracts ("Second Contract") and commenced arbitration to enforce its rights under the Second Contract against the buyer, which rights include the right to retain the amounts already paid by the buyer to date of approximately US$43 million and to seek reimbursement of the KOM Subsidiary's costs of the project up to the date of termination.

Subsequent to the issuance of this notice of termination, the KOM Subsidiary has received a notice from the buyer purporting to terminate the Second Contract, alleging breaches under the Second Contract. As it had already terminated the Second Contract, the KOM Subsidiary's position is that the notice of termination can have no effect. In any event, the KOM Subsidiary refutes the abovementioned allegations by the buyer in the notice.

The Group is working with legal advisors to enforce its rights and will continue to evaluate the potential financial impact in consultation with its advisors. Based on currently available information, including opinion from the legal advisors, no provision was made in respect of the recovery of the payments already made to the Group by the two buyers.

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3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(c) Claims, litigations and reviews (cont'd)

Arbitration in relation to two Floating Production Storage and Offloading Units

Two of the Company's wholly-owned subsidiaries have received a request for arbitration from the customer ("Claimant") to two engineering, procurement and construction contracts relating to Floating Production Storage and Offloading units ("EPC Contracts"). The Claimant has withheld a total of approximately US$11.3 million due to the subsidiaries and has claimed a further amount of approximately US$38.2 million on the basis that the Claimant is allegedly entitled to a price reduction and remediation costs associated with defective equipment supplied under the EPC contracts (the "Claim").

The subsidiaries, in consultation with legal advisors, deny the Claimant's alleged right to such price reductions and the defective equipment and vehemently challenge the Claimant's right to withhold payments due to the subsidiaries and its supposed right to claim such price reductions. The subsidiaries intend to vigorously defend the claim and in addition, seek remedies, including counterclaims for the sums unduly withheld by the Claimant.

Based on currently available information, including opinion from the legal advisors, no provision was made in respect of the Claim as at 31 December 2021.

(d) Recoverability of contract assets and trade debtors in relation to construction contracts

Contracts with Sete Brasil ("Sete")

The Group had previously entered into contracts with Sete for the construction of six rigs for which progress payments from Sete had ceased since November 2014. In April 2016, Sete filed for bankruptcy protection and its authorised representatives had been in discussion with the Group on the eventual completion and delivery of some of the rigs. In October 2019, the Settlement Agreement as well as the winning bid proposal for Magni Partners (Bermuda) Ltd ("Magni") to purchase four Sete subsidiaries, two of which are special-purpose entities ("SPEs") for uncompleted rigs constructed by the Group, was approved by the creditors. As part of the Settlement Agreement, which is subject to fulfilment of certain conditions precedent, the Group will take over ownership of remaining four uncompleted rigs and will be able to explore various options to extract the best value from these assets.

On 12 October 2021, the Group entered into a 2nd Supplemental Agreement to the Settlement Agreement in relation to the two SPEs and together with the Supplemental Agreement signed on 31 May 2021 for the four uncompleted rigs, essentially terminates all the EPC contracts and related agreements entered into in relation to the six rigs with no penalties, refunds and/or any additional amounts being due to any party, and the parties will waive all rights to any claims. The Group had obtained full title to the four uncompleted rigs, albeit two of which are still encumbered. Sete is to procure the release of the mortgage on the two encumbered rigs placed with the ship registry. The receivables the Group has with Sete of approximately US$260,000,000 shall be recognised as an undisputed debt and be recognised as part of the debt under the Judicial Reorganisation Plan. The outstanding amount will be paid to the Group proportionally and pari passu with other creditors of Sete as part of, and out of proceeds of, its Judicial Reorganisation Plan.

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3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(d) Recoverability of contract assets and trade debtors in relation to construction contracts (cont'd)

Contracts with Sete Brasil ("Sete") (cont'd)

Management estimated the net present value of the cashflows relating to the construction contract for two rigs with Magni. In addition, management performed an assessment to estimate the cost of discontinuance of related agreements of the EPC contracts with Sete, offset by possible options in extracting value from the uncompleted rigs and possible payout from the Judicial Reorganisation Plan.

Arising from the above assessment, the loss allowance for trade debtors of $183,000,000 (2020: $183,000,000) and the provision for related contract costs of $245,000,000 (2020: $245,000,000) made in prior years remain adequate to address the cost of discontinuance, salvage cost and unpaid progress billings relating to EPC contracts with Sete.

Taking into consideration cost of completion, cost of discontinuance, salvage cost and unpaid progress billings with regards to these rigs, the total cumulative loss recognised in relation to these rig contracts amounted to $476,000,000 as at 31 December 2021 (2020: $476,000,000).

The above assessment had been made with the following key assumptions:

(i) Petrobras will continue to require the rigs for execution of its business plans and will charter them at the dayrates and tenure previously agreed with Sete;

(ii) Magni or any other potential investor will be able to secure financing to complete the purchase of the rigs with Sete and complete the construction contract with the Group at the terms previously discussed with Magni; and

(iii) The future cost of construction of the rigs are not materially different from management's current estimation.

As disclosed in the audited financial statements for the year ended 31 December 2020, the Group continues to be in active discussion with relevant stakeholders as Sete negotiates with Petrobras. Should the conclusion of the negotiation result in significant changes to the key assumptions as disclosed above, additional material provision may be required, including adjustments to the net carrying amounts (net of total cumulative losses as described above) relating to the Sete contracts amounting to $157,449,000 as at 31 December 2021 (2020: $113,645,000).

Other contracts

As at 31 December 2021, the Group had several rigs that were under construction for customers where customers had requested for deferral of delivery dates of the rigs in prior years and have higher counterparty risks. In the event that the customers are unable to fulfill their contractual obligations, the Group can exercise the right to retain payments received to date and retain title to the rigs.

The Group had also delivered rigs to customers where receipt of the construction revenue have been deferred under certain financing arrangements, amounting to $791,952,000 as at 31 December 2021 (2020: $848,117,000) of which $791,952,000 (2020: $772,443,000) is secured on the rigs and $nil (2020: $75,674,000) is unsecured but the Group has obtained parental guarantee from the customers.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(d) Recoverability of contract assets and trade debtors in relation to construction contracts (cont'd)

Other contracts (cont'd)

Management has assessed each deferred construction project individually to make judgment as to whether the customers will be able to fulfil their contractual obligations and take delivery of the rigs at the revised delivery dates. Management has also performed an assessment of the expected credit loss on contract assets and trade receivables of deferred projects and of rigs delivered on financing arrangements to determine if a provision for expected loss is necessary.

Whilst there are indicators of improvement during the year, the global economic environment continues to be significantly affected by COVID-19 and the oil and gas industry, in particular, has experienced an unprecedented and very difficult period as a result of lower expected demands. We expect the full recovery for the industry to take some time. The Group remains cognizant of these developments and have been closely monitoring the market and industry developments relating to utilisation rates, dayrates, oil price outlook and other relevant information.

For the above contract assets and secured trade receivables, in the event that the customers are unable to fulfil their contractual obligations, management has considered the most likely outcome for the rigs delivered or under construction is for the Group to take possession of the asset and charter it out to work with an operator. The value of the rig on this basis would be based on an estimation of the Value-in-use ("VIU") of the rig, i.e. through estimating the net present value of cash flows from operating the rig over the useful life of the asset.

Management has engaged independent professional firms to assist in their assessment on whether the VIU of the rigs would exceed the carrying values of contract assets and trade receivables as at 31 December 2021. The VIU model used by the independent firm is consistent with prior years and is based on Discounted Cash Flow ("DCF") calculations that cover each class of rig. In addition to the independent firm responsible for the valuation based on DCF calculations, management has also engaged a separate industry expert to independently provide a view of the market outlook, assumptions and parameters which are used in the valuation based on estimation of VIU. Key inputs into the estimation of the VIU include dayrates and cost assumptions, utilisation rates, discount rates and estimated commencement of deployment of the assets. The valuation of the rigs would decrease if the expected income from operating the rigs decline, or discount rates were higher, or the estimated commencement of deployment were delayed.

Management has also appointed an independent financial advisor to conduct an assessment of the recoverability of unsecured receivables from a customer and secured receivables from another customer as at 31 December 2021.

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3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(d) Recoverability of contract assets and trade debtors in relation to construction contracts (cont'd)

Other contracts (cont'd)

Based on the results of the assessments, the Group did not recognise any (2020: $430,842,000) expected credit loss on contract assets, but recognised an expected credit loss allowance of $75,952,000 (2020: $169,611,000) on receivables during the financial year ended 31 December 2021 as follows:

	Contract assets $'000	Financing to customers Secured $'000	Unsecured $'000	Total $'000
As at 31 December 2021				
Gross balance	3,393,984	892,407	141,654	4,428,045
Less: Expected credit loss				
Balance, 1 January	432,541	99,162	62,921	594,624
Currency alignment	-	1,293	2,781	4,074
Impairment charged	-	-	75,952	75,952
Balance, 31 December	432,541	100,455	141,654	674,650
Net balance	2,961,443	791,952	-	3,753,395
As at 31 December 2020				
Gross balance	2,933,715	871,605	138,595	3,943,915
Less: Expected credit loss				
Balance, 1 January	21,000	-	-	21,000
Currency alignment	-	(4,634)	(2,894)	(7,528)
Impairment charged	430,842	103,796	65,815	600,453
Reclassification (Note 9)	(19,301)	-	-	(19,301)
Balance, 31 December	432,541	99,162	62,921	594,624
Net balance	2,501,174	772,443	75,674	3,349,291

The valuations of the rigs based on estimated VIU are most sensitive to discount rates and dayrates.

- A discount rate of 7.6% has been used in the valuation as at 31 December 2021 (2020: 7%). An increase of 1% of the discount rate would increase the expected credit loss by approximately S$7,000,000 for the year (2020: S$7,000,000).
- A decrease in dayrates of US$5,000 per day across the entire asset useful life of 25 years would not increase the expected credit loss (2020: $nil).

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3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(e) Investment in Floatel International Limited ("Floatel')

	31 December	
	2021	2020
	$'000	$'000
Equity interest (Note 18)	**262,146**	-
Loan receivable (Note 18)	**-**	95,668
Carrying amount	**262,146**	95,668

	2021
	$'000
Other related exposures:	
Guarantee[1]	**119,386**

[1] In relation to a bilateral agreement between the Group and financial institutions, on the US$100 million revolving credit facility granted to Floatel in 2021.

On 24 March 2021, Floatel successfully completed its debt restructuring where Floatel retained its existing fleet of five operating vessels, substantially reduced its debt by approximately US$610 million and secured a new super senior US$100 million Revolving Credit Facility ("RCF") from financial institutions. The Company entered into participation agreements with these financiers that would require the Company to make whole for any loss the financier suffers under this RCF.

Following the restructuring, the Group retains its equity interest of 49.92% in Floatel but forgave the loan receivable from Floatel amounting to notional amount of approximately US$244 million. The Group continues to equity account for Floatel's results and during the financial year ended 31 December 2021, the Group equity accounted for Floatel's profits amounting to approximately $161 million. This comprised approximately $269 million gain from debt restructuring, $54 million loss from vessel impairment and $54 million losses from operations.

The significantly improved capital structure post debt restructuring has provided a runway for Floatel to recover and emerge financially stronger. Since completion of the restructuring, Floatel had also successfully won multiple charter contracts and extension option for its vessels. Accordingly, no further impairment loss was recognised on the Group's investment in Floatel for the financial year ended 31 December 2021.

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3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(f) Global resolution with criminal authorities in relation to corrupt payments

In 2017, the Company reached a global resolution with the criminal authorities in the United States of America, Brazil and Singapore in relation to corrupt payments made in relation to the Group's various projects with Petrobras and Sete Brasil in Brazil, which were made with knowledge or approval of former KOM executives. Fines in an aggregate amount of US$422,216,980, or equivalent to approximately S$570 million, paid/payable had been allocated between the three jurisdictions.

As part of the global resolution, the Company accepted a Conditional Warning from the Corrupt Practices Investigation Bureau ("CPIB") in Singapore, and entered into a Deferred Prosecution Agreement ("DPA") with the U.S. Department of Justice ("DOJ"), while Keppel FELS Brasil S.A., a wholly-owned subsidiary of the Company, entered into a Leniency Agreement with the Public Prosecutor's Office in Brazil, the Ministerio Publico Federal ("MPF") which became effective following the approval of the Fifth Chamber for Coordination and Review of the MPF in April 2018. In addition, Keppel Offshore & Marine USA, Inc ("KOM USA"), also a wholly-owned subsidiary of the Company, pleaded guilty to one count of conspiracy to violate the U.S. Foreign Corrupt Practices Act and entered into a Plea Agreement with the DOJ.

The Company has successfully complied with its obligations under the DPA and the DPA has accordingly concluded on 22 December 2020. The Company has also been in compliance with its obligations under the Conditional Warning issued by the CPIB and the Leniency Agreement entered into with the MPF. As part of the applicable fines payable under the global resolution, a sum of US$52,777,122.50 (less any penalties that the Group may pay to specified Brazilian authorities) was payable to CPIB within three years from the date of the Conditional Warning and has been included in accrued expenses since FY 2017. The discussions with the specified Brazilian authorities remain ongoing, and CPIB has agreed to extend this three-year period for a further 12 months to 22 December 2021 and thereafter for a further 6 months to 22 June 2022.

In June 2020, the Office of the Comptroller General of Brazil ("CGU") published a notice in the Official Gazette ("Notice") to the effect that CGU has initiated an administrative enforcement procedure ("AEP") against KOM, Prismatic Services Ltd., Keppel FELS Ltd., Keppel FELS Brasil S.A., and BrasFELS S.A., in relation to alleged irregularities under the Brazilian Anti-Corruption Statute. Neither the Notice nor any summons has been served on any of the foregoing entities to date.

The Notice does not provide any factual particulars and the Company is therefore currently unable to assess the matter or its impact, if any. The Company understands from CGU that the AEP will not affect the ongoing negotiations with the Brazil authorities, and that the AEP has been suspended pending these ongoing discussions.

Based on currently available information, including opinion from the legal advisors, no additional provision was made in relation to the ongoing discussions with the specified Brazilian authorities.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(g) Estimating net realisable value ("NRV") of stocks - work-in-progress

The net realisable value of stocks represent the estimated selling price for these stocks less all estimated cost of completion and costs necessary to make the sale.

As at 31 December 2021, stocks under work-in-progress amounted to $1,289,838,000. The assessment of the carrying value of these stocks amounting to $1,137,665,000 were performed in conjunction with the recoverability assessment of contract assets based on a VIU approach as described in note 3(d).

Based on the results of the VIU assessments, the Group did not recognise further impairment on stocks under work-in-progress for the financial year ended 31 December 2021 (2020: $41,508,000 and $50,000,000 in years prior to 2020).

The valuation of these stocks under work-in-progress based on estimated VIU are most sensitive to discount rates, dayrates and delay in charter start date.
- An increase of 1% of the discount rate would result in an impairment of approximately $46,500,000 (2020: $$158,000,000).
- A decrease in dayrates of US$5,000 per day across the entire asset life of 25 years would not result in an impairment (2020: $$21,000,000).
- A delay in charter start date of 12 months would result in an impairment of approximately $24,200,000 (2020: $85,000,000).

(h) Impairment of non-financial assets

Determining whether the carrying value of a non-financial asset is impaired requires an estimation of the value in use of the cash-generating units. This requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amounts of fixed assets, investments in subsidiaries, investment in associates and joint ventures, and intangibles are disclosed in the balance sheet. Management performed impairment tests on these non-financial assets as at 31 December 2021. Refer to Note 15, 17, 18, 19 and 20 for more details.

Each rigbuilding, shipbuilding and repair facilities has been identified as individual CGUs. The recoverable amounts of these CGUs were determined using value-in-use models that incorporated cash flow projections based on financial forecasts approved by management. Management had determined the forecasted cash flows based on past performance and its current expectations of market development.

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3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(i) Leases terms - options to extend

As at 31 December 2021, lease liabilities of the Group included $3,185,000 (2020: $3,683,000) where lease extension options on land and buildings are included in the estimation of the lease term as it is reasonably certain that the lease would be extended, based on facts and circumstances that create an economic incentive to exercise the extension option. The following factors are considered in determining whether there is significant economic incentive to extend the lease:

- Leasehold improvements are expected to have significant remaining value as significant investments were undertook since the commencement of the lease; and
- Significant costs expected to be incurred and business disruption for relocation of the operations.

The assessment of reasonable certainty to exercise extension options is only revised if a significant change in circumstances occurs which affects this assessment, and that is within the control of the lessee. During the current financial year, there was no revision of lease term.

As at 31 December 2021, potential future (undiscounted) cash outflows on lease extension options of approximately $579,436,000 (2020: $476,544,000) have not been included in lease liabilities because it is not reasonably certain that the leases will be extended.

(j) Uncertain tax positions

The Group is subject to income taxes in the jurisdictions in which it operates. In determining the income tax liabilities, management has made estimates of income that are subject to tax and the deductibility of certain expenses ("uncertain tax positions") at each jurisdiction.

At the balance sheet date, the Group has made tax filings with a tax authority in a foreign jurisdiction which are currently open. Management believes that the tax positions are sustainable based on prior experience and filings. Accordingly, the Group has not recognised additional tax liability, if any, on these uncertain tax positions.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT

(A) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Company		Group	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Financial assets				
Derivative financial instruments	**-**	-	**21,487**	79,777
Financial assets,				
- at amortised cost	**1,161,970**	1,228,757	**1,796,494**	2,668,320
- at FVOCI	**5**	3	**53,743**	60,107
- at FVPL	**-**	-	**48,098**	49,194
Financial liabilities				
Derivative financial instruments	**-**	-	**(17,019)**	(14,194)
Term loans and payables at amortised cost	**(356,079)**	(428,097)	**(6,798,725)**	(6,268,432)

(B) Financial instruments subject to offsetting, enforceable master netting arrangements and similar arrangements

The Group and Company do not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting arrangements.

(C) Financial risk management policies and objectives

The Group operates internationally and is exposed to a variety of financial risks, comprising market risk (including currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. Financial risk management is carried out by the Keppel Group Treasury Department in accordance with established policies and guidelines. These policies and guidelines are established by Keppel Group Central Finance Committee and are updated to take into account changes in the operating environment. This committee is chaired by the Chief Financial Officer of Keppel Group and includes Chief Financial Officers of Keppel Group's key operating companies and Head Office specialists.

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(a) Market risk management

(i) Currency risk management

The Group has receivables and payables denominated in foreign currencies such as US Dollars ("USD"), Brazilian Real ("BRL") and other currencies. The Group's foreign currency exposures arise mainly from the exchange rate movement of these foreign currencies against the respective entities' functional currencies. To hedge against the volatility of future cash flows caused by changes in foreign currency rates, the Group utilises forward foreign currency contracts to hedge the Group's exposure to specific currency risks relating to investments, debtors, creditors and other commitments. Keppel Group Treasury Department monitors the current and projected foreign currency cash flow of the Group and aims to reduce the exposure of the net position in each currency by borrowing in foreign currency and other currency contracts where appropriate.

As at the end of the financial year, the Group has outstanding forward foreign exchange contracts (details refer to Note 14).

Other than the above hedged foreign currency contracts, the unhedged currency exposure of financial assets and financial liabilities denominated in currencies other than the respective entities' functional currencies are as follows:

	At 31 December 2021		
	USD	**BRL**	**Others**
	$'000	**$'000**	**$'000**
Group			
Financial assets			
Cash and short-term placements	**79,364**	**34**	**1,411**
Trade debtors	**5,243**	**189**	**1,543**
Financial assets, at FVOCI	**14,072**	**-**	**3,652**
Financial assets, at FVPL	**48,098**	**-**	**-**
Total financial assets	**146,777**	**223**	**6,606**
Financial liabilities			
Trade creditors	**(72,211)**	**(13,903)**	**(160)**
Amount due to related companies	**(1,215,440)**	**-**	**-**
Total financial liabilities	**(1,287,651)**	**(13,903)**	**(160)**
Net financial liabilities	**(1,140,874)**	**(13,680)**	**6,446**

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(a) Market risk management (cont'd)

(i) Currency risk management (cont'd)

	At 31 December 2020		
	USD **\$'000**	**BRL** **\$'000**	**Others** **\$'000**
Group			
Financial assets			
Cash and short-term placements	75,026	37	347
Trade debtors	2,461	312,242	1,310
Amount due from related companies	11,625	-	-
Financial assets, at FVOCI	10,368	-	3,573
Financial assets, at FVPL	49,194	-	-
Total financial assets	148,674	312,279	5,230
Financial liabilities			
Trade creditors	(71,048)	(19,538)	(6,685)
Amount due to related companies	(1,150,450)	-	-
Term loans	(3,008)	-	-
Total financial liabilities	(1,224,506)	(19,538)	(6,685)
Net financial (liabilities)/assets	(1,075,832)	292,741	(1,455)

	2021 **USD** **\$'000**	2020 USD \$'000
Company		
Financial assets		
Cash and short-term placements	**75,391**	73,335
Other debtors	**63**	-
Financial assets, at FVOCI	**5**	3
	75,459	73,338
Financial liabilities		
Accrued expenses	**(77,657)**	(70,563)
Amount due to related companies	**(70,526)**	(68,226)
	(148,183)	(138,789)
Net financial liabilities	**(72,724)**	(65,451)

The Company has several investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Further details on the forward exchange derivative hedging instruments are found in Note 14 to the financial statements.

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(a) Market risk management (cont'd)

(i) Currency risk management (cont'd)

Sensitivity analysis for currency risk

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment on the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they give rise to an impact on the Group's profit or loss and/or equity.

If the relevant foreign currency change against the functional currency by 5% with all other variables held constant, the positive/(negative) effects on profit after tax and other equity will be as follows:

	Profit after tax		**Other equity**	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Group				
USD against S$				
- Strengthened	**(47,930)**	(45,077)	**704**	518
- Weakened	**47,930**	45,077	**(704)**	(518)
BRL against S$				
- Strengthened	**(568)**	12,149	**-**	-
- Weakened	**568**	(12,149)	**-**	-
Company				
US$ against S$				
- Strengthened	**(3,021)**	(2,716)	**-**	-
- Weakened	**3,021**	2,716	**-**	-

In management's opinion, the sensitivity analysis is not indicative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(a) Market risk management (cont'd)

(ii) Interest rate risk management

The Group is exposed to interest rate risk for changes in interest rates primarily for debt obligations and placements in the money market. The Group policy is to maintain a mix of fixed and variable rate debt instruments with varying maturities.

Sensitivity analysis for interest rate risk

The sensitivity analyses below have been determined based on the exposure to interest rates for term loans at the end of the reporting periods and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 0.5% p.a. increase/decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% p.a. higher or lower and all other variables were held constant, the Group's loss after tax would increase/decrease by $16,584,000 (2020: loss after tax would increase/decrease by $14,202,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings during the year.

The Company's profit or loss and equity are not affected by the changes in interest rates as the interest-bearing instruments carry fixed interest and are measured at amortised cost.

(iii) Equity price risk management

The Group and Company are exposed to equity securities price risk arising from equity investments classified as financial assets, at FVOCI (Note 11). To manage its price risk arising from investments in equity securities, the Group and Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Sensitivity analysis for price risk

As at 31 December 2021, if prices for quoted investments increase/decrease by 5% (2020: 5%), the Group's fair value reserve in other comprehensive income would have been higher/lower by $1,281,000 (2020: $1,790,000) as a result of higher/lower fair value gains on investments at fair value through other comprehensive income.

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(b) Credit risk management

Credit risk refers to the risk that debtors will default on their obligation to repay the amount owing to the Group. A substantial portion of the Group's revenue is on credit terms. The Group adopts stringent procedures on extending credit terms to customers and on the monitoring of credit risk. The credit policy spells out clearly the guidelines on extending credit terms to customers, including monitoring the process and using related industry's practices as reference. This includes assessment and valuation of customers' credit reliability and periodic review of their financial status to determine the credit limits to be granted. Customers are also assessed based on their historical payment records. Where necessary, customers may also be requested to provide security or advance payment before services are rendered. In addition, contract assets and receivables for the Group's construction of newbuild rigs/vessels are secured on the assets being constructed. The Group's policy does not permit non-secured credit risk to be significantly centralised in one customer or a group of customers.

Credit risk assessment on an individual customer is based on historical, current and forward-looking information such as:

- Historical financial and default rate of the customer
- Any publicly available information on the customer
- Any macro-economic or geopolitical information relevant to the customer
- Any other objectively supportable information on the quality and abilities of the customer's management relevant for its performance

The Group assesses on a forward-looking basis the expected credit loss ("ECLs") associated with financial assets which are mainly debtors, amounts due from related companies and bank balances, deposits and cash.

ECLs are probability-weighted estimates 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 the financial asset. At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and at FVOCI 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. These events include probability of insolvency, significant financial difficulties of the debtor and default or significant delay in payments.

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 undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

The Group uses a provision matrix to measure ECLs on receivables from customers and counterparties that have not been individually assessed. These are grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as debtor failing to engage in a repayment plan with the Group.

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(b) Credit risk management (cont'd)

The Group's credit risk exposure in relation to debtors under SFRS(I) 9 that have not been assessed on a contract-by-contract basis are set out in the provision matrix as follows:

Group	Current $'000	1 to 3 months $'000	3 to 6 months $'000	> 6 months $'000	Total $'000
31 December 2021					
Expected loss rate	**0.02%**	**7.84%**	**3.06%**	**7.86%**	
Trade debtors	**4,715**	**4,173**	**1,342**	**3,805**	**14,035**
Loss allowance	**1**	**327**	**41**	**299**	**668**
31 December 2020					
Expected loss rate	2.27%	8.62%	10.41%	8.99%	
Trade debtors	2,996	3,038	1,230	4,371	11,635
Loss allowance	68	262	128	393	851

Trade debtors that have been assessed on a contract-by-contract basis involve mainly those with collaterals held or guarantees provided to the Group amounting to $791,952,000 (2020: $848,117,000) (See further in note 3(d) other contracts).

Cash and cash equivalents with banks consider to have low credit risk. The cash balances are measured on 12-month expected credit losses and subject to immaterial credit loss.

The Company has assessed that its subsidiaries have financial capacity to meet the contractual cash flow obligations and hence does not expect significant credit losses.

The Company has issued financial guarantees to banks for borrowings of its subsidiaries where details are disclosed in Note 33. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(c) Liquidity risk management

Prudent liquidity risk management requires the Group to maintain sufficient cash, internally generated cash flows, and the availability of funding resources through an adequate amount of committed credit facilities. Group Treasury also maintains a mix of short-term money market borrowings and medium/long-term loans to fund working capital requirements and capital expenditures/investments. Due to the dynamic nature of business, the Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time.

Information relating to maturity profile of loans is disclosed in Note 23 to the financial statements. The other significant non-derivative financial assets and financial liabilities are repayable on demand or due within 1 year.

Liquidity and interest risk analysis

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	On demand or less than 1 year $'000	1 year to 5 years $'000	After 5 years $'000
Group			
2021			
Non-interest bearing	**1,949,195**	**-**	**-**
Variable interest rate	**4,065,102**	**-**	**-**
Fixed interest rate	**422,289**	**13,116**	**115,721**
Lease liabilities (fixed rate)	**48,758**	**170,691**	**225,007**
Total	**6,485,344**	**183,807**	**340,728**
2020			
Non-interest bearing	1,981,365	-	-
Variable interest rate	3,478,045	847	4,123
Fixed interest rate	438,674	27,979	115,195
Lease liabilities (fixed rate)	52,266	192,398	294,804
Total	5,950,350	221,224	414,122

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(c) Liquidity risk management (cont'd)

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments of the Group and the Company based on contractual undiscounted cash inflows/(outflows). The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that require gross settlement.

	On demand or less than 1 year $'000	1 year to 5 years $'000
Gross-settled forward foreign exchange contracts		
Group		
2021		
- Receipts	3,099,299	418,950
- Payments	(3,053,716)	(417,167)
Net	45,583	1,783
2020		
- Receipts	1,449,620	1,833,805
- Payments	(1,436,142)	(1,797,836)
Net	13,478	35,969

(d) Fair value of financial instruments

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). Fair value is determined by reference to the net tangible assets of the investments.

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(d) Fair value of financial instruments (cont'd)

The following table presents the assets and liabilities measured at fair value.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2021				
Financial assets				
Derivative financial instruments	**-**	**21,487**	**-**	**21,487**
Unquoted investments				
- Investments at FVOCI	**-**	**-**	**28,120**	**28,120**
- Investments at FVPL	**-**	**20,791**	**27,307**	**48,098**
Quoted investments				
- Investments at FVOCI	**25,623**	**-**	**-**	**25,623**
	25,623	**42,278**	**55,427**	**123,328**
Financial liabilities				
Derivative financial instruments	**-**	**17,019**	**-**	**17,019**

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2020				
Financial assets				
Derivative financial instruments	-	79,777	-	79,777
Unquoted investments				
- Investments at FVOCI	-	-	24,305	24,305
- Investments at FVPL	-	21,887	27,307	49,194
Quoted investments				
- Investments at FVOCI	35,802	-	-	35,802
	35,802	101,664	51,612	189,078
Financial liabilities				
Derivative financial instruments	-	14,194	-	14,194

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(d) Fair value of financial instruments (cont'd)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company				
2021				
Financial assets				
Investments at FVOCI	**5**	**-**	**-**	**5**
2020				
Financial assets				
Investments at FVOCI	3	-	-	3

There have been no transfers between Level 1, Level 2 and Level 3 for the Group and Company in 2021 and 2020.

The following table presents the reconciliation of financial instruments measured at fair value based on significant unobservable inputs (Level 3).

	Group	
	2021 **$'000**	2020 $'000
Balance, 1 January	**51,612**	63,847
Currency alignment	**(327)**	429
Fair value gains/(losses)	**3,569**	(11,207)
Purchases	**760**	1,001
Sales	**(193)**	(1,966)
Reclassification	**6**	(492)
Balance, 31 December	**55,427**	51,612

The fair value of financial instruments categorised under Level 1 of the fair value hierarchy is based on published market bid prices at the balance sheet date.

The fair value of financial instruments categorised under Level 2 of the fair value hierarchy are fair valued under valuation techniques with market observable inputs. These include forward pricing and swap models utilising present value calculations using inputs such as observable foreign exchange rates (forward and spot rates), interest rate curves and forward rate curves and discount rates that reflects the credit risks of various counterparties.

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(C) Financial risk management policies and objectives (cont'd)

(d) Fair value of financial instruments (cont'd)

The following table presents the valuation techniques and key inputs that were used to determine the fair value of financial instruments and investment properties categorised under Level 3 of the fair value hierarchy.

Description	Fair value as at 31 December 2021 $'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Unquoted funds	14,867	Net asset value	Net asset value *	Not applicable
Unquoted equity	40,560	Discounted cash flow	Discount rate	9% - 13%

Description	Fair value as at 31 December 2020 $'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Unquoted funds	11,267	Net asset value	Net asset value *	Not applicable
Unquoted equity	40,345	Discounted cash flow	Discount rate	9% - 11%

* Fair value of unquoted equity instruments is determined by reference to the underlying assets value of the investee companies, which comprise mainly investments stated at fair value.

(e) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

The Company and Group review its capital structure at least annually to ensure that the Company and Group will be able to continue as a going concern. The capital structure of the Company comprises only of issued capital reserve and retained profits.

The Group's and Company's overall strategy remains unchanged from prior year.

5 CASH AND CASH EQUIVALENTS

	Company		Group	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Cash at bank	**1**	1	**106,479**	252,504
Fixed deposits	**-**	-	**165,277**	172,179
Deposits with related companies	**3,682**	3,838	**124,199**	70,543
Restricted deposit	**72,120**	70,563	**72,120**	70,563
Total	**75,803**	74,402	**468,075**	565,789
Less: Restricted deposit			**(72,120)**	(70,563)
Cash and cash equivalents in statement of cash flows			**395,955**	495,226

Restricted deposit represent cash held in an escrow account.

Deposits placed with related companies bear interest of 0% to 0.25% (2020: 0% to 1.76%) per annum and are repayable on demand. Deposits with a related company, which functions as the central treasury of the Keppel group of companies, are subject to an arrangement with a bank where bank balances above or below a preset amount are transferred from/to a bank account of the related company on a daily basis.

Fixed deposits with banks earn interests which are pegged to the prevailing market rates of 0.002% - 5.40% (2020: 0.01% - 6.80%) per annum.

6 TRADE DEBTORS

	Group		
	31 December		1 January
	2021	2020	2020
	$'000	**$'000**	$'000
Trade debtors	**1,532,604**	2,195,114	1,899,161
Less: Expected credit loss allowance	**(455,756)**	(386,503)	(216,440)
Net	**1,076,848**	1,808,611	1,682,721
Accrued receivables	**25,969**	24,709	125,761
Total	**1,102,817**	1,833,320	1,808,482
Due after one year	**(791,952)**	(875,810)	(638,308)
Due within one year	**310,865**	957,510	1,170,174

Movements in the loss allowance are as follows:

Balance, 1 January	**386,503**	216,440	221,900
Currency realignment	**7,992**	(11,361)	58
Charge (Note 31 (c))	**83,341**	186,876	8,769
Write back on recovery (Note 31 (c))	**(14,032)**	(1,589)	(1,523)
Utilised	**(8,048)**	(3,863)	(12,764)
Balance, 31 December	**455,756**	386,503	216,440

The average credit period on trade debtors is 30 days (2020: 30 days). Interest is charged at 1% - 16% (2020: 1% - 16%) per annum on the outstanding balance. Please see Note 3(d) for details of expected credit loss allowance recognised during the financial year amounting to $75,952,000 (2020: $169,611,000).

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6 TRADE DEBTORS (cont'd)

Included in trade receivables are amounts relating to financing arrangements for delivered rigs (refer to Note 3(d) other contracts).

Included within non-current trade debtors, $377,660,000 (2020: $369,508,000) is due from one customer and bears floating interest at LIBOR plus a margin, and repayable in 2024 and 2025. The remainder of $414,292,000 (2020: $506,302,000) is due from another customer, bears fixed interest and repayable in February 2024, December 2029 and on demand. The customer has options for early repayment.

7 OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	Company		Group	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Advances to suppliers	**-**	-	**14,868**	42,700
Recoverables	**71**	-	**53,752**	40,606
Loan receivables	**-**	-	**906**	6,393
Prepayments and deposits	**-**	-	**12,493**	12,352
Claims receivable	**-**	-	**11,761**	6,745
Sundry debtors	**-**	-	**54,736**	102,084
Others	**4**	4	**5,316**	6,271
Total	**75**	4	**153,832**	217,151
Less: Expected credit loss allowance	**-**	-	**(20,702)**	(18,816)
Net	**75**	4	**133,130**	198,335
Due after one year	**-**	-	**(2,701)**	(6,007)
Due within one year	**75**	4	**130,429**	192,328

Movements in loss allowance are as follows:

Balance, 1 January	**-**	-	**18,816**	17,387
Currency realignment	**-**	-	**235**	(225)
Charge (Note 31 (c))	**-**	-	**1,651**	1,911
Utilised	**-**	-	**-**	(257)
Balance, 31 December	**-**	-	**20,702**	18,816

The amount due after one year is made up of:

Loan receivables	**-**	-	**851**	5,578
Other prepayments	**-**	-	**1,850**	429
Total	**-**	-	**2,701**	6,007

8 STOCKS

	Group 2021 $'000	Group 2020 $'000
Stocks - work-in-progress (i)	**1,289,838**	1,072,890
Goods for sale (ii)	**44,563**	64,183
Consumable materials (ii)	**199,455**	161,554
Finished goods	**5,322**	2,234
	1,539,178	1,300,861

(i) Stocks - work-in-progress

	Group 2021 $'000	Group 2020 $'000
Construction costs	**1,408,691**	1,164,398
Less: Allowance for write-down to net realisable value	**(118,853)**	(91,508)
Net	**1,289,838**	1,072,890

Movements in the allowance for write-down are as follows:

	Group 2021 $'000	Group 2020 $'000
Balance, 1 January	**91,508**	50,000
Currency alignment	**492**	-
Charge (Note 31 (b))	**26,853**	41,508
Balance, 31 December	**118,853**	91,508

The allowance for stocks is made in respect of write-downs of stocks to net realisable value.

(ii) Consumable materials and goods for sale

	Group 2021 $'000	Group 2020 $'000
Gross stocks:		
Goods for sale	**92,937**	109,927
Consumable materials	**204,177**	165,680
	297,114	275,607
Less: Allowance for write-down to net realisable value:		
Goods for sale	**(48,374)**	(45,744)
Consumable materials	**(4,722)**	(4,126)
	(53,096)	(49,870)
Net	**244,018**	225,737

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8 STOCKS (cont'd)

(ii) Consumable materials and goods for sale (cont'd)

Movements in the allowance for write-down are as follows:

	Group	
	2021	2020
	$'000	$'000
Balance, 1 January	**49,870**	49,134
Currency alignment	**1,118**	(752)
Charge (Note 31 (b))	**7,061**	3,937
Write back (Note 31 (b))	**(288)**	(464)
Utilised	**(4,665)**	(1,985)
Balance, 31 December	**53,096**	49,870

The allowance for stocks is made in respect of write-downs of stocks to net realisable value. Previous write-downs have been reversed as a result of these stocks being utilised in the production process at the original cost or market price.

