



ENVISION TRANSFORM SYNERGISE

Sembcorp Marine Ltd Annual Report

2015



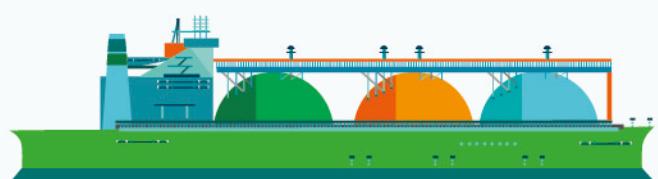
RIGS & FLOATERS



OFFSHORE PLATFORMS



SPECIALISED SHIPBUILDING



REPAIRS & UPGRADES



Corporate Profile

Sembcorp Marine provides innovative engineering solutions to the global offshore and marine industry. Drawing upon more than 50 years of track record and an extensive network of facilities and expertise, the Group focuses on four key capabilities, namely, Rigs & Floaters; Repairs & Upgrades; Offshore Platforms and Specialised Shipbuilding.

Sembcorp Marine's customers include major oil companies, drilling contractors, shipping companies as well as owners and operators of floating production units.

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

Vision & Mission

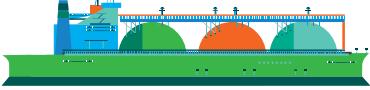
Sembcorp Marine aims to be the world leader in ship repair, shipbuilding, ship conversion, rig building and offshore engineering & construction, providing innovative solutions that exceed its customers' expectations. While anchoring itself for sustainable growth, the Group is committed to fulfilling the changing needs and aspirations of its employees.

Core Values



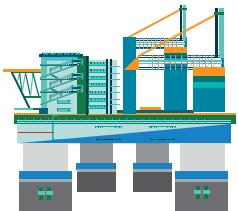
2015 Highlights

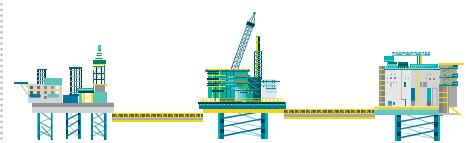

TURNOVER
FY2015
\$4.97b

34

LNG VESSEL REPAIR & UPGRADE
projects in a single year

Transformation into
1
**ONE BRAND,
ONE COMPANY**
for future growth

6
cents
Total dividend
per ordinary share


approx.
US\$1b
Contract to build
world's largest semi-submersible
crane vessel



CONTRACT TO BUILD 3 TOPSIDES
for Culzean Field Development

Contents

Our Integrated Global Platform
Significant Events
Awards and Accolades
Chairman and CEO's Statement
Envision.Transform.Synergise
Group Financial Review
Operations Review
Board of Directors
Senior Management
Corporate Structure
Corporate Directory

04	Shareholders' Information	64
06	Investor Relations	66
12	Approach to Sustainability	72
16	Corporate Governance	80
26	Risk Management	98
32	Sustaining Competitiveness	102
44	Human Capital	114
48	Workplace Safety & Health	126
54	Environmental Focus	132
62	Community Development & Involvement	138
63	GRI Index	144
	Financial Statements	

ENVISION
TRANSFORM
SYNERGISE

AS ONE COMPANY

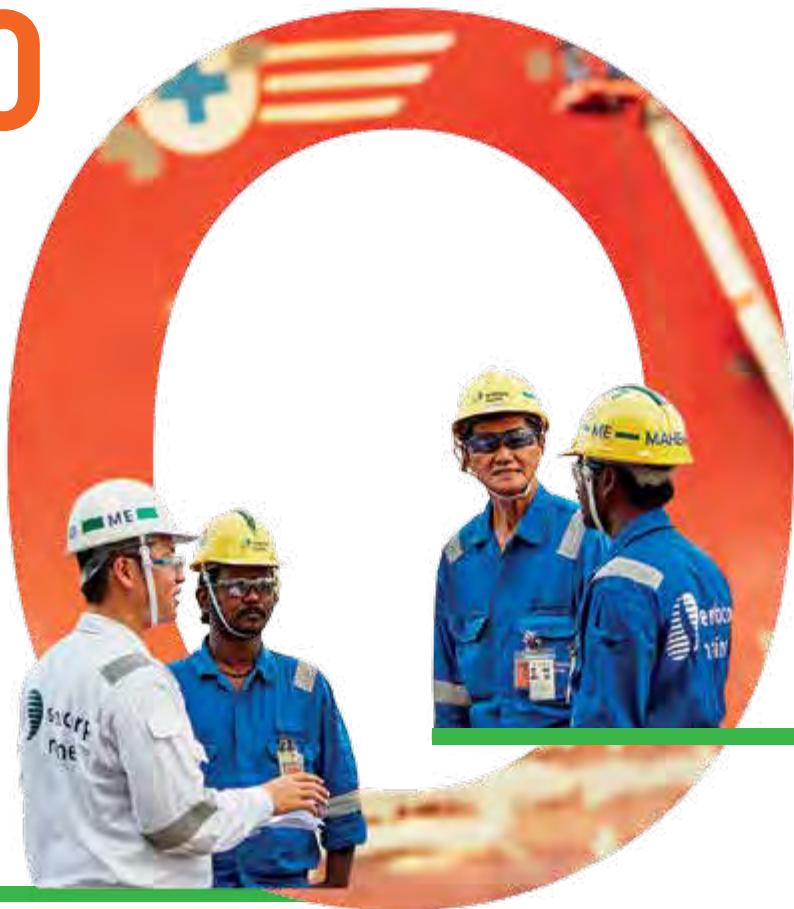
We aspire to move up the global offshore and marine engineering value chain

A LEADING GLOBAL
OFFSHORE & MARINE
ENGINEERING GROUP

STRATEGIC PRESENCE IN:
INDONESIA
USA
INDIA
BRAZIL
UK

PROVEN TRACK RECORD

>50
YEARS



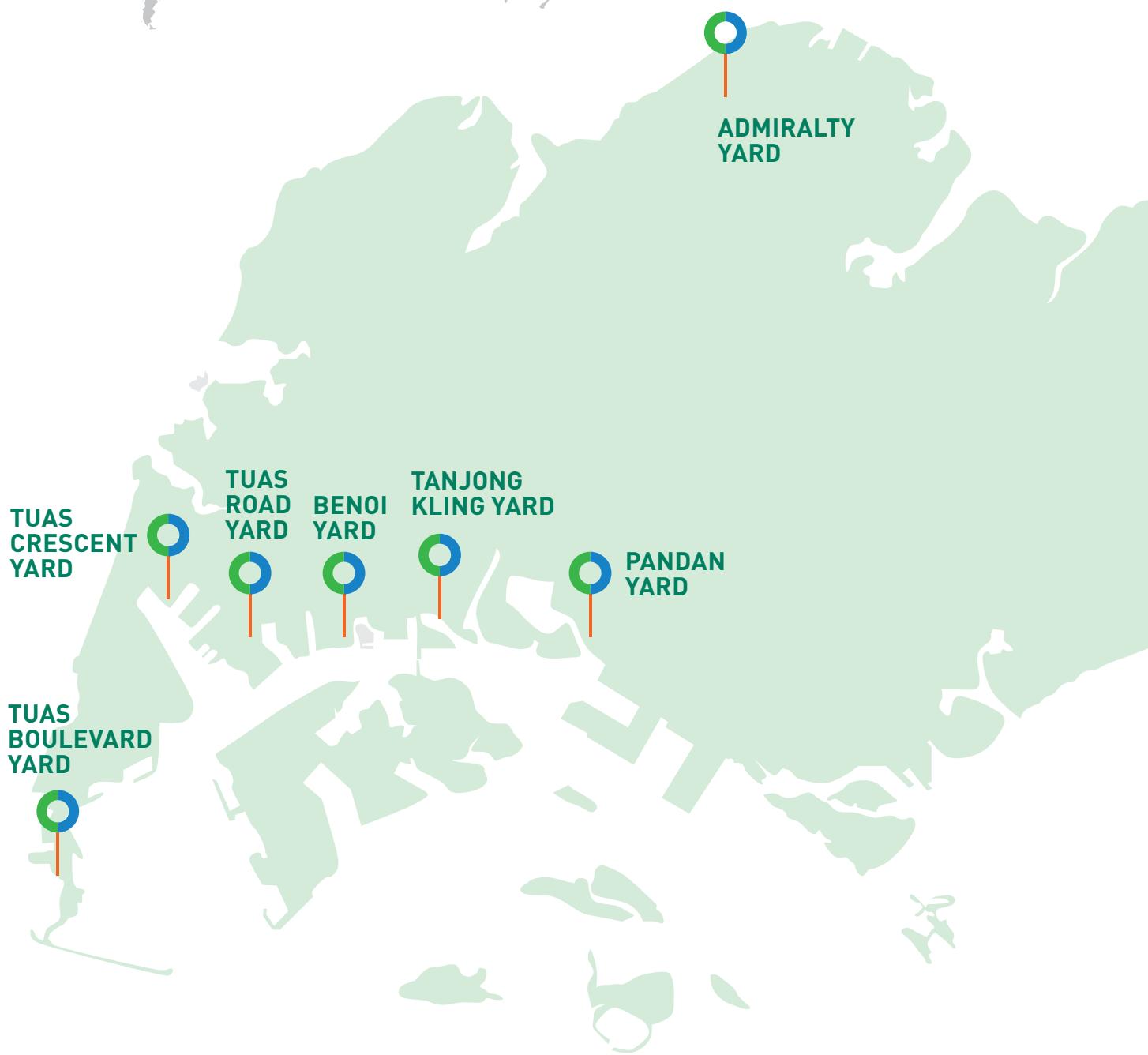
HEADQUARTERED IN

SINGAPORE

4 KEY CAPABILITIES:

- **RIGS & FLOATERS**
- **REPAIRS & UPGRADES**
- **OFFSHORE PLATFORMS**
- **SPECIALISED SHIPBUILDING**

OUR INTEGRATED GLOBAL PLATFORM



OUR INTEGRATED GLOBAL PLATFORM

TUAS BOULEVARD YARD



TANJONG KLING YARD



ADMIRALTY YARD

PANDAN YARD
TUAS CRESCENT YARDBENOI YARD
TUAS ROAD YARD

SIGNIFICANT EVENTS

January

15th

Delivery of Safe Boreas, a harsh-environment accommodation semi-submersible rig built by Sembcorp Marine for Prosafe

16th

Strike steel of two Very Large Crude Carriers (VLCCs) – Kaombo Norte and Kaombo Sul – to be converted by Sembcorp Marine for Saipem

01.



01.

Green Wave Environmental Care Competition

19th

12 Years of Championing Green Awareness: Sembcorp Marine promotes environmental sustainability to students through the Green Wave Environmental Care Competition

22nd

Delivery of Impetus, a proprietary Pacific Class 400 design jack-up rig built by Sembcorp Marine for Oro Negro

February

3rd

Naming of Safe Zephyrus, a harsh-environment accommodation semi-submersible rig built by Sembcorp Marine for Prosafe

8th

Launch of Supremus, a proprietary Pacific Class 400 jack-up rig built by Sembcorp Marine for Oro Negro

02.



02.

Naming of Safe Zephyrus

9th

Delivery of Hakuryu 12, a proprietary Pacific Class 400 design jack-up rig built by Sembcorp Marine for BOT Lease

12th

Announced financial results for financial year ended 31 December 2014. FY2014 Net Profit increased to \$560 million

16th

Strike steel of Dudgeon Offshore Wind Farm's substation platform, to be built by Sembmarine SLP for Dudgeon Offshore Wind Ltd.

SIGNIFICANT EVENTS

March

April

13th -19th

Sembcorp Marine participates in Cruise Shipping Miami 2015, a leading international exhibition and conference serving the cruise industry

26th

Strike steel of FPSO Pioneiro de Libra, a floating production storage and offloading vessel (FPSO) converted by Sembcorp Marine for OOGTK

03.



03.

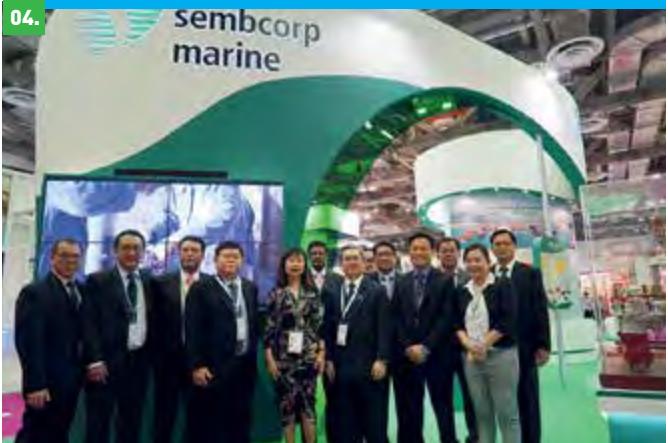
FPSO Pioneiro de Libra strike steel

17th21st -23rd

Annual General Meeting:
All resolutions passed

Participation in Sea Asia 2015,
a leading maritime conference
and exhibition held in Singapore

04.



04.

Sea Asia 2015

27th

Sembcorp Marine honours the late Mr Lee Kuan Yew, Founding Prime Minister of Singapore, in Tribute Ceremony

30th

Sembcorp Marine secures an exclusive Letter of Intent from Heerema for the engineering and construction of a new semi-submersible crane vessel (NSCV)

22nd

Sembcorp Marine secures an FSO conversion contract worth \$56 million from Teekay Offshore Partners for deployment in the North Sea

30th

Delivery of Q5000, a semi-submersible well-intervention rig built by Sembcorp Marine for Helix Energy Solutions

May

June

4th
-7th

Sembcorp Marine unveils latest developments in its Transformation journey at Offshore Technology Conference (OTC) 2015, the world's leading oil and gas industry exhibition held in Houston, United States

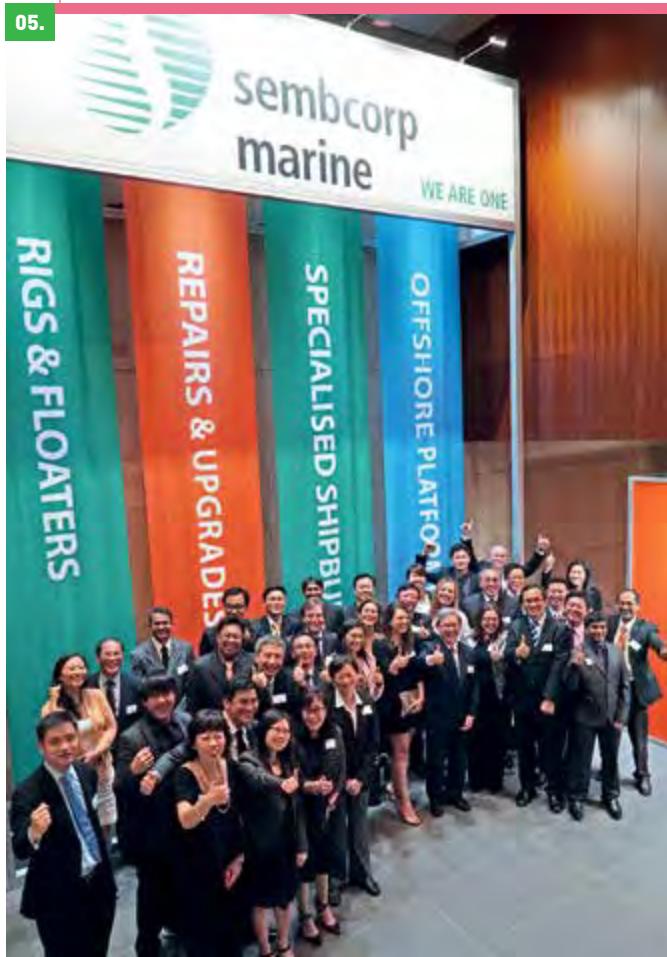
2nd
-5th

Participation in Nor-Shipping 2015, a leading tradeshow for Europe's shipping and maritime community, held in Oslo, Norway

29th

Incorporation of two Sembcorp Marine subsidiaries, Sembcorp Marine Integrated Yard Pte. Ltd. and Sembcorp Marine Rigs & Floater Pte. Ltd.

05.



05.

Offshore Technology Conference 2015

06.



06.

Nor-Shipping 2015

SIGNIFICANT EVENTS

July

August

1st

Sembcorp Marine transforms into a global integrated company

15th

Sembcorp Marine signs construction contract with Heerema to build the world's largest new semi-submersible crane vessel (NSCV)

Keel-laying of Hakuryu 14, a proprietary Pacific Class 400 jack-up rig built by Sembcorp Marine for BOT Lease

07.



07.

Heerema contract signing

27th

Launch of Noble Lloyd Noble, a Gusto MSC CJ70 design jack-up rig built by Sembcorp Marine for Noble Drilling Holding LLC

6th

Strike steel of Bumi Armada Topsides Modules by Sembcorp Marine for Armada Madura EPC Ltd.

11th

Sembcorp Marine celebrates Singapore's 50 Years of nation-building and economic progress at Observance Ceremony

08.



08.

National Day Observance Ceremony

September

1st

Sembcorp Marine secures an EPC contract to build three topsides for the Culzean field development in the UK North Sea

30th

Naming of Prof. John Evans Atta Mills, an FPSO conversion completed by Sembcorp Marine together with MODEC, for Tullow Oil

**09.**

Naming of FPSO Prof. John Evans Atta Mills

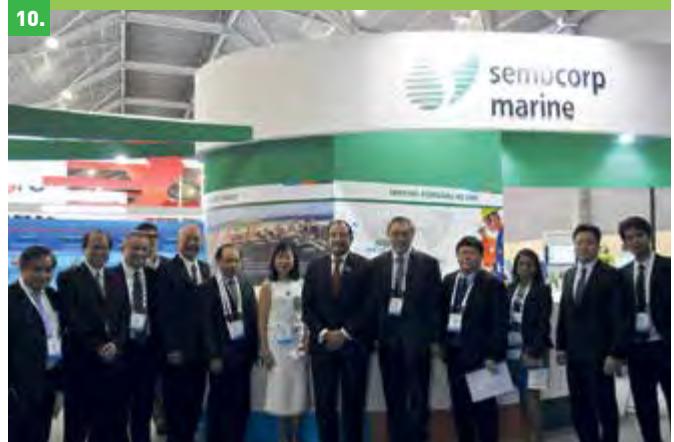
October

18th

Launch of Hercules Highlander, a Friede & Goldman JU 2000E design jack-up rig built by Sembcorp Marine for Hercules Offshore, following its keel-laying in March

27th - 30th

Sembcorp Marine participates in Gastech 2015, the world's premier natural gas conference and exhibition held in Singapore

10.**10.**

Gastech 2015

SIGNIFICANT EVENTS

November

December

3rd

Sembcorp Marine opens state-of-the-art Steel Structure Fabrication Workshop at Tuas Boulevard Yard

16th

Sembcorp Marine completes upgrading of Pacific Eden and Pacific Aria for P&O Cruises (Australia), bringing the total number of cruise ship refits and refurbishments to 12 in 2015

8th

Sembcorp Marine rewrites record for highest number of LNG ship repair and upgrade projects (34) in a single year



11.

Steel Structure Fabrication Workshop Opening

12.

LNG ship repairs and upgrades

18th

Sembcorp Marine secures contract to design and build a new Floating Storage and Offloading vessel (FSO) for MODEC

Sembcorp Marine School Book Assistance Grant (SchoolBAG) marks 15 years of supporting needy students; over 17,500 have benefited from \$3.6 million cumulative financial aid since 2001

AWARDS AND ACCOLADES

Business Excellence

01.

Offshore & Marine Engineering Award Sembcorp Marine Ltd



01.

MPA Singapore International Maritime Awards 2015

MPA Singapore International Maritime Awards 2015

– Offshore & Marine Engineering Award

Recognition of Sembcorp Marine's significant contributions towards the development of Singapore's offshore and marine engineering sector

Singapore Business Review (SBR) Listed Companies

Awards & International Business Awards 2015

– Offshore & Marine Engineering Award

Recognition of Sembcorp Marine's practices and innovative projects

02.



02.

SBR Listed Companies Awards & International Business Awards 2015

Corporate Governance and Transparency

Governance and Transparency Index 2015 by CGIO NUS,

CPA Australia and Business Times – Ranked 8th position

Recognition of Sembcorp Marine's financial transparency and disclosure

Safety, Health and Innovation

Shell Shipping & Maritime – Outstanding Health, Safety and Environment (HSE) Performance Award

Shell's "Best of the Best" award recognises Sembcorp Marine Admiralty Yard for outstanding performance in HSE practices while supporting Shell's shipping & maritime activities

SSWG Merit Award

Conferred by the Safety and Security Watch Group in recognition of Sembcorp Marine Tanjong Kling Yard's community safety and security efforts

BizSAFE Partner Award 2015

Accorded by the WSH Council to Sembcorp Marine's PPL Shipyard for its dedication to good workplace safety and health practices

03.



03.

BizSAFE Partner Award 2015

AWARDS AND ACCOLADES

WSH Awards 2015 organised by the WSH Council, Ministry of Manpower, and supported by the WSH Institute

The WSH Performance Award recognises organisations that have performed well in Workplace Safety and Health through the implementation of sound safety and health management systems or processes.

The WSH Innovation Award is presented for efforts in providing innovative solutions that improve safety and health standards in the workplace.

The WSH Supervisor Award honours supervisors who take care of workers under their charge by improving the safety and health performance in their workplaces.

The Safety and Health Award Recognition for Projects (SHARP) category recognises projects with good HSE performance and programmes at a project level.

WSH Performance Award (Silver)

Sembcorp Marine Tuas Road Yard

Sembcorp Marine Benoi Yard

SHARP Awards

Sembcorp Marine Tanjong Kling Yard

FPSO TEN Development Project • NS Arpoador • NS Camburi • NS Guarapari • Noble Lloyd Noble • Noble Sam Hartley • Noble Tom Prosser • Ocean Apex • Q5000 • Q7000 • Safe Boreas • Safe Zephyrus • West Rigel



04.

Winning teams and representatives from Sembcorp Marine Tanjong Kling and Tuas Boulevard Yards

Sembcorp Marine Admiralty Yard

Banyu Urip EPC4 Project • BP Alliance Refit Projects 2014 • Kaombo Norte FPSO Conversion

Sembcorp Marine Pandan Yard (PPL Shipyard Pte Ltd)

P2040 Impetus • P2041 Vastus • P2043 Perisai Pacific 102 • P2045 Animus • P2046 Supremus • P2047

Sembcorp Marine Tuas Crescent Yard (PPL Shipyard Pte Ltd)

P2050 Hakuryu-12 • P2053 Iron V

WSH Award for Supervisors

Mr Marimuthu Nadaras

Mr Shamimul Islam Late Md Rezaul Karim

WSH Risk Management Award

Sembcorp Marine Tanjong Kling Yard

Kiat Seng Engineering (Resident Contractor)

WSH Innovation Awards

Sembcorp Marine Tuas Boulevard Yard

Ostium

WSH Innovation Awards from ASMI*Gold Awards*

Sembcorp Marine Admiralty Yard (Dynamic Seahorse)

Sembcorp Marine Tuas Road Yard (Seapro Safety Innovation)

Silver Awards

Sembcorp Marine Tanjong Kling Yard (Highlander • JOM Safety Samurai)

Bronze Award

Sembcorp Marine Admiralty Yard (Stackers)



05.

PPL Shipyard's Projects, Safety and Production teams and senior management representatives at the award ceremony



06.

Winning teams from Sembcorp Marine Admiralty Yard

RIGS & FLOATERS

CONTRIBUTION TO TOTAL
TURNOVER

\$3.32
billion

REPAIRS & UPGRADES

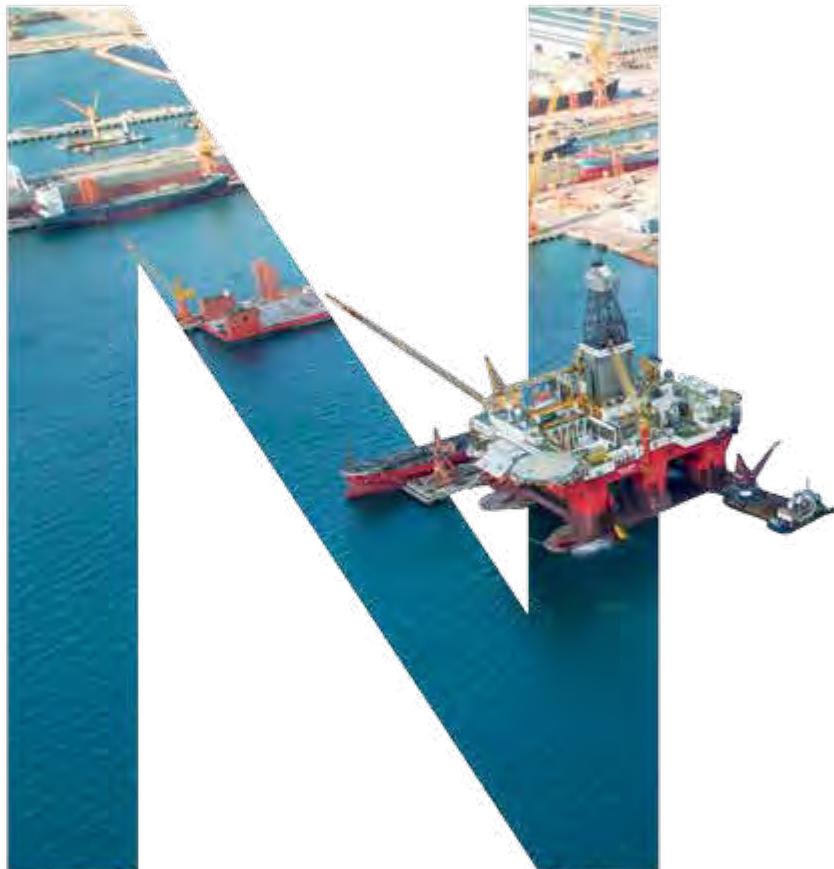
CONTRIBUTION TO TOTAL
TURNOVER

\$557
million

OFFSHORE PLATFORMS

CONTRIBUTION TO TOTAL
TURNOVER

\$1.02
billion



OTHER ACTIVITIES

CONTRIBUTION TO TOTAL
TURNOVER

\$76
million

ENVISION TRANSFORM SYNERGISE

AS ONE BRAND

We are ready to take on the challenges and opportunities in the fast-changing and increasingly complex business environment

CHAIRMAN AND CEO'S STATEMENT



Tan Sri Mohd Hassan Marican
Chairman

“

Despite the tough environment in 2015, the Group secured \$3.17 billion in new orders, mainly for non-drilling solutions. This underlines our ongoing strategy of diversifying beyond rig-building. ”

“

We have laid the foundations for our future growth through our investments in hard and soft infrastructure, and are ready to capitalise on opportunities when the market recovers. ”



Wong Weng Sun
President & CEO

CHAIRMAN AND CEO'S STATEMENT

DEAR SHAREHOLDERS,

The year 2015 was a difficult and challenging year for the Group. The continued decline in oil prices in 2015 resulted in significant reduction of capital expenditure (capex) by the oil companies. Economic slowdown and political uncertainties added to the volatility of oil prices. The resulting contagion effect on the entire exploration and production value chain has been swift and severe. Offshore & Marine engineering companies around the world were faced with challenges of replenishing their order books and deferment or cancellation of their existing orders. Sembcorp Marine's performance had also been impacted.

Despite the tough environment in 2015, the Group secured \$3.17 billion in new orders, mainly for non-drilling solutions. This underlines our ongoing strategy of diversifying beyond rig-building.

FINANCIAL PERFORMANCE

The Group's overall financial performance remains reasonably robust despite the challenging business environment.

Group revenue was \$4.97 billion for the year ended 31 December 2015, compared with \$5.83 billion in FY2014. Revenue for Rigs & Floaters was \$3.32 billion for the year, a 21% decline from

GROUP REVENUE

\$4.97 billion

\$4.21 billion in FY2014. Revenue for Repairs and Upgrades declined 10% to \$557 million from \$622 million despite an increase in the number of ships repaired, due to lower average revenue per vessel. Offshore Platforms revenue, which increased by 10% from \$925 million to \$1.02 billion, helped offset the decline in the other business segments.

Net Profit was \$384 million for FY2015, compared with \$560 million for FY2014. After Impairments, Provisions and Share of loss in associates & joint ventures and Non-operating items, the Group incurred a Net Loss of \$290 million for the year.

NEW ORDERS SECURED

\$3.17 billion

Sete Brasil

In our last quarterly update, we highlighted that Brazil remained fraught with political and economic uncertainty. A crisis of confidence in the country has led to a worse-than-expected economic recession and sovereign credit downgrade.

Sembcorp Marine had secured seven drillship contracts in 2012 from Sete Brasil. These drillships are in various stages of completion. To date, we have been paid a total of approximately \$2.70 billion, progressively for work done, before the payments stopped in November 2014. In light of the payment stoppage, during the course of 2015, we had taken measures to minimise our exposure by significantly slowing down

construction; focusing on the four more advanced units mainly to preserve their value, with minimal work on the rest.

In the meantime, we have been engaging Sete Brasil to explore solutions to progress the projects. Sete Brasil has also been trying to resolve its financing problems through various restructuring plans, but has yet to obtain consensus from all key stakeholders. The media had reported that Sete Brasil was considering filing for judicial reorganisation, the Brazilian equivalent of a Chapter 11 in the US. We continue to monitor the situation and are prepared to strategically respond to various potential outcomes. However, in light of such uncertainties, we have made a provision of \$329 million for the Sete Brasil projects. This amount takes into consideration, in our view, the full extent of our exposure, including the amount of unpaid invoices and construction progress, and amounts to be paid to our suppliers and vendors. We believe that under the present circumstances, our provision is sufficient to address any potential adverse outcomes to the Sete Brasil contracts.

Delivery delays and possible cancellation of rigs

Several of our customers have requested for delivery deferments in view of delays in chartering out their rigs. Given the current depressed environment in the upstream sector, we have tried to accommodate their requests, while preserving our commercial interests.

As has been reported, one of our customers has failed to take delivery of its rig, and we have terminated the contract and taken legal action to recover the amount due to us.

For the rest of our completed rigs with deferment requests, they have all been technically accepted by our customers and we have arrived at or are finalising mutually acceptable solutions with them. To date, there has been no cancellation of any rig orders. However, we have decided to conservatively make provisions of approximately \$280 million, in case of prolonged deferment or possible cancellation of rigs. We believe such provisions are adequate under present circumstances.

Share of loss in associates and Non-operating items

Cosco Shipyard Group Co. Ltd in China (CSG) has made significant provisions in its FY2015 accounts. We have equity accounted for our share of such provisions, and taking into account our share of loss in other associates and non-operating items, the net impact is a negative \$192 million.

Dividends

The Group's dividend payment has always been guided by earnings performance, and while we constantly strive to reward shareholders with a sustainable and consistent dividend, we are also mindful of the need to grow and position the company for long-term sustainable growth.

For the year under review, despite the tough operating environment and the net loss, the Board is proposing a final ordinary one-tier tax-exempt cash dividend of two cents (\$0.02) per share. Including the interim tax-exempt cash dividend of four cents (\$0.04), the Group will be paying a total dividend of six cents (\$0.06) per share for the year under review.

The proposed final cash dividend, if approved at the Annual General Meeting to be held on 18 April 2016, will be paid on 13 May 2016.

REVIEW OF BUSINESS OPERATIONS

Rigs & Floaters

Successful deliveries during the year

In January 2015, we delivered the Safe Boreas – the Group's first high-specification harsh environment semi-submersible accommodation vessel – to Prosafe. Safe Boreas was built according to the GVA3000E design and is equipped with a DP3 (dynamic positioning) system as well as 12-point mooring arrangement, with the capacity of accommodating 450 persons in single man cabins.

01.

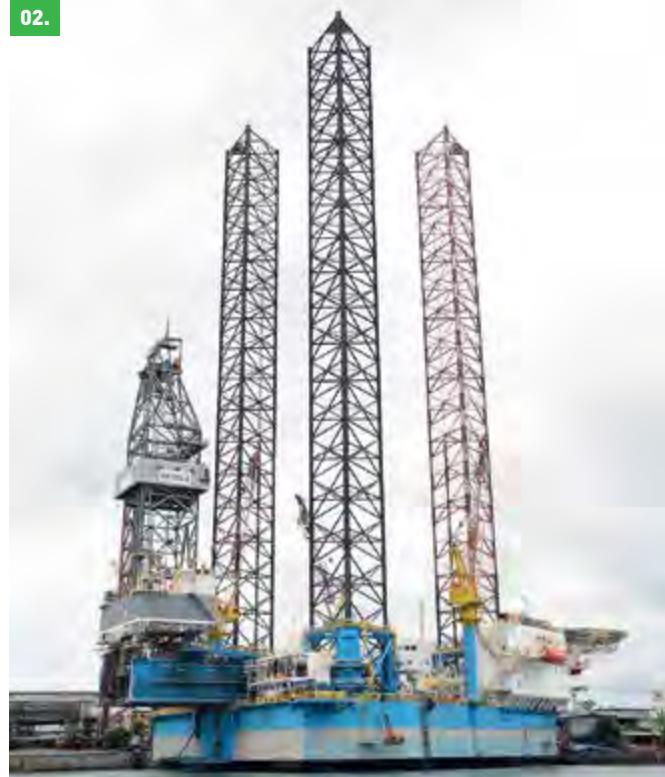


01.

Sembcorp Marine's first high-specification harsh environment semi-submersible accommodation vessel, Safe Boreas, was delivered to Prosafe in January 2015

In February 2015, the Hakuryu 12, a Pacific Class 400 premium jack-up rig was delivered to BOT Lease Co. Ltd. Sembcorp Marine's proprietary Pacific Class 400 design represents the latest generation of high-specification jack-up rigs that are capable of operating in deeper waters of 400 feet and drilling high pressure and high temperature wells to depths of 30,000 feet.

02.



02.

Hakuryu 12, a Sembcorp Marine Pacific Class 400 premium jack-up rig delivered to BOT Lease Co. Ltd. in February 2015

CHAIRMAN AND CEO'S STATEMENT

This is the eleventh Pacific Class 400 jack-up rig that has been successfully delivered to our customers. To date, the Group has received contracts to build 18 Pacific Class 400 rigs.

In April 2015, the Group achieved another first with the delivery of the Q5000 semi-submersible well-intervention vessel to Helix Energy Solutions Group, a market leader in subsea well-intervention services. Featuring the latest technology, the rig is an efficient purpose-designed platform with capabilities to perform a wide variety of tasks, including conventional and extended top hold drilling, subsea construction, decommissioning well-intervention, coiled tubing operations and twin ROV deployment.



03.

Sembcorp Marine delivered a semi-submersible well-intervention vessel, Q5000, to Helix Energy Solutions Group in April 2015

We are pleased to share that we have also delivered our first vessel for 2016 – the Safe Zephyrus – to Prosafe at the end of January. According to Prosafe, the Safe Zephyrus is the world's most advanced and versatile offshore accommodation unit.

04.



04.

Safe Zephyrus, the world's most advanced and versatile offshore accommodation unit, was delivered to Prosafe in January 2016

New orders secured in FY2015 replenish order book

In July, Rigs & Floater secured a contract valued at approximately US\$1 billion to build the world's largest semi-submersible crane vessel for the Netherlands-based Heerema Offshore Services, a subsidiary of Heerema Marine contractors.

05.



05.

Sembcorp Marine will build the world's largest semi-submersible crane vessel for Heerema Offshore Services

In November 2015, we also secured a contract to design and build a new harsh environment Floating Storage and Offloading (FSO) vessel for MODEC, to be deployed for the Culzean Field in the UK North Sea.

Repairs & Upgrades

In the Repairs & Upgrades segment, the Group repaired and upgraded a total of 453 vessels in FY2015, compared with 439 in FY2014. While the number of vessels repaired was higher, the average revenue per vessel was lower due to increased competition.

The Group also achieved the highest number in the global LNG repairs and upgrades market for the fourth consecutive year, with 34 vessels repaired and upgraded at our yards in 2015.

Offshore Platforms

Offshore Platforms have had a busy year working on five key projects. They include LNG Process modules assembly for the Wheatstone LNG Project in Australia, and the Engineering, Procurement and Construction (EPC) of the Process, Drilling and Quarters Platform Topsides for the harsh environment Ivar Aasen field development project in the North Sea. The Ivar Aasen project is on schedule for completion in 2016.

In September 2015, despite tough international competition, we secured an EPC contract from Maersk Oil North Sea UK Limited to build three topside modules for the Culzean Field Development in the UK North Sea. Valued at over US\$1 billion, the project scope includes a Central Processing Facility plus two connecting bridges, a Wellhead Platform, as well as a Utilities & Living Quarters Platform.

06.



06.

Sembcorp Marine's Offshore Platforms won an EPC contract to build three topside modules for the Culzean field in the UK North Sea

ENSURING CORPORATE SUSTAINABILITY DESPITE STRONG HEADWINDS

Cash flow and liquidity management

Together with the \$3.17 billion of new orders secured in 2015, Sembcorp Marine's net order book as at 31 December 2015 stands at \$10.37 billion, with deliveries to 2020. The majority of our order book is based on progress payment terms, with only about \$2 billion of the order book for drilling rigs that are on back-ended payment terms. The average upfront payment for these rig contracts is close to 30%. The above order book profile should minimise the need for fresh working capital to fulfil such orders in the next years.

In 2015, the Group generated \$536 million of Operating Cash Flow (before working capital changes). We believe this trend of positive Operating Cash Flow generation will continue to help fund our operations and that the Group's working capital needs have peaked.

On capital expenditure (capex), a large part of our new yard capex for the Tuas Boulevard yard in Singapore and Estaleiro Jurong Aracruz (EJA) yard in Brazil has been incurred. Going forward, we will only proceed with yard capex required for executing our secured contracts, while deferring non-essential capex.

The Group continues to adopt a disciplined approach to cash flow and liquidity management. Barring unforeseen developments, we believe we have sufficient debt headroom, and with existing facilities and continued support of our bankers and bondholders, we will be able to execute our secured orders.

Human resources

We have conducted a rigorous assessment of our labour requirements and have taken steps to reduce our headcount. Given the current \$10.37 billion order book and reasonable demand for our other business segments, the Group has, for the time being, continued to maintain most of our loyal and experienced workforce to ensure a high standard of execution. We have taken measures to control our manpower cost base by reallocating excess headcount from yards focused on building rigs, to yards undertaking non-drilling solutions. We have also allowed natural attrition and termination of less

CHAIRMAN AND CEO'S STATEMENT

07.



07.

Espadon, Sembcorp Marine's next-generation drillship design

efficient sub-contractors. In Brazil, our manning level is commensurate with our level of activities at the EJA yard, which is significantly lower than our planned headcount numbers.

Our strategy is to retain our core skilled and efficient workforce; and we will continue to selectively recruit talent so as to achieve longer term workforce sustainability and be better positioned when the market recovers. We constantly monitor our needs and will continue to optimise our resources and operations on a global basis.

Research and Development (R&D) and New Products

We continue to invest prudently in R&D to improve operational efficiency and develop new capabilities. Our Espadon compact drillship design and our Q-series well-intervention rig design have both won orders from international players. Our next-generation drillship design, compliant for 20k BOP (blowout preventer) capabilities, has been accepted by international oil companies.

As part of the Group's diversification strategy, we have also been developing other product segments within the offshore oil and gas value chain. Through our investment in GraviFloat, a Norwegian technology company, we have acquired the technologies to design, deliver and operate re-deployable, gravity-based, modularised terminals for near-shore gas and power generation installations.

08.



08.

The GraviFloat GF-SRU comprises a near-shore and scalable receiving, storage and regasification terminal



09.

The SSP320 Base (FPSO, FSO, Control Buoy) designed by Sembmarine SSP

We have also acquired SSP Offshore, a Houston-based company (now renamed Sembmarine SSP), which specialises in the design, engineering and delivery of innovative floating production and drilling solutions for the oil and gas industry.

Through Sembmarine SSP's proprietary suite of satellite services platform solutions, the Group is capable of offering next-generation innovative and cost-effective solutions for deepwater oil and gas drilling, production and storage, and logistic hub applications in harsh environments and extreme arctic conditions.

Shipyard Developments

We recognise the need to deepen and broaden our yard capabilities to enable cost-effective execution in order to compete globally. Our Tuas Boulevard Yard, an integrated facility, includes a highly automated steel fabrication facility, allowing us to undertake more complex projects in a more cost-effective manner and with shorter delivery times.

As a major player in the Brazilian market, and recognising the local content requirements, the Group invested in a dedicated yard in Brazil. Our EJA yard, with its advanced production capabilities and high level of automation, will provide competitive advantage for us to serve not only the Brazilian market, but also the Latin American and West African markets.

Our investment in the Tuas Boulevard and EJA yards were made during the up-cycle years, and both are now nearing full completion. When completed, these two yards will be able to meet our requirements for the next 50 years.

Transformation for Growth

Sembcorp Marine is continuing its 'Transformation for Growth' journey which started in 2013, in line with our sustainable growth strategy. Becoming 'One Sembcorp Marine' enables the Group to harness the combined scale and expertise of our global operations to become more flexible, innovative and responsive. This empowers the Group to rise to new challenges and undertake even larger and more complex projects.



10.

Tuas Boulevard Yard steel fabrication facility



11.

Estaleiro Jurong Aracruz (EJA), Sembcorp Marine's integrated yard in Brazil

CHAIRMAN AND CEO'S STATEMENT

Sustainability and value creation

The Group's sustainability strategy remains centred on value creation for our shareholders, employees, customers, contractors, suppliers, partners and other stakeholders. We strive to achieve this through good corporate governance, prudent financial management, upholding health and safety standards, limiting our environmental impact, utilising resources efficiently as well as engaging and caring for the communities we operate in.

Prepared in accordance with the Global Reporting Initiative (GRI) G4 core guidelines, this annual report encapsulates our sustainable approach in managing our business and operations.

OUTLOOK

We believe the current down-cycle is expected to be more protracted than previous cycles. As a diversified Offshore & Marine engineering solutions provider, we are prepared to weather and ride out the storm. We have laid the foundations for our future growth through our investments in hard and soft infrastructure, and are ready to capitalise on opportunities when the market recovers.

The Group remains optimistic on the longer term prospects of its business and its facilities have been built to cater to the industry's demand for the long term. As an integrated Sembcorp Marine, we will optimise our capabilities and capacities, as well as increase our efficiency and productivity to better serve our partners and customers.

APPRECIATION

On behalf of the Board, we would like to extend a warm welcome to Mrs Gina Lee-Wan and Mr Bob Tan Beng Hai, who were appointed as non-executive, independent directors of the Group in April 2015.

We would also like to express our heartfelt appreciation to the Board of Directors for their stewardship and wise counsel as well as our dedicated management team, employees, union and sub-contractor partners for their tireless efforts, loyalty and contributions in the past year.

Finally, we would like to extend our sincere thanks to our valued shareholders for their continued support. Together with our strategic investments in new capabilities and facilities, we believe Sembcorp Marine will be able to ride out the current down-cycle and be strategically better positioned for the upturn, so as to continue to generate acceptable risk-adjusted sustainable returns for the Group and its shareholders.



Tan Sri Mohd Hassan Marican
Chairman



Wong Weng Sun
President & CEO

3 March 2016





Aerial view of Sembcorp Marine's flagship Tuas Boulevard Yard, as at March 2016. Phase I development (73ha) of the yard started operations in August 2013, with Phase II development (35ha) to be completed in the first quarter of 2017.

ENVISION.TRANSFORM.SYNERGISE

01.



01.

Aerial view of Sembcorp Marine Tuas Boulevard Yard

02.