9 CONTRACT ASSETS AND CONTRACT LIABILITIES

		Group	
	2021	2020	2020
	$'000	$'000	$'000
Contract assets	**3,393,984**	2,933,715	3,345,020
Less: Expected credit loss allowance	**(432,541)**	(432,541)	(21,000)
	2,961,443	2,501,174	3,324,020
Contract liabilities	**293,731**	854,618	783,213

Movements in the expected credit loss allowance are as follows:

Balance, 1 January	**432,541**	21,000	21,000
Charge (Note 31 (c))	**23,225**	430,842	-
Utilised	**(23,225)**	-	-
Reclassified to stocks - work-in-progress	**-**	(19,301)	-
Balance, 31 December	**432,541**	432,541	21,000

In 2020, contract assets amounting to $447,337,000 (net of the expected credit loss allowance of $19,301,000) were reclassified to stocks – work-in-progress.

Contract assets relating to certain rig building contracts where the scheduled dates of the rigs have been deferred and have higher counter-party risks amounted to $1,707,190,000 (2020: $1,653,547,000). Refer to Note 3(d) other contracts.

9 CONTRACT ASSETS AND CONTRACT LIABILITIES (cont'd)

Revenue recognised during the financial year ended 31 December 2021 in relation to contract liability balance at 1 January 2021 was $236,034,000 (2020: $72,907,000).

The aggregate amount of the transaction price allocated to the remaining performance obligation is $4,100,692,000 (2020: $2,489,529,000) and the Group expects to recognise this revenue over the next 1 to 3 years (2020: 1 to 3 years).

10 AMOUNTS DUE FROM/TO RELATED COMPANIES

	Company		Group	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Due from related companies:				
- Holding company	**-**	-	**1,979**	2,182
- Subsidiaries	**1,063,580**	1,129,351	**-**	-
- Associated companies and a joint venture	**22,512**	25,000	**93,202**	101,311
- Fellow subsidiaries	**-**	-	**47,889**	42,446
	1,086,092	1,154,351	**143,070**	145,939
Less: Expected credit loss allowance	**-**	-	**(1,369)**	-
Net	**1,086,092**	1,154,351	**141,701**	145,939
Due to related companies:				
- Holding company	**-**	-	**9,071**	12,550
- Subsidiaries	**207,816**	283,481	**-**	-
- Associated companies	**-**	-	**19,182**	11,407
- Fellow subsidiaries	**70,528**	68,231	**4,325,158**	3,675,250
Total	**278,344**	351,712	**4,353,411**	3,699,207

Movements in loss allowance are as follows:

	Company		Group	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Balance, 1 January	**-**	-	**-**	-
Charge (Note 31 (c))	**-**	-	**1,369**	-
Balance, 31 December	**-**	-	**1,369**	-

Presentation on statements of financial position:	Company		Group	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Current assets	**1,086,092**	1,154,351	**114,269**	106,220
Non-current assets	**-**	-	**27,432**	39,719
Total	**1,086,092**	1,154,351	**141,701**	145,939
Current liabilities	**278,344**	351,712	**3,968,480**	3,312,746
Non-current liabilities	**-**	-	**384,931**	386,461
Total	**278,344**	351,712	**4,353,411**	3,699,207

The non-current assets are made up of amounts due from a fellow subsidiary and associated companies.

10 AMOUNTS DUE FROM/TO RELATED COMPANIES (cont'd)

Amounts due from/to the holding company are primarily non-trade, interest-free, receivable/payable on demand and expected to be settled in cash.

Amounts due from/to subsidiaries of the Company are non-trade in nature, unsecured, interest free, receivable/payable on demand and expected to be settled in cash.

Amount due from/to associated companies and a joint venture are non-trade in nature, unsecured, interest free and repayable on demand, except for:

(i) Amount due from associated companies and a joint venture amounting to $29,843,000 (2020: $43,199,000) which are trade in nature and unsecured; and

(ii) $57,202,000 (2020: $53,432,000) due from associated companies and joint venture are unsecured, repayable within 1 year and bear interest ranging from 0.19% - 12.00% (2020: 0.18% - 12.00%) per annum.

Amounts due from/to fellow subsidiaries are primarily non-trade, interest-free and receivable/payable on demand, except for:

(i) A short-term loan due to fellow subsidiaries amounting to $3,882,714,000 (2020: $3,236,870,000) which bears variable interest of 0.76% - 3.39% (2020: 0.55% - 4.14%) per annum and is expected to be repaid within the next 12 months;

(ii) A long-term loan due to a fellow subsidiary amounting to $384,931,000 (2020: $386,461,000) which bears fixed interest of 0.84% - 2.66% (2020: 1.84% to 2.66%) per annum and not expected to be repaid within the next 12 months;

(iii) A long-term loan due from a fellow subsidiary amounting to $21,599,000 (2020: $19,876,000) bears interest of 3.86% (2020: 3.86%) per annum and not expected to be repaid within the next 12 months; and

(iv) A revolving credit loan due from a fellow subsidiary amounting to $4,333,000 (2020: $3,520,000) bears interest of 4.00% (2020: 4.00%) per annum and not expected to be repaid within the next 12 months.

The fair values of non-current term loan bearing fixed interest rate due from/to related companies are computed on the discounted cash flow method using a discount rate based upon the borrowing rate which the Group expect would be available as at the balance sheet date. The fair values are within Level 2 of the fair values hierarchy. The fair values are as follows:

	Company		Group	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Fair values:				
Due from related companies:				
- Associated companies and joint venture	-	-	**1,533**	13,580
- Fellow subsidiaries	-	-	**24,618**	22,345
Total	-	-	**26,151**	35,925
Due to related companies:				
- Fellow subsidiaries	-	-	**358,467**	364,075

11 FINANCIAL ASSETS, AT FVOCI

	Company		Group	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Balance, 1 January	**3**	335	**60,107**	56,678
Currency alignment	**-**	-	**(350)**	429
Fair value gain/(losses)	**2**	(332)	**2,353**	(18,285)
Additions	**-**	-	**760**	23,251
Disposals	**-**	-	**(9,127)**	(1,966)
Balance, 31 December	**5**	3	**53,743**	60,107

	Company		Group	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Current assets				
Listed equity shares:				
- Dyna-Mac Holdings Ltd.	**-**	-	**22,750**	25,000
- Others	**5**	3	**2,873**	10,802
	5	3	**25,623**	35,802
Non-current assets				
Non-listed equity shares	**-**	-	**28,120**	24,305
Total	**5**	3	**53,743**	60,107

12 FINANCIAL ASSETS, AT FVPL

	Group	
	2021	2020
	$'000	$'000
Balance 1 January	**49,194**	67,007
Currency alignment	**183**	320
Fair value loss (Note 31(b))	**-**	(18,133)
Principal repayment of convertible bonds	**(1,279)**	-
Balance, 31 December	**48,098**	49,194

	Group	
	2021	2020
	$'000	$'000
Non-current assets		
Non-listed convertible bonds (a)	**20,791**	21,887
Non-listed equity investments	**27,307**	27,307
Total	**48,098**	49,194

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12 FINANCIAL ASSETS, AT FVPL (cont'd)

(a) As at 31 December 2021 and 2020, the unquoted convertible bonds bear interest at 4% per annum (2020: 4% per annum) and maturing on 30 December 2027. According to the initial terms of the bond agreements, the yearly repayment at 4% of nominal value of the securities commenced on 30 December 2017 up till 2026 with a final payment of 52% due on 30 December 2027. In accordance with the resolution of General meeting of Shareholders dated 28 December 2015, payment of interest payable for the period starting from the date of placement of loans till 30 December 2019 and also principal amount on bonds repayable from 2015 till 2020 were deferred to 30 December 2021. On 13 October 2021, the bond issuer has requested and the Group has agreed to a further deferment of the payment to 30 December 2022, subject to certain conditions being met.

13 OTHER ASSETS

Other assets pertain to retirement benefit assets held by a subsidiary of the Group. The Group maintains a funded, non-contributory defined benefit plan (the "Plan") for qualifying employees. Under the Plan, the employees are entitled to retirement benefits based on the latest monthly basic salary for every year of credited service.

14 DERIVATIVE ASSETS/LIABILITIES

	Group					
	2021			2020		
	Contract notional amount	Fair value Asset	Fair value Liability	Contract notional amount	Fair value Asset	Fair value Liability
	$'000	$'000	$'000	$'000	$'000	$'000
Derivatives held for hedging						
Cash-flow hedges						
- Forward foreign exchange contracts	**3,480,922**	**21,487**	**(17,019)**	3,262,626	79,777	(14,194)
Less: Current portion		**(18,294)**	**15,622**		(41,245)	11,689
Non-current portion		**3,193**	**(1,397)**		38,532	(2,505)

Forward foreign exchange contracts are transacted to hedge highly probable forecast transactions denominated in foreign currency. The forward foreign exchange contracts have maturity dates that coincide within the expected occurrence of these transactions. Gains and losses recognised in other comprehensive income prior to the occurrence of these transactions are reclassified to profit or loss in the period or periods during which the hedged forecast transaction affects profit or loss. The derivative contracts are entered on behalf by Group Treasury.

The changes in fair value of the hedging instruments approximate the changes in fair value of the hedged items, which resulted in minimal hedge ineffectiveness recognised in profit or loss. The weighted average hedged rate for the hedging instruments is USD1:SGD1.36 (2020: USD1:SGD1.39) with the maturity date ranging from January 2022 to January 2025 (2020: January 2021 to June 2024).

15 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings $'000	Buildings on leasehold land $'000	Plant, machinery, equipment and others [1] $'000	Vessels and floating docks $'000	Capital work-in-progress $'000	Total $'000
Cost:						
Balance, 1 January 2020	74,741	1,142,142	1,313,319	536,680	48,754	3,115,636
Currency alignment	1,307	(8,467)	(16,315)	(7,971)	(70)	(31,516)
Additions	162	390	17,671	14,585	18,697	51,505
Disposals	-	(810)	(13,449)	(1,876)	-	(16,135)
Write off	-	-	-	-	(11)	(11)
Reclassifications	784	7,889	(1,657)	(11,384)	4,368	-
Balance, 31 December 2020	76,994	1,141,144	1,299,569	530,034	71,738	3,119,479
Currency alignment	**(1,902)**	**5,974**	**(84)**	**6,793**	**115**	**10,896**
Additions	**-**	**215**	**9,973**	**144**	**14,071**	**24,403**
Disposals	**(1,581)**	**(2,761)**	**(10,613)**	**(75)**	**(185)**	**(15,215)**
Write off	**-**	**-**	**(1,522)**	**-**	**(5)**	**(1,527)**
Reclassified to assets classified as held for sale (Note 36)	**(69)**	**(142,955)**	**(79,558)**	**(55,340)**	**(4,303)**	**(282,225)**
Reclassifications	**(32,459)**	**63,413**	**20,964**	**(20,598)**	**(31,320)**	**-**
Balance, 31 December 2021	**40,983**	**1,065,030**	**1,238,729**	**460,958**	**50,111**	**2,855,811**
Accumulated depreciation and impairment losses:						
Balance, 1 January 2020	36,046	599,274	1,002,308	162,952	26,148	1,826,728
Currency alignment	1,214	(3,159)	(8,157)	(3,874)	-	(13,976)
Depreciation charge	2,061	23,648	43,353	15,582	-	84,644
Disposals	-	(797)	(13,296)	(1,876)	-	(15,969)
Impairment charge	-	18,099	1,595	-	-	19,694
Reclassification	-	1,956	(1,955)	6,592	(6,593)	-
Balance, 31 December 2020	39,321	639,021	1,023,848	179,376	19,555	1,901,121
Currency alignment	**(986)**	**(3,069)**	**142**	**4,357**	**-**	**444**
Depreciation charge	**1,496**	**17,650**	**43,162**	**22,201**	**-**	**84,509**
Disposals	**(1,356)**	**(2,300)**	**(11,339)**	**(74)**	**-**	**(15,069)**
Write off	**-**	**-**	**(1,322)**	**-**	**-**	**(1,322)**
Reclassified to assets classified as held for sale (Note 36)	**(30)**	**(118,729)**	**(71,867)**	**(16,834)**	**-**	**(207,460)**
Reclassifications	**(13,511)**	**21,989**	**3,660**	**(12,138)**	**-**	**-**
Balance, 31 December 2021	**24,934**	**554,562**	**986,284**	**176,888**	**19,555**	**1,762,223**
Carrying amount:						
Balance, 31 December 2021	**16,049**	**510,468**	**252,445**	**284,070**	**30,556**	**1,093,588**
Balance, 31 December 2020	37,673	502,123	275,721	350,658	52,183	1,218,358

[1] Others comprise office software and related implementation cost, furniture, fittings and office equipment, cranes.

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15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Included in freehold land and buildings is freehold land amounting to $3,378,000 (2020: $3,461,000).

Bank borrowings are secured over certain vessels of the Group with carrying value amounting to $75,645,000 (2020: $76,141,000).

In 2020, the Group recognised impairment losses on property, plant and equipment amounted to $19,694,000 and right-of-use assets (note 16) amounted to $2,879,000 included within "other operating expenses - net" (Note 31(b)). No such impairment loss was recognised in the current year. In prior year, the recoverable amounts of the impaired assets amounted to a total of $146,304,000. The recoverable amounts of these CGUs were determined using value-in-use models and valuation performed by independent professional firm. The value-in-use models incorporated cash flow projections based on financial forecasts approved by management. Management determined the forecasted cash flows based on past performance and its expectations of market development. A pre-tax Weighted Average Cost of Capital ranging from 6% to 20% (2020: 6% to 14%) per annum was used to discount the cash flows for various CGUs.

16 LEASES

Nature of the Group's leasing activities

The Group leases land for use as shipyards, warehouses and offices in several countries with remaining lease period ranging from 1 to 22 years (2020: 1 to 23 years). The Group has made upfront payment to secure the right-of-use of certain leasehold lands located in Singapore and China. The Group also makes annual lease payments for leasehold lands in Singapore, Brazil, United States of America, Japan, Philippines and Indonesia.

The leases for leasehold land in Japan contain extension periods, for which the related lease payments was included in lease liabilities as the Group is reasonably certain to exercise this extension option.

The Group leases barges to carry heavy loads for the offshore operation and leases equipment for office and operation use.

There is no externally imposed covenant on these lease arrangements.

(a) Carrying amounts of right-of-use assets

	Group	
	2021	2020
	$'000	$'000
Land - shipyards, warehouses and offices	**237,531**	324,793
Equipment and barges	**197**	525
Total	**237,728**	325,318

(b) Depreciation charge during the year

	2021	2020
	$'000	$'000
Land - shipyards, warehouses and offices	**30,532**	31,320
Equipment and barges	**376**	1,522
Total	**30,908**	32,842

16 LEASES (cont'd)

(c) Addition and remeasurement of right-of-use assets during the year

	2021 **$'000**	2020 $'000
Land - shipyards, warehouses and offices	**(18,458)**	29,616
Equipment and barges	**18**	98
Total	**(18,440)**	29,714

(d) As at 31 December 2021, the Group reclassified its right-of-use assets to assets classified as held for sale amounting to $32,871,000 (Note 36).

(e) Lease expense not capitalised in lease liabilities

	2021 **$'000**	2020 $'000
Short-term leases	**4,182**	3,518

(f) Total cash outflow for all the leases in 2021 was $56,594,000 (2020: $55,051,000).

Carrying amount of lease liabilities are disclosed in Note 24.

17 SUBSIDIARIES

	Company	
	2021 **$'000**	2020 $'000
Unquoted shares - at cost		
Balance, 1 January	**1,151,012**	1,151,012
Less: Liquidation	**(218)**	-
Balance, 31 December	**1,150,794**	1,151,012
Less: Allowance for impairment loss	**(415,385)**	(415,385)
Net	**735,409**	735,627

Movements in the allowance for impairment loss are as follows:

	Company	
	2021 **$'000**	2020 $'000
Balance, 1 January	**415,385**	210,586
Charge	**-**	204,799
Balance, 31 December	**415,385**	415,385

In 2020, the allowance for impairment loss had been made for certain subsidiaries of the Company as a result of their recoverable amounts being estimated to be less than their carrying amount. The recoverable amounts were determined based on the Net Assets of the subsidiaries.

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17 SUBSIDIARIES (cont'd)

Details of the subsidiaries of the Company are described below:

Subsidiaries	Effective interest and voting power held		Carrying amount of investments		Country of incorporation/ operations	Principal activities
	2021	2020	**2021**	2020		
	%	%	**$'000**	$'000		
FELS Offshore Pte Ltd	**100**	100	**318,062**	318,062	Singapore	Holding of long-term investments
Fornost Limited [2]	**-**	100	**-**	218	Hong Kong	Holding of long-term investments and provision of procurement services
Green Scan Pte Ltd	**100**	100	**547**	547	Singapore	Trading and installation of hardware, industrial, marine and building- related products, leasing and provision of services
Hygrove Investments Limited	**100**	100	**#**	#	British Virgin Islands	Holding of long-term investments
Keppel FELS Energy Manila, Inc [1]	**100**	100	**220**	220	Philippines	Generating and converting fuel energy
Keppel FELS Limited	**100**	100	**-**	-	Singapore	Construction, fabrication and repair of offshore production facilities and drilling rigs, power barges, specialised vessels and other offshore production facilities
Keppel Housing Pte Ltd	**100**	100	**15,246**	15,246	Singapore	Provision of staff housing
Keppel Marine & Deepwater Technology Pte Ltd (fka Deepwater Technology Group Pte Ltd)	**100**	100	**#**	#	Singapore	Research and experimental development on deepwater engineering
Keppel Offshore & Marine Technology Centre Pte Ltd	**100**	100	**100**	100	Singapore	Research and development on marine and offshore engineering
Keppel Sea Scan Pte Ltd	**100**	100	**18,399**	18,399	Singapore	Trading and installation of hardware, industrial, marine and building related products, leasing and provision of services

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17 SUBSIDIARIES (cont'd)

Subsidiaries	Effective interest and voting power held		Carrying amount of investments		Country of incorporation/ operations	Principal activities
	2021	2020	**2021**	2020		
	%	%	**$'000**	$'000		
Keppel Shipyard Limited	**100**	100	**262,735**	262,735	Singapore	Ship repairing, shipbuilding and conversions
KS Investments Pte Ltd	**100**	100	**120,000**	120,000	Singapore	Holding of long-term investments
Offshore Partners Pte Ltd	**100**	100	**#**	#	Singapore	Arrange, syndicate and/or provide financing to customers of Keppel Group
Offshore Technology Development Pte Ltd	**100**	100	**100**	100	Singapore	Production of jacking systems
Total			**735,409**	735,627		

\# *Cost less than $1,000.*

Details of the subsidiaries of the Group are described below:

Subsidiaries	Effective interest and voting power held		Country of incorporation/ operations	Principal activities
	2021	2020		
	%	%		
Held by FELS Offshore Pte Ltd				
Alfa Paulista Propriedades Ltda	**63**	63	Brazil	Holding of long-term investments and property management
Angra Propriedades & Administracao Ltda	**100**	100	Brazil	Holding of long-term investments and property management
AzerFELS Pte Ltd	**68**	68	Singapore	Holding of long-term investments
Bennett Offshore LLC (1)	**100**	100	U.S.A.	Offshore and marine-related services
Benniway Pte Ltd	**100**	100	Singapore	Holding of long-term investments
Bintan Offshore Fabricators Pte Ltd	**60**	60	Singapore	Offshore engineering and construction business
Caspian Offshore Limited (2)	**-**	100	British Virgin Islands	Offshore and marine-related services
Caspian Shipyard Company LLC(1)	**51**	51	Azerbaijan	Construction and repair of offshore drilling rigs

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17 SUBSIDIARIES (cont'd)

Subsidiaries	Effective interest and voting power held		Country of incorporation/ operations	Principal activities
	2021	2020		
	%	%		
Delporton Navegacao e Participacoes Ltda	**100**	100	Brazil	Engineering, construction, manufacturing and repair of offshore platforms and vessels
KOM ACE Pte Ltd	**100**	100	Singapore	Chartering of ships, barges and boats with crew
Estaleiro BrasFELS Ltda	**100**	100	Brazil	Engineering, construction and fabrication of platforms for the oil and gas sector, shipyard works and other general business activities
FELS Asset Co Pte Ltd	**100**	100	Singapore	Chartering of ships, barges and boats with crew
FELS Asset Co 2 Pte Ltd	**100**	100	Singapore	Chartering of ships, barges and boats with crew
Fernvale Pte Ltd	**100**	100	Singapore	Construction, fabrication and repair of drilling rigs and offshore production facilities
FSTP Brasil Ltda	**75**	75	Brazil	Procurement of equipment and materials for the construction of offshore production facilities
FSTP Pte Ltd	**75**	75	Singapore	Project management, engineering and procurement
Greenwood Pte Ltd	**100**	100	Singapore	Holding of long-term investments
Guanabara Navegacao Ltda	**100**	100	Brazil	Ship owning
Keppel AmFELS, Inc	**100**	100	U.S.A.	Construction and repair of offshore drilling rigs and offshore production facilities
Keppel AmFELS Mexico Engineering, SA de CV	**100**	100	Mexico	Provision of engineering and drafting services
Keppel FELS Brasil SA	**100**	100	Brazil	Engineering, construction and fabrication of platforms for the oil and gas industry
Keppel FELS Brasil Navegacao Ltda	**100**	100	Brazil	Ship owning
Keppel FELS Brasil Investments Ltda	**100**	100	Brazil	Holding of long-term investments
Keppel FELS Engineering Shenzhen Co. Ltd	**100**	100	China	Marine and offshore engineering Services

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17 SUBSIDIARIES (cont'd)

Subsidiaries	Effective interest and voting power held **2021** **%**	2020 %	Country of incorporation/ operations	Principal activities
Keppel FELS Engineering Wuhan Co. Ltd	**100**	100	China	Marine and offshore engineering services
Keppel Letourneau Middle East FZE	**100**	100	United Arab Emirates	Oilfield equipment trading, service and repair
Keppel Letourneau Singapore Pte Ltd[(1)]	**100**	100	Singapore	Design and license of various offshore rigs and platforms
Keppel Letourneau USA, Inc	**100**	100	U.S.A.	Design and license of various offshore rigs and platforms
Keppel Offshore & Marine Engineering Services Kuala Lumpur Sdn Bhd	**100**	100	Malaysia	Marine and offshore engineering services
Keppel Offshore & Marine Engineering Services Mumbai Private Limited	**100**	100	India	Marine and offshore engineering services
Keppel MexFELS SA de CV	**100**	100	Mexico	Construction and repair of offshore drilling rigs and offshore production facilities
Keppel Offshore & Marine USA, Inc	**100**	100	U.S.A.	Offshore and marine-related services
Keppel Singmarine Brasil Ltda	**100**	100	Brazil	Shipbuilding
Keppel Floatec LLC	**100**	100	U.S.A.	Fabrication of offshore platforms and structures
KV Enterpises B.V.	**100**	100	Netherlands	Holding of long-term investments
KV Ventus B.V.	**100**	100	Netherlands	Investment holding company
KVE Administradora de Bens Imoveis Ltda	**100**	100	Brazil	Holding of long-term investments and property management
KVE Investimentos Brasil Ltda	**100**	100	Brazil	Holding of long-term investments and property management
KVE Investments B.V.	**100**	100	Netherlands	Project management services
Lenity Pioneer Pte Ltd	**100**	100	Singapore	Service activities related to oil and gas extraction
Lindel Pte Ltd	**100**	100	Singapore	Project management, engineering and procurement
Navegantes Administracoes de Bens Moveis e Imoveis Ltda	**100**	100	Brazil	Shipbuilding

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17 SUBSIDIARIES (cont'd)

Subsidiaries	Effective interest and voting power held 2021 %	2020 %	Country of incorporation/ operations	Principal activities
Northstar Investments Pte Ltd	**100**	100	Singapore	Investment holding company
Offshore Partners 2 Pte Ltd	**100**	100	Singapore	Chartering of ships, barges and boats with crew
Offshore Wind 1 Pte Ltd	**100**	100	Singapore	Chartering of ships, barges and boats with crew
OWEC Tower AS	**100**	100	Norway	Offshore engineering and construction
Prismatic Services Limited	**100**	100	British Virgin Islands	Project procurement
PT Bintan Offshore	**60**	60	Indonesia	Offshore engineering and construction
Regency Steel Japan Limited	**51**	51	Japan	Sourcing, fabricating and supply of specialised steel components
Renewables Assets Partners Pte Ltd	**100**	100	Singapore	Chartering of ships, barges and boats with crew
Held by Keppel FELS Limited				
Keppel FELS Baltech Ltd[(1)]	**100**	100	Bulgaria	Marine and offshore engineering services
Held by KS Investments Pte Ltd				
Alpine Engineering Services Pte Ltd	**100**	100	Singapore	Marine contracting
Blastech Abrasives Pte Ltd	**100**	100	Singapore	Painting, blasting, shot blasting, process and sale of slag
Blue Ocean Solutions Pte Ltd	**70**	70	Singapore	Manufacture and repair of marine engines and ship parts
Gas Technology Development Pte Ltd	**100**	100	Singapore	Engineering design, procurement and construction of gas-related projects
Keppel Batangas Shipyard, Inc	**98**	98	Philippines	Shipbuilding and shiprepair

17 SUBSIDIARIES (cont'd)

Subsidiaries	Effective interest and voting power held 2021 %	2020 %	Country of incorporation/ operations	Principal activities
Keppel Nantong Heavy Industry Co. Ltd	**100**	100	China	Engineering and construction of specialised vessels
Keppel Nantong Shipyard Co. Ltd	**100**	100	China	Engineering and construction of specialised vessels
Keppel Philippines Marine, Inc	**99**	98	Philippines	Shipbuilding and repairing
Keppel Singmarine Pte Ltd	**100**	100	Singapore	Shipbuilding and repairing
Keppel Subic Shipyard, Inc	**78**	78	Philippines	Shipbuilding and repairing
KSI Production (2017) Pte Ltd	**100**	100	Singapore	Holding of long-term investments
Marine Technology Development Pte Ltd(1)	**100**	100	Singapore	Provision of technical consultancy for ship design and engineering works
Nusa Maritime Pte Ltd	**100**	100	Singapore	Provision of sea transportation services

(1) In process of liquidation.
(2) Liquidated during the year.

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

Name of subsidiary	Proportion of ownership interests and voting rights held by non-controlling interests 2021	2020	Accumulated non-controlling interests 2021 $'000	2020 $'000	Profit/(loss) for the year allocated to non-controlling interests 2021 $'000	2020 $'000
Regency Steel Japan Ltd	**49%**	49%	**26,361**	27,516	**444**	177
Bintan Offshore Fabricators Pte Ltd	**40%**	40%	**(45,380)**	(43,573)	**(1,807)**	(1,931)
FSTP Brasil Ltda	**25%**	25%	**16,976**	16,915	**479**	370
Keppel Subic Shipyard Inc	**22%**	22%	**22,013**	23,140	**(408)**	(431)
Individually immaterial subsidiaries with non-controlling interests			**2,340**	3,656	**(590)**	(3,574)
			22,310	27,654	**(1,882)**	(5,389)

17 SUBSIDIARIES (cont'd)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Regency Steel Japan Ltd		Bintan Offshore Fabricators Pte Ltd	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Non-current assets	**8,079**	6,631	**-**	-
Current assets	**52,864**	58,873	**691**	731
Non-current liabilities	**(2,589)**	(972)	**-**	-
Current liabilities	**(4,556)**	(8,377)	**(114,141)**	(109,664)
Net assets/(liabilities)	**53,798**	56,155	**(113,450)**	(108,933)

	FSTP Brasil Ltda		Keppel Subic Shipyard Inc	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Non-current assets	**-**	-	**112,763**	119,954
Current assets	**73,053**	72,520	**28,909**	23,111
Non-current liabilities	**-**	-	**(464)**	(515)
Current liabilities	**(5,153)**	(4,864)	**(42,096)**	(38,365)
Net assets	**67,900**	67,656	**99,112**	104,185

	Regency Steel Japan Ltd		Bintan Offshore Fabricators Pte Ltd		FSTP Brasil Ltda		Keppel Subic Shipyard Inc	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue	**17,959**	23,193	**-**	12	**-**	-	**18,530**	24,710
Profit/(loss) for the year	**906**	362	**(4,517)**	(4,828)	**1,916**	1,479	**(1,837)**	(1,942)
Total comprehensive income/(loss) for the year	**906**	362	**(4,517)**	(4,828)	**1,916**	1,479	**(1,420)**	(1,563)
Net cash flow from/(used in) from operations	**294**	9,585	**(6,829)**	1,553	**2,505**	802	**6,166**	(1,258)
Dividends paid to non-controlling interest	**-**	8,361	**-**	-	**-**	-	**220**	474

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18 ASSOCIATED COMPANIES

	Company	
	2021	2020
	$'000	$'000
Equity investments at cost		
Balance, 1 January and 31 December	**12,583**	12,583

Summarised financial information in respect of the associated companies is set out below:

	Group	
	2021	2020
	$'000	$'000
Total assets	**2,018,680**	2,225,320
Total liabilities	**(1,023,498)**	(1,810,902)
Net assets	**995,182**	414,418
Group's share of associated companies' net assets	**433,776**	276,760
Revenue	**270,383**	324,557
Profit/(loss) after taxation for the year	**570,012**	(812,202)
Group's share of associated companies' profit/(loss) after taxation	**163,398**	(331,585)

Details of associated companies of the Company are described below:

Associated companies	Effective interest and voting power held		Cost of investments		Country of incorporation/ operations	Principal activities
	2021	2020	**2021**	2020		
	%	%	**$'000**	$'000		
Asian Lift Pte Ltd	**50**	50	**2,833**	2,833	Singapore	Provision of heavy-lift equipment and related services
Atwin Offshore & Marine Pte Ltd	**30**	30	**9,500**	9,500	Singapore	Investment holding company
Marine Housing Services Pte Ltd	**50**	50	**250**	250	Singapore	Provision of housing services for marine workers
			12,583	12,583		

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18 ASSOCIATED COMPANIES (cont'd)

Associated companies	Effective interest and voting power held 2021 %	2020 %	Country of incorporation/ operations	Principal activities
Held by FELS Offshore Pte Ltd				
Antares Singapore Pte Ltd (1)	**-**	45	Singapore	Engineering services and consultancy services
Blue Tern Holding AS	**49**	49	Norway	Owning and leasing of multi-purpose self-elevating platforms
BPP Cables Limited	**30**	30	United Kingdom	Design and supply of subsea power cables and consultancy service for deepwater cables
Deepwater Marine Technology LLC	**50**	50	Cayman Islands	Acquiring and holding of intellectual property rights relating to offshore structures
FloaTEC LLC	**50**	50	U.S.A.	Development and marketing of offshore floating production facilities
Floatec Offshore Servicos de Petroleo Do Brasil Ltda	**50**	50	Brazil	Operating of oil rigs
FloaTEC Singapore Pte Ltd	**50**	50	Singapore	Manufacturing and repair of oil rigs
FloaTec de Mexico SA de CV	**50**	50	Mexico	Procurement
Floatel International Ltd	**50**	50	Bermuda	Operating accommodation and construction support vessels (floatels) for the offshore oil and gas industry.
MOD Prefab Pte Ltd	**20**	20	Singapore	Other specialised construction and related activities
South Coast Maritime Corporation(2)	**25**	25	U.S.A.	Barge and tug services
Held by KS Investments Pte Ltd				
Arab Heavy Industries PJSC	**33**	33	UAE	Shipbuilding and repairing
Consort Land, Inc	**24**	24	Philippines	Property owners
Dyna-Mac Keppel Philippines Inc	**40**	40	Philippines	Fabrication and assembly of topside modules for FPSOs and FSOs
Goodstart Properties, Inc	**39**	39	Philippines	Property owners
Nakilat - Keppel Offshore and Marine Ltd	**20**	20	Qatar	Ship repairing
PV Keez Pte Ltd	**20**	20	Singapore	Chartering of ships, barges and boats with crew
Held by Keppel Shipyard Limited				
Joint Shipyard Management Services Pte Ltd	**24**	24	Singapore	Provision of staff housing

18 ASSOCIATED COMPANIES (cont'd)

Associated companies	Effective interest and voting power held 2021 %	2020 %	Country of incorporation/ operations	Principal activities
Held by Alfa Paulista Propriedades Ltda				
Maxcasa XXX Empreendimentos Imobiliários Ltda.	41	41	Brazil	Real Estate development

(1) Liquidated during the year.
(2) In the process of liquidation.

The carrying amounts of the Group's material associated companies, all of which are equity accounted for and whose activities are strategic to the Group's activities, are as follows:

Name of associated company	**2021 $'000**	2020 $'000
Floatel International Ltd	**262,146**	95,668
Blue Tern Holding AS	**64,276**	68,709
PV Keez Pte Ltd	**43,519**	49,740
Other individually immaterial associated companies	**63,835**	62,643
Total carrying amount	**433,776**	276,760

Receivables from associated companies are disclosed in note 10.

The summarised financial information of the material associated companies, based on its SFRS(I)s/IFRSs financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Floatel International Ltd **2021 $'000**	Floatel International Ltd 2020 $'000	Blue Tern Holding AS **2021 $'000**	Blue Tern Holding AS 2020 $'000
Current assets	**88,287**	109,865	**23,645**	15,503
Non-current assets	**878,785**	1,017,819	**223,938**	232,805
Total assets	**967,072**	1,127,684	**247,583**	248,308
Current liabilities	**(52,381)**	(883,371)	**(28,804)**	(17,713)
Non-current liabilities	**(389,559)**	(366,279)	**(68,948)**	(70,022)
Total liabilities	**(441,940)**	(1,249,650)	**(97,752)**	(87,735)
Net assets/(liabilities)	**525,132**	(121,966)	**149,831**	160,573
Proportion of the Group's ownership	49.92%	49.92%	49.00%	49.00%
Group's share of net assets	**262,146**	(60,885)	**73,417**	78,681
Additions	**-**	156,553	**-**	-
Unrealised profit for sale of vessels to associates	**-**	-	**(9,141)**	(9,972)
Carrying amount of the investment	**262,146**	95,668	**64,276**	68,709
Revenue	**127,016**	112,384	**48,687**	27,384
Profit/(loss) after tax	**322,163**	(730,863)	**(5,557)**	(23,085)
Other comprehensive loss	**(3)**	(19,419)	**(363)**	-
Total comprehensive income/(loss)	**322,160**	(750,282)	**(5,920)**	(23,085)

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18 ASSOCIATED COMPANIES (cont'd)

	PV Keez Pte Ltd	
	2021	2020
	$'000	$'000
Current assets	**7,257**	17,341
Non-current assets	**205,717**	242,640
Total assets	**212,974**	259,981
Current liabilities	**(3,856)**	(16,517)
Non-current liabilities	**(3,265)**	(3,194)
Total liabilities	**(7,121)**	(19,711)
Net assets	**205,853**	240,270
Proportion of the Group's ownership	20.00%	20.00%
Group's share of net assets	**41,171**	48,054
Unrealised profit for sale of vessels to associates	**(3,131)**	(3,793)
Goodwill	**5,479**	5,479
Carrying amount of the investment	**43,519**	49,740
Revenue	**47,019**	67,336
Profit for the year, representing total comprehensive income for the year	**2,911**	18,649
Dividend received	**8,379**	7,697

Aggregate information about the Group's investments in associated companies that are not individually material are as follows:

	2021	2020
	$'000	$'000
Profit/(loss) before taxation for the year	**5,870**	(3,594)
Share of taxation	**(1,151)**	(137)
Group's share of associated companies' profit/(loss) after taxation for the year	**4,719**	(3,731)

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19 JOINT VENTURES

	Group	
	2021	2020
	$'000	$'000
Equity investments, at net asset value		
Balance, 1 January	**84,077**	87,808
Additions	**-**	10,327
Dividend received	**-**	(10,710)
Share of profit	**4,930**	1,164
Share of other comprehensive income – currency translation reserve	**673**	(4,028)
Unrealised profit for sale of vessels to a joint venture	**19**	(484)
Reclassified as assets held for sale (Note 36)	**(60,798)**	-
Balance, 31 December	**28,901**	84,077

Details of joint ventures of the Group are described below:

Joint Ventures	Effective interest and voting power held		Country of incorporation/ operations	Principal activities
	2021	2020		
	%	%		
Held by KS Investments Pte Ltd				
Keppel Smit Towage Pte Ltd [1]	**51**	51	Singapore	Provision of towage services
Maju Maritime Pte Ltd [1]	**51**	51	Singapore	Provision of towage services
FueLNG Pte Ltd	**50**	50	Singapore	Provide end-to-end LNG bunkering supply solution

The carrying amounts of the Group's joint ventures, all of which are equity accounted for and whose activities are strategic to the Group's activities, are as follows:

Name of Joint Venture	**2021**	2020
	$'000	$'000
Keppel Smit Towage Pte Ltd ("KST") [1]	**-**	32,166
Maju Maritime Pte Ltd ("Maju") [1]	**-**	20,511
FueLNG Pte Ltd ("FueLNG")	**28,901**	31,400
Total carrying amount	**28,901**	84,077

(1) Reclassified to assets classified as held for sale (Note 36).

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19 JOINT VENTURES (cont'd)

The summarised financial information of the joint ventures, based on its SFRS(I)s/IFRSs financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	KST 2020 $'000	Maju 2020 $'000
Current assets	60,823	24,795
Includes:		
- Cash and cash equivalent	9,595	8,240
Non-current assets	58,348	21,008
Current liabilities	(24,773)	(2,487)
Includes:		
- Financial liabilities (excluding trade payables)	(17,881)	(2,294)
Non-current liabilities	(31,327)	(3,098)
Includes:		
- Financial liabilities (excluding trade payables)	(23,684)	-
Net assets	63,071	40,218
Proportion of the Group's ownership	51.00%	51.00%
Group's share of net assets /Carrying amount of the investment	32,166	20,511

Summarised statement of comprehensive income

	KST 2020 $'000	Maju 2020 $'000
Revenue	43,361	9,132
Interest income	629	677
Expenses		
Includes:		
- Depreciation	(7,439)	(1,437)
- Interest expense	(982)	-
Profit from continuing operations	398	4,739
Income tax expense	(1,404)	(205)
Post-tax (loss)/profit from continuing operations	(1,006)	4,534
Other comprehensive loss	(5,248)	(2,639)
Total comprehensive (loss)/income	(6,254)	1,895
Dividend received	5,865	4,845

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19 JOINT VENTURES (cont'd)

Summarised balance sheet

	FueLNG Pte Ltd	
	2021	2020
	$'000	$'000
Current assets	**5,001**	11,702
Includes:		
- Cash and cash equivalent	**2,292**	11,642
Non-current assets	**62,038**	52,268
Current liabilities	**(2,595)**	(203)
Includes:		
- Financial liabilities (excluding trade payables)	**(1,730)**	(203)
Non-current liabilities	**(5,713)**	-
Includes:		
- Financial liabilities (excluding trade payables)	**(3,000)**	-
Net assets	**58,731**	63,767
Proportion of the Group's ownership	50.00%	50.00%
Group's share of net assets	**29,366**	31,884
Less: Unrealised profit for sale of vessels to joint venture	**(465)**	(484)
Carrying amount of the investment	**28,901**	31,400

Summarised statement of comprehensive income

	FueLNG Pte Ltd	
	2021	2020
	$'000	$'000
Revenue	**3,965**	119
Expenses		
Includes:		
- Depreciation	**2,894**	(68)
- Interest expense	**(114)**	-
Loss from continuing operations	**(5,026)**	(1,270)
Income tax expense	**-**	-
Post-tax loss from continuing operations	**(5,026)**	(1,270)
Other comprehensive loss	**-**	-
Total comprehensive loss	**(5,026)**	(1,270)

The information above reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the joint ventures.

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20 INTANGIBLE ASSETS

Group	Goodwill [b]	Patent and trademark	Research and development	Customer relationships	Total
	$'000	$'000	$'000	$'000	$'000
Cost:					
Balance, 1 January 2020	36,363	8,917	4,636	28,204	78,120
Currency alignment	-	(256)	(136)	(715)	(1,107)
Balance, 31 December 2020	36,363	8,661	4,500	27,489	77,013
Currency alignment	**-**	**256**	**137**	**728**	**1,121**
Balance, 31 December 2021	**36,363**	**8,917**	**4,637**	**28,217**	**78,134**
Accumulated amortisation:					
Balance, 1 January 2020	-	1,799	1,009	6,558	9,366
Currency alignment	-	(117)	(66)	(1,027)	(1,210)
Amortisation charge	-	442	224	1,501	2,167
Impairment charge (a)	-	-	-	23,015	23,015
Reclassification	-	2,558	-	(2,558)	-
Balance, 31 December 2020	-	4,682	1,167	27,489	33,338
Currency alignment	**-**	**119**	**68**	**728**	**915**
Amortisation charge	**-**	**428**	**217**	**-**	**645**
Balance, 31 December 2021	**-**	**5,229**	**1,452**	**28,217**	**34,898**
Carrying amount:					
Balance, 31 December 2021	**36,363**	**3,688**	**3,185**	**-**	**43,236**
Balance, 31 December 2020	36,363	3,979	3,333	-	43,675

(a) $7,312,000 included within intangible assets are intangible assets held by a wholly owned subsidiary, after an impairment on customer relationship of $23,015,000 (Note 31(b)) recognised in 2020. In view that the subsidiary has been making losses in continuous years since acquisition and the adverse global economic environment which was significantly affected by COVID-19, the Group is in opinion that the recoverability of the customer relationship was uncertain. Accordingly, the customer relationship was fully impaired since 2020.

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20 INTANGIBLE ASSETS (cont'd)

(b) Goodwill arising on consolidation

Goodwill is allocated to cash generating units ("CGU") identified that are expected to benefit from the business combination. The carrying amounts of goodwill of each CGU are as follows:

	Group	
	2021	2020
	$'000	$'000
Subsidiary:		
Keppel Shipyard Limited	**36,363**	36,363

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the cash generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepared cash flow forecasts derived from the most recent financial forecasts approved by the management for the next five years. Management estimates the terminal growth rate of 1.05% (2020: 1.07%) and used a discount rate of 9% (2020: 7%) per annum. The growth rate used does not exceed the long-term average growth rate of the respective industry and country in which the subsidiary operates. The discount rate applied to the cash flow projections are derived from the cost of capital plus a reasonable risk premium at the date of the assessment of the subsidiary.

Management has performed a sensitivity analysis assessing the impact of change in key assumptions. No reasonably possible change in the key assumptions would result in an impairment charge being recognised.

21 TRADE AND OTHER CREDITORS

	Company		Group	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Trade creditors	**-**	-	**325,624**	346,639
Customers' advances and deposits	**-**	-	**10,207**	38,602
Sundry creditors	**-**	-	**19,911**	80,862
Accrued expenses	**78,030**	76,543	**1,531,293**	1,418,087
Retention monies	**-**	-	**13,098**	12,570
Interest payable	**-**	-	**3,312**	2,226
	78,030	76,543	**1,903,445**	1,898,986
Other non-current liabilities:				
Accrued expenses	**-**	-	**6,512**	6,503

The average credit period on trade creditors is 30 days (2020: 30 days).

Included in accrued expenses are:

(a) a provision for customer potential claims arising from a rig contract. In view of commercial sensitivity, the Group was unable to disclose the name of the customer or the amount of the potential claims. The original contract value was adjusted for cost escalations. The validity of the contract value adjustments was subsequently challenged.

(b) US$52,777,123 payable relating to global resolution with criminal authorities in the United States of America, Brazil and Singapore (Note 3(f)).

22 PROVISION FOR WARRANTY

	Group	
	2021	2020
	$'000	$'000
Balance, 1 January	**24,609**	29,475
Currency realignment	**(1)**	50
Provision (Note 31(b))	**8,368**	6,866
Reversal (Note 31(b))	**(15,808)**	(11,782)
Utilisation	**(226)**	-
Balance, 31 December	**16,942**	24,609

The Group provides for warranty upon delivery, depending on the type of rigs and vessels constructed. Any unutilised provision outstanding at the expiry of the warranty period is written back to profit or loss.

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23 BORROWINGS

	Group	
	2021	2020
	$'000	$'000
Unsecured bank loans - Note (a)	**147,227**	245,344
Secured bank loans - Note (b)	**83,180**	85,676
Total	**230,407**	331,020
Due within one year	**(146,392)**	(243,715)
Due after one year	**84,015**	87,305

The average effective interest rate is 3.56% (2020: 4.00%) per annum.

(a) Unsecured bank loans amounting to a total of $139,065,000 (2020: $236,677,000) is repayable within one year from the balance sheet date.

(i) Unsecured term loans of $33,864,000 (2020: $59,986,000) is repayable between 2022 and 2031. The loans bear fixed interest rate ranging from 2.38% to 10.95% (2020: 1.11% to 8.58%) per annum.

(ii) Unsecured term loans of $113,363,000 (2020: $185,358,000) is repayable between 2022 and 2031. The loans bear floating interest ranging from 0.74% to 4.75% (2020: 0.54% to 7.47%) per annum at the balance sheet date.

(b) Secured bank loans amounting to a total of $7,327,000 (2020: $7,038,000) is repayable within one year from the balance sheet date.

(i) Secured term loan of $42,732,000 (2020: $43,950,000) bear fixed interest rate range of 2.38% to 4.43% (2020: 2.38% to 4.43%) per annum, monthly repayments from 2022 to 2032 and final repayment on 10 December 2032.

(ii) Secured term loan of $40,448,000 (2020: $41,726,000) bear fixed interest rate range of 2.38% to 4.43% (2020: 2.38% to 4.43%) per annum, monthly repayments from 2022 to 2033 and final repayment on 12 September 2033.

Fair value of non-current term loans bearing fixed interest rate for the Group is $59,095,000 (2020: $66,828,000). These fair values, under Level 2 of the fair values hierarchy, are computed on the discounted cash flow method using a discount rate based upon the borrowing rate which the Group expect would be available as at the balance sheet date.

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24 LEASE LIABILITIES

Maturity analysis of lease liabilities:

	Group	
	2021	2020
	$'000	$'000
Year 1	**48,758**	52,266
Year 2	**46,525**	51,538
Year 3	**42,344**	49,158
Year 4	**40,911**	45,952
Year 5	**40,911**	45,750
Year 6 and onwards	**198,516**	294,804
Total undiscounted lease liabilities	**417,965**	539,468
Less: unamortised interest	**(99,196)**	(164,491)
Total	**318,769**	374,977

	Group	
	2021	2020
	$'000	$'000
Presented as:		
Current	**35,021**	37,865
Non-current	**283,748**	337,112
Total	**318,769**	374,977

25 DEFERRED TAXATION

The following are the deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	Excess of tax over book depreciation $'000	ROU assets/ lease liabilities	Provisions and impairment allowance $'000	Tax losses and research & development tax credits $'000	Others $'000	Total $'000
Balance, 1 January 2020	47,607	(18,435)	(6,482)	(47,446)	455	(24,301)
Currency realignment	(48)	2,303	(626)	174	116	1,919
Charged/(Credited) to profit or loss (Note 32)	15,055	(385)	(98,613)	24,088	9,260	(50,595)
Charged to other comprehensive income	-	-	(212)	-	20	(192)
Reclassification	174	-	-	-	(174)	-
Balance, 31 December 2020	62,788	(16,517)	(105,933)	(23,184)	9,677	(73,169)
Currency realignment	**52**	**147**	**(45)**	**(637)**	**(96)**	**(579)**
(Credited)/Charged to profit or loss (Note 32)	**(5,936)**	**916**	**3,924**	**(12,599)**	**(3,348)**	**(17,043)**
Charged to other comprehensive income	**-**	**-**	**-**	**-**	**(108)**	**(108)**
Balance, 31 December 2021	**56,904**	**(15,454)**	**(102,054)**	**(36,420)**	**6,125**	**(90,899)**

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25 DEFERRED TAXATION (cont'd)

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	Group	
	2021	2020
	$'000	$'000
Deferred tax liabilities	**44,190**	45,940
Deferred tax assets	**(135,089)**	(119,109)
Net deferred tax assets	**(90,899)**	(73,169)

The Group has unrecognised deferred tax liabilities of $15,505,000 (2020: $32,300,000) for taxes that would be payable on the undistributed earnings of certain subsidiaries as these earnings would not be distributed in the foreseeable future and the Group is in a position to control the timing of the reversal of the temporary differences.

The Group has unutilised tax losses and capital allowances of $369,354,000 (2020: $211,101,000) for which no deferred tax benefit is recognised in the balance sheet. These tax losses and capital allowances can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The unutilised tax losses and capital allowances do not have expiry dates.

The Company has deferred tax liabilities of $2,000 as at 31 December 2021 (31 December 2020: Nil).

26 DEFERRED LIABILITIES

	Group	
	2021	2020
	$'000	$'000
Provision for staff retirement benefits	**751**	919
Movements in the provision are as follows:		
Balance, 1 January	**919**	1,027
Provision	**58**	81
Reversal	**(226)**	(189)
Balance, 31 December	**751**	919

The Group operates a retirement benefit scheme for certain employees based on their salaries for each completed year of service. Contributions to the scheme are charged to profit or loss.

27 SHARE CAPITAL

	Company and Group			
	2021	2020	**2021**	2020
	Number of ordinary shares		$'000	$'000
Issued and paid up ordinary shares	**664,556,126**	664,556,126	**339,716**	339,716

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

28 CAPITAL RESERVES

	Company		Group	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Fair value reserve	**(1,191)**	(1,193)	**(60,315)**	(57,850)
Hedging reserve	**-**	-	**(11,199)**	(18,840)
Others	**-**	-	**28,116**	28,538
	(1,191)	(1,193)	**(43,398)**	(48,152)

Movements in hedging reserve by risk category:

Group	Foreign exchange risk	Interest rate risk	Total
2021	$'000	$'000	$'000
Balance, 1 January	**(23,077)**	**4,237**	**(18,840)**
Fair value loss arising during the year, net of tax	**(31,398)**	**-**	**(31,398)**
Realised and transferred to profit and loss account	**39,043**	**-**	**39,043**
Share of other comprehensive loss of associated companies	**-**	**(4)**	**(4)**
	7,645	**(4)**	**7,641**
Balance, 31 December	**(15,432)**	**4,233**	**(11,199)**
2020			
Balance, 1 January	**(2,258)**	**13,931**	**11,673**
Fair value gain arising during the year, net of tax	**30,436**	**-**	**30,436**
Realised and transferred to profit and loss account	**(51,255)**	**-**	**(51,255)**
Share of other comprehensive loss of associated companies	**-**	**(9,694)**	**(9,694)**
	(20,819)	**(9,694)**	**(30,513)**
Balance, 31 December	**(23,077)**	**4,237**	**(18,840)**

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29 PERPETUAL SECURITIES

On 27 July 2018, Keppel FELS Limited and Keppel Shipyard Limited, wholly owned subsidiaries of the Group, issued fixed rate senior perpetual securities (the "perpetual securities") with an aggregate principal amount of $2,000,000,000 to a related corporation. Such perpetual securities bear distributions at a rate of 4.50% per annum, payable semi-annually.

Subject to the relevant terms and conditions in the offering memorandum, the Group may elect to defer making distributions on the perpetual securities, and is not subject to any limits as to the number of times a distribution can be deferred.

If on any distribution payment date, payments of all distribution payments is not made in full, the Group shall not (i) pay or declare any dividends, distributions or make any other payment on, and will procure that no dividend, distribution or other payments is made on, any ordinary shares of the issuers or (ii) redeem, reduce, cancel, buy-back or acquire any consideration, and will procure that no redemption, reduction, cancellation, buy-back or acquisition for any consideration is made in respect of any ordinary shares of the issuers (except on a pro rata basis with the perpetual securities) until the Group has satisfied in full all outstanding arrears of distribution on these perpetual securities or is permitted to do so by an extraordinary resolution by the holders of the perpetual securities.

As a result, the perpetual securities do not meet the definition for classification as a financial liability under SFRS(I) 1-32 *Financial Instruments: Disclosure and Presentation*. The whole instrument is presented within equity, and distributions are treated as dividends.

During the financial year, profits of $101,434,000 (2020: $97,277,000) were attributed to the perpetual security holder.

30 REVENUE

	Group	
	2021	2020
	$'000	$'000
Revenue from rigbuilding, shipbuilding and repairs	**1,918,985**	1,460,467
Revenue from services rendered	**62,572**	73,539
Revenue from sale of goods	**31,722**	40,082
Total	**2,013,279**	1,574,088
Revenue – at a point in time	**94,294**	113,332
Revenue – over time	**1,918,985**	1,460,756
	2,013,279	1,574,088

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31 LOSS BEFORE TAXATION

(a) The breakdown of the staff costs (including Directors' remuneration) for the Group is as follows:

	Group	
	2021	2020
	$'000	$'000
Salaries and wages	**424,252**	468,667
Contributions to Central Provident Fund	**26,229**	30,541
Termination benefits	**23**	9,011
Share options and share plans	**2,521**	4,883
Total	**453,025**	513,102

(b) Other operating expenses – net

Other operating expenses included the following items:

	Group	
	2021	2020
	$'000	$'000
Allowance for stocks, net of write back (Note 8)	**(33,626)**	(44,981)
Fair value loss on financial assets, at FVPL (Note 12)	**-**	(18,133)
Foreign exchange (loss)/gain	**(9,286)**	19,353
Gain on disposal of property, plant and equipment	**8,784**	80
Government grant income	**20,173**	95,751
Loss on liquidation/deemed disposal of an associated company	**(20)**	(5,778)
Impairment loss on intangible assets (Note 20)	**-**	(23,015)
Impairment loss on property, plant and equipment (Note 15)	**-**	(19,694)
Impairment loss on right-of-use assets	**-**	(2,879)
Management fee to holding company	**(15,002)**	(9,638)
Property, plant and equipment written off - net (Note 15)	**(205)**	(11)
Rent concessions	**74**	165
Reversal of warranty provisions - net (Note 22)	**7,440**	4,916
Stocks written off	**(491)**	(1,530)

Government grant income of $9,155,000 (2020: $60,770,000) was recognised during the financial year under the Job Support Scheme ("JSS"). The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

Rent concessions are received from lessors to which the Group has applied the practical expedient as disclosed in Note 2.14.

Foreign exchange (loss)/gain includes cash flow hedges reclassified to profit or loss amounted to $39,043,000 (2020: gain of $51,255,000).

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31 LOSS BEFORE TAXATION (cont'd)

(c) Impairment on financial assets and contract assets

	Group	
	2021	2020
	$'000	$'000
Loss allowance, net of write back:		
Trade debtors (Note 6)	**69,309**	185,287
Other debtors (Note 7)	**1,651**	1,911
Contract assets (Note 9)	**23,225**	430,842
Related companies (Note 10)	**1,369**	-
Total	**95,554**	618,040

(d) Interest income

	Group	
	2021	2020
	$'000	$'000
Financial assets measured at amortised cost		
Related companies	**1,445**	2,932
Associated companies	**3,134**	8,051
Bank deposits	**3,734**	3,927
Trade debtors under financing arrangement	**-**	24,877
Others	**15,082**	20,642
Total	**23,395**	60,429

(e) Interest expense

	Group	
	2021	2020
	$'000	$'000
Term loans	**6,297**	11,739
Related companies	**54,345**	69,167
Lease liabilities	**21,468**	23,229
Others	**99**	102
Total	**82,209**	104,237

(f) Compensation of Directors and key management personnel

The remuneration of key management personnel, which comprises mainly the Directors of the Group, are as follows:

	Group	
	2021	2020
	$'000	$'000
Directors' fee to Company's Directors	**558**	635
Short-term benefits	**3,294**	2,078
Post-employment benefits	**70**	58
Share options and share plans	**2,273**	2,143
Total	**6,195**	4,914

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32 TAXATION

	Group	
	2021	2020
	$'000	$'000
Current income tax		
Current	**13,499**	(568)
Withholding tax	**506**	1,293
Group relief	**(46,090)**	(43,460)
Over provision in prior years	**(1,076)**	(1,091)
Total	**(33,161)**	(43,826)
Deferred income tax		
Current year	**(14,003)**	(73,302)
Over provision in prior years	**(3,040)**	-
Reversal of deferred tax assets recognised in prior years	**-**	22,707
Total (Note 25)	**(17,043)**	(50,595)
Net tax credit	**(50,204)**	(94,421)

The income tax varied from the amount of taxation determined by applying the Singapore income tax rate of 17% (2020: 17%) to loss before taxation as a result of the following differences:

	Group	
	2021	2020
	$'000	$'000
Loss before taxation	**(161,801)**	(1,297,627)
Share of results of associated companies and joint venture, net of tax	**(168,328)**	330,421
Loss before tax and share of loss of associated companies and joint ventures	**(330,129)**	(967,206)
Taxation at statutory income tax rate of 17% (2020: 17%)	**(56,122)**	(164,425)
Different tax rates in other countries	**(3,991)**	2,887
Income not subject to tax	**(2,894)**	(15,033)
Expenses not deductible for tax purposes	**10,787**	57,844
Deferred tax assets not recognised	**5,626**	1,397
Withholding tax	**506**	1,293
Reversal of deferred tax assets recognised in prior years	**-**	22,707
Over provision in prior years	**(4,116)**	(1,091)
Net	**(50,204)**	(94,421)

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33 CONTINGENT LIABILITIES (UNSECURED) AND GUARANTEES

	Company		Group	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Performance guarantees issued for contracts awarded to customers and third parties	**1,110,921**	941,288	**114,082**	133,649
Guarantees in respect of banks and other loans granted to related companies	**119,386**	-	**127,150**	8,012
Others	**-**	4,385	**15,119**	19,142
Total	**1,230,307**	945,673	**256,351**	160,803

34 FUTURE CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure not provided for in the financial statements:

	Group	
	2021	2020
	$'000	$'000
Contracted but not provided for:		
- for acquisition of property, plant and equipment	**340**	1,037
- for construction and upgrading of rigbuilding, shipbuilding and repair facilities	**1,098**	1,304
- investment commitments	**1,980**	2,160
- others	**166**	440
	3,584	4,941
Authorised but not contracted for:		
- for acquisition of property, plant and equipment	**17,177**	18,353
- for construction and upgrading of rigbuilding, shipbuilding and repair facilities	**10,445**	11,473
- others	**7,098**	6,996
	34,720	36,822
Total	**38,304**	41,763

35 RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the Group has related party transactions as follows:

	Group	
	2021	2020
	$'000	$'000
Sales of goods and/or services to		
- associated companies and joint ventures	**4,395**	34,204
- other related parties	**821**	1,887
	5,216	36,091
Purchase of goods and/or services from		
- associated companies and joint ventures	**37,368**	20,783
- other related parties	**1,099**	1,467
	38,467	22,250

36 ASSETS CLASSIFIED AS HELD FOR SALE

	Group
	2021
	$'000
Property, plant and equipment - Note (a)	**74,765**
Right-of-use assets - Note (a)	**32,871**
Joint ventures - Note (b)	**60,798**
	168,434

(a) Assets held for sale as at 31 December 2021 relate to five properties (including its plant and equipment) in Singapore that the Group is committed to sell. The sale is expected to be completed within one year. The disposals are part of the Group's strategic review to streamline and dispose its non-core assets.

(b) During the year, the Group announced that KS Investments Pte. Ltd., a wholly owned subsidiary, is divesting its entire 51% shareholding interest in Keppel Smit Towage Private Limited and Maju Maritime Pte Ltd to Rimorchiatori Mediterranei Spa. The divestments are part of the Group's strategic review to streamline and divest its non-core assets and expected to be completed in 2022.

37 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

(a) Amendments to SFRS(I) 1-1 *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023)

The narrow-scope amendments to SFRS(I) 1-1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what SFRS(I) 1-1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

(b) Amendments to SFRS(I) 1-16 *Property, Plant and Equipment*: Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022)

The amendment to SFRS(I) 1-16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

(c) Amendments to SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*: Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022)

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the costs of fulfilling it and any compensation or penalties arising from failure to fulfil it. The amendment to SFRS(I) 1-37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts.

The management anticipates that the adoption of the above amendments to SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

38 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors of the Company on 24 February 2022.

APPENDIX K: REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESTRUCTURED KOM GROUP FOR FY2019, FY2020, FY2021, 1H2021 AND 1H2022

The Unaudited Pro Forma Financial Information of the Restructured KOM Group for FY2019, FY2020, FY2021, 1H2021 and 1H2022 as set out in pages K-7 to K-43 of this ***Appendix K*** *has been substantially extracted*[129] *from Appendix D and Appendix E of the KCL Circular, and KCL's announcement dated 19 December 2022*[130]*.*

[129] Except to correct certain typographical and administrative errors.
[130] Available at https://links.sgx.com/FileOpen/MREL%20-%20KOM%20reaches%20joint%20resolution%20with%20Brazilian%20AGU%20and%20CGU_19122022.ashx?App=Announcement&FileID=741952.

RESTRUCTURED KOM

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF RESTRUCTURED KOM

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The Board of Directors
Sembcorp Marine Ltd
80 Tuas South Boulevard
Singapore 637051

31 January 2023

Dear Sirs

Report on the compilation of unaudited pro forma financial information of Restructured KOM Group for the financial years ended 31 December 2019, 2020 and 2021 and for the six-month financial periods ended 30 June 2021 and 2022

We have completed our assurance engagement to report on the compilation of pro forma financial information of Keppel Offshore & Marine Ltd ("KOM" or the "Company") prepared by Management of KOM (the "Management"). The unaudited pro forma financial information of the Company and its subsidiaries (the "Restructured KOM Group") consists of the unaudited pro forma statements of financial position as at 31 December 2021 and 30 June 2022, the unaudited pro forma profit or loss statements for the years ended 31 December 2019, 31 December 2020, 31 December 2021 and the six-month periods ended 30 June 2021 and 30 June 2022, and the unaudited pro forma statements of cash flows for the year ended 31 December 2021 and the six-month period ended 30 June 2022, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages K-7 to K-43 of the circular of Sembcorp Marine Ltd issued in connection with proposed acquisition of the entire issued and paid-up share capital of KOM for a consideration to be satisfied by way of allotment and issuance of new ordinary shares in the issued and paid-up share capital of the Company (the "Proposed Combination").

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and are based on certain assumptions, after making certain adjustments. The applicable criteria (the "Criteria") on the basis of which Management has compiled the pro forma financial information are described in Note 3 of Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information has been compiled by Management to illustrate the impact of the following events:

(a) the proposed transfer of the KOM Group's legacy rig assets and its associated receivables to a separate legal entity and the transfer of the related consideration to be received to Keppel Corporation Limited ("Keppel"); and

(b) the proposed internal restructure of the KOM Group which comprises the proposed transfer of the KOM Group's interest in certain out-of-scope assets to Keppel, the payment of S$500 million by the Company to Keppel for partial redemption of perpetual securities issued by the KOM Group, the capitalisation of perpetual securities issued by the KOM Group into new ordinary shares of the Company and non-cash settlement of intercompany loan balances; and

(c) the exclusion of Keppel Corporation Limited's management fees to the Company, as set out in note 3 of the Unaudited Pro Forma Financial Information, on:

(i) the KOM Group's financial position as at 31 December 2021 and 30 June 2022, as if the events had taken place at 31 December 2021 and 30 June 2022 respectively;
(ii) the KOM Group's financial performance for the years ended 31 December 2019, 31 December 2020, 31 December 2021 and the six-month periods ended 30 June 2021 and 30 June 2022 as if the events had taken place on 1 January 2019; and
(iii) the KOM Group's cash flows for the year ended 31 December 2021 and the six-month period ended 30 June 2022 as if the events had taken place on 1 January 2021.

In addition, the KOM Group's financial position as at 31 December 2021 and 30 June 2022, financial performance for the year ended 31 December 2019 and cash flows for the year ended 31 December 2021 are adjusted to recognise the recycling of hedging reserve relating to forward contracts on the legacy assets and foreign currency translation reserves.

As part of this process, information about the Restructured KOM Group's financial position, financial performance and cash flows has been extracted by the Management from the following:

(a) the audited consolidated financial statements of KOM and its subsidiaries for the years ended 31 December 2019, 31 December 2020 and 31 December 2021, which were prepared in accordance with Singapore Financial Reporting Standards (International) and International Financial Reporting Standards, and on which audit reports have been published; and

(b) the unaudited management accounts of KOM and its subsidiaries for the six-month periods ended 30 June 2021 and 30 June 2022.

Responsible Parties for the Unaudited Pro Forma Financial Information

The Management of Keppel Offshore & Marine Ltd are responsible for compiling the Unaudited Pro Forma Financial Information on the basis of the Criteria.

Reporting Accountants' independence and quality control

We have complied with the independence and other ethical requirement of the Accounting and Corporate Regulatory Authority ("ACRA") *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 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, 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.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion about whether the Unaudited Pro Forma Financial Information has been compiled, in all material respects, by the Management on the basis of the Criteria.

We conducted our engagement in accordance with Singapore Standard on Assurance Engagements ("SSAE") 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Institute of Singapore Chartered Accountants (the "ISCA"). This standard requires that the Reporting Accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Management has compiled, in all material respects, the Unaudited Pro Forma Financial Information on the basis of the Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular of Sembcorp Marine Ltd is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at each of the respective dates would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been compiled, in all material respects, on the basis of the Criteria involves performing procedures to assess whether the Criteria used by the Management in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the events, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those Criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the Reporting Accountants' judgement, having regard to the auditors' understanding of the nature of the company, event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been compiled:

  (i) in a manner consistent with the accounting policies adopted by KOM in its latest audited financial statements, which are in accordance with Singapore Financial Reporting Standards (International) and International Financial Reporting Standards; and

  (ii) on the basis of the Criteria stated in note 3 of the Unaudited Pro Forma Financial Information; and

(b) each material adjustment made to the information used in the preparation of the Unaudited Pro Forma Financial Information is appropriate for the purpose of preparing such unaudited financial information.

(c) This letter has been prepared for inclusion in the Circular of Sembcorp Marine Ltd to be issued in relation to the Proposed Combination.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore

Ang Fung Fung
Partner-in-charge

31 January 2023

RESTRUCTURED KOM

Unaudited Pro forma Statements of Financial Position
As at 30 June 2022 and 31 December 2021

	As at 30 June 2022 $'000	As at 31 December 2021 $'000
ASSETS		
Current assets		
Cash and cash equivalents	500,802	466,402
Trade debtors	163,603	117,457
Other debtors, deposits and prepayments	288,896	129,406
Stocks	329,999	318,611
Contract assets	1,382,018	1,111,031
Amounts due from associated companies and KCL related companies	98,949	103,480
Financial assets, at FVOCI	2,735	2,873
Derivative assets	86,150	9,289
Tax recoverable	33,021	64,580
	2,886,173	2,323,129
Assets classified as held for sale	93,413	168,434
Total current assets	2,979,586	2,491,563
Non-current assets		
Other debtors, deposits and prepayments	414	2,701
Amounts due from associated companies and KCL related companies	-	27,432
Financial assets, at FVOCI	27,415	28,120
Financial assets, at FVPL	44,745	48,098
Other assets	17,306	17,900
Derivative assets	7,853	3,193
Property, plant and equipment	1,069,350	1,093,588
Right-of-use assets	249,017	237,728
Associated companies	177,647	171,630
Joint ventures	26,837	28,901
Intangible assets	42,938	43,236
Deferred taxation	132,716	135,089
Total non-current assets	1,796,238	1,837,616
Total assets	4,775,824	4,329,179
LIABILITIES		
Current liabilities		
Trade and other creditors	2,066,537	1,902,719
Contract liabilities	216,851	289,639
Provision for warranty	11,236	16,942
Amounts due to associated companies and KCL related companies	81,113	73,584
Derivative liabilities	6,768	5,668
Borrowings	318,187	146,392
Lease liabilities	37,560	35,021
Provision for taxation	19,878	16,920
Liabilities directly associated with disposal group classified as held for sale	5,256	-
Total current liabilities	2,763,386	2,486,885
Non-current liabilities		
Borrowings	580,697	584,015
Lease liabilities	294,633	283,748
Deferred taxation	45,910	44,190
Deferred liabilities	778	751
Derivative liabilities	-	1,397
Accrued expenses	6,512	6,512
Total non-current liabilities	928,530	920,613
Total liabilities	3,691,916	3,407,498
NET ASSETS	1,083,908	921,681
EQUITY		
Capital and reserves		
Share capital	2,162,068	2,100,524
Capital reserves	47,177	(38,238)
Foreign exchange translation reserve	(161,460)	(163,848)
Accumulated losses	(985,479)	(999,576)
Equity attributable to equity holders of the Company	1,062,306	898,862
Non-controlling interests	21,602	22,819
Total Equity	1,083,908	921,681

The accompanying notes form an integral part of these unaudited pro forma financial information.

RESTRUCTURED KOM

Unaudited Pro Forma Profit or Loss Statements
For the financial years ended 31 December 2021, 2020 and 2019

	2021	2020	2019
	$'000	$'000	$'000
Revenue	2,013,279	1,384,267	1,615,909
Raw materials and consumables used	(834,254)	(479,153)	(462,177)
Contract labour and subcontractors' costs	(673,520)	(435,887)	(402,631)
Staff costs	(443,375)	(503,629)	(531,602)
Depreciation and amortisation	(106,374)	(108,756)	(112,085)
Other operating expenses – net	(67,955)	(84,739)	(83,047)
Impairment on financial and contract assets	(18,233)	(17,587)	(9,108)
Dividend income	6,091	3,449	4,988
Interest income	22,068	34,096	41,006
Interest expense	(43,532)	(43,877)	(49,035)
Share of results of associated companies and joint ventures	8,135	(8,374)	(4,661)
(Loss)/profit before taxation	(137,670)	(260,190)	7,557
Taxation	29,005	92,769	30,771
(Loss)/profit for the financial year	(108,665)	(167,421)	38,328
(Loss)/profit attributable to:			
Equity holders of the Company	(107,530)	(162,717)	38,908
Non-controlling interests	(1,135)	(4,704)	(580)
(Loss)/profit for the financial year	(108,665)	(167,421)	38,328

The accompanying notes form an integral part of these unaudited pro forma financial information.

RESTRUCTURED KOM

Unaudited Pro Forma Profit or Loss Statements
For the interim financial period ended 30 June 2022 and 2021

	6 months ended 30 June 2022	6 months ended 30 June 2021
	$'000	$'000
Revenue	1,159,044	789,644
Raw materials and consumables used	(381,960)	(232,731)
Contract labour and subcontractors' costs	(514,117)	(297,469)
Staff costs	(185,241)	(189,632)
Depreciation and amortisation	(49,031)	(52,969)
Other operating income/(expenses) – net	56,631	(4,797)
Impairment on financial and contract assets	(3,521)	(24,444)
Dividend income	26,844	2,550
Interest income	10,227	6,140
Interest expense	(26,988)	(20,593)
Share of results of associated companies and joint ventures	7,874	6,295
Profit/(loss) before taxation	99,762	(18,006)
Taxation	(5,009)	2,584
Profit/(loss) for the financial period	94,753	(15,422)
Profit/(loss) attributable to:		
Equity holders of the Company	95,584	(13,656)
Non-controlling interests	(831)	(1,766)
Profit/(loss) for the financial period	94,753	(15,422)

The accompanying notes form an integral part of these unaudited pro forma financial information.

RESTRUCTURED KOM

Unaudited Pro Forma Statements of Cash Flows
For the financial period and year ended 30 June 2022 and 31 December 2021

	6 months ended 30 June 2022	Year ended 31 December 2021
	$'000	$'000
Operating activities:		
Profit/(loss) before taxation	99,762	(151,993)
Adjustments for:		
Depreciation and amortisation	49,031	106,374
Dividend income	(26,844)	(6,091)
Interest expense	26,968	43,494
Interest income	(10,227)	(22,068)
Share of results of associated companies and joint ventures	(7,874)	(8,135)
Gain on disposal of property, plant and equipment	(1,244)	(8,784)
Gain on disposal of an associated company	(7)	20
Gain on disposal of asset held for sale	(81,107)	-
Property, plant and equipment written off	-	205
Recycling of reserves to profit and loss account	-	14,323
Cash flows from/(used in) operations before changes in working capital	48,458	(32,655)
Working capital changes, excluding changes relating to cash:		
Stocks	(11,388)	(140,598)
Contract assets and liabilities	(343,775)	(906,169)
Trade and other debtors, deposits and prepayments	(34,255)	773,977
Other assets	587	(283)
Trade creditors, provisions for warranty and accrued expenses	166,875	(27,730)
Assets held for sale	(11,358)	-
Amount due to/(from) associated companies and KCL related companies	40,377	(662)
Derivative instruments – net	(10,652)	26,152
Cash used in operations	(155,131)	(307,968)
Interest received	6,567	6,971
Dividend received	13,074	6,091
Income tax (including group tax relief) refunded	48,711	28,837
Net cash used in operating activities	(86,779)	(266,069)
Investing activities:		
Purchase of property, plant and equipment	(10,198)	(24,403)
Proceeds from sale of property, plant and equipment	1,330	8,930
Proceeds from disposal of asset held for sale	20,581	8,934
Purchase of financial assets at FVOCI	(108)	(760)
Principal repayment of convertible bonds	2,322	1,279
Dividends and distribution received	1,385	9,090
Proceeds from disposal of associated companies	210	-
Proceeds from capital reduction of an associated company	1,246	-
Net cash from investing activities	16,768	3,070

The accompanying notes form an integral part of these unaudited pro forma financial information.