266 vessels docked at Sembcorp Marine Tuas Boulevard Yard in 2015

As a service provider in the offshore and marine sector, Sembcorp Marine was not spared the impact of drastically falling oil prices in 2015. Nonetheless, the Group was able to secure \$3.17 billion in new contracts during the year. These additional orders showed that there were still players prepared to invest in the future amidst the prevailing market challenges, and they had chosen to work with Sembcorp Marine because of its strong track record and new facilities.

Like its forward-looking customers, Sembcorp Marine is focused on developing capabilities and capacities for the long haul, while leveraging its resilience to weather the current market downturn.

ENVISION

To realise its vision of becoming a global force in offshore and marine engineering solutions, Sembcorp Marine first mooted its future-oriented Transformation for Growth strategy in late 2013, launching it in July 2015.

Underpinning the Group's Transformation journey is Sembcorp Marine Tuas Boulevard Yard, the largest integrated yard in Singapore that not only anchors the Group's operations on home ground but also plays a critical role in its long-term business expansion.

The 73ha Phase I development of the Tuas Boulevard Yard, in operation since August 2013, has progressed quickly into a busy hub for Sembcorp Marine's projects. Some 266 vessels docked at the yard in 2015, up from 262 in 2014.

Meanwhile, the yard's ongoing 35ha Phase II development reached a milestone in November 2015 with the opening of Southeast Asia's largest steel structure fabrication workshop. Phase II is on track for completion in the first quarter of 2017.

02.



ENVISION.TEAMWORK.SYNERGISE

TRANSFORM

With the implementation of the Transformation for Growth strategy, the Group reorganised its multi-business units into a single Sembcorp Marine brand and consolidated its competitive advantages into four key capabilities: Rigs & Floaters, Repairs & Upgrades, Offshore Platforms and Specialised Shipbuilding.

The new setup sharpened the Group's focus and helped unlock opportunities for its diversification further into the production and development segment of the Exploration & Production (E&P) value chain. As a testament to its success, the Group scored a US\$1 billion contract with Heerema last year to build the world's largest new semi-submersible crane vessel (NSCV).

Sembcorp Marine is also gearing up to meet an increased demand for natural gas as more consumers and business organisations heed the call for cleaner, greener and more sustainable energy sources. In this regard, the Group is well-equipped with the technology and expertise to provide innovative engineering solutions for offshore gas processing. It is ready to seize opportunities with the innovative GraviFloat near-shore floating production terminals.

Redeployable, modularised and gravity-based, GraviFloat terminals are more flexible and cost-competitive solutions compared with FSRUs (floating storage and regasification units) and land terminals. They can be designed for both liquefaction and receiving terminal services, offering customers across the fast-evolving LNG and LPG value chain compelling alternatives to existing onshore and floating facilities.

SYNERGISE

Through a new 'one company, one brand' approach, the Group is enhancing its capabilities as a single-stop service provider. Manpower and facilities are now pooled and optimised under an integrated structure, enabling more efficient resource allocation based on project scale, location and customers' detailed requirements. This improved flexibility in resource management translates to greater cost savings and synergies, in turn strengthening Sembcorp Marine's competitive position in the current business environment.

“

Our transformation is an ongoing process that allows Sembcorp Marine to constantly adapt and excel in the dynamic business environment. With the ability to embrace change, we will continue to stay ahead of the curve and partner with customers and vendors for long-term success. ”

Mr Wong Weng Sun

President & CEO
Sembcorp Marine

Strengthening operations in Singapore

The flagship Sembcorp Marine Tuas Boulevard Yard is designed and configured with optimal operational synergy, production efficiency and critical mass in mind. It is fast gaining a reputation for delivering value-added and cost-effective solutions.

In 2015, the yard received the prestigious Offshore & Marine Engineering Award at the MPA Singapore International Maritime Awards for its contributions to the local maritime industry.

Positioned as the Group's central production hub, the Tuas Boulevard Yard supports technically demanding projects, such as Sembcorp Marine's first newbuild Floating Storage & Offloading (FSO) contract. Awarded by MODEC in November 2015, this full-turnkey project covers Engineering, Procurement, Construction and Commissioning services.

The Tuas Boulevard Yard is also spearheading construction works for the Heerema NSCV. Named Sleipnir, this high-performance crane vessel is designed to support the installation and decommissioning of major offshore facilities worldwide.

“

As long-time partners with Sembcorp Marine for our conversion projects, MODEC has seen the Group's strong track record in delivering quality vessels and rigs.

We are pleased to continue our partnership with Sembcorp Marine for our latest FSO newbuild. ”

Mr Sateesh Dev

President, MODEC Offshore Production Systems (Singapore) Pte. Ltd.



Enhancing productivity and efficiency with Southeast Asia's largest Steel Structure Fabrication Workshop

Spanning 120,000 square metres in floor area, Sembcorp Marine's new steel structure fabrication workshop at the Tuas Boulevard Yard is an extensively automated facility. It operates with a streamlined process that optimises production efficiency by reducing man-hours and production time to half of previous process requirements for every tonne of steel fabricated.

Besides flat blocks and other components for hull construction, the steel structure fabrication workshop also produces steel materials for topside modules.

“

Sembcorp Marine's new steel structure fabrication workshop integrates seamlessly with all other capabilities in the Tuas Boulevard Yard and allows us to more effectively offer customers a one-stop shop for offshore and marine engineering solutions. It is also a key feature of our ongoing development to turn the Tuas Boulevard Yard into a high-tech production hub that boosts Sembcorp Marine's ability to compete on value and scale.”

Tan Sri Mohd Hassan Marican

Chairman
Sembcorp Marine



Winning results of integrated yard resources: New industry records for vessel repairs

Bucking the downturn in the offshore and marine business, Sembcorp Marine performed well in its repairs and upgrades business in 2015.

Supported by Sembcorp Marine's Tuas Boulevard and Admiralty yard, the Group rewrote its own industry record for the highest number of LNG vessel repair and upgrade projects in a single year. With 34 such undertakings in 2015, Sembcorp Marine topped the list for the fourth consecutive year. Its customers included Shell International LNG Supply, Chevron Shipping and Teekay Gas Services.

Compared to 2015, Sembcorp Marine repaired and upgraded 32 LNG vessels in 2014, and 27 LNG vessels in 2013.

The Group set a second record in 2015 by upgrading and refurbishing 12 passenger ships in a single year. Its customer portfolio in this specialised segment included Carnival Corporation and Royal Caribbean Cruises – the world's top two cruise companies – as well as Star Cruises, Asia's leading cruise line.

“

We are very privileged to work with leading LNG ship owners and operators who, over the years, have put their faith in our holistic solutions, integrated facilities and dedicated project teams. As a top LNG vessel repair and upgrade specialist, we are also proud to be contributing to Singapore's status as a global LNG hub.”

Ms Wong Lee Lin

Executive Vice President &
Head of Repairs & Upgrades
Sembcorp Marine

ENVISION.TRANSFORM.SYNERGISE

05.

**Securing worldwide developments****Sembcorp Marine's fabrication yard in Batam**

P.T. SMOE, Sembcorp Marine's Indonesia fabrication arm in Batam, kept pace with its Singapore counterparts by undertaking major works for the Wheatstone Project and YAMAL Project in 2015.

Under the Wheatstone Project, awarded by Chevron Australia-Bechtel, P.T. SMOE fabricated and assembled six LNG T2 cryogenic and propane refrigeration modules, weighing 17,000 MT in total. The yard also fabricated grillage for the loading of six units of electrical houses (E-House) under Batch 1 of the YAMAL Project for customer Yamgaz, with a successful sailaway in 2015. Fabrication of five more E-House units for Batch 3 is currently continuing as planned.

In September 2015, P.T. SMOE enhanced its capabilities with the completion of its North Yard Office. The 5-storey fully air-conditioned building is located at the heart of the yard and houses corporate personnel as well as customers' management teams. The 7,200-square-metre office boasts a capacity to accommodate 500 people, with space for further expansion.

P.T. SMOE is now developing its 17ha West Yard. Over the next three to four years, this new yard is expected to have an office building, a warehouse and a power station.

PT Karimun Sembawang Shipyard:**Sembcorp Marine's supporting arm**

Complementing Sembcorp Marine's operations in Singapore, P.T. Karimun Sembawang Shipyard supported the Tuas Boulevard Yard with block fabrication of skid tables and working tables in 2015. It also completed 90% of the block fabrication work for NS Itaoca, a drillship that is being built to Sembcorp Marine's proprietary Jurong Espadon drillship design.

To boost its production capacity, P.T. Karimun added 10ha of yard area in 2015 by partially levelling an adjacent land parcel. The yard also purchased a new crawler crane with a 500-tonne lifting capacity to improve block fabrication productivity.

In 2016, P.T. Karimun will fabricate the remaining blocks for the NS Itaoca as well as gangways for the Tuas Boulevard Yard.

03.

Southeast Asia's largest steel structure fabrication workshop opened in November 2015

04.

Record number of vessels and cruise ships repaired and upgraded in 2015

05.

SSP deepwater driller

06.

New North Yard Office at P.T. SMOE

Design innovation at Sembmarine SSP

Since acquiring Sembmarine SSP in 2014, Sembcorp Marine has worked closely with the SSP team in Houston on developing the SSP deepwater driller, SSP12000.

From April to July 2015, numerous engineering documents on SSP12000 were completed for the Approval in Principle (AIP) – a statement that recognises a new or novel concept for a marine vessel or offshore facility. A wind tunnel test was also carried out on the SSP12000 wind tunnel model, attended by three potential customers: Seadrill, Transocean and Diamond. Following the feedback received, engineering assessment of the deepwater driller is continuing, with efforts to minimise displacing volume by the hull and to optimise other design objectives.

06.



Sembcorp Marine's UK subsidiary Sembmarine SLP

Sembmarine SLP celebrated its first steel cut for the Dudgeon Offshore Wind Farm's substation platform on February 16, 2015. In this Engineering, Procurement and Construction (EPC) project awarded by Siemens, Sembmarine SLP has made substantial progress on the construction of the platform's jacket structure and topside.

When completed in 2016, the structures will be installed off the coast of Cromer in North Norfolk. The wind farm is expected to power more than 410,000 homes in the UK.

Sembmarine SLP is currently involved in constructing a power generation module (PGM), two bridge links and a flare for the Culzean field development, as part of a US\$1 billion contract awarded to Sembcorp Marine by Maersk Oil North Sea UK. This project includes Engineering, Procurement and Construction services for three topsides, with Sembcorp Marine's Admiralty Yard in Singapore functioning as the core fabrication yard.



07.

First cut steel ceremony for Dudgeon Offshore Wind Farm's substation platform

“

Sembmarine SLP is well placed to carry out wind-farm related engineering and construction projects, due to Lowestoft's strategic proximity to many large wind farms to be developed in the southern North Sea in the next few years; and also because of the expertise that the company has built up over a long time in the oil and gas sector. ”

Mr Peter Aldous

Member of Parliament for Waveney (UK)

Meeting long-term needs in Estaleiro Jurong Aracruz

In 2015, Estaleiro Jurong Aracruz (EJA), Sembcorp Marine's integrated shipyard in Brazil, made good progress on its first drillship project. Built for Brazilian pre-salt exploration, the NS Arpoador is now nearing completion, with fabrication and assembly of living quarters wrapped up in Singapore.

EJA was also kept busy with the fabrication of eight modules for Petrobras FPSOs P-68 and P-71.

At 83ha in size, EJA is on track with the development of its facilities, which are expected to be completed in 2016. The integrated yard features a 1.6km coastline and is equipped with a warehouse; mechanical and electrical workshops; as well as a hull shop with painting, blasting, pre-treatment and sub-assembly capabilities. EJA's office building is already operational, serving employees and contractors.

When fully completed, EJA will be well-positioned to take on future opportunities in the global energy sector.

ENVISION.TRANSFORM.SYNERGISE



08.

Ongoing development at Estaleiro Jurong Aracruz (EJA)

COMMITMENT TO THE COMMUNITY AND THE ENVIRONMENT

As it strives to balance the competing priorities of managing current market challenges and long-term growth, Sembcorp Marine has persisted in fulfilling its corporate social responsibilities.

In 2015, the Group marked the 15th anniversary of its School Book Assistance Grant (SchoolBAG) programme, contributing over \$250,000 in bursaries to 1,250 needy students.

Sembcorp Marine also continued its environmental sustainability efforts with Green Wave, an annual competition-based outreach programme that engages youths in creating innovative solutions for environmental preservation. The 2015 event received 234 projects from over 850 primary, secondary and tertiary students.

The Group's community-giving spirit extends beyond Singapore. In Indonesia, Sembcorp Marine employees regularly contribute to *kampong* projects by lending a helping hand with renovation works in mosques, schools and orphanages. P.T. SMOE is also involved in mangrove planting activities in Batam, while P.T. Karimun provides technical training to high school students and university undergraduates.

In Lowestoft, UK, Sembmarine SLP took part in the local Safety Observation Scheme (SOS) Awards ceremony, where a total of £10,500 was presented to seven charities. The funds were sponsored by Sembmarine SLP, Siemens and Statoil.

In Brazil, EJA helped raise funds for the São Camilo Maternity Hospital serving the municipality of Aracruz in Espírito Santo, where the yard is located.

FORGING AHEAD

In its Transformation journey, Sembcorp Marine is constantly evolving, learning and excelling. The Group is building up its capabilities and embracing innovative technologies for future growth. It is actively exploring new business segments and expanding its market base, while maintaining a strong commitment to improve the community and the environment.

Sembcorp Marine can count on its strong fundamentals and steady fortitude to move forward and ahead of the competition. As it navigates today's oil and gas downturn, the Group is ready to take on new opportunities. It remains focused on its vision of becoming the global leader in offshore and marine engineering solutions.

GROUP FINANCIAL REVIEW

FINANCIAL SUMMARY

The Group posted a net profit of \$384 million in 2015, before the following items:

- \$609 million in write-downs of inventories and work-in-progress as well as provisions for foreseeable losses for rigs, including \$329 million for Sete Brasil projects; and
- \$192 million for share of losses from associates and joint ventures, impairment loss on available-for-sale financial assets and non-operating expenses.

Financial Results - Before impairment, provisions, share of losses from associates/JVs			
\$'M	2015	2014	% Change
Turnover	5,134	5,833	-12
Gross Profit	587	844	-30
Earnings before interest, tax, depreciation and amortisation (EBITDA)	591	822	-28
Operating Profit	459	707	-35
Net Profit	384	560	-31
Gross Profit Margin (%)	11.4	14.5	-21
Operating Profit Margin (%)	8.9	12.1	-26
Net Profit Margin (%)	7.5	9.6	-22

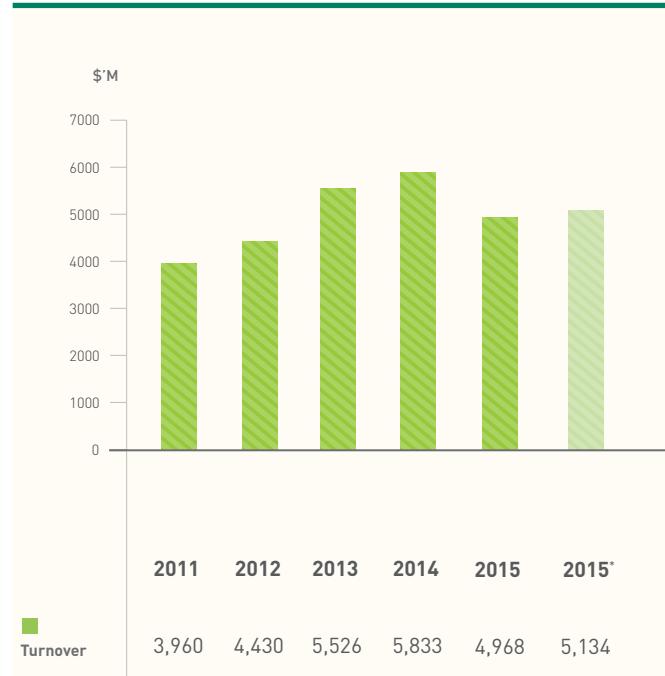
After factoring in the above-mentioned provisions and impairment, the Group recorded a net loss of \$290 million for the year. Group earnings were also lower as customer requests to defer rig-building projects resulted in lower margin recognition. However, profits for Offshore Platforms projects and Repairs & Upgrades business were higher.

Financial Results			
\$'M	2015	2014	% Change
Turnover	4,968	5,833	-15
Gross Profit	131	844	-84
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(18)	822	n.m.
Operating (Loss) / Profit	(150)	707	n.m.
Net (Loss) / Profit	(290)	560	n.m.
Gross Profit Margin (%)	2.6	14.5	-82
Operating (Loss) / Profit Margin (%)	(3.0)	12.1	n.m.
Net (Loss) / Profit Margin (%)	(5.8)	9.6	n.m.

n.m. – not meaningful

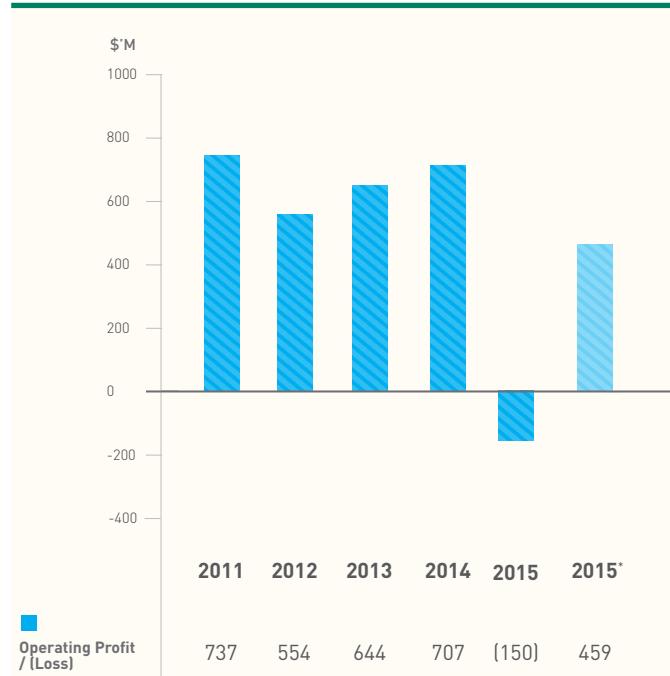
GROUP FINANCIAL REVIEW

TURNOVER



* Exclude provisions for rig-building projects.

OPERATING PROFIT



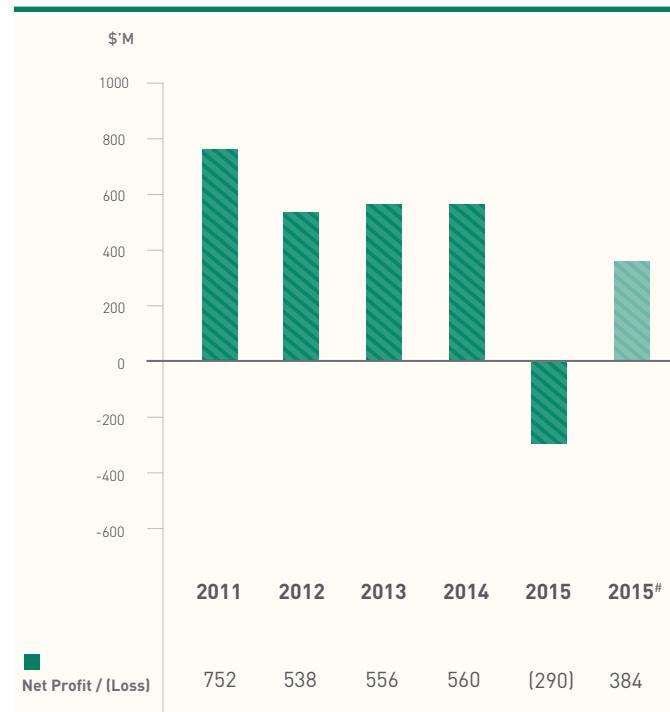
* Exclude provisions for rig-building projects.

EBITDA



* Exclude provisions for rig-building projects.

NET PROFIT



* Exclude provisions for rig-building projects, share of losses from associates/JVs and impairment loss.

FINANCIAL SUMMARY

For the year (\$'000)	2015	2014	% Change
Group Income Statement			
Turnover	4,968,132	5,832,595	-15%
(Loss) / Profit			
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(18,253)	822,158	n.m.
Operating (loss) / profit	(149,991)	707,025	n.m.
(Loss) / profit before tax	(377,603)	707,004	n.m.
Net (loss) / profit	(289,672)	560,128	n.m.
Group Balance Sheet			
Total assets	9,201,122	8,238,420	12%
Total liabilities	6,536,843	5,106,393	28%
Net tangible assets	2,464,598	2,912,504	-15%
Equity attributable to owners of the Company	2,511,205	2,965,118	-15%
Non-controlling interests	153,074	166,909	-8%
Total equity	2,664,279	3,132,027	-15%
Cash and cash equivalents	629,305	1,078,776	-42%
Interest-bearing borrowings	3,380,175	1,741,367	94%
Net debt	2,750,870	662,591	n.m.
Economic Value Added (EVA)			
Net operating (loss) / profit after tax (NOPAT)	(396,628)	632,092	n.m.
Capital charge	412,172	300,813	37%
EVA	(808,800)	331,279	n.m.
EVA attributable to owners of the Company	(782,401)	301,430	n.m.
Financial Ratios			
Earnings per share (EPS)			
Basic (cents)	(13.87)	26.83	n.m.
Diluted (cents)	(13.87)	26.82	n.m.
Dividend per share			
One-tier tax-exempt (cents)	6.00	13.00	-54%
Net asset value per share (cents)	120.24	141.92	-15%
Net tangible asset per share (cents)	118.00	139.40	-15%
Return on turnover (%)	(5.83)	9.60	n.m.
Return on total assets (%)	(2.90)	8.00	n.m.
Return on equity (%)	(10.58)	19.86	n.m.

n.m. – not meaningful

GROUP FINANCIAL REVIEW

Quarterly (\$'000)	2015				
	1Q	2Q	3Q	4Q	Total
Turnover	1,303,687	1,207,566	1,129,877	1,327,002	4,968,132
Earnings before interest, tax, depreciation and amortisation (EBITDA)	169,049	178,420	106,648	(472,370)	(18,253)
Operating Profit / (Loss)	138,232	147,038	74,750	(510,011)	(149,991)
Profit / (Loss) before tax	135,185	135,977	22,564	(671,329)	(377,603)
Net Profit / (Loss)	105,871	109,234	32,106	(536,883)	(289,672)
Earnings per share (cents)					
Year-to-date	5.07	10.30	11.84	-13.87	
In-quarter	5.07	5.23	1.54	-25.71	

Quarterly (\$'000)	2014				
	1Q	2Q	3Q	4Q	Total
Turnover	1,335,300	1,340,799	1,711,564	1,444,932	5,832,595
Earnings before interest, tax, depreciation and amortisation (EBITDA)	176,494	182,444	199,539	263,681	822,158
Operating Profit / (Loss)	148,842	154,447	171,359	232,377	707,025
Profit / (Loss) before tax	154,889	163,375	171,073	217,667	707,004
Net Profit / (Loss)	122,475	131,602	132,005	174,046	560,128
Earnings per share (cents)					
Year-to-date	5.87	12.17	18.49	26.83	
In-quarter	5.87	6.30	6.32	8.34	

FINANCIAL POSITION

The Group's total assets of \$9.20 billion in 2015 were 12% higher than \$8.24 billion in 2014. The increase in property, plant and equipment was mainly due to capital expenditure for the new shipyard in Brazil and Phase II of Sembcorp Marine Tuas Boulevard Yard.