RESTRUCTURED KOM

Unaudited Pro Forma Statements of Cash Flows
For the financial period and year ended 30 June 2022 and 31 December 2021

	6 months ended 30 June 2022	Year ended 31 December 2021
	$'000	**$'000**
Financing activities:		
Repayment of borrowings	(35,799)	(898,385)
Proceeds from borrowings	181,601	1,132,516
Principal payment of lease liabilities	(18,229)	(30,944)
Interest paid	(22,347)	(40,424)
Dividend payment to non-controlling interests	(210)	(220)
Acquisition of additional interest in a subsidiary	-	(705)
Net cash from financing activities	105,016	161,838
Net changes in cash and cash equivalents	35,005	(101,161)
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	(958)	1,140
Cash and cash equivalents at beginning of financial period/year	394,282	494,303
Cash and cash equivalents at end of financial period/year	428,329	394,282

The accompanying notes form an integral part of these unaudited pro forma financial information.

Statement of Adjustments for the Unaudited Pro forma Statement of Financial Position As at 30 June 2022

	As at 30 June 2022 $'000	Pro Forma Adjustments $'000		As at 30 June 2022 $'000
		Note 3(I)	Note 3(II)	
ASSETS				
Current assets				
Cash and cash equivalents	500,802	-	-	500,802
Trade debtors	163,603	-	-	163,603
Other debtors, deposits and prepayments	288,896	-	-	288,896
Stocks	329,999	-	-	329,999
Contract assets	1,392,326	(10,308)	-	1,382,018
Amounts due from associated companies and KCL related companies	98,949	-	-	98,949
Financial assets, at FVOCI	2,735	-	-	2,735
Derivative assets	86,150	-	-	86,150
Tax recoverable	33,021	-	-	33,021
	2,896,481	(10,308)	-	2,886,173
Assets classified as held for sale	4,494,043	(4,400,630)	-	93,413
Total current assets	7,390,524	(4,410,938)	-	2,979,586
Non-current assets				
Other debtors, deposits and prepayments	414	-	-	414
Financial assets, at FVOCI	27,415	-	-	27,415
Financial assets, at FVPL	44,745	-	-	44,745
Other assets	17,306	-	-	17,306
Derivative assets	7,853	-	-	7,853
Property, plant and equipment	1,069,350	-	-	1,069,350
Right-of-use assets	249,017	-	-	249,017
Associated companies	177,647	-	-	177,647
Joint ventures	26,837	-	-	26,837
Intangible assets	42,938	-	-	42,938
Deferred taxation	132,716	-	-	132,716
Total non-current assets	1,796,238	-	-	1,796,238
Total assets	9,186,762	(4,410,938)	-	4,775,824
LIABILITIES				
Current liabilities				
Trade and other creditors	2,066,537	-	-	2,066,537
Contract liabilities	216,851	-	-	216,851
Provision for warranty	11,236	-	-	11,236
Amounts due to associated companies and KCL related companies	4,024,089	-	(3,942,976)	81,113
Derivative liabilities	6,768	-	-	6,768
Borrowings	318,187	-	-	318,187
Lease liabilities	37,560	-	-	37,560
Provision for taxation	19,878	-	-	19,878
Liabilities directly associated with disposal group classified as held for sale	42,232	(36,976)	-	5,256
Total current liabilities	6,743,338	(36,976)	(3,942,976)	2,763,386
Non-current liabilities				
Borrowings	80,697	-	500,000	580,697
Lease liabilities	294,633	-	-	294,633
Amounts due to KCL related companies	389,063	-	(389,063)	-
Deferred taxation	45,910	-	-	45,910
Deferred liabilities	778	-	-	778
Accrued expenses	6,512	-	-	6,512
Total non-current liabilities	817,593	-	110,937	928,530
Total liabilities	7,560,931	(36,976)	(3,832,039)	3,691,916
NET ASSETS	1,625,831	(4,373,962)	3,832,039	1,083,908
EQUITY				
Capital and reserves				
Share capital	339,716	-	1,822,352	2,162,068
Capital reserves	73,661	(26,484)	-	47,177
Perpetual securities	2,364,874	-	(2,364,874)	-
Foreign exchange translation reserve	(182,410)	20,950	-	(161,460)
Accumulated losses	(991,013)	5,534	-	(985,479)
Equity attributable to equity holders of the Company	1,604,828	-	(542,522)	1,062,306
Non-controlling interests	21,003	599	-	21,602
Total Equity	1,625,831	599	(542,522)	1,083,908

The accompanying notes form an integral part of these unaudited pro forma financial information.

RESTRUCTURED KOM

Statement of Adjustments for the Unaudited Pro forma Statement of Financial Position As at 31 December 2021

	As at 31 December 2021 $'000	Pro Forma Adjustments $'000		As at 31 December 2021 $'000
ASSETS		*Note 3(I)*	*Note 3(II)*	
Current assets				
Cash and cash equivalents	468,075	(1,673)	-	466,402
Trade debtors	310,865	(193,408)	-	117,457
Other debtors, deposits and prepayments	130,429	(1,023)	-	129,406
Stocks	1,539,178	(1,220,567)	-	318,611
Contract assets	2,961,443	(1,850,412)	-	1,111,031
Amounts due from associated companies and KCL related companies	114,269	(10,789)	-	103,480
Financial assets, at FVOCI	25,623	(22,750)	-	2,873
Derivative assets	18,294	(9,005)	-	9,289
Tax recoverable	83,573	(18,993)	-	64,580
	5,651,749	(3,328,620)	-	2,323,129
Assets classified as held for sale	168,434	-	-	168,434
Total current assets	5,820,183	(3,328,620)	-	2,491,563
Non-current assets				
Trade debtors	791,952	(791,952)	-	-
Other debtors, deposits and prepayments	2,701	-	-	2,701
Amounts due from associated companies and KCL related companies	27,432	-	-	27,432
Financial assets, at FVOCI	28,120	-	-	28,120
Financial assets, at FVPL	48,098	-	-	48,098
Other assets	17,900	-	-	17,900
Derivative assets	3,193	-	-	3,193
Property, plant and equipment	1,093,588	-	-	1,093,588
Right-of-use assets	237,728	-	-	237,728
Associated companies	433,776	(262,146)	-	171,630
Joint ventures	28,901	-	-	28,901
Intangible assets	43,236	-	-	43,236
Deferred taxation	135,089	-	-	135,089
Total non-current assets	2,891,714	(1,054,098)	-	1,837,616
Total assets	8,711,897	(4,382,718)	-	4,329,179
LIABILITIES				
Current liabilities				
Trade and other creditors	1,903,445	(726)	-	1,902,719
Contract liabilities	293,731	(4,092)	-	289,639
Provision for warranty	16,942	-	-	16,942
Amounts due to associated companies and KCL related companies	3,968,480	(115)	(3,894,781)	73,584
Derivative liabilities	15,622	(9,954)	-	5,668
Borrowings	146,392	-	-	146,392
Lease liabilities	35,021	-	-	35,021
Provision for taxation	35,902	(18,982)	-	16,920
Total current liabilities	6,415,535	(33,869)	(3,894,781)	2,486,885
Non-current liabilities				
Borrowings	84,015	-	500,000	584,015
Lease liabilities	283,748	-	-	283,748
Amounts due to KCL related companies	384,931	-	(384,931)	-
Deferred taxation	44,190	-	-	44,190
Deferred liabilities	751	-	-	751
Derivative liabilities	1,397	-	-	1,397
Accrued expenses	6,512	-	-	6,512
Total non-current liabilities	805,544	-	115,069	920,613
Total liabilities	7,221,079	(33,869)	(3,779,712)	3,407,498
NET ASSETS	1,490,818	(4,348,849)	3,779,712	921,681
EQUITY				
Capital and reserves				
Share capital	339,716	-	1,760,808	2,100,524
Capital reserves	(43,398)	5,160	-	(38,238)
Perpetual securities	2,330,454	-	(2,330,454)	-
Foreign exchange translation reserve	(182,820)	18,972	-	(163,848)
Accumulated losses	(975,444)	(24,132)	-	(999,576)
Equity attributable to equity holders of the Company	1,468,508	-	(569,646)	898,862
Non-controlling interests	22,310	509	-	22,819
Total Equity	1,490,818	509	(569,646)	921,681

The accompanying notes form an integral part of these unaudited pro forma financial information.

RESTRUCTURED KOM

Statement of Adjustments for the Unaudited Pro forma Profit or Loss Statement For the financial year ended 31 December 2021

	Audited 2021	**Pro Forma Adjustments**		**Unaudited 2021**
	$'000	**$'000**		**$'000**
		Note 3(I)	*Note 3(II)*	
Revenue	2,013,279	-	-	2,013,279
Raw materials and consumables used	(847,790)	13,536	-	(834,254)
Contract labour and subcontractors' costs	(673,520)	-	-	(673,520)
Staff costs	(453,025)	9,650	-	(443,375)
Depreciation and amortisation	(116,062)	9,688	-	(106,374)
Other operating expenses – net	(104,734)	21,777	15,002	(67,955)
Impairment on financial and contract assets	(95,554)	77,321	-	(18,233)
Dividend income	6,091	-	-	6,091
Interest income	23,395	(1,327)	-	22,068
Interest expense	(82,209)	45,426	(6,749)	(43,532)
Share of results of associated companies and joint ventures	168,328	(160,193)	-	8,135
Loss before taxation	(161,801)	15,878	8,253	(137,670)
Taxation	50,204	(18,649)	(2,550)	29,005
Loss for the financial year	(111,597)	(2,771)	5,703	(108,665)
(Loss)/profit attributable to:				
Equity holders of the Company	(211,149)	(3,518)	107,137	(107,530)
Holders of perpetual securities	101,434	-	(101,434)	-
Non-controlling interests	(1,882)	747	-	(1,135)
Loss for the financial year	(111,597)	(2,771)	5,703	(108,665)

The accompanying notes form an integral part of these unaudited pro forma financial information.

RESTRUCTURED KOM

Statement of Adjustments for the Unaudited Pro forma Profit or Loss Statement For the financial year ended 31 December 2020

	Audited 2020	**Pro Forma Adjustments**		**Unaudited 2020**
	$'000	**$'000**		**$'000**
		Note 3(I)	*Note 3(II)*	
Revenue	1,574,088	(189,821)	-	1,384,267
Raw materials and consumables used	(612,377)	133,224	-	(479,153)
Contract labour and subcontractors' costs	(472,338)	36,451	-	(435,887)
Staff costs	(513,102)	9,473	-	(503,629)
Depreciation and amortisation	(119,653)	10,897	-	(108,756)
Other operating expenses – net	(165,425)	71,048	9,638	(84,739)
Impairment on financial and contract assets	(618,040)	600,453	-	(17,587)
Dividend income	3,449	-	-	3,449
Interest income	60,429	(26,333)	-	34,096
Interest expense	(104,237)	70,981	(10,621)	(43,877)
Share of results of associated companies and joint ventures	(330,421)	322,047	-	(8,374)
Loss before taxation	(1,297,627)	1,038,420	(983)	(260,190)
Taxation	94,421	(14)	(1,638)	92,769
Loss for the financial year	(1,203,206)	1,038,406	(2,621)	(167,421)
(Loss)/profit attributable to:				
Equity holders of the Company	(1,295,094)	1,037,721	94,656	(162,717)
Holders of perpetual securities	97,277	-	(97,277)	-
Non-controlling interests	(5,389)	685	-	(4,704)
Loss for the financial year	(1,203,206)	1,038,406	(2,621)	(167,421)

The accompanying notes form an integral part of these unaudited pro forma financial information.

RESTRUCTURED KOM

Statement of Adjustments for the Unaudited Pro forma Profit or Loss Statement
For the financial year ended 31 December 2019

	Audited 2019	Pro Forma Adjustments		Unaudited 2019
	$'000	$'000		$'000
		Note 3(I)	*Note 3(II)*	
Revenue	2,219,720	(603,811)	-	1,615,909
Raw materials and consumables used	(846,603)	384,426	-	(462,177)
Contract labour and subcontractors' costs	(534,632)	132,001	-	(402,631)
Staff costs	(566,324)	34,722	-	(531,602)
Depreciation and amortisation	(121,126)	9,041	-	(112,085)
Other operating expenses – net	(84,886)	(16,376)	18,215	(83,047)
Impairment on financial and contract assets	(9,108)	-	-	(9,108)
Dividend income	4,988	-	-	4,988
Interest income	74,444	(33,438)	-	41,006
Interest expense	(107,123)	71,216	(13,128)	(49,035)
Share of results of associated companies and joint ventures	(56,823)	52,162	-	(4,661)
(Loss)/profit before taxation	(27,473)	29,943	5,087	7,557
Taxation	33,182	686	(3,097)	30,771
Profit for the financial year	5,709	30,629	1,990	38,328
(Loss)/profit attributable to:				
Equity holders of the Company	(85,734)	29,868	94,774	38,908
Holders of perpetual securities	92,784	-	(92,784)	-
Non-controlling interests	(1,341)	761	-	(580)
Profit for the financial year	5,709	30,629	1,990	38,328

The accompanying notes form an integral part of these unaudited pro forma financial information.

RESTRUCTURED KOM

Statement of Adjustments for the Unaudited Pro forma Profit or Loss Statement
For the interim financial period ended 30 June 2022

	6 months ended 30 June 2022	**Pro Forma Adjustments**		**6 months ended 30 June 2022**
	$'000	**$'000**		**$'000**
		Note 3(I)	*Note 3(II)*	
Revenue	1,159,044	-	-	1,159,044
Raw materials and consumables used	(387,021)	5,061	-	(381,960)
Contract labour and subcontractors' costs	(514,117)		-	(514,117)
Staff costs	(189,049)	3,808	-	(185,241)
Depreciation and amortisation	(53,525)	4,494	-	(49,031)
Other operating income – net	31,279	15,474	9,878	56,631
Impairment on financial and contract assets	(3,521)	-	-	(3,521)
Dividend income	26,844	-	-	26,844
Interest income	10,925	(698)	-	10,227
Interest expense	(51,640)	28,885	(4,233)	(26,988)
Share of results of associated companies and joint ventures	(7,864)	15,738	-	7,874
Profit before taxation	21,355	72,762	5,645	99,762
Taxation	(3,332)	2	(1,679)	(5,009)
Profit for the financial period	18,023	72,764	3,966	94,753
(Loss)/profit attributable to:				
Equity holders of the Company	(15,569)	72,767	38,386	95,584
Holders of perpetual securities	34,420	-	(34,420)	-
Non-controlling interests	(828)	(3)	-	(831)
Profit for the financial period	18,023	72,764	3,966	94,753

The accompanying notes form an integral part of these unaudited pro forma financial information.

RESTRUCTURED KOM

Statement of Adjustments for the Unaudited Pro forma Profit or Loss Statement For the interim financial period ended 30 June 2021

	6 months ended 30 June 2021	Pro Forma Adjustments		6 months ended 30 June 2021
	$'000	$'000		$'000
		Note 3(I)	*Note 3(II)*	
Revenue	789,644	-	-	789,644
Raw materials and consumables used	(238,445)	5,714	-	(232,731)
Contract labour and subcontractors' costs	(297,469)	-	-	(297,469)
Staff costs	(194,658)	5,026	-	(189,632)
Depreciation and amortisation	(57,606)	4,637	-	(52,969)
Other operating expenses – net	(24,033)	12,851	6,385	(4,797)
Impairment on financial and contract assets	(24,444)	-	-	(24,444)
Dividend income	2,550	-	-	2,550
Interest income	6,785	(645)	-	6,140
Interest expense	(45,851)	29,383	(4,125)	(20,593)
Share of results of associated companies and joint ventures	183,033	(176,738)	-	6,295
Profit/(loss) before taxation	99,506	(119,772)	2,260	(18,006)
Taxation	3,669	-	(1,085)	2,584
Profit/(loss) for the financial period	103,175	(119,772)	1,175	(15,422)
Profit/(loss) attributable to:				
Equity holders of the Company	55,516	(120,086)	50,914	(13,656)
Holders of perpetual securities	49,739	-	(49,739)	-
Non-controlling interests	(2,080)	314	-	(1,766)
Profit/(loss) for the financial period	103,175	(119,772)	1,175	(15,422)

The accompanying notes form an integral part of these unaudited pro forma financial information.

RESTRUCTURED KOM

Statement of Adjustments for the Unaudited Pro forma Statement of Cash Flows For the financial period ended 30 June 2022

	6 months ended 30 June 2022	Pro Forma Adjustments		6 months ended 30 June 2022
	$'000	$'000		$'000
Operating activities:		*Note 3(I)*	*Note3 (II)*	
Profit before taxation	21,355	72,762	5,645	99,762
Adjustments for:				
Depreciation and amortisation	53,525	(4,494)	-	49,031
Dividend income	(26,844)		-	(26,844)
Interest expense	51,640	(28,905)	4,233	26,968
Interest income	(10,925)	698	-	(10,227)
Share of results of associated companies and joint ventures	7,864	(15,738)	-	(7,874)
Gain on disposal of property, plant and equipment	(1,244)	-	-	(1,244)
Gain on disposal of an associated company	(7)	-	-	(7)
Gain on disposal of asset held for sale	(81,107)	-	-	(81,107)
Cash flows from operations before changes in working capital	14,257	24,323	9,878	48,458
Working capital changes, excluding changes relating to cash:				
Stocks	52,656	(64,044)	-	(11,388)
Contract assets and liabilities	(426,593)	82,818	-	(343,775)
Trade and other debtors, deposits and prepayments	(45,480)	11,225	-	(34,255)
Other assets	587	-	-	587
Trade creditors, provisions for warranty and accrued expenses	167,008	(133)	-	166,875
Assets held for sale	-	(11,358)	-	(11,358)
Amount due to/(from) associated companies and KCL related companies	47,975	2,280	(9,878)	40,377
Derivative instruments – net	(1,089)	(9,563)	-	(10,652)
Cash used in operations	(190,679)	35,548	-	(155,131)
Interest received	6,567	-	-	6,567
Dividend received	13,074	-	-	13,074
Income tax (including group tax relief) refunded	48,722	(11)	-	48,711
Net cash used in operating activities	(122,316)	35,537	-	(86,779)
Investing activities:				
Purchase of property, plant and equipment	(10,198)	-	-	(10,198)
Proceeds from sale of property, plant and equipment	1,330	-	-	1,330
Proceeds from disposal of asset held for sale	20,581	-	-	20,581
Purchase of financial assets at FVOCI	(108)	-	-	(108)
Principal repayment of convertible bonds	2,322	-	-	2,322
Dividends and distribution received	1,385	-	-	1,385
Proceeds from disposal of associated companies	210	-	-	210
Proceeds from capital reduction of an associated company	1,246	-	-	1,246
Net cash from investing activities	16,768	-	-	16,768

The accompanying notes form an integral part of these unaudited pro forma financial information.

RESTRUCTURED KOM

Statement of Adjustments for the Unaudited Pro forma Statement of Cash Flows For the financial period ended 30 June 2022

	6 months ended 30 June 2022	Pro Forma Adjustments		6 months ended 30 June 2022
	$'000	$'000		$'000
		Note 3(I)	*Note 3(II)*	
Financing activities:				
Repayment of borrowings	(16,127)	(19,672)	-	(35,799)
Proceeds from borrowings	181,601	-	-	181,601
Proceeds of loans from a related company – net	42,399	(42,399)	-	-
Principal payment of lease liabilities	(18,229)	-	-	(18,229)
Interest paid	(50,554)	28,207	-	(22,347)
Dividend payment to non-controlling interests	(210)	-	-	(210)
Net cash from financing activities	138,880	(33,864)	-	105,016
Net changes in cash and cash equivalents	33,332	1,673	-	35,005
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	(958)	-	-	(958)
Cash and cash equivalents at beginning of financial period	395,955	(1,673)	-	394,282
Cash and cash equivalents at end of financial period	428,329	-	-	428,329

The accompanying notes form an integral part of these unaudited pro forma financial information.

RESTRUCTURED KOM

Statement of Adjustments for the Unaudited Pro forma Statement of Cash Flows For the financial year ended 31 December 2021

	Audited 2021 $'000	Pro Forma Adjustments $'000		Unaudited 2021 $'000
		Note 3(I)	*Note 3(II)*	
Operating activities:				
Loss before taxation	(161,801)	1,555	8,253	(151,993)
Adjustments for:				
Depreciation and amortisation	116,062	(9,688)	-	106,374
Dividend income	(6,091)	-	-	(6,091)
Interest expense	82,209	(45,464)	6,749	43,494
Interest income	(23,395)	1,327	-	(22,068)
Share of results of associated companies and joint ventures	(168,328)	160,193	-	(8,135)
Gain on disposal of property, plant and equipment	(8,784)	-	-	(8,784)
Loss on liquidation of associated companies	20	-	-	20
Property, plant and equipment written off	205	-	-	205
Recycling of reserves to profit and loss account	-	14,323	-	14,323
Cash flows used in operations before changes in working capital	(169,903)	122,246	15,002	(32,655)
Working capital changes, excluding changes relating to cash:				
Stocks	(238,317)	97,719	-	(140,598)
Contract assets and liabilities	(1,021,156)	114,987	-	(906,169)
Trade and other debtors, deposits and prepayments	810,516	(36,539)	-	773,977
Other assets	(283)	-	-	(283)
Trade creditors, provisions for warranty and accrued expenses	(28,452)	722	-	(27,730)
Amount due to/(from) associated companies and KCL related companies	14,112	228	(15,002)	(662)
Derivative instruments – net	68,930	(42,778)	-	26,152
Cash used in operations	(564,553)	256,585	-	(307,968)
Interest received	6,971	-	-	6,971
Dividend received	6,091	-	-	6,091
Income tax (including group tax relief) refunded	28,593	244	-	28,837
Net cash used in operating activities	(522,898)	256,829	-	(266,069)
Investing activities:				
Purchase of property, plant and equipment	(24,403)	-	-	(24,403)
Proceeds from sale of property, plant and equipment	8,930	-	-	8,930
Proceeds from disposal of asset held for sale	8,934	-	-	8,934
Purchase of financial assets at FVOCI	(760)	-	-	(760)
Principal repayment of convertible bonds	1,279	-	-	1,279
Dividends and distribution received	9,090	-	-	9,090
Net cash from investing activities	3,070	-	-	3,070

The accompanying notes form an integral part of these unaudited pro forma financial information.

RESTRUCTURED KOM

Statement of Adjustments for the Unaudited Pro forma Statements of Cash Flows For the financial year ended 31 December 2021

	Audited 2021 $'000	Pro Forma Adjustments $'000		Unaudited 2021 $'000
		Note 3(I)	*Note 3(II)*	
Financing activities:				
Repayment of borrowings	(398,385)	-	(500,000)	(898,385)
Proceeds from borrowings	308,914	323,602	500,000	1,132,516
Proceeds of loans from a related company – net	621,880	(621,880)	-	-
Principal payment of lease liabilities	(30,944)	-	-	(30,944)
Interest paid	(81,123)	40,699	-	(40,424)
Dividend payment to non-controlling interests	(220)	-	-	(220)
Acquisition of additional interest in a subsidiary	(705)	-	-	(705)
Net cash from financing activities	419,417	(257,579)	-	161,838
Net changes in cash and cash equivalents	(100,411)	(750)	-	(101,161)
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	1,140	-	-	1,140
Cash and cash equivalents at beginning of financial year	495,226	(923)	-	494,303
Cash and cash equivalents at end of financial year	395,955	(1,673)	-	394,282

The accompanying notes form an integral part of these unaudited pro forma financial information.

1. Introduction

Keppel Offshore & Marine Ltd (the "**Company**" or "**KOM**") is incorporated in Singapore with its principal place of business at 50 Gul Road, Singapore 629351 and registered office at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632.

The Company's principal activity is that of an investment holding company.

The Company's immediate and ultimate holding company is Keppel Corporation Limited ("**KCL**"), incorporated in Singapore.

On 27 April 2022 and 27 October 2022, KCL announced the proposed combination (the "**Proposed Combination**") of KOM and Sembcorp Marine Ltd ("**SCM**"), such that KOM will be held as a wholly-owned subsidiary of SCM.

2. The Proposed Combination

The Proposed Combination will be effected in the manner and sequence set out below:

(a) firstly, the transfer of KOM's legacy rig assets, associated receivables and associated intercompany loans (the "**Asset Co Intercompany Loans**") owing by the Asset Co Target Companies (as defined in the Circular) to KCL and its subsidiaries (collectively, the "**KCL Group**") from KOM, FELS Offshore Pte Ltd and Keppel FELS Limited (collectively, the "**KOM Vendors**") to a newly established asset-holding company, Rigco Holding Pte. Ltd. ("**Asset Co**" and such transfer, the "**Asset Co Transfer**"). In return, the KCL Group and the KOM Vendors will receive equity and debt securities issued by Asset Co amounting in aggregate to approximately S$4,058.2 million (as may be adjusted) (the "**Asset Co Consideration**").

Subject to the terms of the Amended Asset Co Framework Agreement (as defined in the Circular), the Asset Co Consideration of approximately S$4,058.2 million (subject to such adjustments as may be necessary), which is payable by Asset Co to the KOM Vendors and the KCL Group will be satisfied in the following manner:

I. S$499,000 of the Asset Co Consideration shall be satisfied by way of the issuance of 499,000 new ordinary shares in the capital of Asset Co (the "**Asset Co Consideration Shares**" and each, an "**Asset Co Consideration Share**") at the issue price of S$1.00 per Asset Co Consideration Share;

II. S$120.0 million of the Asset Co Consideration shall be satisfied by way of the issuance of S$120.0 million 10.0% PIK Toggle Perpetual Securities by Asset Co (the "**Asset Co Perpetual Securities**"). The Asset Co Perpetual Securities bear interest from and including their date of issue at the fixed rate of 10.0% per annum, payable semi-annually in arrears. Subject to the terms of the Asset Co

2. The Proposed Combination (cont'd)

II. Perpetual Securities, Asset Co may elect to pay interest due on any interest payment date (i) entirely in cash, (ii) entirely in additional Asset Co Perpetual Securities issued as payment of interest or (iii) a combination of (i) and (ii). The Asset Co Perpetual Securities have no fixed redemption date and may only be redeemed at the option of Asset Co on or after five (5) years from their date of issue; and

III. approximately S$3,937.7 million (subject to such adjustments as may be necessary) of the Asset Co Consideration shall be satisfied by way of the issuance of fixed rate notes in the same aggregate principal amount (the "**Vendor Notes**") by Asset Co. The Vendor Notes bear interest from and including their date of issue at the fixed rate of 4.0% per annum, payable annually in arrears. Subject to the terms of the Vendor Notes, Asset Co may elect to pay interest due on any interest payment date (i) entirely in cash, (ii) entirely in additional Vendor Notes issued as payment of interest or (iii) a combination of (i) and (ii). The Vendor Notes have a maturity date falling on the twelfth anniversary of their date of issue (with Asset Co having an option to extend such maturity date to any date falling on or before the fifteenth anniversary of their date of issue), and may be redeemed at the option of Asset Co at any time. The Vendor Notes may be redeemed at the outstanding principal amount together with unpaid accrued interest and a redemption premium equal to 5.0% of the outstanding principal amount of Vendor Notes being redeemed.

(b) secondly, an internal restructuring exercise to be conducted by KOM (the "**KOM Pre-Combination Restructuring**") to transfer certain identified assets from the KOM In-Scope Entities (as defined below) to the rest of the KCL Group, and in consideration of such transfer, certain liabilities owing by some KOM In-Scope Entities to the KCL Group will be set off and discharged. The KOM Pre-Combination Restructuring will be principally effected through the following steps:

I. the assignment and transfer of (A) the Asset Co Consideration payable to the KOM Vendors (the "**KOM Asset Co Securities**") and (B) identified assets of the KOM In-Scope Entities (the "**Out of Scope Assets**"), in each case, by the KOM In-Scope Entities to the KCL Group;

II. the payment of S$500 million (the "**Cash Component**") to the KCL Group to cash-settle interests and the redemption amount for a partial redemption of existing perpetual securities issued by the KOM In-Scope Entities to the KCL Group (the "**Relevant Perpetual Securities**");

2. The Proposed Combination (cont'd)

III. the set off of an amount equivalent to the transfer consideration for the transfer of the KOM Asset Co Securities and the Out of Scope Assets against then outstanding intercompany loans owing by the KOM In-Scope Entities to the KCL Group (the "**KOM Intercompany Loans**") and the redemption amount for a partial redemption of the Relevant Perpetual Securities; and

IV. the remaining outstanding principal amount of the Relevant Perpetual Securities that is not partially redeemed in the manner set out in sub-paragraphs (II) and (III) above to be fully capitalised into new ordinary shares in KOM and issued to KCL.

Following completion of the KOM Pre-Combination Restructuring, the KOM Intercompany Loans and the Relevant Perpetual Securities will be fully settled and discharged and the KOM In-Scope Entities will have no outstanding liability to the KCL Group other than those arising out of the ordinary course of business and under the transitional services agreement to be entered into by KOM and KCL whereby the KCL Group shall provide transitional support services to the KOM In-Scope Entities.

(c) thirdly, subject to the satisfaction (or, where applicable, the waiver) of the Conditions (as defined in the Circular), all the issued and paid-up ordinary shares (excluding treasury shares) in the share capital of KOM held by KCL will be transferred to SCM in consideration for the issuance by SCM of such number of new ordinary shares in the capital of SCM (the "**SCM Shares**") representing 54% of the total number of SCM Shares on a fully diluted basis immediately after Closing (as defined in the Circular).

The unaudited pro forma financial information of KOM and its subsidiaries (collectively, the "**KOM Group**"), excluding such entities to be transferred pursuant to the Asset Co Transfer and the KOM Pre-Combination Restructuring (the "**KOM In-Scope Entities**"), after the completion of the Proposed Combination (the "**Pro Forma KOM Group**"), comprising the unaudited pro forma financial position of the Pro Forma KOM Group as at 30 June 2022 and 31 December 2021, the unaudited pro forma profit or loss statements of the Pro Forma KOM Group for the six-month financial periods and financial years ended 30 June 2021 and 2022, 31 December 2021, 2020 and 2019 respectively, and the unaudited pro forma statements of cash flows of the Pro Forma KOM Group for the financial period and year ended 30 June 2022 and 31 December 2021 respectively, and the related notes to the "Unaudited Pro Forma Financial Information" has been prepared for inclusion in the circular to the shareholders of KCL (the "**Circular**").

3. Basis of Preparation of the Unaudited Pro Forma Financial Information

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, and based on certain assumptions after making certain adjustments, to show what:

(a) the unaudited pro forma financial position of the Pro Forma KOM Group as at 30 June 2022 and 31 December 2021 would have been if the Proposed Combination had occurred on 30 June 2022 and 31 December 2021 respectively;

(b) the unaudited pro forma financial results of the Pro Forma KOM Group for the financial years ended 31 December 2021, 2020 and 2019 would have been if the Proposed Combination had occurred on 1 January 2019;

(c) the unaudited pro forma financial results of the Pro Forma KOM Group for the six-month financial periods ended 30 June 2022 and 2021 would have been if the Proposed Combination had occurred on 1 January 2019; and

(d) the unaudited pro forma cash flows of the Pro Forma KOM Group for the six-month financial period and financial year ended 30 June 2022 and 31 December 2021 would have been if the Proposed Combination had occurred on 1 January 2021.

To derive the pro forma financial information, the adjustments applied to KOM Group's financial information includes the following:

I. adjustments arising from the Proposed Combination as described in Note 2(a) and Note 2(b)(I) of this Pro Forma Financial Information to effect the transfer of:

A. KOM's legacy rig assets, associated receivables at net book value, revenue, raw materials and consumables used, contract labour and subcontractors' costs and impairment on financial and contract assets for certain projects and allocation of certain profit or loss items of these assets including staff costs, depreciation and amortisation, other operating expenses – net, and interest expenses;

B. Out of Scope Assets at net book value including the share of results of associated companies; and

C. related recycling of cash flows hedge reserve and foreign currency translation reserve arising from Note 3(I)(A) and Note 3(I)(B).

II. adjustments of an annual management fee to KCL, the S$500 million fund raising from external bank/third party to finance the Cash Component and the settlement of intercompany loans and perpetual securities as described in Note 2(a) and Note 2(b)(II) to Note 2(b)(IV) of this Pro Forma Financial Information.

To derive the adjustments above, the assumptions applied to KOM Group's financial information includes the following:

III. loans from fellow subsidiaries of KOM are assumed extinguished and the extinguishment are an offset of intercompany balances with the remaining loan portion converted to equity;

IV. any proceeds from intercompany loans are assumed as proceeds from external borrowings used for working capital purposes; and

V. interest expense in relation to the Cash Component are assumed to be the average of intercompany borrowing rates of each pro forma period and applied consistently across all relevant pro forma periods.

3. Basis of Preparation of the Unaudited Pro Forma Financial Information (cont'd)

The Unaudited Pro Forma Financial Information, because of their nature, may not give a true picture of the actual financial position, financial results and cash flows of the Pro Forma KOM Group.

The unaudited pro forma financial information of the Group is based on the following:

(a) the unaudited pro forma financial information of the Pro Forma KOM Group for the financial years ended 31 December 2021, 2020 and 2019 have been compiled based on the audited consolidated financial statements of the KOM Group for the financial years ended 31 December 2021, 2020 and 2019, which have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs").

(b) The audited consolidated financial statements for the financial years ended 31 December 2021, 2020 and 2019 of the KOM Group was audited by PricewaterhouseCoopers LLP, Public Accountants and Chartered Accountants, Singapore in accordance with Singapore Standards of Auditing ("SSAs"). The independent auditor's report relating to these audited financial statements was not subject to any qualification.

(c) The unaudited pro forma financial information of the Pro Forma KOM Group for the six-month financial periods ended 30 June 2022 and 2021 have been compiled based on the interim unaudited consolidated management accounts of the KOM Group for the six-month financial periods ended 30 June 2022 and 2021 which have been prepared in accordance with the SFRS(I)s and the IFRSs.

The financial statements are expressed in Singapore dollars. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

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4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the Unaudited Pro Forma Financial Information.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. The financial statements of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated financial statements from their respective dates of obtaining control or ceasing control. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the KOM Group.

Acquisition of subsidiaries is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair value of the assets transferred, equity instruments issued, liabilities incurred or assumed at the date of exchange and the fair values of any contingent consideration arrangement and any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised in the profit and loss account as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests, except for deferred tax assets/liabilities, share-based related accounts and assets held for sale.

Any excess of the cost of business combination over the KOM Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the KOM Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Changes in the KOM Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the KOM Group's interests and the non-controlling interests are adjusted and the difference between the change in the carrying amounts of the non-controlling interests and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the KOM Group derecognises all assets (including any goodwill), liabilities and non-controlling interests at their carrying amounts. Amounts previously recognised in other comprehensive income in respect of that former subsidiary are reclassified to the profit and loss account or transferred directly to revenue reserves if required by a specific Standard. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in the profit and loss account.

On a transaction-by-transaction basis, the measurement of non-controlling interests is either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree.

4. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

Contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in the profit and loss account.

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 owners of the Company. Total comprehensive income is attributed to the non-controlling interests in a subsidiary based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(b) Financial assets

Classification and measurement

The KOM Group classifies its financial assets in the following measurement categories:
- Amortised cost;
- Fair value through profit or loss ("FVPL"); and
- Fair value through other comprehensive income ("FVOCI").

The classification depends on the KOM Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The KOM Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the KOM Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

i. Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, listed and unlisted debt securities.

There are three subsequent measurement categories, depending on the KOM Group's business model for managing the asset and the cash flow characteristics of the asset:

4. Significant accounting policies (cont'd)

(b) Financial assets (cont'd)

At subsequent measurement (cont'd)

i. Debt instruments (cont'd)

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other operating expenses - net".

- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other operating expenses - net". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".

ii. Equity investments

The KOM Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other operating expenses- net", except for those equity securities which are not held for trading. The KOM Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the KOM Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains / losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

Impairment

The KOM Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, lease receivables and contract assets, the KOM Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

4. Significant accounting policies (cont'd)

(b) Financial assets (cont'd)

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the KOM Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the KOM Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

Trade receivables that are factored out to banks and other financial institutions with recourse to the KOM Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions are recorded as borrowings.

(c) Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities issued by the KOM Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the KOM Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other creditors are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the KOM Group's accounting policy for borrowing costs.

4. Significant accounting policies (cont'd)

(c) Financial liabilities and equity instruments (cont'd)

Derecognition of financial liabilities

The KOM Group derecognises financial liabilities when, and only when, the KOM Group's obligations are discharged, cancelled or expired.

(d) Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company or the KOM Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

(e) Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, and other fixed assets are stated in the statement of financial position at their costs, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Capital work-in-progress are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the KOM Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and capital work-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

		Number of years
Buildings on freehold land	-	between 20 and 50
Buildings on leasehold land	-	between 15 and 50
Plant, machinery and equipment	-	between 5 and 30
Furniture, fittings and office equipment	-	between 2 and 10
Cranes	-	between 5 and 30
Vessels and floating docks	-	between 10 and 30

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

4. Significant accounting policies (cont'd)

(f) Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the KOM Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the KOM Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit and loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Subsidiaries

A subsidiary is an entity (including structured entities) over which the KOM Group has control. The KOM Group controls an entity when the KOM Group 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 Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes
to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;

4. Significant accounting policies (cont'd)

(g) Subsidiaries (cont'd)

- Rights arising from other contractual arrangements; and

- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Investments in subsidiaries are stated in the financial statements of the Company at cost less accumulated impairment losses. On disposal of a subsidiary, the difference between net disposal proceeds and carrying amount of the investment is taken to profit or loss.

(h) Associated companies and joint ventures

Associated companies are entities over which the KOM Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Joint ventures are entities over which the KOM Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

<u>Acquisitions</u>

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated company or joint venture over the KOM Group's share of the fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

<u>Equity method of accounting</u>

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' or joint ventures' post acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income.

Dividends received or receivable from the associated companies or joint ventures are recognised as a reduction of the carrying amount of the investments. When the KOM Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the KOM Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture.

If the associated company or joint venture subsequently reports profits, the KOM Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company or joint venture includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

4. Significant accounting policies (cont'd)

(h) Associated companies and joint ventures (cont'd)

Unrealised gains on transactions between the KOM Group and its associated companies or joint ventures are eliminated to the extent of the KOM Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Disposals

Investments in associated companies or joint ventures are derecognised when the KOM Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at fair value.

The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

(i) Intangible assets

Goodwill on acquisitions

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the KOM Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the KOM Group's cash-generating units expected to benefit from the synergies of the combination. Cash- generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

4. Significant accounting policies (cont'd)

(i) Intangible assets (cont'd)

Patents and trademarks, Research and development, and Customer relationships

Patents and trademarks, research and development and customer relationships are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 3 to 20 years, which is the shorter of their estimated useful lives and periods of contractual rights.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(j) Leases

When the KOM Group is the lessee:

At the inception of the contract, the KOM Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

Right-of-use assets

The KOM Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the KOM Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees
- The exercise price of a purchase option if is reasonably certain to exercise the option; and

4. Significant accounting policies (cont'd)

(j) Leases (cont'd)

When the KOM Group is the lessee:

Lease liabilities

- Payment of penalties for terminating the lease, if the lease term reflects the KOM Group exercising that option.

For contract that contain both lease and non-lease components, the KOM Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;

- There is a change in the KOM Group's assessment of whether it will exercise an extension option; or

- There is a modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short term and low value leases

The KOM Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The KOM Group recognises those lease payments in profit or loss in the periods that triggered those lease payments.

Rent concessions

The KOM Group has elected to apply the optional practical expedient under Amendments to SFRS(I) 16 *Leases* (Covid-19-Related Rent Concessions).

Under the practical expedient, the KOM Group, as a lessee, has elected not to assess whether a rent concession is a lease modification, if all the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

4. Significant accounting policies (cont'd)

(j) Leases (cont'd)

When the KOM Group is the lessee:

Rent concessions (cont'd)

- Any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

- There is no substantive change to other terms and conditions of the lease.

When the KOM Group is the lessor:

The KOM Group leases vessels, buildings and equipment under operating leases to non-related parties.

Leases- Finance leases

Leases where the KOM Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable is recognised on the balance sheet. The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct costs incurred by the KOM Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

(k) Provisions

Provisions are recognised when the KOM Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the KOM Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. These provisions include a provision for warranty which is set up, upon completion of a contract, to cover the estimated liability which may arise during the warranty period. Any provision no longer required at the end of the warranty period will be written back while additional provision will be made when required.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. Significant accounting policies (cont'd)

(l) Revenue

The KOM Group enters into rigbuilding, shipbuilding and repairs contracts with customers. These contracts are fixed in prices. Revenue is recognised when the control over the contract work is transferred to the customer. At contract inception, the KOM Group assesses whether the KOM Group transfers control of the contract work over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the KOM Group; and (b) the KOM Group has an enforceable right to payment for performance completed to date.

The contract work has no alternative use for the KOM Group due to contractual restriction, and the KOM Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the KOM Group's progress towards completing the construction of the contract work.

The measure of progress for rigbuilding contracts and shipbuilding contracts is determined by engineers' estimates.

For contract where the customer is invoiced on a milestone payment schedule, a contract asset is recognised if the value of the contract work transferred by the KOM Group exceed the receipts from the customer and a contract liability is recognised if the receipts from the customer exceed the value of the contract work transferred by the KOM Group.

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.

Revenue from sale of goods is recognised when the KOM Group satisfies a performance obligation by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied performance obligation.

Revenue from the rendering of services is recognised when the services have been rendered.

Dividend income from investments is recognised when such dividend income is declared to be payable.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on demand deposits, and other short-term highly liquid assets that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

4. Significant accounting policies (cont'd)

(n) Assets classified as held for sale (cont'd)

Non-current assets are classified as assets held for sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale.

Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

5. Revenue

KOM In-Scope Entities enter into rigbuilding, shipbuilding and repairs contracts with customers. Revenue is recognised when the control over the contract work is transferred to the customer. For contracts where the work has no alternative use for Restructured KOM due to contractual restriction, and Restructured KOM has enforceable rights to payment arising from the contractual terms, these revenues are recognised over time by reference to Restructured KOM's progress towards completing the construction of the contract work. For contracts where the customer is invoiced on a milestone payment schedule, a contract asset is recognised if the value of the contract work transferred by Restructured KOM exceeds the receipts from the customer and a contract liability is recognised if the receipts from the customer exceed the value of the contract work transferred by Restructured KOM.

The summary of Restructured KOM's pro forma revenue for the Period Under Review is as follows:

	FY2019 S$'m	FY2020 S$'m	FY2021 S$'m	1H21 S$'m	1H22 S$'m
Pro Forma Revenue	1,616	1,384	2,013	790	1,159

The factors affecting the pro forma revenue recognised during the Period Under Review include the following:

i. market demand for ship repair and conversion, and specialised ships;
ii. the stage of a project and/or percentage of works carried out for a project during a particular financial year/period;
iii. Restructured KOM's ability to compete effectively and secure new contracts;
iv. Restructured KOM's ability to ensure works and services performed are carried out satisfactorily and within contractual timelines; and
v. Restructured KOM's ability to secure and maintain the relevant licenses, registrations, permits or approvals necessary for business operations.

6. Impairment on financial and contract assets

S$'m	FY2019	FY2020	FY2021	1H2021	1H2022
Impairment on financial and contract assets	9	18	18	24	4

Arising from periodic reviews of expected credit losses, the above represents impairment against receivables from customers and contract assets in the oil and gas industry.

7. **Contract assets**

Contract assets primarily relate to Restructured KOM's right to consideration for work completed but not billed at the reporting date on construction contracts net of impairment losses recognised for the projects. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when Restructured KOM invoices the customers. Contract assets amounted to approximately S$1,111 million and S$1,382 million (net of allowance of S$nil and S$nil), as at 31 December 2021 and 30 June 2022 respectively.

8. **Stocks**

Stocks comprise of work in progress, consumable materials, finished goods and goods for sale. Stocks amounted to approximately S$319 million and S$330 million (net of allowance of S$80 million and S$80 million) as at 31 December 2021 and 30 June 2022 respectively. Stocks mainly comprises of work in progress and consumable materials amounting to S$269 million and S$281 million as at 31 December 2021 and 30 June 2022 respectively.

9. **Trade debtors**

Trade debtors amounted to approximately S$117 million and S$164 million (net of allowance of S$31 million and S$33 million), as at 31 December 2021 and 30 June 2022 respectively.

10. **Amount due from associated companies and KCL related companies (current)**

Amount due from associated companies and KCL related companies relate to intercompany balances with Restructured KOM's associates and KCL group of entities. Amount due from associated companies and KCL related companies amounted to approximately S$103 million and S$99 million as at 31 December 2021 and 30 June 2022 respectively.

Amount due from associated companies and KCL related companies are primarily non-trade in nature, interest-free and receivable on demand, except for:

(i) Amount due from associated companies amounted to approximately S$30 million and $24 million as at 31 December 2021 and 30 June 2022 respectively, which are trade in nature.

(ii) Amount due from associated companies amounted to approximately S$57 million and S$47 million as at 31 December 2021 and 30 June 2022 respectively, which are interest bearing.

11. **Assets classified as held for sale**

Assets classified as held for sale comprise yards and certain JVs. Assets classified as held for sale amounted to approximately S$168 million and S$93 million as at 31 December 2021 and 30 June 2022 respectively.

12. **Amount due from associated companies and KCL related companies (non-current)**

Amount due from associated companies and KCL related companies relate to intercompany balances with Restructured KOM's associates and KCL group of entities. Amount due from associated companies and KCL related companies amounted to approximately S$27 million as at 31 December 2021.

Amount due from associated companies and KCL related companies are primarily non-trade in nature, interest bearing and not expected to be received within 12 months from 31 December 2021.

13. Amount due to associated companies and KCL related companies (current)

Amount due to associated companies and KCL related companies relate to intercompany balances with Restructured KOM's associates and KCL group of entities. Amount due to related companies amounted to approximately S$74 million and S$81 million as at 31 December 2021 and 30 June 2022 respectively.

Amount due to associated companies and KCL related companies are primarily non-trade in nature, interest-free and payable on demand.

14. Capital commitments

Capital commitments for 1H2022 and FY2021 were approximately S$51 million and S$38 million respectively. These are mainly for acquisition of fixed assets and yard improvements.

15. Contingent liabilities

Contingent liabilities for 1H2022 and FY2021 were approximately S$177 million and S$137 million respectively and these include performance guarantees issued for contracts awarded to customers and third parties, and guarantees in respect of banks and other loans granted to related companies.

In addition, in FY2021, Restructured KOM received a request for arbitration from a customer ("**Claimant**") to two engineering, procurement and construction contracts relating to Floating Production Storage and Offloading units ("**EPC Contracts**"). The Claimant has withheld a total of approximately US$11.3 million due to Restructured KOM and has claimed a further amount of approximately US$38.2 million on the basis that the Claimant is allegedly entitled to a price reduction and remediation costs associated with defective equipment supplied under the EPC contracts (the "Claim").

In FY2021, Restructured KOM, in consultation with legal advisors, deny the Claimant's alleged right to such price reductions and the defective equipment and challenge the Claimant's right to withhold payments due to Restructured KOM and its supposed right to claim such price reductions. Restructured KOM intend to defend the claim and in addition, seek remedies, including counterclaims for the sums withheld by the Claimant.

The audited financial statements of KOM for the financial year ended 31 December 2021, which is publicly available, contains details of other contingent liabilities of Restructured KOM previously disclosed, including, in respect of certain civil action by EIG funds, termination of Two Mid-Water Semisubmersible Drilling Rig Contracts, contracts with Sete Brasil (only disclosure relating to the four uncompleted rigs is relevant to Restructured KOM) and global resolution with criminal authorities relating to corrupt payments. In addition, KOM In-Scope Entities entered into various contracts with third parties in its ordinary course of business and is exposed to the risk of claims, litigations, latent defects or review from the contractual parties and/or government agencies. These can arise for various reasons, including change in scope of work, delay and disputes, defective specifications or routine checks etc. The scope, enforceability and validity of any claim, litigation or review may be highly uncertain. In making its judgment as to whether it is probable that any such claim, litigation or review will result in a liability and whether any such liability can be measured reliably, the management of KOM relies on past experience and the opinion of legal and technical expertise.

16. Subsequent events

On 19 December 2022, Keppel Corporation announced that KOM has reached a joint resolution with the authorities in Brazil, namely Brazilian Attorney-General's Office ("AGU") and Comptroller General of the Union ("CGU"), in relation to the corrupt payments made by a former agent of KOM in Brazil, which was previously announced in December 2017. Following KOM's full cooperation with AGU's and CGU's investigations, KOM entered into a leniency agreement with the two authorities and committed to a total payment of R$343,571,455.25 (equivalent to approximately US$65 million) in fines and damages. On 30 January 2023, Keppel Corporation updated that the Attorney-General's Chambers of Singapore and the Corrupt Practices Investigation Bureau ("CPIB") have confirmed that KOM may avail itself of the crediting of up to US$52,777,122.50, pursuant to the terms of the CPIB Conditional Warning issued on 23 December 2017, in respect of the fines payable by KOM to the Brazilian authorities, and that KOM has made full payment of the fines and damages payable under the leniency agreement. With the earlier leniency agreement with the Public Prosecutor's Office in Brazil (the Ministerio Publico Federal or "MPF") and this additional agreement, both of which provide for the payment of fines and damages in connection to the same matter, KOM does not expect further grounds for liability in Brazil in relation to these issues.

APPENDIX L: REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR FY2019, FY2020, FY2021, 1H2021 AND 1H2022

See following pages.

Sembcorp Marine Ltd and its Subsidiaries

Unaudited Pro forma Financial Information of the Enlarged Group for the financial years ended 31 December 2019, 2020 and 2021 and for the six-month financial periods ended 30 June 2021 and 2022 Included in the Circular of Sembcorp Marine Ltd

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The Board of Directors
Sembcorp Marine Ltd
80 Tuas South Boulevard
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31 January 2023

Dear Sirs

Report on the Compilation of Unaudited Pro Forma Financial Information of the Enlarged Group for the financial years ended 31 December 2019, 2020 and 2021 and for the six-month financial periods ended 30 June 2021 and 2022

We have completed our assurance engagement to report on the compilation of Unaudited Pro Forma Financial Information of the Enlarged Group (comprising the Sembcorp Marine Ltd (the "Company") and its subsidiaries and Keppel Offshore & Marine Limited ("KOM") and its subsidiaries) prepared by management. The Unaudited Pro Forma Financial Information of the Enlarged Group consists of unaudited pro forma balance sheets as at 31 December 2021 and 30 June 2022, unaudited pro forma income statement for the financial years ended 31 December 2019, 2020 and 2021 and the six-month financial periods ended 30 June 2021 and 2022, the unaudited pro forma cash flow statements for the financial year ended 31 December 2021 and the six-month financial period ended 30 June 2022, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages L-8 to L-52 of the circular (the "Circular") to be issued in connection with proposed acquisition of the entire issued and paid-up share capital of KOM for a consideration to be satisfied by way of allotment and issuance of 36,848,072,918 ordinary shares ("KOM Consideration Shares") in the issued and paid-up share capital of the Company (the "Proposed Combination"), representing 54 per cent. of the total issued share capital of the Company immediately following the completion of the Proposed Combination.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and are based on certain assumptions, after making certain adjustments. The applicable criteria (the "Criteria") on the basis of which management has compiled the Unaudited Pro Forma Financial Information are described in Note 2 of the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information has been compiled by management to illustrate the impact of the Proposed Combination on the Enlarged Group's financial positions as at 31 December 2021 and 30 June 2022, as if the Proposed Combination had taken place at 31 December 2021 and 30 June 2022 respectively, on the Enlarged Group's financial performance for the financial years ended 31 December 2019, 2020 and 2021 and the six-month financial periods ended 30 June 2021 and 2022 as if the Proposed Combination had taken place at 1 January 2019, and on the Enlarged Group's cash flows for the financial year ended 31 December 2021 and the six-month financial period ended 30 June 2022 as if the Proposed Combination had taken place on 1 January 2021.

As part of this process, information about the Enlarged Group's financial position, financial performance and cash flows has been extracted by management from the following:

(a) the audited consolidated financial statements of the Company and its subsidiaries for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021, which were prepared in accordance with Singapore Financial Reporting Standards (International) and International Financial Reporting Standards, and on which audit reports have been published;

(b) the unaudited condensed consolidated interim financial statements of Company and its subsidiaries for the six-month financial period ended 30 June 2021 which was prepared in accordance with Singapore Financial Reporting Standard (International) ("SFRS(I)") 1-34 *Interim Financial Reporting* and International Accounting Standard ("IAS") 34 *Interim Financial Reporting*, on which a review report has been published;

(c) the unaudited condensed consolidated interim financial statements of Company and its subsidiaries for the six-month financial period ended 30 June 2022 which was prepared in accordance with SFRS(I) 1-34 and IAS 34, on which no audit or review report has been published; and

(d) the Unaudited Pro forma Financial Information of the Restructured KOM Group for the financial years ended 31 December 2019, 2020 and 2021 and for the six-month financial periods ended 30 June 2021 and 2022, which were prepared in accordance with the accounting policies adopted by KOM and its subsidiaries in its latest audited financial statements and the basis of applicable criteria specified, on which an accountant's report is published within the Circular.

Management's responsibility for the Unaudited Pro Forma Financial Information

Management is responsible for compiling the Unaudited Pro Forma Financial Information on the basis of the Criteria.

Reporting Accountants' independence and quality control

We have complied with the independence and other ethical requirement of the Accounting and Corporate Regulatory Authority (ACRA) *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.

The 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.

Reporting Accountants' responsibility

Our responsibility is to express an opinion about whether the Unaudited Pro Forma Financial Information has been compiled, in all material respects, by management on the basis of the Criteria.

We conducted our engagement in accordance with Singapore Standard on Assurance Engagements (SSAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Institute of Singapore Chartered Accountants (the ISCA). This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether management has compiled, in all material respects, the Unaudited Pro Forma Financial Information on the basis of the Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at each of the respective dates would have been as presented.

Reporting Accountants' responsibility (cont'd)

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been compiled, in all material respects, on the basis of the Criteria involves performing procedures to assess whether the Criteria used by management in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those Criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to his understanding of the nature of the company, event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been compiled:

    (i) in a manner consistent with the accounting policies adopted by the Company in its latest audited financial statements, which are in accordance with Singapore Financial Reporting Standards (International) and International Financial Reporting Standards and unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022, which are prepared in accordance with Singapore Financial Reporting Standard (International) 1-34 *Interim Financial Reporting* and International Accounting Standard 34 *Interim Financial Reporting*; and

    (ii) on the basis of the Criteria stated in Note 2 of the Unaudited Pro Forma Financial Information; and

Opinion (cont'd)

(b) each material adjustment made to the information used in the preparation of the Unaudited Pro Forma Financial Information is appropriate for the purpose of preparing such unaudited financial information.

This letter has been prepared for inclusion in the Circular of the Company to be issued in relation to the Proposed Combination.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore

Ang Fung Fung
Partner-in-charge

31 January 2023

Unaudited Pro forma Balance Sheets

As at 31 December 2021 and 30 June 2022

	Note	31 December 2021 $'000	30 June 2022 $'000
Non-current assets			
Property, plant and equipment		5,086,263	5,020,445
Right-of-use assets		473,528	475,929
Interests in associates and joint ventures		217,090	221,330
Other financial assets		82,686	87,514
Trade and other receivables		1,215,409	1,715,459
Contract assets		463,517	67,008
Intangible assets	5	3,838,258	3,663,062
Deferred tax assets		331,304	327,700
		11,708,055	11,578,447
Current assets			
Inventories		385,574	396,694
Trade and other receivables		821,664	980,315
Contract costs		68,456	22,895
Contract assets		2,406,339	2,196,687
Tax recoverable		80,673	48,422
Assets held for sale		168,434	93,413
Other financial assets		15,940	99,772
Cash and cash equivalents		1,570,520	1,916,128
		5,517,600	5,754,326
Total assets		17,225,655	17,332,773
Current liabilities			
Trade and other payables		3,419,956	3,482,893
Contract liabilities		461,190	354,869
Provisions		73,328	88,994
Other financial liabilities		31,163	46,850
Current tax payable		23,012	35,415
Interest-bearing borrowings		966,973	1,197,068
Lease liabilities		56,115	57,706
		5,031,737	5,263,795
Net current assets		485,863	490,531
Non-current liabilities			
Deferred tax liabilities		63,260	63,951
Provisions		205,108	209,866
Other financial liabilities		2,178	5,974
Interest-bearing borrowings		2,839,243	2,829,477
Lease liabilities		541,398	547,061
Other long-term payables		10,974	10,919
		3,662,161	3,667,248
Total liabilities		8,693,898	8,931,043
Net assets		8,531,757	8,401,730
Equity attributable to owners of the Company			
Share capital	6	8,569,680	8,569,680
Other reserves		(51,682)	(43,019)
Revenue reserve		(32,853)	(167,809)
		8,485,145	8,358,852
Non-controlling interests		46,612	42,878
Total equity		8,531,757	8,401,730

The accompanying notes form an integral part of these Unaudited Pro Forma Financial Information.

Unaudited Pro forma Income Statements

For the financial years ended 31 December 2019, 2020, 2021 and
For the six-month financial periods ended 30 June 2021, 2022

		For the years/periods ended 31 December/30 June				
		2019	2020	2021	1H 2021	1H 2022
	Note	$'000	$'000	$'000	$'000	$'000
Turnover		4,498,469	2,894,547	3,875,494	1,633,830	2,254,007
Cost of sales		(4,340,716)	(3,407,597)	(4,971,845)	(2,174,824)	(2,291,434)
Gross profit/(loss)		157,753	(513,050)	(1,096,351)	(540,994)	(37,427)
Other operating income		127,804	277,384	211,307	107,269	84,106
Other operating expenses		(19,064)	(217,100)	(206,146)	(168,394)	(16,460)
General and administrative expenses		(395,179)	(376,853)	(271,305)	(120,789)	(136,287)
Operating loss		(128,686)	(829,619)	(1,362,495)	(722,908)	(106,068)
Finance income		139,269	89,170	78,927	31,572	72,087
Finance costs		(179,062)	(185,679)	(126,131)	(62,726)	(81,628)
Non-operating income		185	501	(20)	–	74,502
Share of results of associates and joint ventures, net of tax		(6,264)	(7,861)	9,301	6,958	8,285
Loss before tax		(174,558)	(933,488)	(1,400,418)	(747,104)	(32,822)
Tax credit/(expense)		98,544	178,859	118,409	82,175	(9,555)
Loss for the year/period		(76,014)	(754,629)	(1,282,009)	(664,929)	(42,377)
Loss attributable to:						
Owners of the Company		(72,421)	(745,227)	(1,276,074)	(660,898)	(39,372)
Non-controlling interests		(3,593)	(9,402)	(5,935)	(4,031)	(3,005)
Loss for the year/period		(76,014)	(754,629)	(1,282,009)	(664,929)	(42,377)
Earnings per share (cents)						
Basic and diluted earnings per share (cents)	4	(0.11)	(1.09)	(1.87)	(0.97)	(0.06)

The accompanying notes form an integral part of these Unaudited Pro Forma Financial Information.

Unaudited Pro forma Statements of Cash Flows

For the financial year ended 31 December 2021 and the six-month financial period ended 30 June 2022

	2021 $'000	1H 2022 $'000
Cash flows from operating activities		
Loss for the year	(1,295,620)	(42,377)
Adjustments for:		
Finance income	(72,836)	(45,243)
Finance costs	126,093	81,608
Depreciation of property, plant and equipment, and right-of-use assets	277,254	133,049
Amortisation of intangible assets	25,701	12,522
Share of results of associates and joint ventures, net of tax	(9,301)	(8,285)
Gain on disposal of property, plant and equipment, net	(4,219)	(1,330)
Dividend income	(6,091)	(26,844)
Gain/(loss) on liquidation/deemed disposal of associate	20	(7)
Gain on disposal of asset held for sale	–	(81,107)
Changes in fair value of financial instruments	62,141	(975)
Loss on modified cash flows of receivables	3,084	–
Impairment losses on property, plant and equipment	45,916	–
Impairment losses on right-of-use assets	66,477	–
Provision for restoration cost	21,937	442
Property, plant and equipment written off	217	–
Inventories written down, net	21,328	2
Impairment losses on trade receivables and contract assets, net	2,356	7,742
Tax (credit)/expenses	(118,409)	9,555
Operating (loss)/profit before working capital changes	(853,952)	38,752
Changes in working capital:		
Inventories	(134,528)	(11,122)
Contract costs	(15,753)	45,561
Contract assets	(1,113,081)	533,373
Contract liabilities	17,263	(33,533)
Trade and other receivables	905,978	(500,415)
Trade and other payables	365,626	113,588
Provisions	(9,956)	(2,320)
Cash (used in)/generated from operations	(838,403)	183,884
Interest income received	16,499	9,263
Dividend received	6,091	13,074
Interest paid	(103,551)	(56,491)
Tax refunded	23,747	47,807
Net cash (used in)/generated from operating activities	(895,617)	197,537

Unaudited Pro forma Statements of Cash Flows (cont'd)

For the financial year ended 31 December 2021 and six-month financial period ended 30 June 2022

	2021 $'000	1H 2022 $'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(70,127)	(19,681)
Proceeds from sale of property, plant and equipment	12,847	1,422
Proceeds from disposal of asset held for sale	8,934	20,581
Purchase of intangible assets	(2,412)	(920)
Dividend received	9,122	1,385
Purchase of financial assets, at FVOCI	(760)	(108)
Proceed from disposal of associates	–	210
Proceed from capital reduction of associate	–	1,246
Principal repayable of convertible bonds	1,279	2,322
Net cash (used in)/generated from investing activities	(41,117)	6,457
Cash flows from financing activities		
Proceeds from borrowings	2,659,223	380,628
Repayment of borrowings	(2,937,240)	(206,974)
Proceeds from rights issue, net	1,498,841	–
Purchase of treasury shares	(286)	(465)
Payment of lease liabilities	(53,080)	(29,602)
Dividends paid to non-controlling interests of subsidiaries	(331)	(509)
Acquisition of additional interest in a subsidiary	(705)	–
Net cash generated from financing activities	1,166,422	143,078
Net increase in cash and cash equivalents	229,688	347,072
Cash and cash equivalents at beginning of the year	1,266,729	1,498,400
Effect of exchange rate changes on balances held in foreign currencies	1,983	(1,817)
Cash and cash equivalents at end of the year	1,498,400	1,843,655

Significant non-cash transactions

(i) On 1 January 2021, SCM issued 36,848,072,918 of new ordinary shares at an issue price of $0.122 per share for the entire issued share capital of Keppel Offshore & Marine Ltd. The combination was effected via an issuance of KOM consideration shares to Keppel Corporation Limited ("KCL") and its shareholders.

Notes to the unaudited pro forma financial information

1. Introduction

Sembcorp Marine Ltd (the "Company") is a company incorporated in the Republic of Singapore and has its registered office at 80 Tuas South Boulevard, Singapore 637051, and whose shares are publicly traded on the Mainboard of the Singapore Exchange. The financial statements comprise the Company and its subsidiaries (together referred to as the "SCM Group") and the Group's interests in associates and joint ventures.

Startree Investments Pte. Ltd. and Temasek Holdings (Private) Limited are the Company's immediate and ultimate holding companies, respectively.

The principal activities of the Company are the provision of management services and investment holding. The principal activities of SCM Group are the provision of innovative engineering solutions to the global offshore, marine and energy industries.

1.1 Proposed Combination

Proposed combination with Keppel Offshore & Marine Ltd ("KOM"), a wholly-owned subsidiary of Keppel Corporation Limited ("KCL")

On 27 April 2022, the Company announced that it had entered into the Combination Framework Agreement in relation to the proposed combination of the businesses of the Company and KOM.

On 27 October 2022, the Company announced it had entered into an amendment and restatement deed amending and restating the Combination Framework Agreement and setting out the revised terms on which the proposed combination will be effected. Pursuant to the terms of the Amended and Restated Combination Framework Agreement, the Company and KCL have agreed to take certain steps to effect the proposed combination of the businesses of the Company and KOM, and to record their respective obligations relating to, inter alia, the implementation of such proposed combination. Under the Amended and Restated Combination Framework Agreement, the Parties intend to achieve the proposed combination, such that KOM becomes a wholly-owned subsidiary of the Company following completion of the proposed combination (the "Proposed Combination").

Prior to the completion of the Proposed Combination, KOM will undergo a restructuring where it will sell its legacy rigs and associated receivables to a newly established asset holding company ("Asset Co"). In addition, certain out-of-scope assets comprising mainly KOM's interests in Floatel International Ltd and Dyna-Mac Holdings Ltd will be divested by KOM to KCL. Immediately prior to the completion of the Proposed Combination, KOM will pay S$500 million in cash to settle outstanding interest and make a partial redemption of certain perpetual securities previously issued to KCL and its subsidiaries.

The Parties have entered into the Amended and Restated Combination Framework Agreement pursuant to which KCL will transfer the entire issued share capital of KOM in exchange for the KOM Consideration Shares to be issued to KCL (and/or directly to the KCL Shareholders pursuant to the Keppel Distribution), being 54 per cent. of the total issued share capital of SCM immediately following the completion of the Proposed Combination.

1. Introduction (cont'd)

1.1 Proposed Combination (cont'd)

Accordingly, the Company will issue 36,848,072,918 of new ordinary shares to KCL and/or its shareholders, at an issue price of $0.122 per share.

The unaudited pro forma financial information of the Company and its newly acquired subsidiaries (the "Enlarged Group") after the completion of the Proposed Combination, comprising the unaudited pro forma balance sheets of the Enlarged Group as at 31 December 2021 and 30 June 2022, and the unaudited pro forma income statements of the Enlarged Group for the financial years ended 31 December 2019, 2020 and 2021 and the six-month financial periods ended 30 June 2021 and 2022; and the unaudited pro forma statements of cash flows of the Enlarged Group for the financial year ended 31 December 2021 and the six-month financial period 30 June 2022, has been prepared for inclusion in the circular to the shareholders (the "Circular") of the Company.

2. Basis of preparation of the unaudited pro forma financial information

The unaudited pro forma financial information has been prepared in accordance with the basis of preparation set out in the following paragraphs. It has been prepared for illustrative purposes only, and based on certain assumptions after making certain adjustments, to show what:

(a) the unaudited pro forma financial position of the Enlarged Group as at 31 December 2021 and 30 June 2022 would have been if the Proposed Combination had occurred on 31 December 2021 and 30 June 2022, respectively;

(b) the unaudited pro forma financial results of the Enlarged Group for the financial years ended 31 December 2019, 2020 and 2021 and the six-month financial periods ended 30 June 2021 and 2022 would have been if the Proposed Combination had occurred on 1 January 2019; and

(c) the unaudited pro forma cash flows of the Enlarged Group for the financial year ended 31 December 2021 and the six-month financial period ended 30 June 2022 would have been if the Proposed Combination had occurred on 1 January 2021.

The unaudited pro forma financial information, because of their nature, may not give a true picture of the actual financial position, financial results and cash flows of the Enlarged Group.

The unaudited pro forma financial information of the Enlarged Group for the financial years ended 31 December 2019, 2020 and 2021 and the six-month financial periods ended 30 June 2021 and 2022 have been compiled based on the following:

(a) the audited consolidated financial statements of SCM Group for the financial years ended 31 December 2019, 2020 and 2021, which were prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs") and audited by KPMG LLP, a firm of Chartered Accountants registered with the Accounting and Corporate Regulatory Authority in Singapore, in accordance with the Singapore Standards on Auditing;

2. Basis of preparation of the unaudited pro forma financial information (cont'd)

(b) the unaudited condensed interim financial statements of SCM Group for the financial period ended 30 June 2021, which were prepared in accordance with SFRS(I)s and IFRSs and reviewed by KPMG LLP in Singapore in accordance with the Singapore Standard on Review Engagement 2410 – *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*;

(c) the unaudited condensed interim financial statements of SCM Group for the financial period ended 30 June 2022, which were prepared in accordance with SFRS(I)s and IFRSs and KPMG LLP had performed certain procedures under the requirements of Singapore Standard on Related Services (SSRS) 4400 (Revised) – *Agreed-upon Procedures Engagements*. These procedures do not constitute either an audit, assurance or a review made in accordance with Singapore Standards on Auditing, Singapore Standards on Assurance Engagements) or Singapore Standards on Review Engagements; and

(d) the unaudited pro forma financial information of the Restructured KOM Group for the financial years ended 31 December 2019, 2020 and 2021 and the six-month financial periods ended 30 June 2021 and 2022 which were prepared in accordance with SFRS(I)s and IFRSs and KPMG LLP in Singapore had issued a report in accordance with the Singapore Standard on Assurance Engagement 3420 – *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus.*

The unaudited pro forma financial information of the Enlarged Group has been compiled from the financial information disclosed above and is prepared on the basis of the accounting policies set out in Note 7.

The auditors' reports on the consolidated financial statements of SCM Group do not contain any qualification or modification.

The following key adjustments and assumptions were made for the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group:

(a) The Proposed Combination is based on a 50:50 enterprise value ratio between KOM and the Company. After taking into account the respective capital structures of the two companies, the S$500 million cash that KOM will pay to KCL immediately prior to the closing of the Proposed Combination, and other adjustments, the agreed equity value exchange ratio will result in the Company issuing the KOM Consideration Shares to KCL and its shareholders, being such number of SCM Shares representing 54 per cent. of the SCM Issued Share Capital immediately following the completion of the Proposed Combination. SCM Shareholders will then own such number of SCM Shares representing 46 per cent. of the SCM Issued Share Capital. Based on 31,389,099,152 Shares in issue (excluding 6,223 treasury shares) as at the Latest Practicable Date of 20 January 2023, 36,848,072,918 KOM Consideration Shares will be issued.

The Issue Price of the KOM Consideration Shares is S$0.122 per share. The Issue Price is based on the VWAP of the Shares for the last 10 trading days up to and including 26 April 2022, being the last trading day immediately prior to the signing of the Combination Framework Agreement. Based on 36,848,072,918 KOM Consideration Shares and the Issue Price, the aggregate consideration for the Proposed Combination is approximately S$4.5 billion. Adjustments are made in the Unaudited Pro forma Balance Sheets to reflect the issuance of share capital at 31 December 2021 and 30 June 2022 of S$4.5 billion.

2. Basis of preparation of the unaudited pro forma financial information (cont'd)

The value of the KOM Consideration Shares assumed for the pro forma may differ from the actual cost of the Proposed Combination as it will depend on the share price of the Company at the date of the actual transfer of shares on the completion of the Proposed Combination. As the actual goodwill or gain on bargain purchase will be determined at the completion of the Proposed Combination, the eventual amounts could be materially different from the amount derived based on the assumption used;

(b) In this Proposed Combination, the Company has been identified as the accounting acquiror while KOM is deemed the accounting acquiree. Accordingly, the unaudited pro forma balance sheets, the unaudited pro forma income statements and unaudited pro forma statements of cash flow of the Enlarged Group (for the financial years ended 31 December 2019, 2020 and 2021 and the six-month financial periods ended 30 June 2021 and 2022) have been presented as a continuation of the financial statements of the Company;

(c) The combination related costs relating to the Proposed Combination are assumed to be S$13.6 million.

Adjustments of S$11.6 million and S$3.7 million are made in the Unaudited Pro forma Balance Sheets at 31 December 2021 and 30 June 2022 respectively, to recognise payables for combination related costs as if they had been incurred on the respective dates.

Adjustments of S$13.6 million, S$2.0 million and S$7.9 million are made in the Unaudited Pro forma Income Statements for the financial years ended 31 December 2019, 31 December 2021 and the six-month financial period ended 30 June 2022 respectively to account for these costs as if they had been incurred on 1 January 2019.

Adjustments of S$11.6 million and S$7.9 million are made in the Unaudited Pro forma Statements of Cash Flows for the financial year ended 31 December 2021 and the six-month financial period ended 30 June 2022 respectively to account for these costs as if they had been incurred on 1 January 2021;

(d) The purchase price allocation and acquisition accounting will not be performed until the completion date of the Proposed Combination. Therefore, the estimated amount of the acquired value of KOM and goodwill presented in the Unaudited Pro Forma Financial Information of the Enlarged Group do not represent the Enlarged Group's actual balance. Certain adjustments have been made based on management's judgement, assumptions and estimates. For illustrative purposes only, no other assets or liabilities have been identified arising on the combination with KOM. Accordingly, the excess of the purchase consideration less the net book values of unaudited balances of Restructured KOM Group as at 31 December 2021 and 30 June 2022 is attributed to goodwill. Adjustments are made in the balance sheets to reflect the recognition of goodwill of S$3.6 billion and S$3.4 billion as at 31 December 2021 and 30 June 2022 respectively;

2. Basis of preparation of the unaudited pro forma financial information (cont'd)

(e) Management is of the view that there will be expected synergies from the Proposed Combination but the effects from these synergies are ignored for any pro forma adjustments. For the purpose of the preparation of the unaudited pro forma consolidation financial information, any goodwill arising from the Proposed Combination is assumed not to be impaired and will be tested for impairment annually or when there is an indication of impairment; and

(f) Management has aligned the classification and presentation of income and expenses, assets and liabilities, and operating cashflows across entities of the Enlarged Group for consistency. The alignment was based on information available to the Company; and in doing so, arbitrary allocations and considerable judgement has been applied to the Unaudited Pro Forma Profit or Loss statements, Unaudited Pro Forma Statements of Financial Position and Unaudited Pro Forma Statements of Cash Flows of Restructured KOM Group. Actual allocation may however differ from amounts presented.