Group total liabilities of \$6.54 billion as at 31 December 2015 were 28% higher than the prior financial year-end. The increase in interest-bearing borrowings was mainly due to borrowings for working capital and capital expenditures for the new yard in Brazil. The Group has secured adequate committed long term banking facilities to refinance the short term borrowings as they fall due.

Total capital employed of \$2.66 billion as at 31 December 2015 comprised shareholders' funds of \$2.51 billion and non-controlling interests of \$153 million.

CASH FLOW AND LIQUIDITY

The Group's total cash and cash equivalents stood at \$629 million as at 31 December 2015.

Cash flow from operating activities before changes in working capital was \$536 million in 2015. Net cash used in operating activities amounted to \$989 million. This was mainly due to working capital for the rig-building projects.

The Group's net cash used in investing activities, at \$932 million in 2015, was higher than in 2014. The Group spent \$933 million on expansion and operational capital expenditure, mainly for the new shipyard in Brazil and Phase II of Sembcorp Marine Tuas Boulevard Yard.

Net cash generated from financing activities was \$1.47 billion in 2015; net cash generated was mainly from net proceeds from borrowings, offset by dividends paid.

SHAREHOLDER RETURNS

Subject to approval by shareholders of Sembcorp Marine at the next Annual General Meeting, the Group is proposing a final one-tier tax-exempt ordinary dividend of 2 cents per share. Together with the interim one-tier tax exempt dividend of 4 cents per share, total dividend for the financial year ended 31 December 2015 would be 6 cents per share.

GROUP FINANCIAL REVIEW

GROUP FIVE-YEAR FINANCIAL SUMMARY

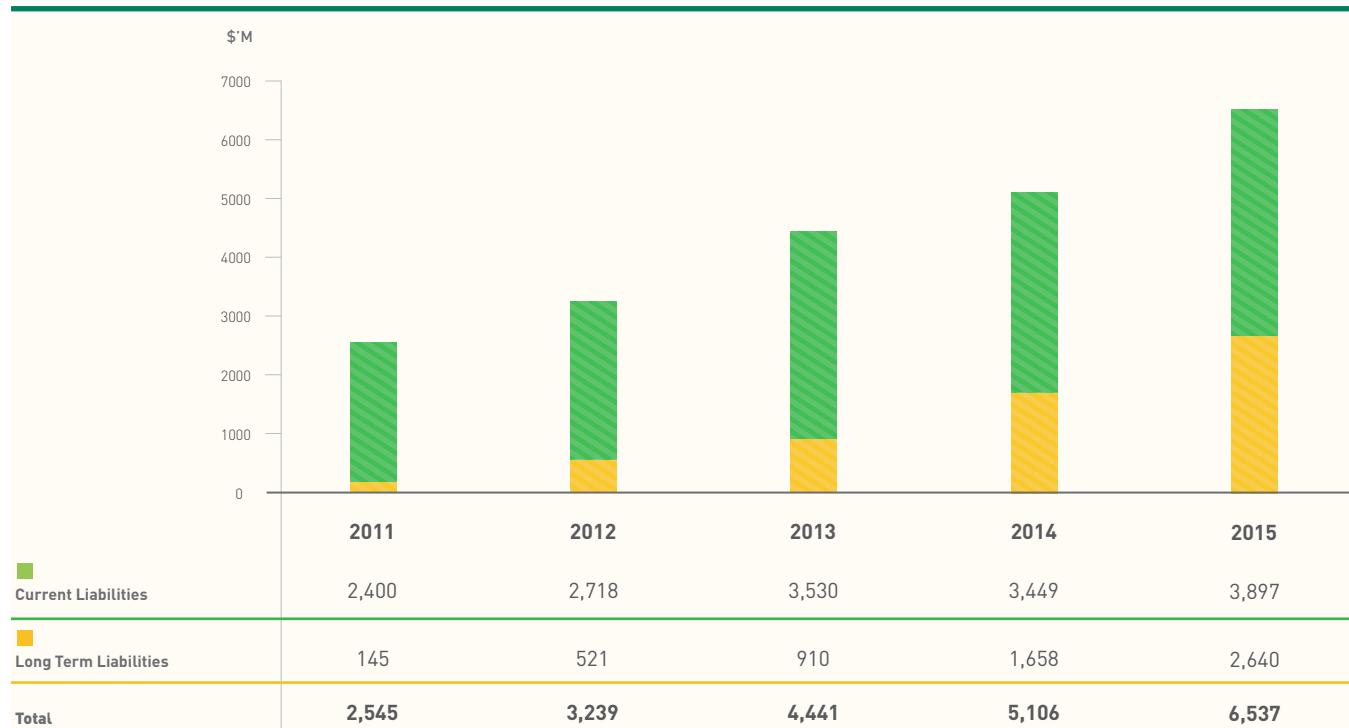
	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000
For the Year					
Turnover	3,960,230	4,430,123	5,525,882	5,832,595	4,968,132
Operating profit / (loss)	737,129	554,218	644,257	707,025	(149,991)
Profit / (loss) before tax	850,310	617,378	660,537	707,004	(377,603)
Net profit / (loss)	751,903	538,453	555,747	560,128	(289,672)
Dividend - Interim	104,185	104,382	104,464	104,459	83,563
Dividend - Final	125,303	125,347	125,359	167,148	41,771
Dividend - Final Special	292,375	41,782	41,787	-	-
Dividend - Total	521,863	271,511	271,610	271,607	125,334
At Year End					
Property, plant and equipment	1,034,345	1,476,206	2,394,167	3,008,909	3,540,555
Associates & joint ventures	380,065	417,329	445,743	470,277	312,056
Other financial assets	126,956	154,332	107,166	90,443	107,263
Other long term assets	111,411	97,715	81,931	101,673	124,212
Current assets	3,398,869	3,640,875	4,221,093	4,567,118	5,117,036
Current liabilities	(2,400,252)	(2,718,214)	(3,530,406)	(3,448,597)	(3,897,046)
Long term liabilities	(145,314)	(521,218)	(910,182)	(1,657,796)	(2,639,797)
	2,506,080	2,547,025	2,809,512	3,132,027	2,664,279
Share capital	470,596	480,086	484,288	484,288	484,288
Capital, foreign currency translation and other reserves	(24,695)	(26,335)	(76,179)	(76,625)	9,770
Retained profit	1,968,356	1,984,773	2,268,927	2,557,455	2,017,147
Non-controlling interests	91,823	108,501	132,476	166,909	153,074
	2,506,080	2,547,025	2,809,512	3,132,027	2,664,279
Per share					
EPS - basic (cents)	36.13	25.81	26.61	26.83	(13.87)
EPS - diluted (cents)	36.10	25.80	26.59	26.82	(13.87)
Net tangible assets (cents)	114.14	115.19	126.76	139.40	118.00
Net asset value (cents)	115.92	116.80	128.21	141.92	120.24
Financial Ratios					
Return on equity (%)	29.99	22.19	21.73	19.86	(10.58)
Return on total assets (%)	14.56	9.94	9.15	8.00	(2.90)
Operating profit (loss) /equity (%)	29.40	22.84	25.19	25.06	(5.48)
Current ratio (times)	1.42	1.34	1.20	1.32	1.31
Net gearing (times)	Net cash	Net cash	Net cash	0.22	1.10
Dividend cover (times)	1.44	1.98	2.05	2.06	n.a.

ASSETS

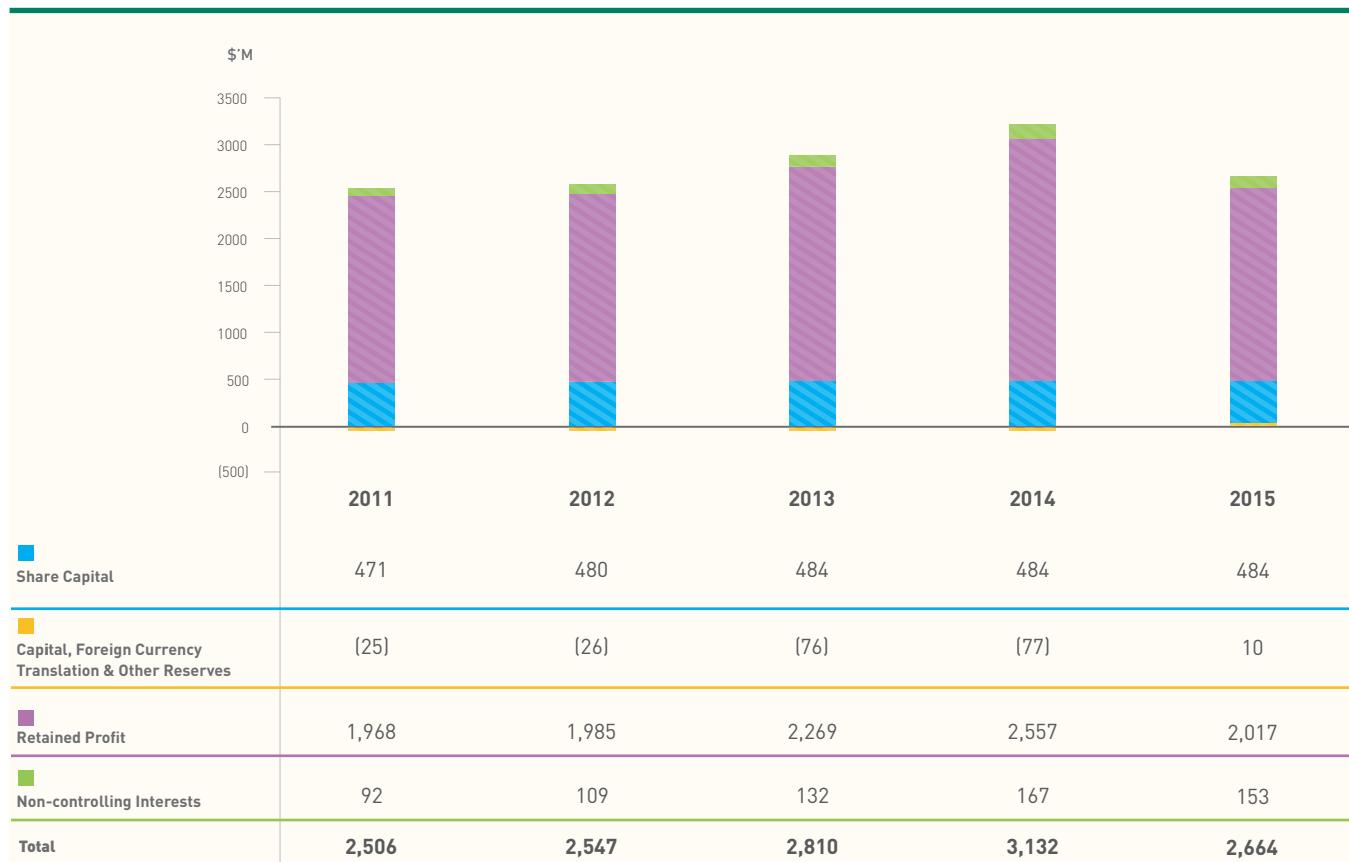


GROUP FINANCIAL REVIEW

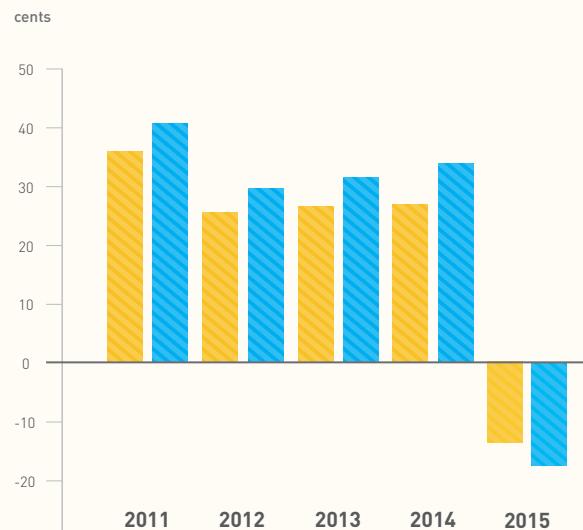
LIABILITIES



SHAREHOLDERS' FUNDS

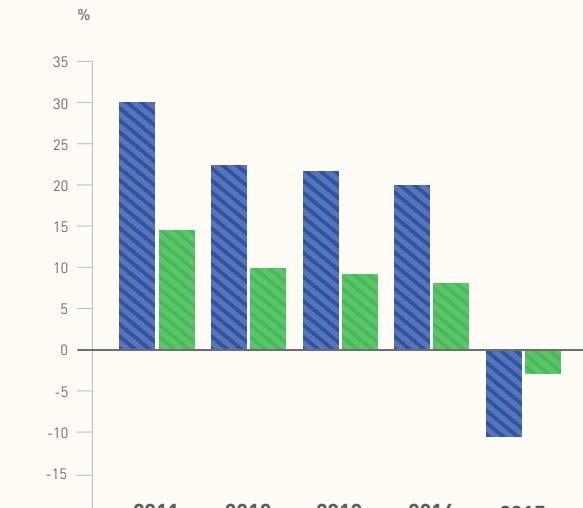


EARNINGS PER SHARE



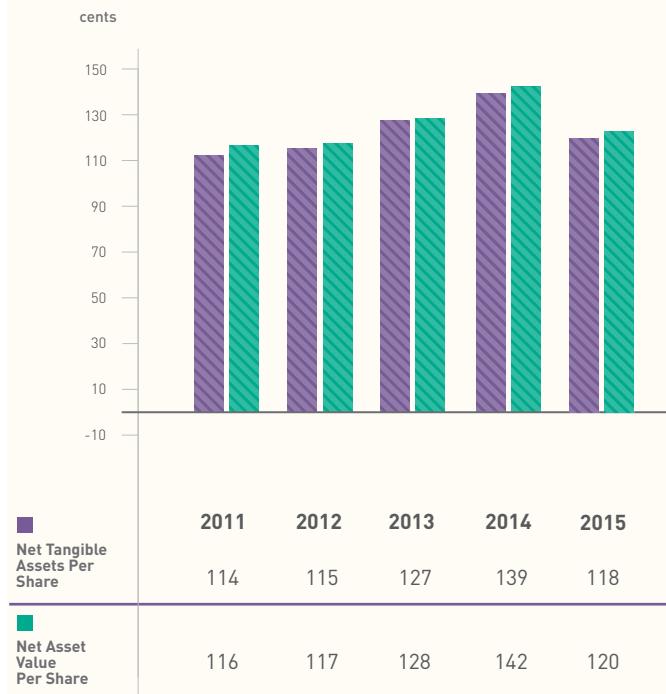
	2011	2012	2013	2014	2015
EPS-After Tax	36.1	25.8	26.6	26.8	(13.9)
EPS-Before Tax	40.9	29.6	31.6	33.9	(18.1)

RETURN ON EQUITY AND RETURN ON TOTAL ASSETS

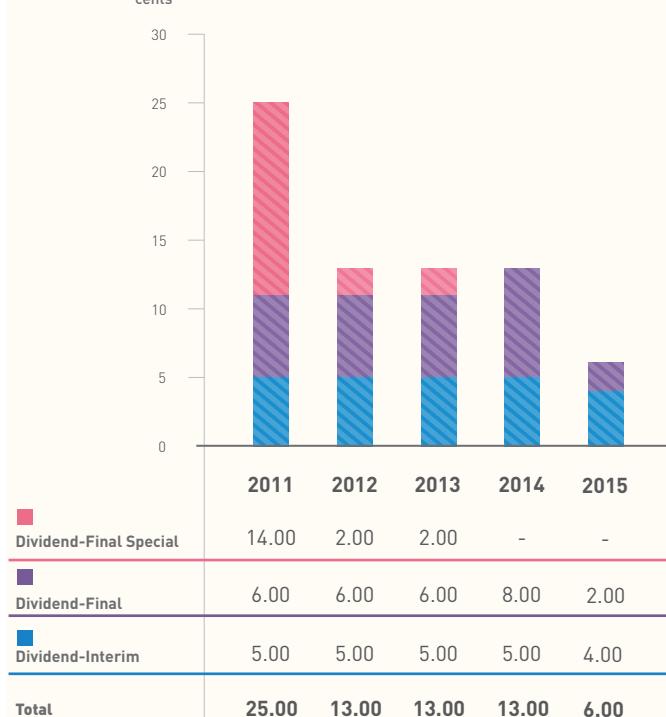


	2011	2012	2013	2014	2015
Return on Equity	30.0	22.2	21.7	19.9	(10.6)
Return on Total Assets	14.6	9.9	9.2	8.0	(2.9)

NET TANGIBLE ASSETS AND NET ASSET VALUE PER SHARE



DIVIDEND PER SHARE



GROUP FINANCIAL REVIEW

ECONOMIC VALUE ADDED STATEMENT

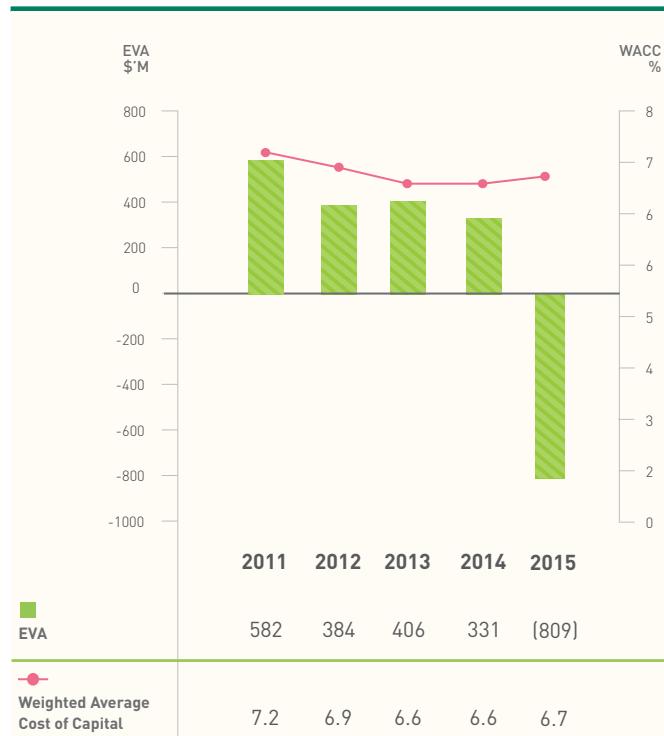
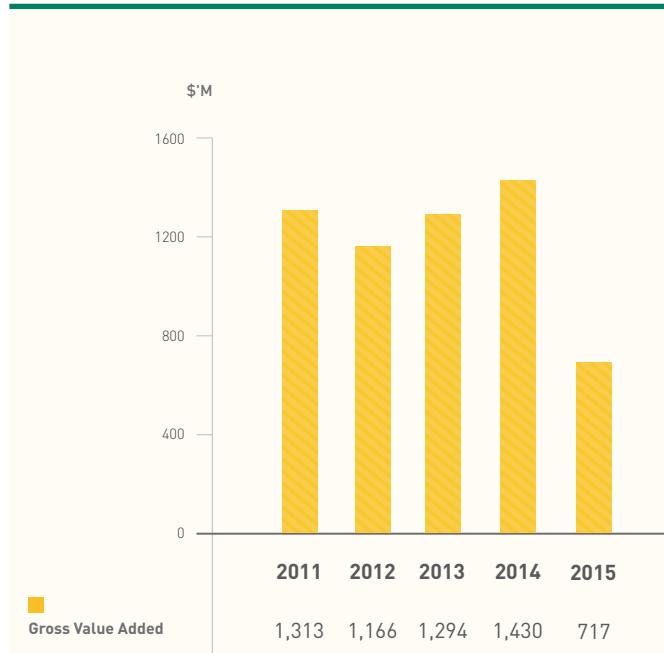
	2015 \$'000	2014 \$'000
Net operating (loss) / profit before tax	(204,104)	697,145
Adjusted for:		
Share of associates' and joint ventures' (loss) / profit	(170,881)	8,295
Interest expense	52,911	26,997
Others	(38,296)	(4,040)
Adjusted (loss) / profit before interest and tax	(360,370)	728,397
Cash operating taxes (Note 1)	(36,258)	(96,305)
Net operating (loss) / profit after tax (NOPAT)	(396,628)	632,092
Average capital employed (Note 2)	6,151,819	4,557,773
Weighted average cost of capital (Note 3)	6.7%	6.6%
Capital charge	412,172	300,813
Economic value added (EVA)	(808,800)	331,279
Non-controlling share of EVA	26,399	(29,849)
EVA attributable to owners of the Company	(782,401)	301,430

Note 1: The reported current tax is adjusted for the statutory tax impact of interest expense.