3. Unaudited Pro forma financial information of the Enlarged Group

(i) Unaudited pro forma balance sheet as at 31 December 2021

	Audited balance sheet of SCM Group	Unaudited pro forma balance sheet of Restructured KOM Group	Pro forma adjustments (see notes below)				Unaudited pro forma balance sheet
			(a)	(b)	(c)	(d)	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-current assets							
Property, plant and equipment	3,992,675	1,093,588	–	–	–	–	5,086,263
Right-of-use assets	235,800	237,728	–	–	–	–	473,528
Interests in associates and joint ventures	16,559	200,531	–	–	–	–	217,090
Other financial assets	3,275	79,411	–	–	–	–	82,686
Trade and other receivables	1,167,376	48,033	–	–	–	–	1,215,409
Contract assets	463,517	–	–	–	–	–	463,517
Intangible assets	198,419	43,236	–	–	3,596,603	–	3,838,258
Deferred tax assets	196,215	135,089	–	–	–	–	331,304
	6,273,836	1,837,616	–	–	3,596,603	–	11,708,055
Current assets							
Inventories	66,963	318,611	–	–	–	–	385,574
Trade and other receivables	471,321	350,343	–	–	–	–	821,664
Contract costs	68,456	–	–	–	–	–	68,456
Contract assets	1,295,308	1,111,031	–	–	–	–	2,406,339
Tax recoverable	16,093	64,580	–	–	–	–	80,673
Assets held for sale	–	168,434	–	–	–	–	168,434
Other financial assets	3,778	12,162	–	–	–	–	15,940
Cash and cash equivalents	1,104,118	466,402	–	–	–	–	1,570,520
	3,026,037	2,491,563	–	–	–	–	5,517,600
Total assets	9,299,873	4,329,179	–	–	3,596,603	–	17,225,655

3. Unaudited Pro forma financial information of the Enlarged Group (cont'd)

(i) Unaudited pro forma balance sheet as at 31 December 2021 (cont'd)

	Audited balance sheet of SCM Group	Unaudited pro forma balance sheet of Restructured KOM Group	Pro forma adjustments (see notes below)				Unaudited pro forma balance sheet
			(a)	(b)	(c)	(d)	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current liabilities							
Trade and other payables	1,432,056	1,976,303	–	11,597	–	–	3,419,956
Contract liabilities	171,551	289,639	–	–	–	–	461,190
Provisions	56,386	16,942	–	–	–	–	73,328
Other financial liabilities	25,495	5,668	–	–	–	–	31,163
Current tax payable	6,092	16,920	–	–	–	–	23,012
Interest-bearing borrowings	820,581	146,392	–	–	–	–	966,973
Lease liabilities	21,094	35,021	–	–	–	–	56,115
	2,533,255	2,486,885	–	11,597	–	–	5,031,737
Net current assets	492,782	4,678	–	(11,597)	–	–	485,863
Non-current liabilities							
Deferred tax liabilities	19,070	44,190	–	–	–	–	63,260
Provisions	205,108	–	–	–	–	–	205,108
Other financial liabilities	781	1,397	–	–	–	–	2,178
Interest-bearing borrowings	2,255,228	584,015	–	–	–	–	2,839,243
Lease liabilities	257,650	283,748	–	–	–	–	541,398
Other long-term payables	3,711	7,263	–	–	–	–	10,974
	2,741,548	920,613	–	–	–	–	3,662,161
Total liabilities	5,274,803	3,407,498	–	11,597	–	–	8,693,898
Net assets	4,025,070	921,681	–	(11,597)	3,596,603	–	8,531,757

3. Unaudited Pro forma financial information of the Enlarged Group (cont'd)

(i) Unaudited pro forma balance sheet as at 31 December 2021 (cont'd)

	Audited balance sheet of SCM Group	Unaudited pro forma balance sheet of Restructured KOM Group	Pro forma adjustments (see notes below)				Unaudited pro forma balance sheet
			(a)	(b)	(c)	(d)	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Equity attributable to owners of the Company							
Share capital	4,074,215	2,100,524	4,495,465	–	–	(2,100,524)	8,569,680
Other reserves	(51,682)	(202,086)	–	–	–	202,086	(51,682)
Revenue reserve	(21,256)	(999,576)	–	(11,597)	–	999,576	(32,853)
	4,001,277	898,862	4,495,465	(11,597)	–	(898,862)	8,485,145
Non-controlling interests	23,793	22,819	–	–	–	–	46,612
Total equity	4,025,070	921,681	4,495,465	(11,597)	–	(898,862)	8,531,757

Notes to the unaudited pro forma balance sheet:

(a) Adjustments to effect the issuance of 36,848,072,918 shares pursuant to the Proposed Combination at $0.122 per share;

(b) Adjustments to effect transaction costs of $13.6 million, and net of actual costs already incurred in respect of the Proposed Combination of $2.0 million;

(c) Adjustments to effect the recognition of goodwill arising from the Proposed Combination of $3.6 billion as at 31 December 2021. The purchase price allocation will not be performed until the completion date of the Proposed Combination. For illustrative purposes only, no other assets or liabilities have been identified arising on the combination with KOM. Accordingly, the excess of the purchase consideration less the net book values of unaudited balances of Restructured KOM Group is attributed to goodwill. Actual amounts could be materially different from the amounts derived based on the assumption used; and

(d) Adjustments to effect consolidation entries to eliminate the cost of investment and pre-combination reserves between the Company and KOM.

3. Unaudited Pro forma financial information of the Enlarged Group (cont'd)

(ii) Unaudited pro forma balance sheet as at 30 June 2022

	Unaudited balance sheet of SCM Group	Unaudited pro forma balance sheet of Restructured KOM Group	Pro forma adjustments (see notes below)				Unaudited pro forma balance sheet
			(a)	(b)	(c)	(d)	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-current assets							
Property, plant and equipment	3,951,095	1,069,350	–	–	–	–	5,020,445
Right-of-use assets	226,912	249,017	–	–	–	–	475,929
Interests in associates and joint ventures	16,846	204,484	–	–	–	–	221,330
Other financial assets	7,501	80,013	–	–	–	–	87,514
Trade and other receivables	1,697,739	17,720	–	–	–	–	1,715,459
Contract assets	67,008	–	–	–	–	–	67,008
Intangible assets	186,965	42,938	–	–	3,433,159	–	3,663,062
Deferred tax assets	194,984	132,716	–	–	–	–	327,700
	6,349,050	1,796,238	–	–	3,433,159	–	11,578,447
Current assets							
Inventories	66,695	329,999	–	–	–	–	396,694
Trade and other receivables	428,867	551,448	–	–	–	–	980,315
Contract costs	22,895	–	–	–	–	–	22,895
Contract assets	814,669	1,382,018	–	–	–	–	2,196,687
Tax recoverable	15,401	33,021	–	–	–	–	48,422
Assets held for sale	–	93,413	–	–	–	–	93,413
Other financial assets	10,887	88,885	–	–	–	–	99,772
Cash and cash equivalents	1,415,326	500,802	–	–	–	–	1,916,128
	2,774,740	2,979,586	–	–	–	–	5,754,326
Total assets	9,123,790	4,775,824	–	–	3,433,159	–	17,332,773

3. Unaudited Pro forma financial information of the Enlarged Group (cont'd)

(ii) Unaudited pro forma balance sheet as at 30 June 2022 (cont'd)

	Unaudited balance sheet of SCM Group	Unaudited pro forma balance sheet of Restructured KOM Group	Pro forma adjustments (see notes below)				Unaudited pro forma balance sheet
			(a)	(b)	(c)	(d)	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current liabilities							
Trade and other payables	1,326,291	2,152,906	–	3,696	–	–	3,482,893
Contract liabilities	138,018	216,851	–	–	–	–	354,869
Provisions	77,758	11,236	–	–	–	–	88,994
Other financial liabilities	40,082	6,768	–	–	–	–	46,850
Current tax payable	15,537	19,878	–	–	–	–	35,415
Interest-bearing borrowings	878,881	318,187	–	–	–	–	1,197,068
Lease liabilities	20,146	37,560	–	–	–	–	57,706
	2,496,713	2,763,386	–	3,696	–	–	5,263,795
Net current assets	278,027	216,200	–	(3,696)	–	–	490,531

3. Unaudited Pro forma financial information of the Enlarged Group (cont'd)

(ii) Unaudited pro forma balance sheet as at 30 June 2022 (cont'd)

	Unaudited balance sheet of SCM Group	Unaudited pro forma balance sheet of Restructured KOM Group	Pro forma adjustments (see notes below)				Unaudited pro forma balance sheet
			(a)	(b)	(c)	(d)	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-current liabilities							
Deferred tax liabilities	18,041	45,910	–	–	–	–	63,951
Provisions	209,866	–	–	–	–	–	209,866
Other financial liabilities	5,974	–	–	–	–	–	5,974
Interest-bearing borrowings	2,248,780	580,697	–	–	–	–	2,829,477
Lease liabilities	252,428	294,633	–	–	–	–	547,061
Other long-term payables	3,629	7,290	–	–	–	–	10,919
	2,738,718	928,530	–	–	–	–	3,667,248
Total liabilities	5,235,431	3,691,916	–	3,696	–	–	8,931,043
Net assets	3,888,359	1,083,908	–	(3,696)	3,433,159	–	8,401,730
Equity attributable to owners of the Company							
Share capital	4,074,215	2,162,068	4,495,465	–	–	(2,162,068)	8,569,680
Other reserves	(43,019)	(114,283)	–	–	–	114,283	(43,019)
Revenue reserve	(164,113)	(985,479)	–	(3,696)	–	985,479	(167,809)
	3,867,083	1,062,306	4,495,465	(3,696)	–	(1,062,306)	8,358,852
Non-controlling interests	21,276	21,602	–	–	–	–	42,878
Total equity	3,888,359	1,083,908	4,495,465	(3,696)	–	(1,062,306)	8,401,730

3. Unaudited Pro forma financial information of the Enlarged Group (cont'd)

(ii) Unaudited pro forma balance sheet as at 30 June 2022 (cont'd)

Notes to the unaudited pro forma balance sheet:

(a) Adjustment to effect the issuance of 36,848,072,918 shares pursuant to the Proposed Combination at $0.122 per share;

(b) Adjustment to effect transaction costs $13.6 million, and net of actual costs already incurred in respect of the Proposed Combination of $9.9 million;

(c) Adjustment to effect the recognition of goodwill arising from the Proposed Combination of $3.4 billion as at 30 June 2022. The purchase price allocation will not be performed until the completion date of the Proposed Combination. For illustrative purposes only, no other assets or liabilities have been identified arising on the combination with KOM. Accordingly, the excess of the purchase consideration less the net book values of unaudited balances of Restructured KOM Group is attributed to goodwill. Actual amounts could be materially different from the amounts derived based on the assumption used; and

(d) Adjustments to effect consolidation entries to eliminate the cost of investment and pre-combination reserves between the Company and KOM.

3. Unaudited Pro forma financial information of the Enlarged Group (cont'd)

(iii) Unaudited pro forma income statement for the financial year ended 31 December 2019

	Audited consolidated income statement of SCM Group	Unaudited pro forma income statement of Restructured KOM Group	Pro forma adjustments (see notes below)		Unaudited pro forma income statement
			(a)	(b)	
	$'000	$'000	$'000	$'000	$'000
Turnover	2,882,560	1,615,909	–	–	4,498,469
Cost of sales	(2,974,378)	(1,366,338)	–	–	(4,340,716)
Gross (loss)/profit	(91,818)	249,571	–	–	157,753
Other operating income	44,879	82,925	–	–	127,804
Other operating expenses	(6,325)	(12,739)	–	–	(19,064)
General and administrative expenses	(85,526)	(296,042)	(13,611)	–	(395,179)
Operating (loss)/profit	(138,790)	23,715	(13,611)	–	(128,686)
Finance income	93,275	45,994	–	–	139,269
Finance costs	(130,027)	(49,035)	–	–	(179,062)
Non-operating income/(loss)	185	(39,456)	–	39,456	185
Share of results of associates and joint ventures, net of tax	(1,603)	(4,661)	–	–	(6,264)
Loss before tax	(176,960)	(23,443)	(13,611)	39,456	(174,558)
Tax credit	36,773	61,771	–	–	98,544
(Loss)/profit for the year	(140,187)	38,328	(13,611)	39,456	(76,014)

3. Unaudited Pro forma financial information of the Enlarged Group (cont'd)

(iii) Unaudited pro forma income statement for the financial year ended 31 December 2019 (cont'd)

	Audited consolidated income statement of SCM Group	Unaudited pro forma income statement of Restructured KOM Group	Pro forma adjustments (see notes below)		Unaudited pro forma income statement
			(a)	(b)	
	$'000	$'000	$'000	$'000	$'000
(Loss)/profit attributable to:					
Owners of the Company	(137,174)	38,908	(13,611)	39,456	(72,421)
Non-controlling interests	(3,013)	(580)	–	–	(3,593)
(Loss)/profit for the year	(140,187)	38,328	(13,611)	39,456	(76,014)

Notes to the unaudited pro forma income statement:

(a) Adjustment to effect the transaction costs incurred in respect of the Proposed Combination of $13.6 million.

(b) Adjustment to reverse Restructured KOM Group's recycling of cash flows hedge reserve and foreign currency translation reserve of S$39.5 million, relating to legacy assets and associated receivables and out of scope assets transferred to Asset Co and KCL and its subsidiaries prior to the combination of Restructured KOM Group with SCM.

3. Unaudited Pro forma financial information of the Enlarged Group (cont'd)

(iv) Unaudited pro forma income statement for the financial year ended 31 December 2020

	Audited consolidated income statement of SCM Group $'000	Unaudited pro forma income statement of Restructured KOM Group $'000	Pro forma adjustments $'000	Unaudited pro forma income statement $'000
Turnover	1,510,280	1,384,267	–	2,894,547
Cost of sales	(2,000,743)	(1,406,854)	–	(3,407,597)
Gross loss	(490,463)	(22,587)	–	(513,050)
Other operating income	146,136	131,248	–	277,384
Other operating expenses	(143,931)	(73,169)	–	(217,100)
General and administrative expenses	(93,287)	(283,566)	–	(376,853)
Operating loss	(581,545)	(248,074)	–	(829,619)
Finance income	51,625	37,545	–	89,170
Finance costs	(141,802)	(43,877)	–	(185,679)
Non-operating income	501	–	–	501
Share of results of associates and joint ventures, net of tax	513	(8,374)	–	(7,861)
Loss before tax	(670,708)	(262,780)	–	(933,488)
Tax credit	83,500	95,359	–	178,859
Loss for the year	(587,208)	(167,421)	–	(754,629)
Loss attributable to:				
Owners of the Company	(582,510)	(162,717)	–	(745,227)
Non-controlling interests	(4,698)	(4,704)	–	(9,402)
Loss for the year	(587,208)	(167,421)	–	(754,629)

3. Unaudited Pro forma financial information of the Enlarged Group (cont'd)

(v) Unaudited pro forma income statement for the financial year ended 31 December 2021

	Audited consolidated income statement of SCM Group	Unaudited pro forma income statement of Restructured KOM Group	Pro forma adjustments (see notes below) (a)	Unaudited pro forma income statement
	$'000	$'000	$'000	$'000
Turnover	1,862,215	2,013,279	–	3,875,494
Cost of sales	(2,944,605)	(2,027,240)	–	(4,971,845)
Gross loss	(1,082,390)	(13,961)	–	(1,096,351)
Other operating income	125,587	85,720	–	211,307
Other operating expenses	(178,078)	(28,068)	–	(206,146)
General and administrative expenses	(89,234)	(184,085)	2,014	(271,305)
Operating loss	(1,224,115)	(140,394)	2,014	(1,362,495)
Finance income	50,768	28,159	–	78,927
Finance costs	(82,599)	(43,532)	–	(126,131)
Non-operating expenses	–	(20)	–	(20)
Share of results of associates and joint ventures, net of tax	1,166	8,135	–	9,301
Loss before tax	(1,254,780)	(147,652)	2,014	(1,400,418)
Tax credit	79,422	38,987	–	118,409
Loss for the year	(1,175,358)	(108,665)	2,014	(1,282,009)
Loss attributable to:				
Owners of the Company	(1,170,558)	(107,530)	2,014	(1,276,074)
Non-controlling interests	(4,800)	(1,135)	–	(5,935)
Loss for the year	(1,175,358)	(108,665)	2,014	(1,282,009)

Notes to the unaudited pro forma income statement:

(a) Adjustment to reverse actual transaction costs incurred in respect of the Proposed Combination of $2.0 million.

3. Unaudited Pro forma financial information of the Enlarged Group (cont'd)

(vi) Unaudited pro forma income statement for the six-month financial period ended 30 June 2021

	Unaudited consolidated income statement of SCM Group $'000	Unaudited pro forma income statement of Restructured KOM Group $'000	Pro forma adjustments $'000	Unaudited pro forma income statement $'000
Turnover	844,186	789,644	–	1,633,830
Cost of sales	(1,432,433)	(742,391)	–	(2,174,824)
Gross (loss)/profit	(588,247)	47,253	–	(540,994)
Other operating income	68,163	39,106	–	107,269
Other operating expenses	(143,950)	(24,444)	–	(168,394)
General and administrative expenses	(44,898)	(75,891)	–	(120,789)
Operating loss	(708,932)	(13,976)	–	(722,908)
Finance income	22,882	8,690	–	31,572
Finance costs	(42,133)	(20,593)	–	(62,726)
Share of results of associates and joint ventures, net of tax	663	6,295	–	6,958
Loss before tax	(727,520)	(19,584)	–	(747,104)
Tax credit	78,013	4,162	–	82,175
Loss for the period	(649,507)	(15,422)	–	(664,929)
Loss attributable to:				
Owners of the Company	(647,242)	(13,656)	–	(660,898)
Non-controlling interests	(2,265)	(1,766)	–	(4,031)
Loss for the period	(649,507)	(15,422)	–	(664,929)

3. Unaudited Pro forma financial information of the Enlarged Group (cont'd)

(vii) Unaudited pro forma income statement for the six-month financial period ended 30 June 2022

	Unaudited consolidated income statement of SCM Group $'000	Unaudited pro forma income statement of Restructured KOM Group $'000	Pro forma adjustments (see notes below) (a) $'000	Unaudited pro forma income statement $'000
Turnover	1,094,963	1,159,044	–	2,254,007
Cost of sales	(1,187,875)	(1,103,559)	–	(2,291,434)
Gross (loss)/profit	(92,912)	55,485	–	(37,427)
Other operating income	46,537	37,569	–	84,106
Other operating expenses	(10,312)	(6,148)	–	(16,460)
General and administrative expenses	(58,365)	(85,823)	7,901	(136,287)
Operating (loss)/profit	(115,052)	1,083	7,901	(106,068)
Finance income	35,016	37,071	–	72,087
Finance costs	(54,640)	(26,988)	–	(81,628)
Non-operating income	–	74,502	–	74,502
Share of results of associates and joint ventures, net of tax	411	7,874	–	8,285
(Loss)/profit before tax	(134,265)	93,542	7,901	(32,822)
Tax (expense)/credit	(10,766)	1,211	–	(9,555)
(Loss)/profit for the period	(145,031)	94,753	7,901	(42,377)
(Loss)/profit attributable to:				
Owners of the Company	(142,857)	95,584	7,901	(39,372)
Non-controlling interests	(2,174)	(831)	–	(3,005)
(Loss)/profit for the period	(145,031)	94,753	7,901	(42,377)

Notes to the unaudited pro forma income statement:

(a) Adjustment to reverse actual transaction costs incurred in respect of the Proposed Combination of $7.9 million.

3. Unaudited Pro forma financial information of the Enlarged Group (cont'd)

(viii) Unaudited pro forma statement of cash flows for the financial year ended 31 December 2021

	Audited consolidated statement of cash flows of SCM Group	Unaudited pro forma statement of cash flows of Restructured KOM Group	Pro forma adjustments (see notes below)		Unaudited pro forma statement of cash flows
			(a)	(b)	
	$'000	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Loss for the year	(1,175,358)	(122,988)	(11,597)	14,323	(1,295,620)
Adjustments for:					
Finance income	(50,768)	(22,068)	–	–	(72,836)
Finance costs	82,599	43,494	–	–	126,093
Depreciation of property, plant and equipment, and right-of-use assets	171,525	105,729	–	–	277,254
Amortisation of intangible assets	25,056	645	–	–	25,701
Share of results of associates and joint ventures, net of tax	(1,166)	(8,135)	–	–	(9,301)
Loss/(gain) on disposal of property, plant and equipment, net	4,565	(8,784)	–	–	(4,219)
Dividend income	–	(6,091)	–	–	(6,091)
Loss on liquidation/deemed disposal of associates	–	20	–	–	20
Recycling of reserves to profit or loss	–	14,323	–	(14,323)	–
Changes in fair value of financial instruments	35,989	26,152	–	–	62,141
Loss on modified cash flows of receivables	3,084	–	–	–	3,084
Impairment losses on property, plant and equipment	45,916	–	–	–	45,916
Impairment losses on right-of-use assets	66,477	–	–	–	66,477
Provision for restoration cost	21,937	–	–	–	21,937
Property, plant and equipment written off	12	205	–	–	217
Inventories written down, net	21,328	–	–	–	21,328
Impairment losses on trade receivables and contract assets, net	2,356	–	–	–	2,356
Tax credit	(79,422)	(38,987)	–	–	(118,409)
Operating loss before working capital changes	(825,870)	(16,485)	(11,597)	–	(853,952)
Changes in working capital:					
Inventories	6,070	(140,598)	–	–	(134,528)
Contract costs	(15,753)	–	–	–	(15,753)
Contract assets	(206,912)	(906,169)	–	–	(1,113,081)
Contract liabilities	17,263	–	–	–	17,263
Trade and other receivables	122,302	783,676	–	–	905,978
Trade and other payables	382,421	(28,392)	11,597	–	365,626
Provisions	(9,956)	–	–	–	(9,956)
Cash used in operations	(530,435)	(307,968)	–	–	(838,403)
Interest income received	9,528	6,971	–	–	16,499
Dividend received	–	6,091	–	–	6,091
Interest paid	(63,127)	(40,424)	–	–	(103,551)
Tax (paid)/refunded	(5,090)	28,837	–	–	23,747
Net cash used in operating activities	(589,124)	(306,493)	–	–	(895,617)
Cash flows from investing activities					
Purchase of property, plant and equipment	(45,724)	(24,403)	–	–	(70,127)
Proceeds from sale of property, plant and equipment	3,917	8,930	–	–	12,847
Proceeds from disposal of asset held for sale	–	8,934	–	–	8,934
Purchase of intangible assets	(2,412)	–	–	–	(2,412)
Dividend received from associate & joint venture	32	9,090	–	–	9,122
Purchase of financial assets, at FVOCI	–	(760)	–	–	(760)
Principal repayable of convertible bonds	–	1,279	–	–	1,279
Net cash (used in)/generated from investing activities	(44,187)	3,070	–	–	(41,117)

3. Unaudited Pro forma financial information of the Enlarged Group (cont'd)

(viii) Unaudited pro forma statement of cash flows for the financial year ended 31 December 2021 (cont'd)

	Audited consolidated statement of cash flows of SCM Group	Unaudited pro forma statement of cash flows of Restructured KOM Group	Pro forma adjustments (see notes below)		Unaudited pro forma statement of cash flows
			(a)	(b)	
	$'000	$'000	$'000	$'000	$'000
Cash flows from financing activities					
Proceeds from borrowings	1,526,707	1,132,516	–	–	2,659,223
Repayment of borrowings	(2,038,855)	(898,385)	–	–	(2,937,240)
Proceeds from rights issue, net	1,498,841	–	–	–	1,498,841
Purchase of treasury shares	(286)	–	–	–	(286)
Payment of lease liabilities	(22,136)	(30,944)	–	–	(53,080)
Dividends paid to non-controlling interests of subsidiaries	(111)	(220)	–	–	(331)
Acquisition of additional interest in a subsidiary	–	(705)	–	–	(705)
Net cash generated from financing activities	964,160	202,262	–	–	1,166,422
Net increase/(decrease) in cash and cash equivalents	330,849	(101,161)	–	–	229,688
Cash and cash equivalents at beginning of the year	772,426	494,303	–	–	1,266,729
Effect of exchange rate changes on balances held in foreign currencies	843	1,140	–	–	1,983
Cash and cash equivalents at end of the year	1,104,118	394,282	–	–	1,498,400

Significant non-cash transactions

(i) On 1 January 2021, SCM issued 36,848,072,918 of new ordinary shares at an issue price of $0.122 per share for the shares of the entire issued share capital of KOM. The combination was effected via an issuance of KOM consideration shares to KCL and its shareholders.

Notes to the unaudited pro forma statement of cash flows:

(a) Adjustments to effect transaction costs of $13.6 million, and net of actual costs already incurred in respect of the Proposed Combination of $2.0 million.

(b) Adjustment to reverse Restructured KOM Group's recycling of cash flows hedge reserve and foreign currency translation reserve of S$14.3 million, relating to legacy assets and associated receivables and out of scope assets transferred to Asset Co and KCL and its subsidiaries prior to the combination of Restructured KOM Group with SCM.

	FY2021
	$'000
Cash & cash equivalents in the unaudited pro forma balance sheet	1,570,520
Restricted deposit	(72,120)
Cash & cash equivalents in the unaudited pro forma statement of cash flows	1,498,400

3. Unaudited Pro forma financial information of the Enlarged Group (cont'd)

(ix) Unaudited pro forma statement of cash flows for the six-month financial period ended 30 June 2022

	Audited consolidated statement of cash flows of SCM Group	Unaudited pro forma statement of cash flows of Restructured KOM Group	Pro forma adjustments (see notes below) (a)	Unaudited pro forma statement of cash flows
	$'000	$'000	$'000	$'000
Cash flows from operating activities				
(Loss)/profit for the year	(145,031)	94,753	7,901	(42,377)
Adjustments for:				
Finance income	(35,016)	(10,227)	–	(45,243)
Finance costs	54,640	26,968	–	81,608
Depreciation of property, plant and equipment, and right-of-use assets	84,346	48,703	–	133,049
Amortisation of intangible assets	12,194	328	–	12,522
Share of results of associates and joint ventures, net of tax	(411)	(7,874)	–	(8,285)
Gain on disposal of property, plant and equipment, net	(86)	(1,244)	–	(1,330)
Dividend income	–	(26,844)	–	(26,844)
Gain on liquidation/deemed disposal of associates	–	(7)	–	(7)
Gain on disposal of asset held for sale	–	(81,107)	–	(81,107)
Changes in fair value of financial instruments	9,677	(10,652)	–	(975)
Provision for restoration cost	442	–	–	442
Inventories written down, net	2	–	–	2
Impairment losses on trade receivables and contract assets, net	7,742	–	–	7,742
Tax credit/(expenses)	10,766	(1,211)	–	9,555
Operating (loss)/profit before working capital changes	(735)	31,586	7,901	38,752
Changes in working capital:				
Inventories	266	(11,388)	–	(11,122)
Contract costs	45,561	–	–	45,561
Contract assets	877,148	(343,775)	–	533,373
Contract liabilities	(33,533)	–	–	(33,533)
Trade and other receivables	(461,609)	(38,806)	–	(500,415)
Trade and other payables	(85,763)	207,252	(7,901)	113,588
Provisions	(2,320)	–	–	(2,320)
Cash generated from/(used in) operations	339,015	(155,131)	–	183,884
Interest income received	2,696	6,567	–	9,263
Dividend received		13,074	–	13,074
Interest paid	(34,144)	(22,347)	–	(56,491)
Tax (paid)/refunded	(904)	48,711	–	47,807
Net cash generated from/(used in) operating activities	306,663	(109,126)	–	197,537

3. Unaudited Pro forma financial information of the Enlarged Group (cont'd)

(ix) Unaudited pro forma statement of cash flows for the six-month financial period ended 30 June 2022 (cont'd)

	Audited consolidated statement of cash flows of SCM Group	Unaudited pro forma statement of cash flows of Restructured KOM Group	Pro forma adjustments (see notes below) (a)	Unaudited pro forma statement of cash flows
	$'000	$'000	$'000	$'000
Cash flows from investing activities				
Purchase of property, plant and equipment	(9,483)	(10,198)	–	(19,681)
Proceeds from sale of property, plant and equipment	92	1,330	–	1,422
Proceeds from disposal of asset held for sale	–	20,581	–	20,581
Purchase of intangible assets	(920)	–	–	(920)
Dividend received from associates & joint venture	–	1,385	–	1,385
Purchase of financial assets, at FVOCI	–	(108)	–	(108)
Proceed from disposal of associates	–	210	–	210
Proceed from capital reduction of associate	–	1,246	–	1,246
Principal repayable of convertible bonds	–	2,322	–	2,322
Net cash (used in)/generated from investing activities	(10,311)	16,768	–	6,457
Cash flows from financing activities				
Proceeds from borrowings	199,027	181,601	–	380,628
Repayment of borrowings	(171,175)	(35,799)	–	(206,974)
Purchase of treasury shares	(465)	–	–	(465)
Payment of lease liabilities	(11,373)	(18,229)	–	(29,602)
Dividends paid to non-controlling interests of subsidiaries	(299)	(210)	–	(509)
Net cash generated from financing activities	15,715	127,363	–	143,078
Net increase in cash and cash equivalents	312,067	35,005	–	347,072
Cash and cash equivalents at beginning of the year	1,104,118	394,282	–	1,498,400
Effect of exchange rate changes on balances held in foreign currencies	(859)	(958)	–	(1,817)
Cash and cash equivalents at end of the year	1,415,326	428,329	–	1,843,655

Notes to the unaudited pro forma statement of cash flows:

(a) Adjustment to reverse actual transaction costs incurred in respect of the Proposed Combination of $7.9 million.

	1H2022 $'000
Cash & cash equivalents in the unaudited pro forma balance sheet	1,916,128
Restricted deposit	(72,473)
Cash & cash equivalents in the unaudited pro forma statement of cash flows	1,843,655

4. Earnings per share

Basic earnings per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	For the years/periods ended 31 December/30 June				
	2019	**2020**	**2021**	**1H 2021**	**1H 2022**
Loss attributable to Owners of the Company ($'000)	(72,421)	(745,227)	(1,276,074)	(660,898)	(39,372)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	68,237,172	68,237,172	68,237,172	68,237,172	68,237,172
Basic and diluted earnings per share (cents)	(0.11)	(1.09)	(1.87)	(0.97)	(0.06)

For the purposes of deriving the basic and diluted earnings per share, the weighted average number of shares for the financial years ended 31 December 2019, 2020 and 2021 and the six-month financial periods ended 30 June 2021 and 2022 is assumed to be the aggregate of 31,389,099,152 shares issued to the Company's shareholders based on actual number of issued shares (excluding 6,223 treasury shares) as of Latest Practicable Date of 20 January 2023 and 36,848,072,918 shares issued to KCL and its shareholders assuming the transfer had taken effect on 1 January 2019.

The diluted earnings per share is the same as basic earnings per share as the effect of potential ordinary shares is antidilutive.

5. Intangible assets

Intangible asset had been adjusted for recognition of provisional goodwill of $3,596,603,000 and $3,433,159,000 as at 31 December 2021 and 30 June 2022 respectively.

The purchase price allocation and acquisition accounting will not be performed until the completion date of the Proposed Combination. Therefore, the estimated amount of the acquired value of KOM and goodwill presented in the Unaudited Pro Forma Financial Information of the Enlarged Group do not represent the Enlarged Group's actual balance. Certain adjustments have been made based on management's judgement, assumptions and estimates. For illustrative purposes only, no other assets or liabilities have been identified arising on the Combination with KOM. Accordingly, the excess of the purchase consideration less the net book values of unaudited balances of Restructured KOM Group as at 31 December 2021 and 30 June 2022 is attributed to goodwill.

6. Share capital

	No. of ordinary shares	
	31 December 2021	30 June 2022
Issued and fully paid, with no par value	68,237,172,070	68,237,172,070

At 31 December 2021 and 30 June 2022, the Company is assumed to have issued 36,848,072,918 shares to KCL and its shareholders to effect the Proposed Combination. The shares are assumed to be issued at an issue price of $0.122 per share.

7. Significant accounting policies

7.1 Basis of preparation

These unaudited pro forma financial information are prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)s) and International Financial Reporting Standards (IFRSs) under the historical cost basis except as otherwise described in the accounting policies below.

7.2 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.

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.

7. Significant accounting policies (cont'd)

7.2 Revenue (cont'd)

(i) Contract revenue

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.

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.

7. Significant accounting policies (cont'd)

7.2 Revenue (cont'd)

(i) Contract revenue (cont'd)

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.

7.3 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.

7. Significant accounting policies (cont'd)

7.4 Basis of consolidation

(i) Business combinations

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.

(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.

(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.

7. Significant accounting policies (cont'd)

7.4 Basis of consolidation (cont'd)

(iii) Subsidiaries (cont'd)

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) Common control

Business combinations that involve entities under common control are excluded from the scope of SFRS(I) 3. Such combinations are accounted at historical costs in a manner similar to the pooling-of-interest method, in the preparation of the consolidated financial statements. Under this method of accounting, the difference between the value of the share capital issued and the value of shares received is taken to the merger reserve.

(v) 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.

(vi) 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.

7. Significant accounting policies (cont'd)

7.4 Basis of consolidation (cont'd)

(vi) Associates (cont'd)

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.

(vii) 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.

(viii) 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.

(ix) 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.

7. Significant accounting policies (cont'd)

7.5 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.

(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) 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.

7. Significant accounting policies (cont'd)

7.5 Property, plant and equipment (cont'd)

(iv) Finance lease assets (cont'd)

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.

(v) 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.

(vi) 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*	3 to 31 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	2 to 10 years
Utilities and fittings	10 to 30 years
Computer equipment	1 to 5 years

* Marine vessels includes dry-docking expenditures.

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.

7. Significant accounting policies (cont'd)

7.6 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, negative goodwill 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.

(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 lives ranging from 10 to 15 years.

(iii) Research and development

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

Development activities involve a plan or design for production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials and direct labour that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

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

7. Significant accounting policies (cont'd)

7.6 Intangible assets (cont'd)

(iv) 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.

(v) Amortisation

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

7.7 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.

(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 of disposal. 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.

7. Significant accounting policies (cont'd)

7.7 Impairment of non-financial assets (cont'd)

(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.

7.8 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

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.

7. Significant accounting policies (cont'd)

7.8 Financial assets (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Financial assets (cont'd)

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.

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.

7. Significant accounting policies (cont'd)

7.8 Financial assets (cont'd)

(ii) Classification and subsequent measurement (cont'd)

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.

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 9.

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.

7. Significant accounting policies (cont'd)

7.8 Financial assets (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Subsequent measurement and gains and losses (cont'd)

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.

(iii) 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 either 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.

Transferred assets are not derecognised when 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.

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset measured at amortised cost changed as a result of interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset to reflect the change that is required by interest rate benchmark reform. A change in the basis for determining the contractual cash flows is required by the interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When the changes were made to a financial asset in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first update the effective interest rate of the financial asset to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting modification to the additional changes.

(iv) 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.

7. Significant accounting policies (cont'd)

7.8 Financial assets (cont'd)

(v) 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.

7.9 Impairment of financial assets and contract assets

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.

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.

7. Significant accounting policies (cont'd)

7.9 Impairment of financial assets and contract assets (cont'd)

General Approach (cont'd)

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 debtor 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.

7. Significant accounting policies (cont'd)

7.9 Impairment of financial assets and contract assets (cont'd)

Credit-impaired financial 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.

7.10 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.

7.11 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.

7. Significant accounting policies (cont'd)

7.11 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.

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Group first updated the effective interest rate of the financial liability to reflect the change that is required by interest rate benchmark reform. A change in the basis for determining the contractual cash flows is required by the interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and

the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When the changes were made to a financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first update the effective interest rate of the financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting modification to the additional changes.

APPENDIX M: SCM 27 OCTOBER 2022 ANNOUNCEMENT

See following pages.

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SEMBCORP MARINE LTD

(Incorporated in the Republic of Singapore)
(Company Registration No.: 196300098Z)

PROPOSED COMBINATION OF
SEMBCORP MARINE LTD AND KEPPEL OFFSHORE & MARINE LTD
– REVISION OF TRANSACTION STRUCTURE AND TERMS

1. BACKGROUND

We refer to the announcement by Sembcorp Marine Ltd ("**Sembcorp Marine**" or the "**Company**" and together with its subsidiaries, the "**Sembcorp Marine Group**") on 27 April 2022 (the "**27 April 2022 SCM Announcement**") in relation to, *inter alia*, the proposed combination (the "**Proposed Combination**") of the businesses of Sembcorp Marine and Keppel Offshore & Marine Ltd ("**Keppel O&M**"), a wholly-owned subsidiary of Keppel Corporation Limited ("**Keppel**").