Note 2: Average capital employed is computed by taking monthly average total assets less non interest-bearing liabilities plus timing provision, goodwill written off/impairment and present value of operating leases.

Note 3: The weighted average cost of capital is calculated in accordance with Sembcorp Marine Ltd Group's EVA Policy as follows:

- i) Cost of equity using Capital Asset Pricing Model with market risk premium at 9.4% (2014: 5.0%);
- ii) Risk-free rate of 2.26% (2014: 2.12%) based on yield-to-maturity of Singapore Government 10-year Bonds;
- iii) Ungeared beta 0.9 (2014: 0.9) based on Sembcorp Marine's risk categorisation; and
- iv) Cost of debt rate at 2.65% (2014: 2.47%).

ECONOMIC VALUE ADDED (EVA)**GROSS VALUE ADDED****VALUE ADDED PER EMPLOYEE****DISTRIBUTION OF VALUE ADDED**

GROUP FINANCIAL REVIEW

VALUE ADDED STATEMENT

	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000
Value added from:					
Turnover	3,960,230	4,430,123	5,525,882	5,832,595	4,968,132
Less: Bought in materials and services	(2,647,549)	(3,264,571)	(4,231,874)	(4,402,863)	(4,251,510)
Gross value added	1,312,681	1,165,552	1,294,008	1,429,732	716,622
Investment, interest and other income/(expenses), net	64,610	20,316	81,650	12,371	(30,048)
Share of results of associates and joint ventures, net of tax	53,275	44,001	11,166	9,859	(173,499)
Non-operating (expenses)/income, net	(2,044)	(2,439)	2,758	177	18,708
	1,428,522	1,227,430	1,389,582	1,452,139	531,783
Distribution					
To employees in wages, salaries and benefits	467,746	486,270	585,859	556,436	527,159
To government in income and other taxes	86,606	37,221	102,430	144,959	74,057
To providers of capital in:					
Interest paid on borrowings	2,491	3,262	8,072	20,960	46,775
Dividends to owners of the Company	750,501	522,036	271,593	271,600	250,636
Retained in business					
Depreciation, amortisation and R&D expenses	86,278	94,020	100,607	115,142	131,760
Deferred tax expense/(credit)	14,852	38,021	3,807	12,449	(102,282)
Retained profit/(loss)	1,402	16,417	284,154	288,528	(540,308)
Non-controlling interests	17,226	28,985	32,513	41,147	(10,294)
Other expenses	1,420	1,198	547	918	154,280
	1,428,522	1,227,430	1,389,582	1,452,139	531,783
Productivity data					
Average staff strength	9,592	10,395	12,313	12,938	14,106
Employment costs	467,746	486,270	585,859	556,436	527,159
Value added (\$'000)	1,312,681	1,165,552	1,294,008	1,429,732	716,622
Value added per employee (\$'000)	137	112	105	111	51
Value added per dollar employment costs (\$)	2.81	2.40	2.21	2.57	1.36
Value added per dollar investment in property, plant and equipment (\$)	1.27	0.79	0.54	0.48	0.20
Value added per dollar turnover (\$)	0.33	0.26	0.23	0.25	0.14

OPERATIONS REVIEW

01.



Sembcorp Marine achieved FY2015 net profits of \$384 million, prior to impairment and provisions taken during the year. However with financial prudence, risk assessment and transparency being key considerations, the Group made \$609 million in impairment and provisions, and also booked \$192 million as its share of provisions from associates and joint ventures. This led to the Group reporting net losses of \$290 million for the year. The impairment and provisions included \$329 million in losses booked for the Group's Sete Brasil projects, as well as \$280 million in provisions for its other rig building projects.

Group revenue totalled \$4.97 billion for the year ended December 31, 2015, compared with \$5.83 billion in FY2014. While Rigs & Floaters revenue was lower, this was offset by higher revenue from the Offshore Platforms segment.

01.

FPSO Prof. John Evans Atta Mills preparing to depart for Ghana's Tweneboa-Enyenra-Ntomme (TEN) field development after a successful conversion

02.

Liquefied Natural Gas (LNG) carrier and passenger vessel docked for repair and maintenance works at Sembcorp Marine Admiralty Yard

Rigs & Floaters remained the largest segment, contributing 67% of Group revenue compared with 72% in the previous year. Offshore Platforms' contribution jumped to 20% from 16% previously, while Repairs & Upgrades contributed to 11% of Group revenue.

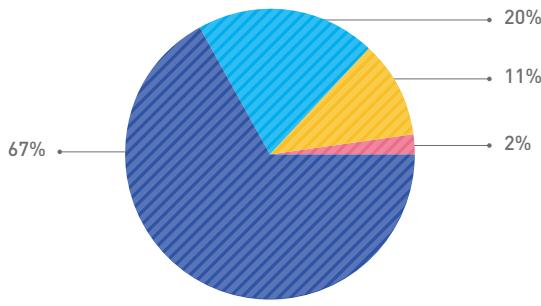
Turnover for Rigs & Floaters was \$3.32 billion for the year ended December 31, 2015, a 21% decline from the \$4.21 billion booked in the prior financial year. The Group delivered two jack-up rigs, one well-intervention semi-submersible and one accommodation semi-submersible during the year, compared with eight drilling rigs in the prior financial year.

OPERATIONS REVIEW

TURNOVER CONTRIBUTIONS BY SECTORS

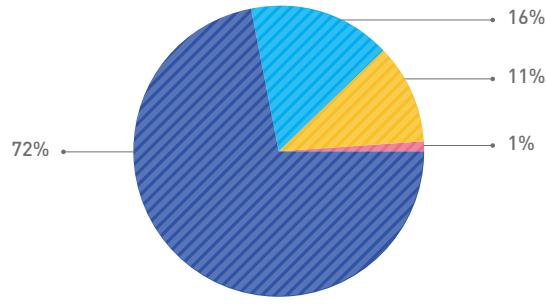
FY2015:

\$4.97 billion



FY2014:

\$5.83 billion



● Rigs & Floaters ● Offshore Platforms ● Repairs & Upgrades ● Other Activities

Higher contributions from the floaters segment bolstered revenue with continued revenue recognition from major offshore floater projects. These included the conversion of the FPSO (floating production, storage and offloading) vessel Prof. John Evans Atta Mills for MODEC.

Offshore Platforms revenue increased 10% year-on-year from \$925 million in FY2014 to \$1,017 million in FY2015, with continued revenue contribution from major platform projects such as the Ivar Aasen and Wheatstone projects.

While there was an increase in the number of ships repaired, Repairs & Upgrades revenue declined 10% from \$622 million to \$557 million reflecting strong competition in the segment. The Group continues to lead in the segments of passenger ships and LNG/LPG vessels.

02.



03.



04.



03.

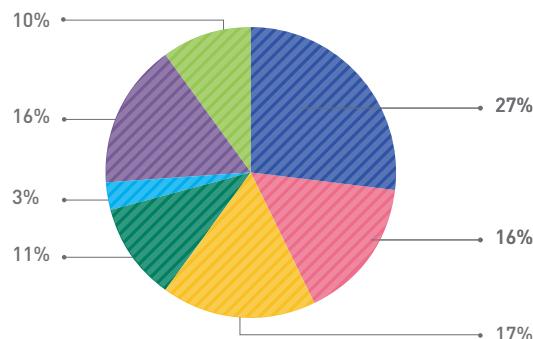
Successful delivery of two units of accommodation semi-submersibles, Safe Boreas and Safe Zephyrus, to Prosafe in 2015 and early 2016 respectively

04.

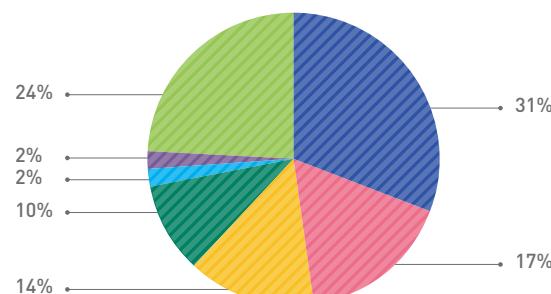
Naming and delivery of Q5000 well-intervention semi-submersible in 2015

TYPES OF VESSELS REPAIRED/UPGRADED

FY2015

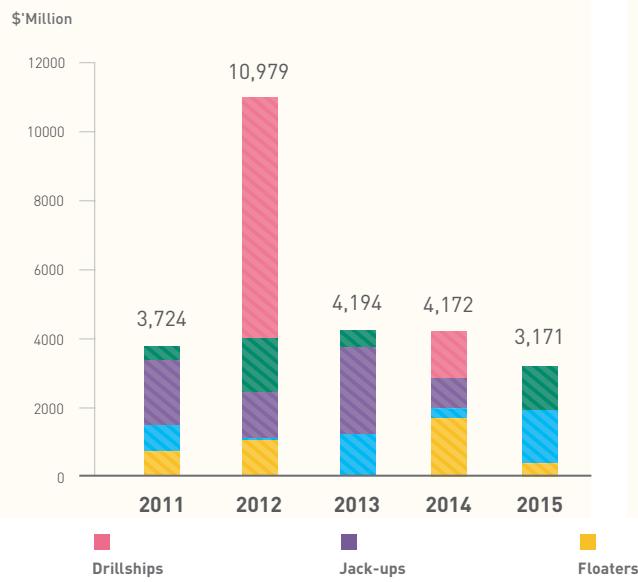


FY2014

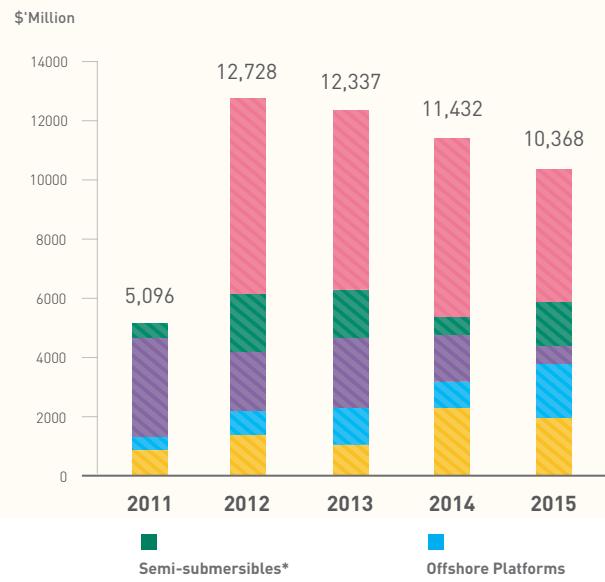


● Tankers ● Containerships ● Bulk Carriers ● LNG/LPG Carriers ● Passenger Ships ● Drillships/
Semi-submersibles/
Jack-ups/FPSO Upgradings ● Others

OPERATIONS REVIEW

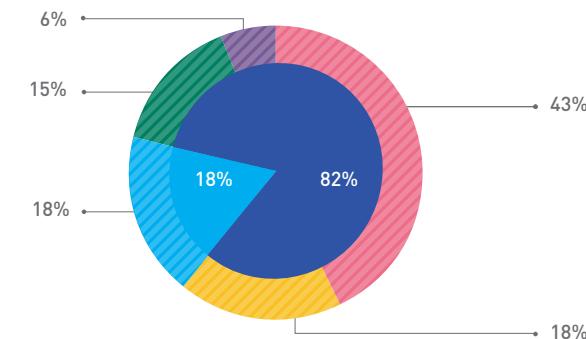
CONTRACTS SECURED IN 2015
AT \$3.17 BILLION (EXCLUDES REPAIRS & UPGRADES)

* Includes well-intervention rigs, crane vessels, accommodation units, and drilling platforms

NET ORDER BOOK BY PRODUCT TYPES
(EXCLUDES REPAIRS & UPGRADES)

NET ORDER BACKLOG BY DIVISION AND PRODUCT TYPE

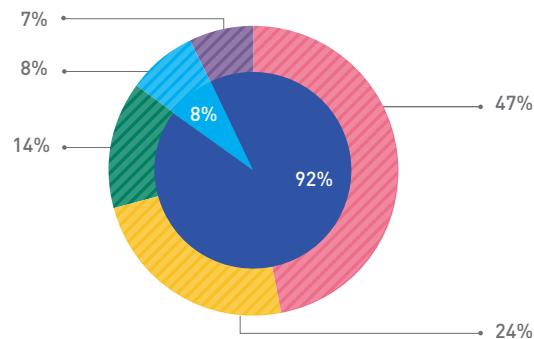
FY2015 - Total \$10.37b



● Drillships ● Floater ● Semi-submersibles* ● Jack-ups ● Offshore Platforms ● Rigs & Floater

* Includes well-intervention rigs, crane vessels, accommodation units, and drilling platforms

FY2014 - Total \$11.43b



CONTRACTS SECURED

In 2015, the Group secured \$3.17 billion in new contracts despite the challenging market environment. These orders were mostly for non-drilling solutions and included a more than US\$1 billion contract (including long lead items) from Maersk Oil North Sea UK Limited for three offshore platform topside modules. The Group also secured a contract to design and build a new semi-submersible crane vessel for Heerema Offshore Services B.V. for approximately US\$1 billion; a \$56 million FSO conversion contract with Teekay; and an FSO design and construction contract for MODEC Offshore Production Systems for the Culzean field.

NET ORDER BOOK

The Group had a net order book of \$10.37 billion, with completion and deliveries stretching into 2020. This includes \$4.50 billion for drillships; \$1.53 billion for non-drilling semi-submersible vessels such as accommodation, well-intervention and crane units; \$1.88 billion for floaters; \$1.83 billion for offshore platforms and the remaining \$625 million for jack-up rigs.

BOARD OF DIRECTORS



Tan Sri Mohd Hassan Marican

Chairman

Non-Executive/Independent Director



Wong Weng Sun

President & CEO

Executive/Non-Independent Director



Ajaib Haridass

Non-Executive/Independent Director



Tang Kin Fei

Non-Executive/Non-Independent Director



Ron Foo Siang Guan

Non-Executive/Independent Director



Lim Ah Doo

Non-Executive/Independent Director



Koh Chiap Khiong

Non-Executive/Non-Independent Director



Eric Ang Teik Lim

Non-Executive/Independent Director



Gina Lee-Wan

Non-Executive/Independent Director



Bob Tan Beng Hai

Non-Executive/Independent Director

BOARD OF DIRECTORS

Tan Sri Mohd Hassan Marican**Chairman***Appointed April 22, 2014***Non-Executive & Independent Director***Appointed October 1, 2011*

Chairman

Chairman, Transformation Committee

Chairman, Executive Resource & Compensation Committee

Chairman, Executive Committee

Member, Nominating Committee

Member, Special Committee

Tan Sri Mohd Hassan Marican was appointed Chairman of Sembcorp Marine since April 22, 2014. As an independent director, he heads the Board's Transformation Committee, Executive Resource & Compensation Committee and Executive Committee. He also serves as a member of the Board's Nominating Committee and Special Committee.

Formerly President & CEO of Malaysia's Petroliam Nasional (PETRONAS) from 1995 until his retirement in February 2010, Tan Sri Mohd Hassan Marican brings to the Board over 30 years of experience in the energy sector, as well as in finance and management. He is Chairman of Singapore Power, Pavilion Energy, Pavilion Gas and Lan Ting Holdings and holds directorships in the Regional Economic Development Authority of Sarawak, Sarawak Energy, Lambert Energy Advisory and MH Marican Advisory. He is also a senior international advisor at Temasek International Advisors.

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

Past directorships in listed companies and major appointments 2013–2015: ConocoPhillips.

Wong Weng Sun**President & Chief Executive Officer****Executive & Non-Independent Director***Appointed May 1, 2009*

Member, Executive Committee

Appointed President & Chief Executive Officer of Sembcorp Marine in 2009, Mr Wong is a board member of the Maritime and Port Authority of Singapore. He sits on the Workplace Safety and Health (WSH) Council, chairs the Industry Capability Building Committee at the WSH Council and is the deputy chairman of the WSH Marine Industries Committee.

Besides serving as a member of the Industry Advisory Panel of the School of Mechanical and Aerospace Engineering at Nanyang Technological University, Mr Wong is also a member of the Marine Sectoral Tripartite Committee.

Mr Wong joined Sembcorp Marine in 1988 as an engineer. He was the company's President and Chief Operating Officer prior to his current appointment. Mr Wong holds a Bachelor of Mechanical Engineering (Marine) from Universiti Teknologi Malaysia and a Master of Business Administration from Oklahoma City University, USA.

Ajaib Haridass

Non-Executive & Independent Director

Appointed October 31, 2003

Chairman, Nominating Committee
Member, Board Risk Committee
Member, Executive Resource & Compensation Committee
Member, Executive Committee
Member, Special Committee

Mr Ajaib Haridass is an independent director. He heads the Board's Nominating Committee, and serves as a member of the Board Risk, Executive Resource & Compensation, Executive as well as Special Committees. Mr Haridass is also an independent director at Sembcorp Industries, where he chairs the Risk Committee and is a member of the Audit Committee.

With close to 40 years of legal experience, Mr Haridass specialises in maritime law and deals with commercial and banking litigation. Currently a consultant with Haridass Ho & Partners, a legal firm he founded in 1985, Mr Haridass is a panel member of the Singapore International Arbitration Centre and the Singapore Chamber of Maritime Arbitration; an accredited mediator of the Singapore Mediation Centre; as well as a referee of the Small Claims Tribunal of the State Courts of Singapore (formerly known as the Subordinate Courts). He is a Commissioner for Oaths, a Notary Public and a Justice of the Peace. He is also the lead independent director at Nam Cheong.

Mr Haridass holds a Bachelor of Laws (Honours) degree from the University of London and qualified as a Barrister-at-Law at the Honourable Society of the Middle Temple in London.

Tang Kin Fei

Non-Executive & Non-Independent Director

Appointed May 1, 2005

Member, Executive Resource & Compensation Committee
Member, Nominating Committee
Member, Executive Committee
Member, Special Committee

Mr Tang Kin Fei is a non-independent director and serves as a member of the Board's Executive Resource & Compensation, Nominating, as well as Executive and Special Committees.

Mr Tang is Group President & CEO of Sembcorp Industries. With close to 30 years of service at Sembcorp, Mr Tang is credited with spearheading its growth into a focused energy, water and marine group operating across five continents.

Mr Tang is an executive committee member and Vice Chairman of the Singapore Business Federation's council, as well as a council member of the Singapore Chinese Chamber of Commerce & Industry. He serves on several China-Singapore and Middle East-Singapore business councils and is a director and member of the governing board of the Cambridge Centre for Advanced Research in Energy Efficiency in Singapore, a research centre set up by the University of Cambridge in collaboration with Singapore universities and the National Research Foundation to study carbon assessment and abatement for the petrochemical industry. Mr Tang sits on the board of the Defence Science and Technology Agency of Singapore, chairs the college advisory board of Nanyang Technological University's College of Engineering, and is also Council Chairman of Ngee Ann Polytechnic. In addition, he is Vice Chairman and a trustee of the Kwong Wai Shiu Hospital, a charitable hospital which provides care for needy patients.

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

BOARD OF DIRECTORS

Ron Foo Siang Guan**Non-Executive & Independent Director***Appointed June 30, 2006*

Chairman, Audit Committee

Member, Risk Committee

Member, Transformation Committee

Mr Ron Foo is an independent director. He heads the Board's Audit Committee and serves on the Board's Risk Committee and Transformation Committee.

Mr Foo brings with him more than 38 years of extensive auditing, accounting and financial experience in Singapore and overseas. He was a partner at PricewaterhouseCoopers, Singapore for 22 years before retiring from active service in December 2005. Mr Foo is presently a director of SIA Engineering Company.

Mr Foo has also been actively involved as a council member in the Institute of Certified Public Accountants of Singapore (ICPAS) and was awarded the ICPAS Gold Medal 2004 in recognition of his outstanding contributions and distinguished service to the accounting profession. Presently, he is a member of the Canadian Institute of Chartered Accountants, Canada and a fellow of the Institute of Singapore Chartered Accountants.

Lim Ah Doo**Non-Executive & Independent Director***Appointed November 7, 2008*

Chairman, Risk Committee

Chairman, Special Committee

Member, Audit Committee

Member, Transformation Committee

Mr Lim Ah Doo is an independent director. He heads the Board's Risk Committee and Special Committee and serves on the Board's Audit and Transformation Committees. Mr Lim brings with him vast experience and wide knowledge as a former senior banker and corporate executive. He is currently an independent director of ARA-CWT Trust Management (Cache), GP Industries, Singapore Technologies Engineering Ltd, SM Investments Corporation, U Mobile Sdn Bhd, Bracell Limited (formerly known as Sateri Holdings Limited) and GDS Holdings Limited. He chairs the audit committees of ARA-CWT Trust Management (Cache), GP Industries, GDS Holdings and U Mobile. Mr Lim is also a member of the Ethics Sub-Committee under the Public Accountants Oversight Committee, Singapore.

During his 18-year distinguished banking career in Morgan Grenfell, Mr Lim held several key positions, including chairing Morgan Grenfell (Asia). He chaired the Singapore Investment Banking Association in 1994. From 2003 to 2008, Mr Lim was President and then Vice Chairman of the RGM group, a leading global resource-based group. He was formerly an independent director and Exco member of EDB Investments; an independent Commissioner and Chairman of the Audit Committee of PT Indosat, Indonesia; as well as a council member of the Singapore-Shandong Business Council and Singapore-Jiangsu Co-operation Council. Mr Lim also served as Chairman of EDBV Management and as an independent director and Chairman of the Audit Committee of PST Management.

Mr Lim holds an honours degree in Engineering from the Queen Mary College, University of London in 1971, and a Master of Business Administration from the Cranfield School of Management in 1976.

Past directorships in listed companies and major appointments 2013-2015: Chemoil Energy Limited, EDBI Pte Ltd, Linc Energy Limited and PST Management Pte Ltd.

Koh Chiap Khiong

Non-Executive & Non-Independent Director

Appointed May 6, 2011

Member, Audit Committee

Member, Transformation Committee

Member, Board Risk Committee

Mr Koh Chiap Khiong is a non-independent director and serves as a member on the Board's Transformation Committee, Audit Committee and Board Risk Committee. He is currently the Group Financial Officer (CFO) of Sembcorp Industries and is a director on the boards of various Sembcorp companies.

Mr Koh brings with him over 20 years of extensive expertise in financial reporting, tax, corporate finance, mergers and acquisitions, treasury, risk management and audit. He has over a decade's experience in managing infrastructure businesses and a strong knowledge of the energy and water sectors. He rejoined Sembcorp in 2008 after a three-year stint with Power Seraya as its CFO. Prior to that, he spent seven years in Sembcorp and served as the Utilities business' Head of Finance and Chief Risk Officer.

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

Eric Ang Teik Lim

Non-Executive & Independent Director

Appointed April 30, 2013

Member, Board Risk Committee

Member, Executive Resource & Compensation Committee

Member, Nominating Committee

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

Currently, Mr Ang sits on the Board of Directors of Sembcorp Marine Ltd, Changi Airport Group (Singapore) Pte Ltd, Surbana Jurong Private Limited and DBS Foundation Ltd. He is the Co-Chairman of the SGX Disciplinary Committee and is one of the Vice-Chairmen of Community Chest in Singapore.

Mr Ang also sits on the Board of Directors of Hwang Capital (Malaysia) Bhd in Malaysia.

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

BOARD OF DIRECTORS

Gina Lee-Wan**Non-Executive & Independent Director***Appointed April 20, 2015*

Member, Board Risk Committee

Bob Tan Beng Hai**Non-Executive & Independent Director***Appointed April 20, 2015*

Member, Audit Committee

Member, Executive Committee

Mrs Gina Lee-Wan is an independent director and a member of the Board's Risk Committee.

She brings to the Board a wealth of experience in maritime law and is currently the co-head of Allen & Gledhill's Maritime & Aviation practice. Besides being awarded Maritime Lawyer of the Year at the Lloyd's List Asia Awards 2013, Mrs Gina Lee-Wan is consistently ranked in the top tier of leading individuals in shipping by Chambers Asia-Pacific and The Legal 500 Asia Pacific.

Called to the Singapore Bar in 1981 and to the Bar of England and Wales, Gray's Inn in 1980, Mrs Gina Lee-Wan is a member of the General Committee of the Singapore Chamber of Maritime Arbitration as well as a member of the Board of Directors of the Singapore Maritime Foundation. She is also an Honorary Legal Advisor to the Singapore Shipping Association; a Governor of Tanglin Trust School Limited; a council member and chairperson of the Singapore Shipping Association's Legal and Insurance Committee; and a committee member of the Singapore War Risks Mutual Class of Standard Asia.

Mr Bob Tan is an independent director and a member of the Board's Audit and Executive Committees.

Mr Tan is currently Chairman of Singapore LNG Corporation Pte Ltd, Jurong Engineering Limited, Singex Holdings Pte Ltd and the Institute of Technical Education of Singapore. He also sits on the boards of SMRT Corporation Ltd, SMRT Trains Ltd, the Inland Revenue Authority of Singapore, the Ong Teng Cheong Labour Leadership Institute and Ascott Residence Trust Management Limited. In addition, he is a Member of the Board of Governors of the Singapore Manufacturing Federation and Council member of NTUC Club Management Council.

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

Past directorships in listed companies and major appointments 2013-2015: CapitaMalls Asia Ltd and Asia Pacific Breweries Ltd.

SENIOR MANAGEMENT



MR WONG WENG SUN

President & Chief Executive Officer

Please refer to page 49.



MR ONG POH KWEE

Chief Operating Officer

Reporting to the President & Chief Executive Officer, Mr Ong manages Sembcorp Marine's operations, including production and global supply chain. He joined the company as an engineer in 1987 and was previously Managing Director of Sembawang Shipyard and Deputy President of Sembcorp Marine.

Mr Ong sits on the Board of the Singapore Maritime Foundation. He is a member of the Ministry of Manpower Workplace Safety & Health Council (Marine) Committee; Lloyd's Register South East Asia Technical Committee; ABS Southeast Asia Regional Committee; and DNV GL South East Asia & Pacific Maritime Committee.

Mr Ong holds a Master of Business Administration from the Sloan School of Management at Massachusetts Institute of Technology. He also has a Bachelor of Marine Engineering (first class honours) from the University of Newcastle-Upon-Tyne.



MR TAN CHENG TAT

Chief Financial Officer

Mr Tan reports to the President & Chief Executive Officer. He is responsible for accounting, corporate finance, reporting, tax and investor relations. Mr Tan sits on the boards of all the major subsidiaries of Sembcorp Marine.

With over 25 years of experience in accounting, audit, banking, tax and treasury, Mr Tan joined Sembcorp Marine in 1999. His past appointments included Financial Controller of Jurong Shipyard as well as Vice President of Finance and Deputy Chief Financial Officer of Sembcorp Marine. Prior to that, Mr Tan had worked in Sembcorp, DBS Bank and Ernst & Young.

Mr Tan holds a Bachelor of Accountancy (Honours) from the National University of Singapore and is a Fellow Member of the Institute of Singapore Chartered Accountants.

SENIOR MANAGEMENT

**MR CHUA SAN LYE***Chief Human Resource Officer*

Mr Chua reports to the President & Chief Executive Officer and is responsible for global human capital and talent management. He was previously Sembcorp Marine's Group Human Resource Director.

A veteran HR practitioner, Mr Chua is a member of the Industry Capability Building Committee at the Workplace Safety and Health Council (WSH), and also a member of the WSH Skills Council and the Marine & Offshore Technology Advisory Committee.

Mr Chua's past appointments included Director of Philips People Services at Philips Electronics (S) Pte Ltd and Director (Human Resources and Organisation Development) at the Energy Market Authority of Singapore. He joined Sembcorp Marine in 2006. Mr Chua holds a Bachelor of Business Administration from the National University of Singapore and a Master of Business Administration from the University of Leicester.

**MR WILLIAM GOH***Chief Strategy Officer*

Reporting to the President & Chief Executive Officer, Mr Goh is responsible for Group Strategy formulation and implementation as well as Corporate Development.

Mr Goh has close to 30 years of professional experience in corporate finance; strategy; risk management and operations; equity investment and portfolio management; investment banking; and venture capital. Prior to joining Sembcorp Marine in December 2015, he was Director of Investment and Portfolio Management at Temasek International Pte Ltd. His previous senior appointments also include Managing Director/Head of Infrastructure Finance at CIBC World Markets, and Board Director/Deputy General Manager of BankAmerica Singapore Ltd.

Mr Goh has a Bachelor of Accountancy (Honours) from the National University of Singapore. He is a Chartered Accountant (Institute of Singapore Chartered Accountants) and a Chartered Financial Analyst (CFA Institute).

**MR CHAN BOON SIONG***Chief Risk Officer*

Mr Chan reports to the Board Risk Committee and to the President & Chief Executive Officer. He is responsible for the planning, development and implementation of risk management across Sembcorp Marine's global operations.

Mr Chan joined Sembcorp Marine in December 2015, bringing with him over 30 years of experience in credit and transaction underwriting; risk analytics; asset and portfolio management; regulatory compliance; and customer relationship management. He was previously Chief Risk Officer at Transportation Partners Pte Ltd and Senior Vice President & Asia Pacific Risk Manager at GE Capital Aviation Services. Prior to these roles, Mr Chan held customer relationship management and risk management positions in the banking and finance industry, having worked for HSBC, OCBC and Banque Indosuez.

Mr Chan holds a Bachelor of Social Sciences (Honours, 2nd upper) from the National University of Singapore.

**MR WANG ZIJIAN***Head of Singapore Yard Operations*

Mr Wang reports to the Chief Operating Officer and oversees operations in all Sembcorp Marine yards in Singapore. He is responsible for developing the engineering capabilities across these yards and for ensuring that the yards consistently meet the standards required by customers.

Mr Wang has close to three decades of professional experience in ship repair, rig-building, conversion and general management. Under his stewardship, Sembcorp Marine Tanjong Kling Yard successfully delivered numerous rig and FPSO major conversion projects.

Mr Wang holds a Bachelor of Engineering, Naval Architecture and Ocean Engineering from Shanghai Jiao Tong University. In 2008, he attended the INSEAD Advanced Management Programme in France.

**MR LEE YEOK HOON***Executive Vice President
New Yard Development*

Mr Lee reports to the President & Chief Executive Officer and is responsible for the ongoing development of Sembcorp Marine's flagship Tuas Boulevard Yard. He joined the company as a design engineer in 1970 and was appointed Executive Director of Jurong Shipyard from 2004 to 2011. Prior to his current role, he was Executive Director of New Yard Development at Sembcorp Marine.

Mr Lee holds directorships in Sembcorp Marine subsidiaries, including Jurong Autoblast Services; Jurong Marine Contractors; Jurong Marine Services; Jurong Machinery & Automation; JPL Services; and JPL Industries.

Mr Lee has a Diploma in Mechanical Engineering from the Singapore Polytechnic.

**MS WONG LEE LIN***Head of Repairs & Upgrades*

Ms Wong reports to the President & Chief Executive Officer. She manages Sembcorp Marine's Repairs & Upgrades business, which includes product areas such as repair, refurbishment, retrofitting, life extension and upgrading of vessels; upgrading of marine and offshore structures; jumboisation and dejumboisation.

Previously the Executive Director of Sembawang Shipyard, Ms Wong was credited with building and maintaining many long-term partnerships with ship owners, through which Sembcorp Marine continues to enjoy a steady flow of ship repair and upgrading work.

Ms Wong is a veteran in the marine industry. She holds bachelor degrees in Arts and in Social Sciences (Honours) from the National University of Singapore.

SENIOR MANAGEMENT

**MR WILLIAM GU***Head of Rigs & Floaters*

Mr Gu reports to the President & Chief Executive Officer. He manages Sembcorp Marine's Rigs & Floaters business, which includes product areas such as construction and conversion of FPSO, FDPSO, FSO, FPU, FLNG and MOPU; as well as construction of drillships, semi-submersibles, jack-up rigs, TLPs and SPARs.

Mr Gu has established many long-term partnerships with offshore vessel and rig owners. He was instrumental in strengthening the Sembcorp Marine brand among oil majors.

Mr Gu holds a Bachelor of Engineering, Naval Architecture and Ocean Engineering from Shanghai Jiao Tong University.

**MR HO NEE SIN***Head of Offshore Platforms*

Mr Ho reports to the President & Chief Executive Officer. He manages Sembcorp Marine's Offshore Platforms business, which includes product areas such as process, production, riser, drilling, wellhead, power generation and accommodation platforms, wind farm sub-stations, and LNG modules.

Under his stewardship, Sembcorp Marine consolidated its track record in the successful delivery of offshore fixed and floating production facilities, as well as the fabrication and integration of topside facilities.

Since the start of his career at Jurong Shipyard, Mr Ho has held various senior appointments, including Chief Executive Officer of Sembcorp Utilities China and Managing Director of Sembawang Engineers and Constructors. He holds a Bachelor of Science in Engineering from National Taiwan University and a Master of Science from Imperial College, University of London.

**MR FREDDIE WOO***Head of Specialised Shipbuilding*

Mr Woo reports to the President & Chief Executive Officer. He manages Sembcorp Marine's Specialised Shipbuilding business, overseeing product areas such as accommodation repair vessels, offshore supply vessels, offshore tugs, dredgers, and research vessels.

Mr Woo was previously the Executive Director of Jurong SML Pte Ltd, where he was responsible for all operational and commercial matters at the Benoi and Tuas Road yards.

Mr Woo's wealth of experience straddles Operations, Estimation as well as Marketing and Sales. He holds a Diploma in Mechanical Engineering from the Singapore Polytechnic.

**MR WONG TECK CHEONG**

*Managing Director
PPL Shipyard Pte Ltd*

Reporting to the President & Chief Executive Officer, Mr Wong manages the business and operations of Sembcorp Marine subsidiary PPL Shipyard Pte Ltd.

Mr Wong has close to 25 years of professional experience in oil and gas infrastructure as well as offshore rig building. Since joining PPL Shipyard in 1999, he has been involved in the construction and repair of over 40 units of offshore jack-up drilling rigs. Prior to that, Mr Wong worked in engineering and project management for oil and gas infrastructure at the Promet Group.

Mr Wong holds a Bachelor of Engineering and a Master of Engineering Science from the University of New South Wales.

MR NG THIAM POH

Head of Supply Chain

Mr Ng reports to the Chief Operating Officer. He leads the Global Supply Chain team, with responsibilities for procuring materials and equipment at competitive prices; formulating effective sourcing strategies; and establishing strategic alliances with suppliers.

Mr Ng started his career as a Management Trainee at Sembawang Shipyard in 1980. He has since worked in various roles at Sembcorp Marine, including operations, engineering design, project management and yard development.

Mr Ng has a Bachelor of Science in Naval Architecture and Ocean Engineering with First Class Honours from the University of Glasgow.

SENIOR MANAGEMENT

**MS CHIONH KEAT YEE**

Head of Performance Management and Mergers & Acquisitions

Reporting to the President & Chief Executive Officer, Ms Chionh oversees group performance as well as mergers and acquisitions, such as Sembcorp Marine's recent acquisition of SSP Offshore and equity participation in GraviFloat AS.

Ms Chionh has been the Head of Performance Management and Mergers & Acquisitions since 2008. Prior to this, she was with Sembcorp Industries Ltd as Vice President of Economic Value-added and Head of Finance for Singapore Operation in Jurong Island.

Ms Chionh is a Fellow Member of the Association of Chartered Certified Accountants (UK) and a Member of Institute of Singapore Chartered Accountants.

**MS TAN YAH SZE**

Head of Legal and Corporate Secretariat

Reporting to the President & Chief Executive Officer, Ms Tan is responsible for the legal, corporate secretarial and insurance functions. She is currently Joint Company Secretary.

Ms Tan joined Sembcorp Marine in 2003. She was called to the Singapore Bar in 1992 and was in private practice for a number of years before joining Sembcorp Parks Management as an in-house counsel.

She holds a Bachelor of Laws and a Master of Laws from the National University of Singapore.

**MR TAN HENG JACK**

Head of Internal Audit

Mr Tan reports to the Board Audit Committee and administratively to the President & Chief Executive Officer. He is responsible for managing the company's internal audit activities, and ensuring that the internal audit function continue to align with the International Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

A Fellow Member of the Institute of Singapore Chartered Accountants, Mr Tan has over 20 years of experience in both external and internal auditing. His career stints with a major public accounting firm and multinational corporations have provided him with opportunities to work on various challenging assignments and in many countries across the Asia Pacific region.

Mr Tan holds a Bachelor of Accountancy from the Nanyang Technological University.

**MR CHIA CHEE HING***Head of IT*

Mr Chia reports to the President & Chief Executive Officer and is responsible for Sembcorp Marine's global information systems.

Mr Chia joined Jurong Shipyard in 1991 as a Systems Analyst. He was appointed Sembcorp Marine's Vice President for Management Information Systems in 2006.

Mr Chia holds a Bachelor of Arts and Sociology from the National University of Singapore.

**MR DAVID WONG***Head of Corporate Communications*

Mr Wong reports to the President & Chief Executive Officer and oversees the corporate communications function. He joined Sembcorp Marine in May 2015.

Mr Wong has 20 years of professional experience in communications and marketing, with over 15 years in the shipping and marine industry.

He holds a Bachelor of Arts in Communication from the University of Canberra and a Master of Business Administration from the Macquarie Graduate School of Management.

**MS LISA LEE***Head of Investor Relations*

Ms Lee reports to the Chief Financial Officer and heads the investor relations function.

A veteran investment and research analyst, Ms Lee was executive director of Nomura Asia Research (Asia ex-Japan) from 2004 to 2013. She has over 15 years of experience in equities investment research covering the Singapore and Malaysia markets in the property, oil & gas, conglomerates and transport sector. She previously also worked as a journalist with the Singapore Press Holdings, writing for publications such as The Business Times.

Ms Lee holds a Bachelor of Arts and Sociology from the National University of Singapore.

SENIOR MANAGEMENT

**MR SIMON KUIK***Head of Research & Development*

Reporting to the President & Chief Executive Officer, Mr Kuik is responsible for the research and development of new products.

Prior to his current appointment, Mr Kuik was General Manager (Technology Development and Solutions) at Sembawang Shipyard, where he was in charge of the development and marketing of new products and services, and also the management of the yard's Quality Control and IT departments. His past appointments at Sembcorp Marine included Quality Manager, General Manager (Engineering) and General Manager (Operations).

Mr Kuik has a Bachelor of Engineering in Marine Technology, with First Class Honours in Naval Architecture, from the University of Newcastle-Upon-Tyne.

**MS JESSIE LAU***Head of Administration*

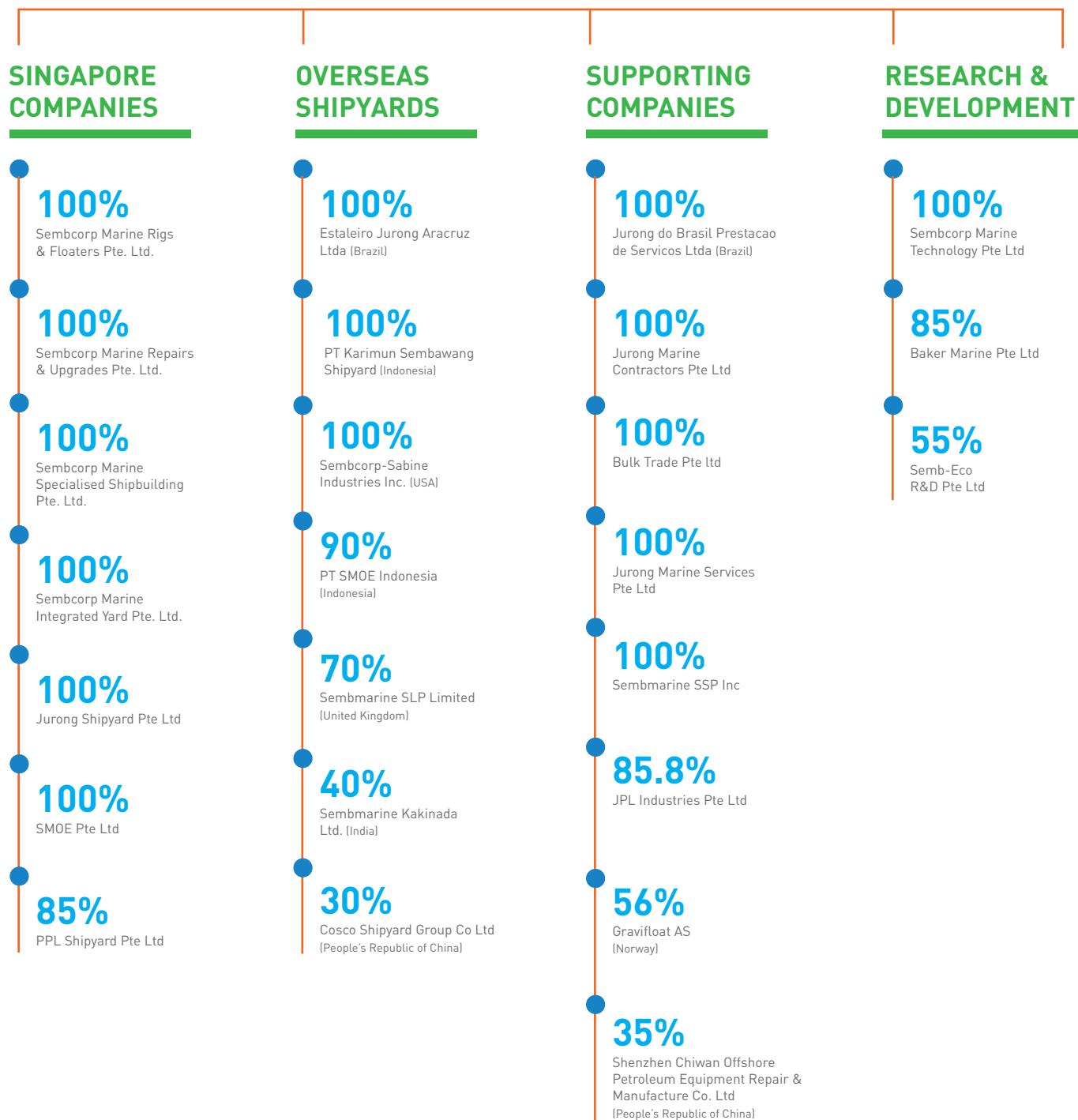
Reporting to the President & Chief Executive Officer, Ms Lau oversees the administration function.

She is responsible for the office administration and business centre function at Sembcorp Marine shipyards.

Ms Lau joined Sembcorp Marine in 1975. She holds a Bachelor of Science in Business Administration from Oklahoma City University.