*Unless otherwise defined, all capitalised terms in this announcement (this "**Announcement**") shall bear the same meaning as set out in the 27 April 2022 SCM Announcement.*

2. ORIGINAL TRANSACTION STRUCTURE AND TERMS UNDER THE COMBINATION FRAMEWORK AGREEMENT

2.1 **Original Transaction Structure.** On 27 April 2022, Sembcorp Marine had entered into the Combination Framework Agreement with the Combined Entity (as defined below) and Keppel, pursuant to which Sembcorp Marine, Keppel and the Combined Entity had agreed to take certain steps to effect the Proposed Combination and to record their respective obligations relating to, *inter alia*, the implementation of the Proposed Combination. Sembcorp Marine, Keppel and the Combined Entity had intended to achieve a combination of the businesses of Sembcorp Marine and Keppel O&M, such that Sembcorp Marine and Keppel O&M will be held as wholly-owned subsidiaries of the Combined Entity. To achieve this, the original transaction structure for the Proposed Combination envisaged the creation of a new combined entity (the "**Combined Entity**") through:

2.1.1 **Internal Restructuring of Sembcorp Marine.** An internal restructuring of Sembcorp Marine through a scheme of arrangement involving a one-for-one exchange of Sembcorp Marine shares for Combined Entity shares and the transfer of Sembcorp Marine's listing status to the Combined Entity (the "**Sembcorp Marine Scheme**"); and

2.1.2 **Acquisition of Keppel O&M by the Combined Entity.** An acquisition of Keppel O&M by the Combined Entity to be paid for via issuance of new shares of the Combined Entity (the "**Keppel O&M Scheme**").

2.2 **Combined Entity.** Bayberry Limited, a company incorporated on 11 February 2022 with a share capital of S$2.00 had been established as the Combined Entity. As at the date of the 27 April 2022 SCM Announcement, the sole shareholder of the Combined Entity is Mr Yap Chee Keong, an authorised representative of Sembcorp Marine, and the directors of the Combined Entity are Mr Yap Chee Keong and Mrs Gina Lee-Wan.

2.3 **Consideration.** As stated in the 27 April 2022 SCM Announcement, the Proposed Combination is based on a 50:50 enterprise value ratio between Keppel O&M and Sembcorp Marine. After taking into account the respective capital structures of the two companies, the S$500 million cash that Keppel O&M will pay to Keppel immediately prior to the closing of the Proposed Combination, and other adjustments, the agreed equity value exchange ratio will result in Keppel and its shareholders owning such number of Combined Entity Shares (the "**Combined Entity Consideration Shares**") representing 56 per cent. of the total issued share capital of the Combined Entity immediately following the completion of the Proposed Combination (the "**Combined Entity Issued Share Capital**") and Sembcorp Marine Shareholders owning such number of Combined Entity Shares representing 44 per cent. of the Combined Entity Issued Share Capital[1].

2.4 **Retained Stake.** As stated in the 27 April 2022 SCM Announcement, Keppel will retain such number of Combined Entity Consideration Shares which is equal to 10 per cent. of the Combined Entity Shares on a fully diluted basis post-completion of the Proposed Combination (the "**Original Retained Stake**"). The Original Retained Stake will be placed in a segregated account to fund claims by the Combined Entity, if any, relating to certain identified contingent liabilities for a period of up to 48 months from the completion of the Proposed Combination. This segregated account will be managed by an independent third party who will have authority to monetise the Original Retained Stake based on pre-defined parameters.

3. REVISED TRANSACTION STRUCTURE AND TERMS UNDER THE AMENDED AND RESTATED COMBINATION FRAMEWORK AGREEMENT

3.1 **Revised Transaction Structure.** Sembcorp Marine, Keppel and the Combined Entity have on the date of this Announcement entered into an amendment and restatement agreement amending and restating the Combination Framework Agreement (the "**Amended and Restated Combination Framework Agreement**") and setting out the revised terms on which the Proposed Combination will be effected. Pursuant to the terms of the Amended and Restated Combination Framework Agreement, Sembcorp Marine and Keppel (each, a "**Party**", and collectively, the "**Parties**") intend to achieve the Proposed Combination in a manner such that Keppel O&M becomes a wholly-owned subsidiary of Sembcorp Marine. To effect this, the key revisions to the transaction structure and terms of the Proposed Combination are as follows (the "**Revised Terms**"):

[1] Upon completion of the Sembcorp Marine Scheme, Sembcorp Marine Shareholders will become Combined Entity Shareholders and they will hold the same proportion of Combined Entity Shares as they held in Sembcorp Marine Shares immediately prior to the completion of the Sembcorp Marine Scheme.

3.1.1 **No Internal Restructuring of Sembcorp Marine.** Sembcorp Marine will no longer undertake an internal restructuring exercise involving the insertion of the Combined Entity as a new holding company of Sembcorp Marine. Accordingly, there will no longer be the Sembcorp Marine Scheme where Sembcorp Marine Shareholders exchange their Sembcorp Marine Shares for Combined Entity Shares. Sembcorp Marine will remain as the entity listed on the Mainboard of the SGX-ST and Sembcorp Marine Shareholders will remain as shareholders of Sembcorp Marine;

3.1.2 **Transfer of Keppel O&M Shares to Sembcorp Marine.** The Proposed Combination will no longer occur via the Keppel O&M Scheme where the Combined Entity combines with Keppel O&M by way of a transfer of the entire issued share capital of Keppel O&M from Keppel (the sole shareholder of Keppel O&M) in exchange for the issuance of Combined Entity Shares to Keppel (and/or directly to shareholders of Keppel). Instead, the Proposed Combination will take place via the transfer of all the issued shares of Keppel O&M by Keppel to Sembcorp Marine (the "**Keppel O&M Acquisition**"). Following the completion of the Keppel O&M Acquisition, Keppel O&M will be a wholly-owned subsidiary of Sembcorp Marine;

3.1.3 **Change in agreed equity value exchange ratio.** In the 27 April 2022 SCM Announcement and as described in paragraph 2.3 above, the agreed equity value exchange ratio would result in Keppel and its shareholders owning such number of Combined Entity Shares representing 56 per cent. of the total issued share capital of the Combined Entity immediately following completion of the Proposed Combination, and Sembcorp Marine Shareholders owning such number of Combined Entity Shares representing 44 per cent. of the total issued share capital of the Combined Entity immediately following completion of the Proposed Combination. That agreed equity value exchange ratio is no longer applicable. Under the Revised Terms, the agreed equity value exchange ratio will result in Keppel and its shareholders owning such number of Sembcorp Marine Shares representing 54 per cent. of the total issued share capital of Sembcorp Marine immediately following the completion of the Proposed Combination (the "**Sembcorp Marine Issued Share Capital**") and Sembcorp Marine Shareholders owning such number of Sembcorp Marine Shares representing 46 per cent. of the Sembcorp Marine Issued Share Capital; and

3.1.4 **Change in Retained Stake**: Keppel will retain 5 per cent. of the Sembcorp Marine Shares on a fully diluted basis post-completion of the Proposed Combination as the Retained Stake (as defined in paragraph 7.4 below), instead of the 10 per cent. of the Combined Entity Shares on a fully diluted basis post-completion of the Proposed Combination as described in the 27 April 2022 SCM Announcement and paragraph 2.4 above.

3.2 **Summary of Revised Terms**: A summary of the Revised Terms is set out in the table below:

Item	Previous structure and terms as described in the 27 April 2022 SCM Announcement	Current structure and terms as described in this Announcement
	Sembcorp Marine will undertake an internal restructuring exercise via the Sembcorp Marine Scheme.	Sembcorp Marine Scheme will not take place.

Item	Previous structure and terms as described in the 27 April 2022 SCM Announcement	Current structure and terms as described in this Announcement
Transaction structure	Sembcorp Marine will be delisted from SGX-ST and the Combined Entity will be listed on the Mainboard of the SGX-ST.	Sembcorp Marine will remain as the entity listed on the SGX-ST.
	Proposed Combination will take place via the Keppel O&M Scheme where the Combined Entity will combine with Keppel O&M.	Proposed Combination will take place via the Keppel O&M Acquisition where all the issued shares of Keppel O&M will be transferred to Sembcorp Marine.
Agreed equity value exchange ratio	Immediately following completion of Proposed Combination: • Keppel and its shareholders: 56 per cent. of the total issued share capital of the Combined Entity • Sembcorp Marine Shareholders: 44 per cent. of the total issued share capital of the Combined Entity	Immediately following completion of Proposed Combination: • Keppel and its shareholders: 54 per cent. of the total issued share capital of Sembcorp Marine • Sembcorp Marine Shareholders: 46 per cent. of the total issued share capital Sembcorp Marine
Retained Stake	Keppel to retain 10 per cent. of the Combined Entity Shares on a fully diluted basis post-completion of the Proposed Combination, to fund claims by the Combined Entity, if any, relating to certain identified contingent liabilities.	Keppel to retain 5 per cent. of the Sembcorp Marine Shares on a fully diluted basis post-completion of the Proposed Combination, to fund claims by Sembcorp Marine, if any, relating to certain identified contingent liabilities.

3.3 **Termination of Implementation Agreements**. As described in paragraph 3.1 above, there will no longer be a Sembcorp Marine Scheme and Keppel O&M Scheme. Accordingly, each of (a) Sembcorp Marine and the Combined Entity; and (b) Keppel O&M and the Combined Entity, have on the date of this Announcement, entered into a deed of termination in relation to the Sembcorp Marine Implementation Agreement and a deed of termination in relation to the Keppel O&M Implementation Agreement respectively.

3.4 **Other terms remain the same**. Other than the Revised Terms described above and consequential amendments made in relation thereto, all the other terms of the Proposed Combination remain the same. Please refer to paragraphs 5 and 7 of this Announcement for further details on the terms of the Proposed Combination.

4. REASONS FOR THE REVISED STRUCTURE TERMS

Uncertain Macroeconomic Environment

Since announcing the Proposed Combination on 27 April 2022, conditions in the O&M sector have improved, as evidenced by the recent orders won by both Sembcorp Marine and Keppel O&M. However, macroeconomic conditions have deteriorated at the same time amidst elevated levels of inflation and continued interest rate increases by major Central Banks.

Amidst these volatile and uncertain times, the parties believe that it is critical for the Proposed Combination to be completed as soon as possible so that the benefits of an enlarged global entity can be realised sooner. Besides the expected synergies, an enlarged Sembcorp Marine will be in a better position to deal with the above challenges and compete against the global competition.

Simplified Transaction Structure and Process

The simplified transaction structure substantially lessens transaction complexity and minimises certain third-party consent requirements, including from lenders. This could reduce the time to completion by up to two months.

Significant Improvement in Value for Sembcorp Marine Shareholders

The revised equity value exchange ratio delivers significant improved value upfront to existing Sembcorp Marine Shareholders as fewer Sembcorp Marine Shares will be issued for the acquisition of Keppel O&M. Besides delivering S$378 million in value improvement for Sembcorp Marine Shareholders (which translates to about 10% of Sembcorp Marine's market capitalisation), existing Sembcorp Marine Shareholders will also retain a larger stake in the enlarged Sembcorp Marine on completion.

Following completion of the transaction and post Keppel's distribution-in-specie, Temasek will still remain the largest shareholder in Sembcorp Marine, holding a 35.5% stake on completion, compared to 54.6% currently.[2]

Greater Value for all Stakeholders

The enlarged Sembcorp Marine will create greater value for all stakeholders. As a single organisation, the collective workforce will benefit from expanded opportunities for career development and growth in the areas of renewables, new energy and cleaner O&M solutions. It will also strengthen Singapore's position as both a maritime and offshore and marine hub.

5. CONSIDERATION

5.1 The revised agreed equity value exchange ratio will result in Sembcorp Marine issuing such number of new Sembcorp Marine Shares (the "**Keppel O&M Consideration Shares**") to Keppel and its shareholders representing 54 per cent. of the Sembcorp Marine Issued Share

[2] Based on 17,131,025,958 SembCorp Marine Shares held by Startree, an indirect wholly-owned subsidiary of Temasek, and 371,408,292 Keppel shares held directly by Temasek as at the date of this Announcement. This figure excludes interests held by Temasek's independently-managed portfolio companies.

Capital. Sembcorp Marine Shareholders will then own such number of Sembcorp Marine Shares representing 46 per cent. of the Sembcorp Marine Issued Share Capital. Based on 31,389,099,152 Sembcorp Marine Shares in issue (excluding 6,223 treasury shares) as at the date of this Announcement, 36,848,072,918 Keppel O&M Consideration Shares will be issued[3].

5.2 The Keppel O&M Consideration Shares are to be issued at S$0.122 per share (the "**Issue Price**"). The Issue Price is based on the volume-weighted average price ("**VWAP**") of the Sembcorp Marine Shares for the last 10 trading days up to and including 26 April 2022, being the last trading day immediately prior to the signing of the Combination Framework Agreement. There is no change to the Issue Price from the 27 April 2022 SCM Announcement. Based on the 36,848,072,918 Keppel O&M Consideration Shares and the Issue Price, the aggregate consideration for the Keppel O&M Acquisition is approximately S$4.495 billion.

5.3 As stated in the 27 April 2022 SCM Announcement, the enterprise value ratio and the initial equity value exchange ratio were determined after taking into account an assessment conducted by DBS Bank Ltd., which acted as the Joint Financial Advisor to Sembcorp Marine and Keppel O&M with respect to the relative ratios assessment of Sembcorp Marine and Keppel O&M. The relative ratios were based on a discounted cash flow methodology approach conducted by DBS Bank Ltd., as well as the extensive negotiations and due diligence by the parties.

5.4 In addition, the independent directors of Sembcorp Marine (the "**Sembcorp Marine Independent Directors**") have separately engaged an independent valuer and an independent financial advisor in relation to the Proposed Combination (collectively, the "**Sembcorp Marine Independent Advisors**"). The reports of the Sembcorp Marine Independent Advisors will be presented to the Sembcorp Marine Shareholders when approvals are sought for the Proposed Combination.

6. RATIONALE FOR THE PROPOSED COMBINATION

The rationale for the Proposed Combination, as stated in the 27 April 2022 SCM Announcement, remains the same.

The O&M sector has faced a prolonged and severe downturn since 2015, exacerbated by the rapid global transition towards renewables and clean energy, as well as significant disruptions during the COVID-19 pandemic. Amid this downturn, competition for a shrinking pool of projects has intensified, contributing to an increased level of debt across the industry and necessary equity issuances to strengthen financial positions. Additionally, many offshore players have sought consolidation to achieve the scale and synergies needed to become more competitive and build a sustainable order book.

The long-term outlook for the O&M sector is shifting amid the energy transition. Growing commitments by governments and companies around the world seeking to achieve net zero carbon emissions are driving increasing demand for renewable and clean energy solutions. These include areas such as offshore wind, hydrogen and ammonia, in which both Keppel O&M

[3] The number of Keppel O&M Consideration Shares to be issued on the Closing Date will depend on the number of issued Sembcorp Marine Shares (excluding treasury shares) as at the Closing Date but such number of Keppel O&M Consideration Shares will in any case represent 54 per cent. of the issued share capital of Sembcorp Marine on a fully diluted basis post-completion of the Proposed Combination.

and Sembcorp Marine have built their respective capabilities and track records in the past few years.

Creation of a Premier Global Player for the Green Energy and Renewables Solutions Markets

Against this backdrop, the Proposed Combination will create a premier global player with a deep engineering heritage to offer offshore renewables, new energy and cleaner solutions in the O&M sector, in the following areas:

- **Offshore Renewables:** Building on the existing wins to date to scale up the enlarged Sembcorp Marine group's (the "**Enlarged Sembcorp Marine Group**") footprint in offshore wind energy, a sector that is expected to see global expenditures of S$260 billion between 2021 and 2030[4], with participation across the value chain, including substations and wind turbine installation vessels;

- **New Energy:** Making select early investments in new energy sources, such as hydrogen and ammonia, and in carbon capture technologies, with a view to building successful franchises in these areas for the decades ahead; and

- **Cleaner O&M solutions:** Contributing to energy production and resiliency by continuing to serve the demand for floating production systems, such as floating production storage and offloading (FPSO) units, and other offshore oil & gas solutions, estimated to amount to a S$290 billion opportunity in terms of market size[4] above, through focusing on innovating and applying new technologies to reduce the carbon footprint of such structures.

Greater Synergies from Combined Operational Capabilities, Engineering Bench Strength and Track Record

The Enlarged Sembcorp Marine Group is envisaged to unlock synergies from the integration of two established industry players by:

- Leveraging the combined technical and engineering abilities, as well as in-house design and research and development know-how, to expand its suite of technological capabilities and to carry out a wider scope of work;

- Combining the respective track records of successful executions and deliveries, and reinforcing the Enlarged Sembcorp Marine Group's distinctive intellectual property and thought leadership in complex projects;

- Building a global footprint and integrating the operations in Singapore into a centre of excellence focused on high-value-added, specialised projects and modules; and

- Generating greater economies of scale and developing more rigorous project execution capabilities.

The Enlarged Sembcorp Marine Group will create greater value for all stakeholders. As a single organisation, the collective workforce will benefit from expanded opportunities for career development and growth in the areas of renewables, new energy and cleaner O&M solutions. It will also strengthen Singapore's position as both a maritime and offshore and marine hub.

7. THE AMENDED AND RESTATED COMBINATION FRAMEWORK AGREEMENT[5]

[4] According to market research for 2021 to 2030 by a leading global management consultancy.

[5] For the purposes of this section, all capitalised terms used and not defined in this section or in this Announcement shall have the same meanings ascribed to them in the Amended and Restated Combination Framework Agreement and all references to Clauses and Schedules refer to the clauses and schedules of the Amended and Restated Combination Framework Agreement.

7.1 Summary of Key Steps for the Proposed Combination. Pursuant to the terms and conditions of the Amended and Restated Combination Framework Agreement, the Proposed Combination is proposed to be effected as follows:

7.1.1 Asset Co Transaction and Keppel O&M Restructuring. Prior to the completion of the Proposed Combination, Keppel will undertake the Asset Co Transaction whereby Keppel will sell Keppel O&M's legacy rigs and associated receivables to Asset Co. In addition, certain out-of-scope assets comprising mainly Keppel O&M's interests in Floatel International Ltd and Dyna-Mac Holdings Ltd will be retained by Keppel pursuant to a restructuring of Keppel O&M (the "**Keppel O&M Restructuring**") prior to the completion of the Proposed Combination. Immediately prior to the completion of the Proposed Combination, Keppel O&M will pay S$500 million in cash to settle outstanding interest and make a partial redemption of certain perpetual securities previously issued to Keppel. Further details of the Asset Co Transaction and the Keppel O&M Restructuring are set out in the announcement issued on 27 April 2022 by Keppel (the "**27 April 2022 Keppel Announcement**") and the announcement issued by Keppel on the date of this Announcement (the "**Keppel Revision Announcement**"), each in relation to the Proposed Combination.

7.1.2 Keppel O&M Acquisition. Sembcorp Marine and Keppel have today entered into the Amended and Restated Combination Framework Agreement pursuant to which Keppel will transfer the entire issued share capital of Keppel O&M in exchange for the Keppel O&M Consideration Shares issued to Keppel (and/or directly to shareholders of Keppel (the "**Keppel Shareholders**") pursuant to the Keppel Distribution (as defined below)).

7.1.3 Distribution in Specie by Keppel. Prior to completion of the Keppel O&M Acquisition, Keppel will seek approval from the Keppel Shareholders for Keppel to distribute in-specie the Keppel O&M Consideration Shares (less the Retained Stake (as defined below)) to Keppel Shareholders (the "**Keppel Distribution**"). Subject to approval by the Keppel Shareholders of the Keppel Distribution, the Keppel O&M Consideration Shares (less the Retained Stake) are envisaged to be distributed by Sembcorp Marine on issuance to Keppel Shareholders. Details of the Keppel Distribution are set out in the 27 April 2022 Keppel Announcement and the Keppel Revision Announcement.

Upon completion of the above steps, Keppel O&M will be a wholly-owned subsidiary of Sembcorp Marine and Keppel and Keppel Shareholders will be shareholders of Sembcorp Marine. Following the Keppel Distribution, Temasek will hold 35.5 per cent. and be the largest shareholder of Sembcorp Marine.[6]

7.2 Conditions to Proposed Combination.

7.2.1 Conditions. The completion of the Proposed Combination is conditional upon the satisfaction (or, where applicable, the waiver) of the conditions precedent set out in Appendix B to this Announcement (the "**Proposed Combination Conditions**").

[6] Based on 17,131,025,958 SembCorp Marine Shares held by Startree, an indirect wholly-owned subsidiary of Temasek, and 371,408,292 Keppel shares held directly by Temasek as at the date of this Announcement. This figure excludes interests held by Temasek's independently-managed portfolio companies.

7.2.2 Benefit of Proposed Combination Conditions.

(i) **Sembcorp Marine's Benefit:** The Conditions in paragraph 7 (in relation to the KCL Warranties) and paragraph 9 (in relation to there being no KOM Material Adverse Change) of Appendix B are for the benefit of Sembcorp Marine only and may only be waived by Sembcorp Marine alone. The non-fulfilment of any of these Conditions may be relied upon only by Sembcorp Marine. Sembcorp Marine may at any time and from time to time at its sole and absolute discretion waive any such non-fulfilment.

(ii) **Keppel's Benefit:** The Conditions in paragraph 6 (in relation to the SCM Warranties) and paragraph 8 (in relation to there being no SCM Material Adverse Change) of Appendix B are for the benefit of Keppel only and may only be waived by Keppel alone. The non-fulfilment of any of these Conditions may be relied upon only by Keppel. Keppel may at any time and from time to time at its sole and absolute discretion waive any such non-fulfilment.

(iii) **Mutual Benefit:** The Conditions in paragraphs 1 to 5 of Appendix B are for the benefit of both Parties and the non-fulfilment of any of these Conditions is not capable of being waived by either Party or both Parties.

7.3 Termination.

7.3.1 Right to Terminate. The Amended and Restated Combination Framework Agreement may be terminated in the following circumstances:

(i) **Regulatory Action**: by either Party at any time on or prior to the Closing Date, if any court of competent jurisdiction or Governmental Authority has issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the Proposed Combination or any part thereof or the satisfaction of any of the Proposed Combination Conditions, or has refused to do anything necessary to permit the Proposed Combination or any part thereof or the satisfaction of any of the Proposed Combination Conditions and such order, decree, ruling, other action or refusal has become final and non-appealable;

(ii) **Breach or Prescribed Occurrence:** either:

(a) by Sembcorp Marine any time on or prior to the Closing Date if (a) Keppel is in breach of any of the KCL Warranties (other than the KCL Warranty in paragraph 3.2 of Schedule 4 of the Amended and Restated Combination Framework Agreement) which, whether singly or collectively with other breaches of any other KCL Warranty (other than the KCL Warranty in paragraph 3.2 of Schedule 4 of the Amended and Restated Combination Framework Agreement) or a KOM Prescribed Occurrence, has a Material Adverse Effect on the Restructured KOM or (b) a KOM Prescribed Occurrence has occurred which, whether singly or collectively with other KOM Prescribed Occurrences or a breach of any KCL Warranty (other than the KCL Warranty in paragraph 3.2 of Schedule 4 of the Amended and

Restated Combination Framework Agreement), has a Material Adverse Effect on the Restructured KOM, and Keppel fails to remedy such breach (if capable of remedy) within 30 days after being given notice by Sembcorp Marine to do so;

(b) by Keppel any time on or prior to the Closing Date, if (a) Sembcorp Marine is in breach of any of the SCM Warranties (other than the SCM Warranty in paragraph 3.2 of Schedule 3 of the Amended and Restated Combination Framework Agreement) which, whether singly or collectively with other breaches of any other SCM Warranty (other than the SCM Warranty in paragraph 3.2 of Schedule 3 of the Amended and Restated Combination Framework Agreement) or a SCM Prescribed Occurrence, has a Material Adverse Effect on Sembcorp Marine or (b) an SCM Prescribed Occurrence has occurred which, whether singly or collectively with other SCM Prescribed Occurrences or a breach of any SCM Warranty (other than the SCM Warranty in paragraph 3.2 of Schedule 3 of the Amended and Restated Combination Framework Agreement), has a Material Adverse Effect on Sembcorp Marine, and Sembcorp Marine fails to remedy such breach (if capable of remedy) within 30 days after being given notice by Keppel to do so;

(iii) **SCM Material Adverse Change:** by Keppel prior to the date of the despatch of the Sembcorp Marine Circular (as defined below) to Sembcorp Marine Shareholders or the date of despatch of the Keppel circular to Keppel shareholders (whichever is later), if there has been an SCM Material Adverse Change as set out in paragraph 8 of Appendix B or if there is a breach of the SCM Warranty in paragraph 3.2 of Schedule 3 of the Amended and Restated Combination Framework Agreement which (whether singly or collectively with other breaches of any other SCM Warranty or a SCM Prescribed Occurrence) has a Material Adverse Effect on Sembcorp Marine;

(iv) **KOM Material Adverse Change:** by Sembcorp Marine prior to the date of the despatch of the Sembcorp Marine Circular to Sembcorp Marine Shareholders or the date of despatch of the Keppel circular to Keppel Shareholders (whichever is later), if there has been a KOM Material Adverse Change as set out in paragraph 9 of Appendix B or if there is a breach of the KCL Warranty in paragraph 3.2 of Schedule 4 of the Amended and Restated Combination Framework Agreement which (whether singly or collectively with other breaches of any other KCL Warranty or a KOM Prescribed Occurrence) has a Material Adverse Effect on the Restructured KOM;

(v) **Shareholders' Approval:** by either Party at any time on or prior to the Closing Date, if:

(a) the resolution in respect of the Keppel O&M Acquisition by Sembcorp Marine is not approved (without amendment) by the requisite majority of the Sembcorp Marine Shareholders at the Sembcorp Marine EGM; or

(b) the resolutions in respect of the Proposed Combination, the Asset Co Transaction or the Keppel Distribution are not approved (without amendment) by the requisite majority of the Keppel Shareholders at a general meeting of Keppel;

7.3.2 **Non-fulfilment of Conditions.** Notwithstanding anything contained in the Amended and Restated Combination Framework Agreement, the Amended and Restated Combination Framework Agreement shall terminate if any of the Proposed Combination Conditions has not been satisfied (or, where applicable, has not been waived) by, the Long-Stop Date, provided that:

(i) the non-fulfilment of the Proposed Combination Condition in paragraph 6 of Appendix B (in relation to the SCM Warranties) shall not terminate the Amended and Restated Combination Framework Agreement unless non-fulfilment has or would reasonably be expected to have a Material Adverse Effect on SCM; and

(ii) the non-fulfilment of the Proposed Combination Condition in paragraph 7 of Appendix B (in relation to the KCL Warranties) shall not terminate the Amended and Restated Combination Framework Agreement unless non-fulfilment results in or would reasonably be expected to have a Material Adverse Effect on the Restructured KOM.

7.3.3 **Effect of Termination:** In the event of termination of the Amended and Restated Combination Framework Agreement pursuant to Clause 7 of the Amended and Restated Combination Framework Agreement:

(i) the Amended and Restated Combination Framework Agreement (other than the Surviving Provisions which shall survive termination of the Amended and Restated Combination Framework Agreement) shall cease to have any further force or effect as between the Parties;

(ii) the Parties shall be released and discharged from their respective obligations under the Amended and Restated Combination Framework Agreement; and

(iii) no Party shall have any claim against the other Parties under the Amended and Restated Combination Framework Agreement, save in respect of the Surviving Provisions.

7.4 Retained Keppel O&M Consideration Shares

Keppel will retain such number of Keppel O&M Consideration Shares which is equal to 5 per cent. of the Sembcorp Marine Shares on a fully diluted basis post-completion of the Proposed Combination (the "**Retained Stake**"). The Retained Stake will be placed in a segregated account to fund claims by Sembcorp Marine, if any, relating to certain identified contingent liabilities for a period of up to 48 months from the completion of the Proposed Combination. This segregated account will be managed by an independent third party who will have authority to monetise the Retained Stake based on pre-defined parameters.

Sembcorp Marine has agreed to indemnify Keppel for claims, if any, in respect of certain identified contingent liabilities for a period of up to 24 months from the completion of the Proposed Combination.

7.5 Restrictions on Conduct of Business

Subject to the completion of the Proposed Combination occurring, Keppel has undertaken to Sembcorp Marine that it shall not for three years following the completion of the Proposed Combination, directly or indirectly carry on any of the following businesses:

- provision of design, engineering, procurement, construction (including full EPC or EPCIC), installation and/or commissioning of all vessels, rigs, platforms, modules and structures for use nearshore or offshore;
- repair, upgrades, conversion of all vessel types, rigs, platforms, or units and structures for use nearshore or offshore;
- shipyard operations and the provision of ancillary services to shipyards generally,

provided that Keppel is not prohibited from any development, design, engineering procurement, operation and maintenance, and/or investment in near-shore infrastructure, such as near-shore power solutions, waste-to-energy, water treatment and desalination plants, data centres, floating cities and coastal defence.

In addition, under the terms of the Proposed Combination, Keppel has also agreed to non-solicit undertakings relating to certain identified customers, suppliers and employees.

8. CHAPTER 10 OF THE LISTING MANUAL

8.1 Background on Chapter 10.

8.1.1 Chapter 10 of the listing manual of the SGX-ST (the "**Listing Manual**") governs the continuing listing obligations of issuers in respect of acquisitions and disposals. Such transactions are classified into the following categories:

(i) non-disclosable transactions;

(ii) disclosable transactions;

(iii) major transactions; and

(iv) very substantial acquisitions or reverse takeovers.

8.1.2 A transaction may fall into any of the categories set out above depending on the size of the relative figures computed on the following bases of comparison, as set out in Rule 1006 of the Listing Manual:

(i) the net asset value ("**NAV**") of the assets to be disposed of, compared with the group's NAV. This basis is not applicable to an acquisition of assets;

(ii) the net profits attributable to the assets acquired or disposed of, compared with the group's net profits;

(iii) the aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares;

(iv) the number of equity securities issued by the issuer as consideration for the acquisition, compared with the number of equity securities previously in issue; and

(v) the aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves.

8.1.3 Where any of the relative figures computed on the bases set out above exceeds 100 per cent., the transaction is classified as a "very substantial acquisition" or "reverse takeover" respectively under Rule 1015 of the Listing Manual.

8.2 **The Proposed Combination.** The applicable relative figures for the Proposed Combination computed on the bases set out in Rule 1006 are set out below.

		FY2021			1H22		
Rule 1006	**Bases**	**Keppel O&M pro forma (S$ million)**	**Sembcorp Marine Group (S$ million)**	**Relative Figures (%)**	**Keppel O&M pro forma (S$ million)**	**Sembcorp Marine Group (S$ million)**	**Relative Figures (%)**
(a)	Net asset value of the assets to be disposed of, compared with **Sembcorp Marine** Group's NAV	Not applicable as the Proposed Combination does not relate to a disposal of assets.			Not applicable as the Proposed Combination does not relate to a disposal of assets.		
(b)	Net profits/loss attributable to the assets to be acquired, compared with **Sembcorp Marine** Group's net profits/loss	(156)[(1)]	(1,255)[(1)]	n.m.	77[(3)]	(134)[(3)]	n.m.
(c)	Aggregate value of the consideration, compared with **Sembcorp Marine** Group's market capitalisation	4,495	3,829[(2)]	117%	4,495	3,829[(6)]	117%

		FY2021			1H22		
Rule 1006	**Bases**	**Keppel O&M pro forma (S$ million)**	**Sembcorp Marine Group (S$ million)**	**Relative Figures (%)**	**Keppel O&M pro forma (S$ million)**	**Sembcorp Marine Group (S$ million)**	**Relative Figures (%)**
(d)	Number of equity securities to be issued as consideration compared with the number of equity securities previously in issue	36,848[(4)]	31,389[(5)]	117%	36,848[(7)]	31,389[(5)(7)]	117%

Notes:

(1) "Net Profits" refers to profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests. Figures are as of the financial year ended 31 December 2021 ("**FY2021**").

(2) The market capitalisation of Sembcorp Marine was computed on the basis of 31,389,099,152 Sembcorp Marine Shares, being the number of Sembcorp Marine Shares in issue (excluding treasury shares) as at the date of the 27 April 2022 SCM Announcement, and the Issue Price. If the market capitalisation was computed based on the weighted average price of S$0.127 per Sembcorp Marine Share on the market day preceding the date of the Combination Framework Agreement, the relative figure would still exceed 100 per cent.

(3) "Net Profits" refers to profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests. Figures are as of the six months ended 30 June 2022 ("**1H22**").

(4) Based on 31,389,099,152 Shares in issue (excluding 6,223 treasury shares) as at the date of the 27 April 2022 SCM Announcement.

(5) Excluding 6,223 treasury shares.

(6) There is no change in the market capitalisation of Sembcorp Marine computed for 1H22, because the relevant number of Sembcorp Marine Shares is the number of Sembcorp Marine Shares as at the date the Combination Framework Agreement was entered into, and the Issue Price is fixed.

(7) There is no change in the manner the base in Rule 1006(d) is calculated for 1H22, because the number of Keppel O&M Consideration Shares does not change, and the relevant number of Sembcorp Marine Shares is the number of Sembcorp Marine Shares as at the date the Combination Framework Agreement was entered into.

8.3 **Relative Figures.** Based on the above, the Proposed Combination is a "very substantial acquisition" under Chapter 10 of the Listing Manual and is therefore subject to the approval of the Sembcorp Marine Shareholders and approval from the SGX-ST.

The Proposed Combination is not expected to be treated as a reverse takeover as there will be no change in shareholding control of Sembcorp Marine. Following the completion of the Proposed Combination and based on the shareholding of Sembcorp Marine and Keppel as at the date of this Announcement, Temasek will remain the single largest shareholder of Sembcorp Marine holding 35.5 per cent. of Sembcorp Marine[7] and it is expected that no other single shareholder will hold more than 15 per cent. of the issued share capital of Sembcorp Marine. Further details of the resultant shareholding of the Sembcorp Marine will be set out in

[7] Based on 17,131,025,958 Sembcorp Marine Shares held by Startree, an indirect wholly-owned subsidiary of Temasek, and 371,408,292 Keppel shares held directly by Temasek as at the date of this Announcement. This figure excludes interests held by Temasek's independently-managed portfolio companies.

the circular to Sembcorp Marine Shareholders in connection with the Proposed Combination (the "**Sembcorp Marine Circular**").

9. ILLUSTRATIVE FINANCIAL EFFECTS

9.1 **For illustrative purposes only**, the financial effects of the Proposed Combination on the (a) net tangible asset ("**NTA**") per share of Sembcorp Marine and (b) earnings per share ("**EPS**") of Sembcorp Marine, based on:

9.1.1 the audited consolidated financial statements of Sembcorp Marine for the financial year ended 31 December 2021, being the most recently completed financial year for which audited financial statements of Sembcorp Marine are available as at the date of this Announcement;

9.1.2 the pro forma consolidated financial statements of Keppel O&M[8] for the financial year ended 31 December 2021, being the most recently completed financial year for which pro forma financial statements of Keppel O&M are available as at the date of this Announcement;

9.1.3 information obtained during the course of due diligence;

9.1.4 the S$500 million financing reflected in the balance sheet of Keppel O&M for which the proceeds will be used to settle outstanding interest and make partial redemption of certain perpetual securities previously issued; and

9.1.5 the issuance of 36,848,072,918 Keppel O&M Consideration Shares[9].

9.2 In this regard, the said illustrative financial effects have been prepared on the following assumptions:

9.2.1 the number of Sembcorp Marine Shares before the Proposed Combination was based on the total number of Sembcorp Marine Shares outstanding (excluding treasury shares) as of 31 December 2021;

9.2.2 in the calculation of the consolidated NTA after the Proposed Combination, subject to determining the fair value of Keppel O&M post-completion, the pro forma net tangible asset value of Keppel O&M as of 31 December 2021 is used; and

9.2.3 Sembcorp Marine is the accounting acquiror solely for the purposes of illustrating the financial effects after the Proposed Combination.

9.3 **NTA per share (Full Year 2021).** The pro forma financial effects of the consolidated NTA per share of Sembcorp Marine as at 31 December 2021, assuming the Proposed Combination had been effected on 31 December 2021, are as follows:

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[8] Assuming the Asset Co Transaction and the KOM Restructuring is completed.

[9] The number of Keppel O&M Consideration Shares to be issued on the Closing Date will depend on the number of issued Sembcorp Marine Shares (excluding treasury shares) as at the Closing Date but such number of Keppel O&M Consideration Shares will in any case represent 54 per cent. of the issued share capital of Sembcorp Marine on a fully diluted basis post-completion of the Proposed Combination.

	Before the Proposed Combination	After the Proposed Combination
NTA (S$ million)	3,803	4,662
Number of issued Sembcorp Marine Shares (excluding treasury shares) ('000)	31,389,099	68,237,172
NTA per share (S$)	0.12	0.07

Notes:

(1) NTA is calculated as Total Assets - Intangible Assets - Total Liabilities - Non-Controlling Interest.

(2) Number of issued shares before the Proposed Combination is based on Sembcorp Marine Shares outstanding as of 31 December 2021. The number of shares to be issued as part of the Proposed Combination, resulting in the number of issued shares after the Proposed Combination, is based on the exchange ratio.