CORPORATE STRUCTURE

SEMCORP MARINE



CORPORATE DIRECTORY

REGISTERED OFFICE

Sembcorp Marine Ltd
29 Tanjong Kling Road
Singapore 628054
Telephone: (65) 6265 1766
Fax: (65) 6261 0738

BOARD OF DIRECTORS

Tan Sri Mohd Hassan Marican
Chairman

Wong Weng Sun
President & CEO

Ajaib Haridass
Tang Kin Fei
Ron Foo Siang Guan
Lim Ah Doo
Koh Chiap Khiong
Eric Ang Teik Lim
Gina Lee-Wan
Bob Tan Beng Hai

AUDIT COMMITTEE
Ron Foo Siang Guan
Chairman

Lim Ah Doo
Koh Chiap Khiong
Bob Tan Beng Hai

EXECUTIVE RESOURCE & COMPENSATION COMMITTEE

Tan Sri Mohd Hassan Marican
Chairman

Ajaib Haridass
Tang Kin Fei
Eric Ang Teik Lim

NOMINATING COMMITTEE

Ajaib Haridass
Chairman

Tan Sri Mohd Hassan Marican
Tang Kin Fei
Eric Ang Teik Lim

BOARD RISK COMMITTEE

Lim Ah Doo
Chairman
Ajaib Haridass
Ron Foo Siang Guan
Koh Chiap Khiong
Eric Ang Teik Lim
Gina Lee-Wan

TRANSFORMATION COMMITTEE

Tan Sri Mohd Hassan Marican
Chairman

Ron Foo Siang Guan
Lim Ah Doo
Koh Chiap Khiong

EXECUTIVE COMMITTEE

Tan Sri Mohd Hassan Marican
Chairman

Wong Weng Sun
Ajaib Haridass
Tang Kin Fei
Bob Tan Beng Hai

SPECIAL COMMITTEE

Lim Ah Doo
Chairman

Tan Sri Mohd Hassan Marican
Ajaib Haridass
Tang Kin Fei

COMPANY SECRETARY

Tan Yah Sze

REGISTRAR

KCK Corpserve Pte Ltd
333 North Bridge Road
#08-00 KH Kea Building
Singapore 188721

SHARE LISTING

Sembcorp Marine's shares are listed on the Singapore Exchange Securities Trading Limited

PRINCIPAL BANKERS

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

AUDITORS

KPMG LLP
Public Accountants and Chartered Accountants
Audit Partner: Kenny Tan Choon Wah
(Appointed during the financial year ended 31 December 2013)

SHAREHOLDERS' INFORMATION

STATISTICS OF SHAREHOLDINGS AS AT 3 MARCH 2016

SHARE CAPITAL

Issued and fully paid up capital	: S\$484,288,253.02
Number of issued shares	: 2,089,760,107
Number of treasury shares	: 1,287,731
Number of shareholders	: 39,356
Class of shares and voting rights	: Ordinary shares with equal voting rights [#]

SHAREHOLDINGS HELD BY THE PUBLIC

Based on information available to Sembcorp Marine as at 3 March 2016, approximately 38.43% of the issued ordinary shares of the Company is held by the public and therefore, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	Direct Interest		Deemed Interest		Total Interest	
	No. of shares	% ^{##}	No. of shares	% ^{##}	No. of shares	% ^{##}
Sembcorp Industries Ltd ("SCI")	1,274,270,764	61.01	-	-	1,274,270,764	61.01
Temasek Holdings (Private) Limited ("Temasek") ^{###}	-		1,274,376,155	61.02	1,274,376,155	61.02

TOP 20 SHAREHOLDERS

No.	Name	No. of Shares	%
1	Sembcorp Industries Ltd	1,274,270,764	61.01%
2	DBS Nominees Pte Ltd	99,249,311	4.75%
3	DBSN Services Pte Ltd	86,943,566	4.16%
4	Citibank Noms S'pore Pte Ltd	60,187,751	2.88%
5	United Overseas Bank Nominees	46,374,533	2.22%
6	Raffles Nominees (Pte) Ltd	30,679,828	1.47%
7	HSBC (Singapore) Noms Pte Ltd	22,220,530	1.06%
8	Tan Kwi Kin	10,293,210	0.49%
9	Bank of S'pore Noms Pte Ltd	10,160,853	0.49%
10	OCBC Nominees Singapore	9,733,169	0.47%
11	BNP Paribas Securities Svcs	6,301,876	0.30%
12	OCBC Securities Private Ltd	5,243,834	0.25%
13	IMC Co., Ltd.	4,100,000	0.20%
14	Phillip Securities Pte Ltd	3,939,356	0.19%
15	Wong Weng Sun	3,482,184	0.17%
16	UOB Kay Hian Pte Ltd	3,466,049	0.17%
17	Merrill Lynch (S'pore) Pte Ltd	3,071,231	0.15%
18	DB Nominees (S) Pte Ltd BNP	3,008,884	0.14%
19	ABN AMRO Noms S'pore Pte Ltd	2,721,234	0.13%
20	DBS Vickers Secs (S) Pte Ltd	2,703,500	0.13%
Total		1,688,151,663	80.83%

LOCATION OF SHAREHOLDERS

Location of Shareholders	No. of Shareholders	%	No. of Shares	%
Singapore	38,249	97.19%	2,069,184,692	99.08%
Malaysia	701	1.78%	7,174,300	0.34%
Hong Kong	43	0.11%	432,200	0.02%
Japan	6	0.02%	5,953,000	0.29%
US	27	0.07%	303,400	0.01%
UK	26	0.07%	304,600	0.01%
Europe	14	0.03%	82,600	0.00%
Australia/ New Zealand	91	0.23%	747,600	0.04%
Others	199	0.50%	4,289,984	0.21%
Total	39,356	100.00%	2,088,472,376	100.00%

SHAREHOLDING DISTRIBUTION

Size of Shareholdings	No. of Shares	%
1 – 999	3,762	0.00%
100 – 1,000	4,953,634	0.24%
1,001 – 10,000	120,959,240	5.79%
10,001 – 1,000,000	256,448,901	12.28%
1,000,001 and above	1,706,106,839	81.69%
Grand Total	2,088,472,376	100.00%

Notes:

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

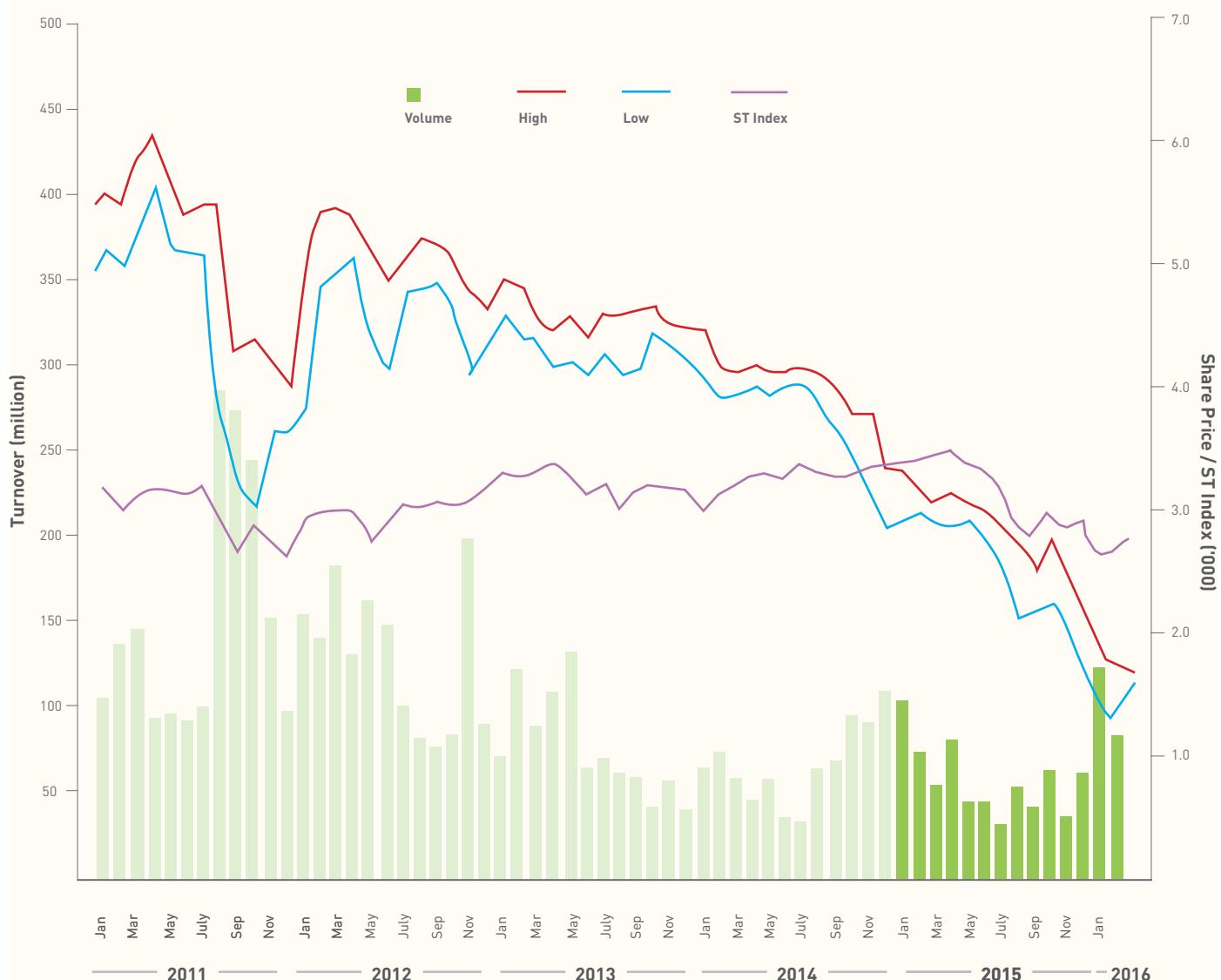
Based on 2,089,760,107 shares in issue (and disregarding 1,287,731 shares held in treasury) as at 3 March 2016.

Temasek is deemed to be interested in the 1,274,270,764 shares held by SCI and the 105,391 shares in which its subsidiaries and/or associated companies have or are deemed to have an interest pursuant to Section 4 of the Securities and Futures Act, Chapter 289.

SHAREHOLDERS' INFORMATION

SHARE PRICES & MONTHLY VOLUMES

Investor Data	2011	2012	2013	2014	2015
Earnings Per Share (cents)	36.13	25.81	26.61	26.83	-13.87
Total Dividend Per Share (cents)	25.00	13	13	13	6
Share price (\$)					
High	6.01	5.28	4.87	4.45	3.32
Low	3.10	3.8	4.13	2.89	1.65
Close	3.82	4.6	4.45	3.26	1.75
Turnover					
Volume (million shares)	1,827	1,558	923	807	696
Value (\$'million)	8,273	5,671	4,086	3,048	1,890
Net Tangible Assets Per Share (cents)	114.14	115.19	126.76	139.40	118.00



INVESTOR RELATIONS

01.

Sembcorp Marine strives to uphold high standards of corporate governance and transparency through open communication and active engagement with the investment community. The Group is committed to ensuring accurate, balanced and timely disclosures in compliance with the evolving regulatory environment. This enables shareholders, investors and the public to make well-informed investment decisions. Through its comprehensive Investor Relations (IR) programme, Sembcorp Marine proactively reaches out to its stakeholders with a diverse range of communication channels and engagement platforms, keeping them abreast of the Group's strategies, fundamentals, financials and operations.

ENGAGING INVESTORS & STAKEHOLDERS

Sembcorp Marine's senior management and IR team actively engage stakeholders as part of ongoing efforts to foster transparency and to facilitate continuous dialogue with shareholders and potential investors.

In 2015, the Group continued to build and strengthen connections with analysts, fund managers and institutional investors. With strong management support, the IR team organised and took part in about 200 tele-conference calls and direct engagements during the year, including

one-on-one, group and post-results meetings, investors' conferences and institutional yard visits. Views by both buy-side and sell-side analysts and fund managers gathered from the conference calls, meetings and industry research reports were channelled to the management and Board, providing useful feedback for strategic planning.

Sembcorp Marine also maintained close links with its overseas shareholders and investors through 75 individual and group meetings at non-deal roadshows and investor conferences in Hong Kong, Japan, Europe, the United Kingdom and the United States.

01.

Close interaction between top management and the investment community

02.

Active dialogue with shareholders during the 2015 Annual General Meeting

INVESTOR RELATIONS

02.



During the year, the IR team and management participated in five key investor conferences, namely the Bank of America Merrill Lynch (BAML) 2015 ASEAN Conference, DBS Vickers Pulse of Asia Conference 2015, Macquarie Securities 2015 ASEAN Conference, Morgan Stanley 14th Asia Pacific Summit, and the Nomura Investment Summit 2015. Management met with some 80 fund managers and analysts from the buy-side as well as institutional investment groups during these conferences.

In addition to the quarterly post-results tele-discussions for analysts, combined briefings with the media were organised for the half-year and full-year results. In complying with regulatory requirements, quarterly results for the Group were announced within 45 days of the close of the previous quarter.

A key highlight of Sembcorp Marine's investor relations calendar is the Annual General Meeting (AGM) held in April. Besides providing a platform for the voting of resolutions, the AGM also allows shareholders and retail investors an opportunity to voice their feedback and engage the Board of Directors and senior management. The AGM on 17 April 2015 drew close to 300 shareholders.

The Group shares insights with investors on its business performance and strategic direction via its Annual Report, which has an integrated Sustainability Report that details Sembcorp Marine's approach to managing environmental, social and governance aspects in accordance with GRI G4 Core guidelines. The IR team will continue to enhance investor

communications and sustainability reporting on material issues in order to align them with the evolving requirements and expectations of Sembcorp Marine's stakeholders.

The Group keeps shareholders and investors informed of its latest developments through regular and timely uploads of SGX announcements, financial results and news releases on a dedicated investor relations section of the corporate website www.sembrmarine.com. An email alert service is also available for interested parties to receive notification of announcements and updates posted online. Stakeholders who wish to contact the IR team can email to investor.relations@sembrmarine.com.

COMMITMENT TO CORPORATE GOVERNANCE

As a recognition of its continuous commitment towards corporate governance, Sembcorp Marine was ranked eighth among 639 companies in the 2015 Governance and Transparency Index (GTI), an improvement from 17th position in the previous year. Commissioned by The Business Times and the Centre for Governance, Institutions and Organisations of the National University of Singapore, with the support of CPA Australia and the Investment Management Association of Singapore, the GTI is an annual joint research initiative which assesses the financial transparency of companies based on their annual announcements.

INVESTOR RELATIONS EVENT HIGHLIGHTS

1Q 2015	2Q 2015	3Q 2015	4Q 2015
<ul style="list-style-type: none"> • FY2014 Results Conference • Post Results Investors' Lunch / Corporate Investors' Day • Convened AGM / EGM 2015 • Participated in Bank of America Merrill Lynch ASEAN Conference 	<ul style="list-style-type: none"> • 1Q 2015 Results Tele-conference • Post Results Investors' Lunch / Corporate Investors' Day • Participated in non-deal roadshows with DBS Vickers in USA and Macquarie in UK and Europe 	<ul style="list-style-type: none"> • 2Q & 1H 2015 Results Conference • Post Results Investors' Lunch / Corporate Investors' Day • Participated in non-deal roadshows with HSBC in Singapore and Nomura in Hongkong • Participated in DBS Vickers Pulse of Asia Conference, Goldman Sachs 2nd Annual IR Forum and Macquarie Connections Conference 	<ul style="list-style-type: none"> • 3Q & 9M 2015 Results Tele-conference • Post Results Investors' Lunch / Corporate Investors' Day • Participated in Morgan Stanley 14th Asia Pacific Summit • Organised yard visits for Morgan Stanley and Temasek delegations • Participated in Nomura Tokyo Investment Forum

FINANCIAL CALENDAR

Announcement of Results & Dividends	2016	2015
Full year	February 15	February 12
Quarter 1	April 27*	April 27
Quarter 2	July 28*	July 29
Quarter 3	October 25*	October 22
Final Dividend Payment	May 13*	May 14
Delivery of Annual Report and Notice of Meeting	March 23	April 1
Annual General Meeting / Extraordinary General Meeting	April 18	April 17

* Updates will be posted on www.sembmarine.com



INVESTOR RELATIONS

04.

**03.**

Yard visit by institutional stakeholders

04.

Sharing insights with analysts and media during a financial results briefing

SHAREHOLDER DIVERSITY

Sembcorp Marine's registered shareholders totalled 39,356 as at 3 March 2016, although the actual number of investors is likely to be higher as the figure does not include holders of shares through nominees, investment funds and other share schemes.

The shareholding composition consists of Sembcorp Industries with a majority stake of 61.01% and public shareholders – including institutional investors and retail shareholders – representing approximately 38.43%. Sembcorp Marine has a well-diversified shareholder base spanning the United States, Canada, Europe, the United Kingdom, Middle East, Australia, Japan, Hong Kong, and Malaysia. The broad geographic spread of shareholders promotes greater market liquidity and prevents concentration risk.

SHARE PERFORMANCE

A constituent of the Straits Times Index, Sembcorp Marine has a market capitalisation of \$3.46 billion based on the closing share price of \$1.66 on 3 March 2016. The Company's shares averaged a daily value of US\$ 5.3 million in 2015. The share price ranged from \$3.14 at its highest to \$1.295 at its lowest.

Reflecting the challenging market conditions and the steep drop in oil prices, Sembcorp Marine's shares underperformed the FSSTI Index and the MSCI-Asia Pacific (excluding Japan) Index by 32.4 percentage points and 36.2 percentage points respectively during the period from 2 January 2015 to 3 March 2016.

ENVISION TRANSFORM SYNERGISE

AS ONE WORKFORCE

We deliver impactful value through continuous improvement
in innovation, efficiency and productivity

SEMCORP MARINE:

SINGLE BRAND & COMPANY
ACROSS GLOBAL OPERATIONS



ROBUST MANAGEMENT FRAMEWORK

- Singapore Quality Class
- ISO 9001
- Singapore Innovation Class
- People Developer

GLOBAL HEADCOUNT OF
>13,300 EMPLOYEES

AS AT DECEMBER 2015

APPROACH TO SUSTAINABILITY

Sembcorp Marine is committed to delivering growth and long-term value for its shareholders, partners and society through business excellence and socially responsible operations. Recognising the importance of balancing its business objectives with the responsibilities towards a wider set of stakeholders, the Group adopts a precautionary approach in managing the environmental, social and governance aspects of its operations.

CORPORATE SOCIAL RESPONSIBILITY

Sembcorp Marine's commitment to corporate responsibility is described in its Code of Business Conduct, which provides specific guiding principles for employee conduct, in line with the company's core values and corporate governance policies. The Code is accessible to employees, stakeholders and the public on the Group's corporate website.

In 2015, Sembcorp Marine joined the Global Compact Network Singapore. The membership reflects a strong support for the organisation's work in advancing responsible business practices as guided by the United Nations Global Compact (UNGCG) principles on human rights, labour, environment and anti-corruption.

Sembcorp Marine's sustainability efforts are reinforced by its strong corporate governance practices. The Group was ranked eighth out of 639 companies in the Governance and Transparency Index, an annual ranking exercise jointly published by the National University of Singapore's Centre for Governance, Institutions and Organisations and The Business Times with the support of CPA Australia and Investment Management Association of Singapore (IMAS).

**FOR MORE DETAILS ON SEMBCORP MARINE'S
CORPORATE GOVERNANCE PRACTICES, PLEASE REFER
TO PAGES 80 - 97.**

SUSTAINABILITY COMMITTEE

The Sembcorp Marine Sustainability Steering Committee was formed in 2015 to manage the delivery of the Group's sustainability programmes; monitor performance progress; and identify key material issues. The high-level Committee seeks to improve corporate competitiveness by managing sustainability risks and opportunities as well as meeting the expectations of its stakeholders.

Supporting the Committee at the operational level are various working teams, consisting of sustainability champions and key representatives covering a number of Sembcorp Marine's core functions and locations.

As part of the Group's transformation, several developments took place in 2015 which brought together corporate strengths and sustainability capabilities. This has led to the deepening of the company's focus in the areas of Research & Development and Supply Chain Management to further sharpen competitiveness as well as the establishment of an Environmental Committee to align Group-level environmental performance reporting.

SEMCORP MARINE SUSTAINABILITY STEERING COMMITTEE



APPROACH TO SUSTAINABILITY

SUSTAINABILITY PERFORMANCE SUMMARY

	2013	2014	2015
Economic			
Turnover (\$'000)	5,525,882	5,832,595	4,968,132
Net profit (\$'000)	555,747	560,128	(289,672)
Economic value added (\$'000)	405,651	331,279	(808,800)
People			
Headcount	10,608	11,212	11,142
Investment in training (\$'M)	6.00	5.08	6.23
Employee turnover rate (%)	7.2	12.2	12.2
Workplace Safety and Health			
Number of fatalities - employees	1	0	0
Number of fatalities - contractors	0	0	2
Accident frequency rate (per million man-hours)	0.63	0.42	0.35
Accident severity rate (per million man-hours)	72.15	11.37	120.30
Workplace injury rate (per 100,000 persons employed)	214.81	139.86	118.69
Environmental			
Water withdrawal (million m ³)	2,479	2,137	2,201
Waste disposal - hazardous (MT)*	9,723	9,464	30,557
Waste disposal - non-hazardous (MT)*	44,060	38,958	36,713
Waste disposal - recycled (MT)*^	143,533	135,831	163,954
GHG Emissions from direct energy - diesel (tCO ₂ e)	58,310	49,358	47,893
GHG Emissions from direct energy - liquefied gases (tCO ₂ e) [#]	11,865	12,130	12,296
GHG Emissions from indirect energy (tCO ₂ e) ⁺	64,409	83,934	82,860
Community			
Community contributions (\$'M)	3.57	3.26	3.82

Notes:

- * Sembcorp Marine Pandan Yard and Tuas Crescent Yard began to track disposal volumes through vendors in 2014.
- ^ Two of the identified largest contributors of recyclable waste in shipyard operations are copper slag and steel scraps.
- # Historical gas fuel emissions have been restated to reflect a calculation error for natural gas.
- + 2014 figure has been updated to reflect new data from Energy Market Authority.

MATERIALITY AND STAKEHOLDER ENGAGEMENT

In 2015, Sembcorp Marine intensified the internal scrutiny of its material issues with the involvement of the new Sustainability Steering Committee (SSC), established in the same year. To deepen the SSC's understanding of sustainability issues, training was conducted where sustainability concepts and impacts were presented to management and committee members in preparation for the materiality review.

The expanded group of managers and employees involved in the materiality review, conducted by an external sustainability consultant, provided a broader base of opinions on the internal ranking of issues affecting Sembcorp Marine's operations and value chain. Feedback was collected on a range of issues and then prioritised based on relative importance during an interactive session with the participants. The SSC meetings also served to engage a wider set of internal audience on sustainability drivers, management and reporting.