(3) As of date of this Announcement, the number of Keppel O&M Consideration Shares to be issued is 36,848,072,918. The number of Keppel O&M Consideration Shares to be issued will depend on the number of Sembcorp Marine Shares in issue (excluding treasury shares) as at the Closing Date but such number of Keppel O&M Consideration Shares will in any case represent 54 per cent. of the issued share capital of Sembcorp Marine on a fully diluted basis post-completion of the Proposed Combination.

9.4 **EPS (Full Year 2021).** The pro forma financial effects on the consolidated EPS of Sembcorp Marine as at 31 December 2021, assuming the Proposed Combination had been effected on 1 January 2021, are as follows:

	Before the Proposed Combination	After the Proposed Combination
Net loss attributable to Sembcorp Marine Shareholders (S$ million)	(1,171)	(1,277)
Weighted average number of issued Sembcorp Marine Shares (excluding treasury shares) ('000)	18,033,907	54,881,980
Loss per share (Singapore cents)	(6.49)	(2.33)

Notes:

(1) Net loss from Keppel O&M includes both net loss attributable to equity holders of the company and holders of perpetual securities.

(2) Weighted average number of issued shares before the Proposed Combination is based on Sembcorp Marine's weighted average number of issued shares for the year ended 31 December 2021. The number of shares to be issued as part of the Proposed Combination, resulting in the weighted average issued shares after the Proposed Combination, is based on the exchange ratio.

(3) As of date of this Announcement, the number of Keppel O&M Consideration Shares to be issued is 36,848,072,918. The number of Keppel O&M Consideration Shares to be issued will depend on the number of issued Sembcorp Marine Shares (excluding treasury shares) as at the Closing Date but such number of Keppel O&M Consideration Shares will in any case represent 54 per cent. of the issued share capital of Sembcorp Marine on a fully diluted basis post-completion of the Proposed Combination.

(4) The number of issued Sembcorp Marine Shares increased in 2021 due to the issue of 18,833,459,491 new Sembcorp Marine Shares in September 2021 pursuant to the rights issue undertaken by Sembcorp Marine.

9.5 **For illustrative purposes only**, certain pro forma financial information of the Enlarged Sembcorp Marine Group as of 31 December 2021 assuming the Proposed Combination had been effected on 1 January 2021 for revenue, and on 31 December 2021 for net order book and gearing, is set out below:

	Sembcorp Marine	Keppel O&M pro forma	Enlarged Sembcorp Marine Group(1)
Net Order Book (S$ billion)(2)	1.3	5.1	6.4
Revenue (S$ million) (3)(4)	1,862	2,013	3,875
Gearing(5)	33%	17%	22%

Notes:

(1) Information on the Enlarged Sembcorp Marine Group has been computed as the aggregate of the information on Sembcorp Marine and Keppel O&M pro forma.
(2) Net order book of Sembcorp Marine and Keppel O&M are as of 31 December 2021, based on public disclosures. The Enlarged Sembcorp Marine Group will have more than 50 projects as part of the net order book as of 31 December 2021.
(3) Information on the revenue is based on the audited financial information of Sembcorp Marine for the financial year ended 31 December 2021.
(4) Information on the revenue of Keppel O&M is based on the pro forma financial information of Keppel O&M for the financial year ended 31 December 2021.
(5) Assumes the Proposed Combination had been effected on 31 December 2021. Gearing is calculated as Total Debt (excluding Lease Liabilities) / Total Assets as at 31 December 2021.

10. EXTRAORDINARY GENERAL MEETING AND SEMBCORP MARINE CIRCULAR

10.1 **Sembcorp Marine EGM.** An extraordinary general meeting (the "**Sembcorp Marine EGM**") will be convened to seek the approval of the Sembcorp Marine Shareholders for, *inter alia*:

10.1.1 the Proposed Combination via the Keppel O&M Acquisition; and

10.1.2 the issuance of the Keppel O&M Consideration Shares in connection with the Keppel O&M Acquisition.

10.2 **Sembcorp Marine Circular.** The Sembcorp Marine Circular will contain, *inter alia*, details of the Proposed Combination and the notice of the Sembcorp Marine EGM in connection therewith will be despatched to the Sembcorp Marine Shareholders in due course.

11. ABSTENTION FROM VOTING BY TEMASEK

11.1 **Temasek's shareholding.** As at the date of this Announcement, Temasek has:

11.1.1 a direct interest in approximately 21.20 per cent. of the issued share capital of Keppel[10]; and

11.1.2 through its indirect wholly-owned subsidiary, Startree Investments Pte. Ltd. ("**Startree**"), an interest in approximately 54.58 per cent. of the issued share capital of Sembcorp Marine.

11.2 **Abstention from voting.** Startree, being the relevant Temasek entity holding Sembcorp Marine Shares will abstain from voting on all resolutions relating to the Proposed Combination at the Sembcorp Marine EGM, including the resolutions relating to the matters set out in paragraph 10.1 above.

12. DISCLOSURE OF INTERESTS

As of the date of this Announcement, the interests in Sembcorp Marine Shares held by directors of Sembcorp Marine are set out in Appendix C.

13. FINANCIAL ADVISORS

[10] As at the date of this Announcement, Temasek holds a direct interest in 371,408,292 ordinary shares in the issued and paid-up capital of Keppel. This excludes interests held by Temasek's independently-managed portfolio companies.

13.1 **Financial Advisor to Sembcorp Marine.** Credit Suisse (Singapore) Limited is the financial adviser to Sembcorp Marine in respect of the Proposed Combination.

13.2 **Joint Financial Advisor to Sembcorp Marine and Keppel O&M.** DBS Bank Ltd. has been appointed as the Joint Financial Advisor to Sembcorp Marine and Keppel O&M with respect to the enterprise value ratio and the initial equity value exchange ratio assessment of Sembcorp Marine and Keppel O&M.

13.3 **IFA to Sembcorp Marine Independent Directors.** Provenance Capital Pte. Ltd. has been appointed as the independent financial adviser (the "**IFA**") to advise the Sembcorp Marine Independent Directors for the purposes of making a recommendation to the Sembcorp Marine Shareholders in connection with the Proposed Combination.

13.4 **Independent Valuer to Sembcorp Marine Independent Directors.** Deloitte & Touche Financial Advisory Services Pte. Ltd. has been appointed as the independent valuer (the "**IV**") to advise the Sembcorp Marine Independent Directors for the purposes of making a recommendation to the Sembcorp Marine Shareholders in connection with the Proposed Combination.

14. ACTION BY SHAREHOLDERS

14.1 Sembcorp Marine Shareholders are advised to refrain from taking any action in relation to their Sembcorp Marine Shares which may be prejudicial to their interests until they or their advisers have considered the information and the recommendations of the Sembcorp Marine Independent Directors on the Proposed Combination as well as the views of the IFA and the IV to be set out in the Sembcorp Marine Circular.

14.2 Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

15. OVERSEAS SHAREHOLDERS

Where there are potential restrictions on sending the Sembcorp Marine Circular to any overseas jurisdiction, Sembcorp Marine reserves the right not to send such document to Sembcorp Marine Shareholders whose addresses are outside Singapore, as shown on the Register of Members of Sembcorp Marine in the records of The Central Depository (Pte) Limited.

16. DOCUMENTS FOR INSPECTION

16.1 A copy of the following documents will be made available for inspection during normal business hours at the office of Sembcorp Marine at 80 Tuas South Boulevard, Singapore 637051, from the date of this Announcement until the date falling three months thereafter:

16.1.1 the Combination Framework Agreement; and

16.1.2 the Amended and Restated Combination Framework Agreement.

17. FURTHER ANNOUNCEMENTS

Sembcorp Marine will make further announcements, in compliance with the requirements of the Listing Manual, as and when there are material developments in respect of the Proposed Combination, the Keppel O&M Acquisition and/or other matters contemplated by this Announcement.

18. RESPONSIBILITY STATEMENT

The directors of Sembcorp Marine (including those who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated and opinions expressed in this Announcement are fair and accurate and that there are no other material facts not contained in this Announcement, the omission of which would make any statement in this Announcement misleading. The directors of Sembcorp Marine jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, for the avoidance of doubt, the 27 April 2022 Keppel Announcement and/or the Keppel Revision Announcement), the sole responsibility of the directors of Sembcorp Marine has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Announcement.

27 October 2022

Appendix A

KEPPEL O&M PRO FORMA FINANCIAL INFORMATION

Profit or Loss for the year ended 31 December (S$'000)	FY19	FY20	FY21
Revenue	1,673,843	1,384,267	2,013,279
Raw materials and consumables used	(485,534)	(479,153)	(834,254)
Contract labour and subcontractors' costs	(410,593)	(435,887)	(673,520)
Staff costs	(533,581)	(503,629)	(443,375)
Depreciation and amortisation	(112,085)	(108,756)	(106,374)
Other operating income/(expenses) - net	(54,992)	(84,739)	(92,594)
Impairment on financial assets and contract assets	(9,108)	(17,587)	(18,233)
Dividend income	4,988	3,449	6,091
Interest income	41,006	34,096	22,068
Interest expense	(33,096)	(33,256)	(36,783)
Share of results of associated companies and joint ventu	(4,661)	(8,374)	8,135
Profit/(Loss) before taxation	**76,187**	**(249,569)**	**(155,561)**
Taxation	30,085	92,783	47,654
Profit/(Loss) for the year	**106,272**	**(156,786)**	**(107,907)**
Profit/(Loss) attributable to:			
Equity holders of the Company	14,068	(249,359)	(208,206)
Holders of perpetual securities	92,784	97,277	101,434
Non-controlling interests	(580)	(4,704)	(1,135)
Profit/(Loss) for the year	**106,272**	**(156,786)**	**(107,907)**

Balance Sheet as at 31 December ($'000)	2019	2020	2021
ASSETS			
Current assets			
Cash and cash equivalents	499,646	564,866	466,402
Trade debtors	803,337	799,546	117,457
Other debtors, deposits and prepayments	190,052	191,337	129,406
Stocks	169,840	178,013	318,611
Contract assets	632,113	738,146	1,111,031
Amounts due from related companies	50,340	94,111	103,473
Financial assets, at FVOCI	27,821	10,802	2,873
Derivative assets	16,241	21,547	9,289
Tax recoverable	16,084	51,980	64,580
Assets classified as held for sale	-	-	168,434
Total current assets	**2,405,474**	**2,650,348**	**2,491,556**
Non-current assets			
Trade debtors	-	-	-
Other debtors, deposits and prepayments	8,020	6,007	2,701
Amounts due from related companies	23,224	39,719	27,432
Financial assets, at FVOCI	28,857	24,305	28,120
Financial assets, at FVPL	56,558	49,194	48,098
Other assets	17,753	18,039	17,900
Derivative assets	9,500	4,260	3,193
Property, plant and equipment	1,288,908	1,218,358	1,093,588
Right-of-use assets	351,910	325,318	237,728
Associated companies	206,769	180,461	171,630
Joint ventures	87,808	84,077	28,901
Intangible assets	68,754	43,675	43,236
Deferred taxation	74,115	119,109	135,089
Total non-current assets	**2,222,176**	**2,112,522**	**1,837,616**
Total assets	**4,627,650**	**4,762,870**	**4,329,172**
LIABILITIES			
Current liabilities			
Trade and other creditors	2,079,681	1,870,416	1,899,140
Contract liabilities	663,590	822,923	289,639
Provision for warranty	29,475	24,609	16,942
Amounts due to Kephinance	-	-	-
Amounts due to related companies	89,634	46,737	73,602
Derivative liabilities	3,160	3,537	5,668
Borrowings	206,888	243,715	146,392
Lease Liabilities	39,286	37,865	35,021
Provision for taxation	22,790	8,584	16,920
Total current liabilities	**3,134,504**	**3,058,386**	**2,483,324**
Non-current liabilities			
Borrowings	145,769	87,305	584,015
Lease Liabilities	365,086	337,112	283,748
Amounts due to Kephinance	-	-	-
Amount due to related companies	-	-	-
Deferred taxation	49,814	45,940	44,190
Deferred liabilities	1,027	919	751
Derivative liabilities	2,147	399	1,397
Accrued expenses	77,766	6,503	6,512
Total non-current liabilities	**641,609**	**478,178**	**920,613**
Total liabilities	**3,776,113**	**3,536,564**	**3,403,937**
Net Assets	**851,537**	**1,226,306**	**925,235**
Capital and reserves			
Share capital	2,471,459	2,568,736	2,104,085
Capital reserves	2,230	(47,127)	(38,238)
Perpetual securities	-	-	-
Foreign exchange translation reserve	(136,618)	(156,562)	(163,848)
Retained profits	524,506	(766,356)	(974,944)
Equity attributable to equity holders of the Company	**2,861,577**	**1,598,691**	**927,055**
Non-controlling interests	37,671	22,873	22,819
Total Equity	**2,899,248**	**1,621,564**	**949,874**
Merge Co impact to equity	2,047,711	395,258	24,639

Appendix B

PROPOSED COMBINATION CONDITIONS

All capitalised terms used and not defined in this Appendix B or this Announcement shall have the same meanings given to them in the Amended and Restated Combination Framework Agreement, a copy of which is available for inspection during normal business hours at the registered office of Sembcorp Marine from the date of this Announcement until the date falling three months thereafter.

Pursuant to Clause 3.1 of the Amended and Restated Combination Framework Agreement, the Proposed Combination is conditional upon the satisfaction (or, where applicable, the waiver) of the following conditions precedent:

1. **Sembcorp Marine Shareholders' Approval:** the approval of the KOM Combination by the SCM Shareholders at the SCM EGM;

2. **KCL Shareholders' Approval:** the approval of the KOM Combination, the Asset Co Transaction and the KCL Distribution by the KCL Shareholders at the KCL EGM;

3. **Completion of Asset Co Transaction:** the completion of the Asset Co Transaction taking place immediately prior to the KOM Restructuring and the KOM Combination;

4. **Completion of KOM Restructuring:** upon completion of the Asset Co Transaction, the completion of the KOM Restructuring taking place immediately prior to the KOM Combination;

5. **Regulatory Approvals:** (1) all the Regulatory Approvals: (A) having been obtained or made on terms satisfactory to the Parties, acting reasonably; and (B) remaining in full force and effect from the date such Regulatory Approvals are obtained or granted up to the Relevant Date; (2) where relevant, all applicable waiting periods in relation to the Regulatory Approvals having expired or been terminated; (3) all conditions to which the Regulatory Approvals are subject and required to be satisfied as at the Relevant Date having been fulfilled; and (4) no Governmental Authority having issued or provided any Party with any indication that it will not or does not intend to grant the Regulatory Approvals on terms satisfactory to the Parties, acting reasonably. The Regulatory Approvals to be obtained for the purposes of fulfilling this Condition are limited to the following:

   5.1 **SIC Confirmations.** confirmation from the SIC that Temasek Holdings (Private) Limited, KCL and parties acting in concert with them are not obliged, pursuant to or as a result of the issuance of the SCM Shares, to make an offer for SCM under Rule 14 of the Code;

   5.2 **SGX-ST Approvals.** in respect of the KOM Combination, the approval-in-principle from the SGX-ST for the issuance by KCL of the KCL Circular to Shareholders and the issuance by SCM of the SCM Circular to Shareholders and the approval in principle from the SGX-ST for the listing of the KOM Consideration Shares;

   5.3 **No Regulatory Impediment:** no Governmental Authority having taken, or proposed and notified to any Party that the Governmental Authority may take, any steps (including the initiation of any investigation), and there being no law or ruling by any Governmental Authority, which would or the result of which may be to, prohibit, materially delay or restrict the Proposed Combination;

5.4 **Authorisations.** any approvals, clearances, consents, authorisations, exemptions and/or waivers ("**Authorisations**") from (and all notifications and/or filings to) each Governmental Authority which are necessary or appropriate in connection with the Proposed Combination having been obtained and remaining in full force and effect as at the Relevant Date (or any applicable waiting period thereunder having expired or been terminated). The Authorisations to be obtained for the purposes of fulfilling this Condition are:

5.4.1 approval from the Administrative Council for Economic Defense (Brazil); and

5.4.2 approval from the Competition and Consumer Commission of Singapore;

5.5 in relation to the KOM In-Scope Entities, approval from the Maritime Port Authority of Singapore ("**MPA**") in relation to the change in effective control of FueLNG Pte. Ltd. under the licence issued by the MPA for the supply of bunker in the Port of Singapore as a result of the Proposed Combination;

5.6 in relation to the SCM Group:

5.6.1 approval from the MPA in relation to the change in effective control of Jurong Marine Services Private Limited under the public licence for towage services (harbour tug licence) granted under Section 81 of the Maritime and Port Authority Act 1996, as a result of the Proposed Combination; and

5.6.2 notification to the MPA in relation to the change in ownership of SCM Marine Integrated Yard Pte. Ltd. ("**SMIY**") under the letter dated 6 January 2021 from the MPA to SMIY specifying certain facilities as shipyards and/or specified offshore marine location for the purposes of port duties, as a result of the Proposed Combination; and

5.7 **Others.** such other Regulatory Approvals as may be identified and mutually agreed by the Parties within 30 days from the Agreement Date;

6. **SCM Warranties:**

6.1 the SCM Warranties set out in the Amended and Restated Combination Framework Agreement:

6.1.1 which are qualified as to materiality being true and correct; and

6.1.2 which are not qualified as to materiality being true and correct in all material respects,

in each case as at the Agreement Date and as at the Relevant Date as though made on and as at that date except to the extent any such SCM Warranty expressly relates to an earlier date (in which case as at such earlier date); and

6.2 SCM shall have, as at the Relevant Date performed and complied in all material respects with all of its covenants, undertakings and agreements contained in the Amended and Restated Combination Framework Agreement which SCM is required to perform or comply with, on or prior to the Relevant Date and which are material in the context of the Proposed Combination;

7. **KCL Warranties:**

7.1 the KCL Warranties set out in the Amended and Restated Combination Framework Agreement:

7.1.1 which are qualified as to materiality being true and correct; and

7.1.2 which are not qualified as to materiality being true and correct in all material respects,

in each case as at the Agreement Date and as at the Relevant Date as though made on and as at that date except to the extent any such KCL Warranty expressly relates to an earlier date (in which case as at such earlier date); and

7.2 KCL shall have, as at the Relevant Date performed and complied in all material respects with all of its covenants, undertakings and agreements contained in the Amended and Restated Combination Framework Agreement which KCL is required to perform or comply with, on or prior to the Relevant Date and which are material in the context of the Proposed Combination;

8. **No SCM Material Adverse Change:** no diminution in the net tangible asset of the SCM Group (as set out in the SCM Audited FY2021 Financial Statements) by an amount in excess of S$600 million as at the Subsequent Financials Accounts Date, based on the Last SCM Subsequent Financials (calculated on the same basis as the calculation of the net tangible assets of the SCM Group in the SCM Audited FY2021 Financial Statements) (such diminution, an "**SCM Material Adverse Change**"); and

9. **No KOM Material Adverse Change:** no diminution in the net tangible asset of the KOM In-Scope Group (based on the KOM Pro Forma Financial Statements) by an amount in excess of S$600 million as at the Subsequent Financials Accounts Date based on the Last KOM Subsequent Financials (calculated on the same basis as the calculation of the net tangible assets of the KOM In-Scope Group in the KOM Pro Forma Financial Statements) (such diminution, a "**KOM Material Adverse Change**"). For the avoidance of doubt, any financing or indebtedness to be incurred by a KOM In-Scope Entity for paying the Cash Component shall be disregarded in computing any decrease in the net tangible assets of the KOM In-Scope Group.

Appendix C

DISCLOSURE OF INTERESTS

As at the date of this Announcement, the interests in Sembcorp Marine Shares held by the directors of Sembcorp Marine are set out below:

	Sembcorp Marine Shares						Awards[2]
	Direct Interest		Deemed Interest		Total Interest		
Director	**No. of Shares**	**%[1]**	**No. of Shares**	**%[1]**	**No. of Shares**	**%[1]**	**No. of Shares comprised in outstanding Awards**
Tan Sri Mohd Hassan Marican	9,694,126	0.031	-	-	9,694,126	0.031	-
Yap Chee Keong	897,485	0.003	-	-	897,485	0.003	-
Wong Weng Sun	25,425,714	0.081	-	-	25,425,714	0.081	-
Bob Tan Beng Hai	3,933,000	0.013	-	-	3,933,000	0.013	-
Gina Lee-Wan	2,791,800	0.009	-	-	2,791,800	0.009	-
William Tan Seng Koon	1,652,800	0.005	-	-	1,652,800	0.005	-
Patrick Daniel	1,613,800	0.005	-	-	1,613,800	0.005	-
Tan Wah Yeow	1,304,200	0.004	-	-	1,304,200	0.004	-
Koh Chiap Khiong	7,110,474	0.023	-	-	7,110,474	0.023	-

Notes:

(1) Based on 31,389,105,375 Sembcorp Marine Shares in issue (including 6,223 treasury shares) as at the date of this Announcement.

(2) At the Annual General Meeting of Sembcorp Marine held on 23 April 2021, the Sembcorp Marine Shareholders approved the payment of an aggregate amount of S$1,800,000 as directors' fees for the non-executive directors of the Company for the year ending 31 December 2021. It was intended that the directors' fees for the non-executive directors for year 2021 comprise a cash component and a share component, with up to 30 per cent. being delivered in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2020. The share component of the directors' fees for year 2021 is intended to be delivered after the 2022 AGM, which was held on 20 April 2022. 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 VWAP of a share on the SGX-ST over the 14 trading days immediately following the date of the 2022 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.

SEMBCORP MARINE LTD

(Incorporated in the Republic of Singapore)
(Company Registration Number: 196300098Z)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Sembcorp Marine Ltd (the "**Company**") will be convened and held by way of electronic means on 16 February 2023 at 11.00 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the ordinary resolution as set out below. All capitalised terms used in this Notice which are not defined herein shall have the meanings ascribed to them in the circular to shareholders of the Company dated 31 January 2023 (the "**Circular**").

Ordinary Resolution: Proposed Combination and the proposed allotment and issuance of the KOM Consideration Shares

1. Approval be and is hereby given for the proposed combination of the businesses of the Company and Keppel Offshore & Marine Ltd ("**KOM**") by way of the acquisition by the Company of the entire issued and paid-up share capital of KOM (the "**Proposed Combination**") pursuant to the terms of the combination framework agreement dated 27 April 2022, as amended and restated by the amendment and restatement deed dated 27 October 2022, each between the Company, Keppel Corporation Limited ("**KCL**") and Bayberry Limited, for a consideration to be satisfied by way of the allotment and issuance of new ordinary shares in the capital of the Company (the "**KOM Consideration Shares**") at an issue price of S$0.122 per KOM Consideration Share to KCL and/or its shareholders, such KOM Consideration Shares representing 54 per cent. of the total issued share capital of the Company immediately following the completion of the Proposed Combination;

2. approval be and is hereby given for the allotment and issuance of such number of KOM Consideration Shares such that the KOM Consideration Shares will represent 54 per cent. of the total issued share capital of the Company immediately following the completion of the Proposed Combination; and

3. the directors of the Company and each of them be and are hereby authorised to do all such things and execute all such documents as they or he may consider necessary or appropriate to give effect to this resolution as they or he may think fit.

By Order of the Board

Tan Yah Sze/Kem Huey Lee Sharon
Joint Company Secretaries
31 January 2023

Notes:

1. The Extraordinary General Meeting is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. A printed copy of the Circular will NOT be sent to members but printed copies of the Notice of EGM and the EGM Proxy Form will be sent to members. This Notice may also be accessed at the Company's website at the URL https://www.sembmarine.com/extraordinary-general-meeting and is also available on the SGXNET at the URL https://www.sgx.com/securities/company-announcements.

2. Alternative arrangements relating to:

   (a) attendance at the Extraordinary General Meeting via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream);

   (b) submission of questions to the Chairman of the Meeting in advance of, or live at, the Extraordinary General Meeting, and addressing of substantial and relevant questions in advance of, or live at, the Extraordinary General Meeting; and

   (c) voting at the Extraordinary General Meeting (i) live by the member or his/her/its duly appointed proxy/proxies (other than the Chairman of the Meeting) via electronic means; or (ii) by appointing the Chairman of the Meeting as proxy to vote on the member's behalf at the Extraordinary General Meeting, are set out in the accompanying Company's announcement dated 31 January 2023. The announcement may be accessed at the Company's website at the URL https://www.sembmarine.com/investor-relations/stock-exchange-announcements, and will also be made available on the SGXNET at the URL https://www.sgx.com/securities/company-announcements.

3. **As a precautionary measure due to COVID-19, a member will not be able to attend the Extraordinary General Meeting in person. A member who wishes to exercise his/her/its voting rights at the Extraordinary General Meeting may:**

   (a) **(where the member is an individual) vote live via electronic means at the Extraordinary General Meeting, or (whether the member is an individual or a corporate) appoint a proxy/proxies (other than the Chairman of the Meeting) to vote live via electronic means at the Extraordinary General Meeting on his/her/its behalf; or**

   (b) **(where the member is an individual or a corporate) appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the Extraordinary General Meeting.**

   A printed copy of the EGM Proxy Form will be sent to members. The EGM Proxy Form may also be accessed (i) at the Company's website https://www.sembmarine.com/extraordinary-general-meeting; or (ii) via SGXNET at the URL https://www.sgx.com/securities/company-announcements; or (iii) via the pre-registration website which is accessible from the URL https://conveneagm.sg/SEMBMARINE-EGM2023.

   The proxy/proxies may vote or abstain as the proxy/proxies deems fit on the resolution if no voting instruction is specified, and on any other matter arising at the Extraordinary General Meeting.

4. CPFIS or SRS Investors:

   (a) may vote live via electronic means at the Extraordinary General Meeting if they are appointed as proxies by their respective CPF Agent Banks or SRS Agent Banks, and should contact their respective CPF Agent Banks or SRS Agent Banks if they have any queries regarding their appointment as proxies; or

   (b) may appoint the Chairman of the Meeting as his/her/its proxy to vote on their behalf at the Extraordinary General Meeting, in which case they should approach their respective CPF Agent Banks or SRS Agent Banks to submit their votes by 5.00 p.m. on 7 February 2023.

5. A member who is not a relevant intermediary is entitled to appoint not more than two proxies. Where such member's instrument appointing a proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument.

   A member who is a relevant intermediary is entitled to appoint more than two proxies, 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 instrument appointing a 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 instrument.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act 1967.

6. A proxy need not be a member of the Company.

7. The instrument appointing a proxy/proxies must be submitted to the Company in the following manner:

   (a) if submitted by post, be lodged at the office of the Company's Share Registrar, KCK CorpServe Pte. Ltd. at 1 Raffles Place, One Raffles Place (Tower 2) #04-63, Singapore 048616; or

   (b) if submitted electronically, be submitted via (i) email to the Company's Share Registrar at sembmarine-egm@kckcs.com.sg; or (ii) the online process through the pre-registration website which is accessible from the URL https://conveneagm.sg/SEMBMARINE-EGM2023,

   in either case not less than 72 hours before the time appointed for the Extraordinary General Meeting.

   A member who wishes to submit an instrument of proxy must first download (where necessary), complete and sign the EGM Proxy Form (i) before submitting it by post to the address provided above; or (ii) before scanning and sending it by email to the email address provided above; or (iii) before submitting it via the pre-registration website. In the alternative, a member may download, complete and authorise the EGM Proxy Form by way of the affixation of an electronic signature, before sending it by email to the email address provided above. **In view of COVID-19, members are strongly encouraged to submit completed EGM Proxy Forms electronically via email or to appoint a proxy/proxies via the online process through the pre-registration website which is accessible from the URL https://conveneagm.sg/SEMBMARINE-EGM2023.**

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a member of the Company 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 appointed for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary 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.

EGM PROXY FORM

SEMBCORP MARINE LTD

Company Registration No. 196300098Z
(Incorporated in the Republic of Singapore)

IMPORTANT

1. The Extraordinary General Meeting is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of Extraordinary General Meeting will be sent to members. The Notice of Extraordinary General Meeting may also be accessed at the Company's website at the URL https://www.sembmarine.com/extraordinary-general-meeting and is also available on the SGXNET at the URL https://www.sgx.com/securities/company-announcements.
2. Alternative arrangements relating to:
   (a) attendance at the Extraordinary General Meeting via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream);
   (b) submission of questions to the Chairman of the Meeting in advance of, or live at, the Extraordinary General Meeting, and addressing of substantial and relevant questions in advance of, or live at, the Extraordinary General Meeting; and
   (c) voting at the Extraordinary General Meeting (i) live by the member or his/her/its duly appointed proxy/proxies (other than the Chairman of the Meeting) via electronic means; or (ii) by appointing the Chairman of the Meeting as proxy to vote on the member's behalf at the Extraordinary General Meeting,

   are set out in the accompanying Company's announcement dated 31 January 2023. The announcement may be accessed at the Company's website at the URL https://www.sembmarine.com/investor-relations/stock-exchange-announcements, and will also be made available on the SGXNET at the URL https://www.sgx.com/securities/company-announcements.
3. **As a precautionary measure due to COVID-19, a member will not be able to attend the Extraordinary General Meeting in person. A member who wishes to exercise his/her/its voting rights at the Extraordinary General Meeting may:**
   (a) (where the member is an individual) vote live via electronic means at the Extraordinary General Meeting, or (whether the member is an individual or a corporate) appoint a proxy/proxies (other than the Chairman of the Meeting) to vote live via electronic means at the Extraordinary General Meeting on his/her/its behalf; or
   (b) (where the member is an individual or a corporate) appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the Extraordinary General Meeting.
4. CPFIS or SRS Investors:
   (a) may vote live via electronic means at the Extraordinary General Meeting if they are appointed as proxies by their respective CPF Agent Banks or SRS Agent Banks, and should contact their respective CPF Agent Banks or SRS Agent Banks if they have any queries regarding their appointment as proxies; or
   (b) may appoint the Chairman of the Meeting as his/her/its proxy to vote on their behalf at the Extraordinary General Meeting, in which case they should approach their respective CPF Agent Banks or SRS Agent Banks to submit their votes by 5.00 p.m. on 7 February 2023.
5. By submitting an instrument appointing a proxy/proxies, the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 31 January 2023.
6. **Please read the notes overleaf which contain instructions on, inter alia, the appointment of a proxy/proxies.**

I/We, ______________________ (Name) ______________________ (NRIC / Passport / Co. Regn. No.)

of ____ (Address)

being a member/members* of Sembcorp Marine Ltd (the "**Company**"), hereby appoint:

Name	Address	Email Address	NRIC/Passport Number	Proportion of Shareholdings	
				No. of Shares	%
and/or (delete as appropriate)					
* Appointed proxy/proxies will be prompted via email (within 2 business days after the Company's receipt of a validly completed and submitted EGM Proxy Form (as defined below)) to pre-register at the pre-registration website which is accessible from the URL https://conveneagm.sg/SEMBMARINE-EGM2023 in order to access the live audio-visual webcast or live audio-only stream of the Extraordinary General Meeting proceedings.					

or if no persons are named above, the Chairman of the Extraordinary General Meeting as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company, to be convened and held by way of electronic means on 16 February 2023 at 11.00 a.m. and at any adjournment thereof.

(Voting will be conducted by poll. If you wish for your proxy/proxies to cast all your votes "For" or "Against" the resolution, please indicate with an "X" in the "For" or "Against" box provided in respect of the resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box in respect of the resolution. If you wish for your proxy/proxies to abstain from voting on the resolution, please indicate with an "X" in the "Abstain" box provided in respect of the resolution. Alternatively, please indicate the number of shares that your proxy/proxies is directed to abstain from voting in the "Abstain" box in respect of the resolution. **In any other case, the proxy/proxies may vote or abstain as the proxy/proxies deems fit on the resolution if no voting instruction is specified, and on any other matter arising at the Extraordinary General Meeting.**)

	For	Against	Abstain
Ordinary Resolution To approve the Proposed Combination and the proposed allotment and issuance of KOM Consideration Shares			

Total Number of Shares Held:	

____
Signature(s) of Member(s) or Common Seal

____
Date

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

Notes:

1. If the member has shares entered against his/her/its name in the Depository Register (maintained by The Central Depository (Pte) Limited), he/she/it should insert that number of shares. If the member has shares registered in his/her/its name in the Register of Members (maintained by or on behalf of the Company), he/she/it should insert that number of shares. If the member has shares entered against his/her/its name in the Depository Register and shares registered in his/her/its name in the Register of Members, he/she/it 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. **As a precautionary measure due to COVID-19, a member will not be able to attend the Extraordinary General Meeting in person. A member who wishes to exercise his/her/its voting rights at the Extraordinary General Meeting may:**
   (a) (where the member is an individual) vote live via electronic means at the Extraordinary General Meeting, or (whether the member is an individual or a corporate) appoint a proxy/proxies (other than the Chairman of the Meeting) to vote live via electronic means at the Extraordinary General Meeting on his/her/its behalf; or
   (b) (where the member is an individual or a corporate) appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the Extraordinary General Meeting.

   A printed copy of this Proxy Form ("**EGM Proxy Form**") will be sent to members. This EGM Proxy Form may also be accessed (i) at the Company's website https://www.sembmarine.com/extraordinary-general-meeting; or (ii) via SGXNET at the URL https://www.sgx.com/securities/company-announcements; or (iii) via the pre-registration website which is accessible from the URL https://conveneagm.sg/SEMBMARINE-EGM2023.

   The proxy/proxies may vote or abstain as the proxy/proxies deems fit on the resolution if no voting instruction is specified, and on any other matter arising at the Extraordinary General Meeting.
3. A member who is not a relevant intermediary is entitled to appoint not more than two proxies. Where such member's instrument appointing a proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument.

   A member who is a relevant intermediary is entitled to appoint more than two proxies, 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 instrument appointing a 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 instrument.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act 1967.
4. A proxy need not be a member of the Company.

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Glue all sides firmly. Stapling & spot sealing are disallowed.

Postage will be paid by addressee. For posting in Singapore only.

BUSINESS REPLY SERVICE
PERMIT NO. 09583

SEMBCORP MARINE LTD
C/O KCK CORPSERVE PTE. LTD.
1 RAFFLES PLACE,
ONE RAFFLES PLACE (TOWER 2) #04-63,
SINGAPORE 048616

2nd fold here

5. The instrument appointing a proxy must be submitted to the Company in the following manner:
   (i) if submitted by post, be lodged at the office of the Company's Share Registrar, KCK CorpServe Pte. Ltd., at 1 Raffles Place, One Raffles Place (Tower 2) #04-63, Singapore 048616; or
   (ii) if submitted electronically, be submitted via (a) email to the Company's Share Registrar at sembmarine-egm@kckcs.com.sg; or (b) the online process through the pre-registration website which is accessible from the URL https://conveneagm.sg/SEMBMARINE-EGM2023.

   in either case not less than 72 hours before the time appointed for the Extraordinary General Meeting.

   A member who wishes to submit an instrument of proxy must first download (where necessary), complete and sign the EGM Proxy Form (i) before submitting it by post to the address provided above; (ii) before scanning and sending it by email to the email address provided above; or (iii) before submitting it via the pre-registration website. In the alternative, a member may download, complete and authorise the EGM Proxy Form by way of the affixation of an electronic signature, before sending it by email to the email address provided above.

   In view of COVID-19, members are strongly encouraged to submit completed EGM Proxy Forms electronically via email or appoint a proxy/proxies via the online process through the pre-registration website which is accessible from the URL https://conveneagm.sg/SEMBMARINE-EGM2023.
6. Where the instrument appointing a proxy is submitted by post, it must be under the hand of the appointor or of his attorney duly authorised in writing and where such instrument 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 the instrument appointing a proxy is submitted electronically, it must be authorised in the following manner:
   (i) by way of the affixation of an electronic signature by the appointor or of his attorney duly authorised in writing or, as the case may be, an officer or duly authorised attorney of a corporation; or
   (ii) by way of the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing the instrument under hand and submitting a scanned copy of the signed instrument by email.

   Where an instrument appointing a proxy is signed or, as the case may be, authorised 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), if the instrument appointing a proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.
7. Completion and return of the instrument appointing a proxy/proxies does not preclude a member from attending, speaking and voting at the Extraordinary General Meeting. A member who accesses the "live" audio-visual webcast or "live" audio-only stream of the Extraordinary General Meeting proceedings may revoke the appointment of a proxy/proxies at any time before voting commences and in such an event, the Company reserves the right to terminate the proxy/proxies' access to the "live" audio-visual webcast and "live" audio-only stream of the Extraordinary General Meeting proceedings.
8. The Company shall be entitled to reject the instrument appointing a proxy 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 the proxy (including any related attachment). In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy lodged if the member, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

SEMBCORP MARINE LTD
(Incorporated in the Republic of Singapore)
Company Registration No. 196300098Z

80 Tuas South Boulevard, Singapore 637051
Tel: +65 6265 1766

www.sembmarine.com