01.

01.

Participants at the sustainability workshop

External perspectives relating to existing material issues from 2014 were further reviewed using investor feedback and desk-based research. After collating all inputs, the shortlisted material issues were ratified by the SSC.

This process resulted in the validation of seven material issues. The assessment, which employed AccountAbility's Materiality Framework (2006-2013), included inputs from a five-part Materiality Test conducted in 2014 and incorporated materiality guidance from the Global Reporting Initiative (GRI) G4 sustainability reporting guidelines.

Reflecting Sembcorp Marine's integrated management approach, the key changes recorded in this process included the reclassification of 'Product Development' and 'Innovation' as the new material issue 'Innovation and Solutions Development'; as well as the integration of 'Materials Management', comprising steel consumption and waste management, into the issue 'Environmental Performance', along with other environmental topics.

The ratified list of material issues is shown in the following section.

MATERIAL ISSUES

CORPORATE GOVERNANCE	BUSINESS INTEGRITY	[Pg 80 Corporate Governance, Pg 98 Risk Management]
<p>Approach: Sembcorp Marine has comprehensive systems in place to promote business integrity and attain a high level of corporate governance, in line with its core values and Code of Business Conduct. Its corporate governance framework, which covers its Singapore and global operations, includes fraud risk management; anti-bribery and anti-corruption policies; as well as procedures and systems, which come under the oversight of Board-level Committees. Through stringent internal and external audit processes, the Group continually monitors, reviews and evaluates its business operations to ensure integrity and compliance with evolving standards and requirements. Sembcorp Marine's corporate governance reporting and practices comply with the Code of Corporate Governance issued on May 2, 2012, by the Monetary Authority of Singapore.</p> <p>Material impact: Customers, Employees, Financial Community, Regulators</p>	<p>It is vital to ensure business integrity through good corporate governance and sound risk management processes in order to safeguard the long-term interests of shareholders and the Group's assets. Upholding Sembcorp Marine's reputation as a well-governed and socially responsible company enables the Group to continually gain the trust and confidence of its customers, investors, partners and other stakeholders. The Group respects human rights and operates with professionalism, fairness and integrity in compliance with legal regulations across its global network. Committed to ethical business conduct, the Group does not tolerate bribery and corruption in its dealings and operations.</p>	

APPROACH TO SUSTAINABILITY

ECONOMIC

INNOVATION & SOLUTIONS DEVELOPMENT

[Pg 102 Sustaining Competitiveness]

Sembcorp Marine's drive to innovate and develop value-added, sustainable and cost-competitive solutions enables the Group to create new income streams and tap on emerging opportunities for future growth. A key component of Sembcorp Marine's business strategy is expanding and diversifying its portfolio of products, services and technologies to offer customers innovative and customised solutions across the offshore and marine value chain. Diversity in the Group's product mix strengthens its versatility and resilience so as to mitigate cyclical risks in the industry. Process innovation continuously enhances Sembcorp Marine's productivity and efficiency, ensuring competitiveness and sustaining business profitability.

Approach:

Sembcorp Marine adopts a three-pronged approach to research, develop and collaborate on innovation and solutions development. Leveraging both in-house expertise and an extensive network of collaborating partners, the Group is focused on expanding and accelerating the search and creation of emerging technology and new opportunities. The company works actively to initiate, evaluate and manage the development and deployment of new products, technologies, systems and processes. These range from conceptualisation and prototyping to test-bedding and commercial implementation.

Material impact:

Customers, Investors, Regulators, Suppliers & Contractors

CUSTOMER SATISFACTION

[Pg 102 Sustaining Competitiveness]

Customers are important stakeholders and vital partners in Sembcorp Marine's progress and success. It is crucial to forge sustainable partnerships with them and retain their loyalty for long-term business growth. Managing customer satisfaction is an important focus, as Sembcorp Marine takes pride in providing excellent service to its partners. The Group's various measures of customer satisfaction provide leading indicators for its economic performance and business resilience. Customers' inputs are highly valued as useful feedback for Sembcorp Marine's operations, products and services.

Approach:

Sembcorp Marine's approach focuses on ensuring that customers have full access to a range of communication channels; monitoring and maintenance of customer relationships; and ensuring timely action.

A customer relationship management framework is applied at the Group level with senior management oversight on customer satisfaction, retention and growth performance. The various yard facilities adapt these processes according to the nature of the projects and the customers they are managing. All of Sembcorp Marine's yards are certified to the ISO 9001 Quality Management System, which includes both internal and external compliance audits.

Material impact:

Customers, Employees, Suppliers & Contractors, Shareholders, Financial Community

HEALTH, SAFETY & ENVIRONMENT

OCCUPATIONAL HEALTH & SAFETY

[Pg 126 Workplace Safety & Health]

Strict workplace health and safety standards give Sembcorp Marine a competitive advantage as well as a foundation for its operations. The Group upholds high standards of occupational safety and health to safeguard the welfare of its employees, contractors, suppliers and stakeholders.

Approach:

The robust Health, Safety and Environment (HSE) management systems at Sembcorp Marine and its yards ensure compliance with national and international regulations as well as recognised standards, such as OHSAS 18001 Occupational Health and Safety standards as well as Singapore's Safety and Health Act. The key thrusts for the Group's workplace safety and health (WSH) strategy involve enhancing its HSE competencies and capabilities; building up commitment and leadership towards a better WSH culture; garnering support from stakeholders; as well as continuously improving risk and safety management systems. The Group's HSE strategy is integrated into all levels of operations, with oversight from the Board Risk Committee.

Material impact:

Customers, Regulators, Employees, Suppliers, Contractors, Shipyard Occupiers, Community

ENVIRONMENTAL PERFORMANCE

[Pg 132 Environmental Focus]

Sembcorp Marine recognises the importance of operating with minimal impact to the environment. The Group strives to do this while working towards operational competitiveness and sustainable growth.

Approach:

Sembcorp Marine's environmental performance is managed as part of the Group's broader integrated HSE management framework. Adopting a preventive approach, the Group employs processes for identifying, monitoring and mitigating its environmental impact with regard to emissions-induced climate change, waste management and the use of energy, water and resource materials. The various yard facilities undergo regular audits for compliance with local regulations and international standards. Sembcorp Marine's environmental management systems cover employees, contractors, customers and shipyard occupiers, who are required to abide by the Group's policies and practices. In managing its environmental impact, Sembcorp Marine also promotes the adoption of eco-friendly technologies downstream to its customers.

Material impact:

Community, Customers, Employees, Contractors, Shipyard Occupiers, Regulators

APPROACH TO SUSTAINABILITY

PEOPLE

HUMAN CAPITAL

[Pg 114 Human Capital]

People are Sembcorp Marine's most valuable asset. Supporting the Group's corporate objectives, the strategic human resource management framework encompasses workforce recruitment, retention and development to meet current and future human capital needs. It is important for the Group to identify capable talent and groom the next generation of leaders as part of succession planning for Sembcorp Marine's sustainable growth and long-term competitiveness.

Approach:

Sembcorp Marine complies with the labour laws in its various countries of operation, including fair employment guidelines in line with the Ministry of Manpower Employment Act of Singapore, which is a member country of the International Labour Organisation. Aligned with the principles advocated by the national Tripartite Alliance for Fair & Progressive Employment Practices (TAFEP), the Group respects employees' right to freedom of association and embraces fair employment, diversity and inclusivity at the workplace.

Sembcorp Marine's human capital strategy covers the strategic thrusts of workforce development and retention, competencies building and skills enhancement, organisational development as well as forging a strong company culture and identity. The Group gears its people development systems towards business excellence to support the attainment of recognised accreditations – including ISO 9001, SPRING Singapore Quality Class, Singapore Innovation Class and People Developer standards – which involve structured review and evaluation processes. Various engagement platforms and communication channels are utilised to gather employee feedback, in order to achieve continuous improvement.

Material impact:

Regulators, Customers, Employees, Contractors, Community

COMMUNITY

COMMUNITY ENGAGEMENT

[Pg 138 Community Development & Involvement]

As a responsible corporate citizen and caring business organisation, Sembcorp Marine recognises the importance of active involvement in the community. Contributing towards community improvements and social advancements enables the Group to extend its positive influence as an agent for change and value creation.

Approach:

The Community Committee champions the Group's community engagement strategy which focuses on 'youth and education', 'community care and development', 'nation building', 'environmental care', 'arts promotion', and 'industry outreach'. Regular reviews are conducted to evaluate the scope of Sembcorp Marine's social outreach efforts and the effectiveness of its community initiatives.

Material impact:

Employees, Community

STAKEHOLDERS

Sembcorp Marine recognises its stakeholders' concerns and regularly engages them on ways to enhance the management of sustainability risks and opportunities that contribute to commercial growth.

The majority of the Group's stakeholders – such as customers, media, fund managers, specialist vendors and classification societies, and global regulatory bodies – are international. Stakeholders in Singapore include contractors and government ministries.

STAKEHOLDERS & ENGAGEMENT PLATFORMS

Stakeholders	Engagement Platforms	Stakeholders' Expectations/ Concerns	What the Group did in 2015
Customers	<ul style="list-style-type: none"> Platforms to network and build relationships Annual alliance meetings with partners Tenders Regular project coordination meetings and customer visits Naming ceremonies and delivery events for completed projects Participation in exhibitions, conferences and networking events Corporate website, email and newsletters 	<ul style="list-style-type: none"> Flexibility to work together Ability to offer cost-saving facilities and capabilities over competitors Clear channels of communication Alignment with customers' codes of conduct in areas such as health, safety, security, environment and quality Timely delivery within budget Accurate and timely information Compliance with new international environmental expectations 	<ul style="list-style-type: none"> \$3.17 billion in new contracts, including three offshore platform topsides from Maersk Oil North Sea; the world's largest semi-submersible crane vessel from Heerema Offshore Services; and two floating storage and offloading (FSO) projects from Teekay and MODEC respectively. Highest number of 34 LNG vessels repaired and upgraded in the world Record of 12 cruise ships repaired, upgraded and refurbished Active participation in tenders and introductory meetings Participation in 4 exhibitions across USA, Norway and Singapore to meet customers and industry partners Annual customer networking functions – Singapore, USA and Norway One-on-one meetings between senior management and customers Mid- and post-project customer sessions to gather comments and feedback Development of proprietary green technologies, SSP circular hull floater solutions and GraviFloat near-shore LNG terminals
Suppliers & Contractors	<ul style="list-style-type: none"> Project planning platforms Quotations and requests for proposal Tenders Performance audits Inspections and quality audits Training for contractor partners Involvement in safety campaigns and events Joint site inspections of projects Regular dialogue platforms with senior management 	<ul style="list-style-type: none"> Compliance with terms and conditions of purchasing policies and agreements Training support Clear communication channels Opportunities for growth and collaboration 	<ul style="list-style-type: none"> Daily work briefings with contractors and suppliers Review of vendors in Approved Vendor List Involvement of resident contractors in workplace safety and health improvement programmes Dialogue sessions at various levels ranging from management to operations Safety management system audits on resident contractors Ongoing tenders and projects
Employees	<ul style="list-style-type: none"> Regular reviews and appraisals Employee dialogue sessions Intranet platforms for policies, news and benefits Briefings and toolbox meetings Development programmes and training workshops/courses Meet-the-management sessions Union-management dialogues Grievance/feedback channels Safety and innovation campaigns Social events including festive celebrations Newsletters, posters and memos 	<ul style="list-style-type: none"> Conducive workplace Nurturing environment Fair labour practices and compensation Career growth/personal development opportunities Dynamic two-way communication platforms 	<ul style="list-style-type: none"> Annual awards and recognition e.g. WSH awards and long service awards Annual performance review and appraisal Training on anti-bribery policies and whistle-blowing channels Employee bonding and festive events Invested \$6.23 million in training and development programmes Launch of a customised 'Global Leadership Development' programme in collaboration with Singapore Management University 33 employee engagement sessions organised, involving more than 3,200 management staff Conducted employee engagement survey Newsletters and annual report Health programmes with medical institutes Annual WSH innovation convention Regular engagement with unions Regular updates through intranet portals, emails and memos
Financial Community (Shareholders, analysts, fund managers, regulators & media)	<ul style="list-style-type: none"> Results announcements and news releases Annual meeting for shareholders Briefings for analysts and media Meetings, conference calls and site visits for analysts and fund managers Roadshows and investor conferences Corporate website Newsletters 	<ul style="list-style-type: none"> Corporate governance and compliance Transparent, open and effective communication Timely information Profitability Responsible management 	<ul style="list-style-type: none"> Quarterly results reports made accessible via corporate website and email Annual General Meeting for all shareholders Bi-annual financial results briefings for analysts, bankers and media Uploads on corporate website and Singapore Exchange SGXNET for public access 200 teleconferences, meetings, conference calls and site visits for analysts/institutional investors 80 face-to-face sessions with analysts and fund managers Publications such as annual reports, sustainability reports and newsletters available through the website Open communication channels accessible to all through website, email and telephone

APPROACH TO SUSTAINABILITY

Stakeholders	Engagement Platforms	Stakeholders' Expectations/ Concerns	What the Group did in 2015
Local Communities	<ul style="list-style-type: none"> Timely news releases Multi-tiered financial assistance programmes Corporate website and email feedback channels Educational programmes Organisation of events Sponsorship of events Collaborations with educational institutions Newsletters 	<ul style="list-style-type: none"> Promoting community care and welfare Support for social and community causes Active corporate citizenship 	<ul style="list-style-type: none"> Contributions of more than \$3.82 million to community and industry causes, e.g. SchoolBAO grants of \$256,000 and national WSH campaign sponsorship of \$180,000 Various scholarships offered with 23 accepted by tertiary students Academic awards and bursaries of \$66,100 disbursed to children of employees Annual Green Wave Environmental Care Competition: 234 projects entries received from 850 students Festive activities for the less privileged Annual National Day Parade sponsorship and participation Website and publications
Government & Industry Partners	<ul style="list-style-type: none"> Formal and informal dialogue sessions with government authorities and trade associations on safety, health, manpower, security and environmental issues Events to share information with the industry Events to promote the industry 	<ul style="list-style-type: none"> Compliance with regulations Collaborative efforts to share knowledge Joint development and deployment of best practices Joint management of resources and expertise 	<ul style="list-style-type: none"> Site visits and discussions with government representatives Participation in local events to promote the industry and enhance strategic relations e.g. Latin Asia Business Forum by IE Singapore Safety campaigns and training seminars with industry partners e.g. national WSH Council Joint safety, security, environment, health and innovation-related activities with partners e.g. CultureSAFE programme and WSH innovation convention

SCOPE OF SUSTAINABILITY REPORT

Prepared in accordance with the GRI G4 Core requirements and aligned with ISO 26000 Guidance on Social Responsibility, this is the fifth Sustainability Report published by Sembcorp Marine since FY2011.

Sembcorp Marine is committed towards continuous advancement in its sustainability reporting journey, with external assessment conducted periodically to guide the company forward. The Group aims to enhance the depth and scope of its coverage to include key overseas entities and to progress towards assurance. The report provides insights into the Group's approach of integrating sustainability into its management strategies, corporate structure and business operations.

The scope of reporting in the sustainability section is limited to Sembcorp Marine's Singapore-based entities and all data stated relate to its Singapore operations from 1 January to 31 December 2015, unless otherwise stated.

The implementation of Sembcorp Marine's 'Transformation for Growth' strategy in July 2015 saw the transition of the Group from a multi-shipyard organisation into a single brand and company, with a focus on four key capabilities – Repairs and Upgrades, Rigs and Floaters, Offshore Platforms, and Specialised Shipbuilding – across its global operations.

Sembcorp Marine's yards in Singapore are now an integrated Group leveraging on the synergies of seven locations in Tuas Boulevard, Admiralty, Tanjong Kling, Benoi, Tuas Crescent,

Tuas Road and Pandan Road. The Group completed the transfer of its Pulau Samulun yard operations following the end of the facility lease in the fourth quarter of 2015.

FOR MORE DETAILS ABOUT SEMBCORP MARINE'S TRANSFORMATION STRATEGY, PLEASE REFER TO PAGES 26 - 31.

ACCESSIBILITY

Sembcorp Marine's Sustainability Report continues to be combined with the Annual Report for ease of reference and to provide a cohesive overview of the Group's operations and commitments. To promote greener practices, limited print copies of the combined reports are produced. Previous reports can be accessed at the Sembcorp Marine corporate website.

For queries and feedback on the Group's Sustainability Report, please email to sustainability@sembmarine.com.

FOR MORE INFORMATION ON THE GRI STANDARD DISCLOSURES AND INDICATORS, PLEASE REFER TO PAGES 144 - 148.

CORPORATE GOVERNANCE

Sembcorp Marine Ltd (“Sembcorp Marine” or the “Company”) is committed to attaining a high level of corporate governance to help ensure the future sustainability of the organisation and to create long term value for its shareholders. This report outlines Sembcorp Marine’s corporate governance practices with reference to Singapore Code of Corporate Governance 2012 (“Code”). The Company has complied in all material aspects with the principles and guidelines set out in the Code and any deviations are explained in this report. Sembcorp Marine will continue to review its corporate governance policies regularly in order to enhance its corporate governance standard and to meet the rising expectations of shareholders and investors.

BOARD MATTERS

Board’s Conduct of its Affairs (Principle 1)

Effective Board to lead and control

The board of directors (“Board”) is responsible for overseeing the business affairs of the Company and its subsidiaries (collectively the “Group”) and setting strategic direction and establishing goals for Management. The Board works with Management to achieve these goals set for the Group.

The key responsibilities of the Board include:

- providing entrepreneurial leadership and strategic direction of the Group and ensuring that resources are available for the Group to meet its objectives;
- ensuring prudent and effective controls for safeguarding shareholders’ interests and the Group’s assets;
- setting the Group’s values and standards and ensuring that obligations to shareholders and stakeholders are met;
- monitoring Management’s performance towards achieving organisational goals; and
- considering sustainability issues including environmental and social factors in the formulation of Group’s strategies.

All directors are expected, in the course of their duties, to act in good faith and consider at all times the interests of the Group.

The Board has established the following committees which assist the Board in discharging its responsibilities and providing independent oversight of the Management:

- Audit Committee (“AC”)
- Executive Resource & Compensation Committee (“ERCC”)
- Nominating Committee (“NC”)
- Board Risk Committee (“BRC”)
- Executive Committee (“ExCo”)
- Transformation Committee (“TC”)
- Special Committee (“SC”)

Other ad hoc committees can be formed from time to time to look into specific areas of the Group’s needs.

BOARD COMPOSITION AND COMMITTEES

Board Members	Audit Committee	Executive Resource & Compensation Committee	Nominating Committee	Board Risk Committee	Transformation Committee	Executive Committee	Special Committee
Tan Sri Mohd Hassan Marican		Chairman	Member		Chairman	Chairman	Member
Wong Weng Sun						Member	
Ajaib Haridass		Member	Chairman	Member		Member	
Tang Kin Fei		Member	Member			Member	
Ron Foo Siang Guan	Chairman			Member	Member		
Lim Ah Doo	Member			Chairman	Member		
Koh Chiap Khiong	Member			Member	Member		
Eric Ang Teik Lim		Member	Member				
Gina Lee-Wan			Member				
Bob Tan Beng Hai	Member					Member	

CORPORATE GOVERNANCE

These committees function within clearly defined terms of reference which are reviewed by the Board on a regular basis.

The ExCo assists the Board in reviewing and approving matters as required under the Group's policies. It also evaluates business opportunities for the Group.

The TC was a special purpose committee formed to oversee the transformation efforts of the Group, taking into account the Group's business expansion in Singapore and globally. The SC conducts an internal investigation into an allegation of improper payments in Brazil and deals with issues that arise in connection with the matter.

Details of other Board committees are set out in the following sections of this report.

The Board meets on a quarterly basis, and as warranted by particular circumstances. A director who is unable to attend any meeting in person may participate in the meeting via video or teleconference.

A record of the directors' attendance at Board and its committee meetings during the financial year ended 31 December 2015 ("FY2015") is disclosed below.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Director	Board Meeting		Audit Committee Meeting		Board Risk Committee Meeting		Executive Committee Meeting		Nominating Committee Meeting		Executive Resource & Compensation Committee Meeting		Transformation Committee Meeting		Special Committee Meeting		Joint Audit and Board Risk Committee Meeting	
	No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings	
	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended	Held ¹	Attended
Tan Sri Mohd Hassan Marican ²	12	12					9	9	2	2	3	3	3	3	16	15		
Wong Weng Sun	11 ³	10					9	9										
Ajaib Haridass ⁴	12	12			4	4	9	9	2	2	3	3			16	14	1	1
Tang Kin Fei ⁵	12	11			2	2	9	9	2	2	3	3			16	8		
Ron Foo Siang Guan ⁶	12	12	6	6	4	3							3	3			1	1
Lim Ah Doo ⁷	12	11	6	6	4	4							3	3	16	16	1	1
Koh Chiap Khiong ⁸	12	11	6	5	2	2							3	3			1	1
Eric Ang Teik Lim	12	11			4	4											1	1
Gina Lee-Wan ⁹	9	9			2	2											1	1
Bob Tan Beng Hai ¹⁰	9	9	4	4													1	1

¹ The number of meetings held while each director was in office.

² Tan Sri Mohd Hassan Marican was appointed a member of the Special Committee on 10 February 2015.

³ As an executive director, Mr Wong Weng Sun was not required to attend the 22 October 2015 Board meeting which was convened for non-executive directors only.

⁴ Mr Ajaib Haridass was appointed a member of the Special Committee on 10 February 2015. He stepped down as the Chairman of the Board Risk Committee on 27 April 2015 and remains as a member of the Board Risk Committee.

⁵ Mr Tang Kin Fei was appointed a member of the Special Committee on 10 February 2015 and stepped down as a member of the Board Risk Committee on 27 April 2015.

⁶ Mr Ron Foo Siang Guan was appointed as the Chairman of the Audit Committee on 27 April 2015.

⁷ Mr Lim Ah Doo was appointed as the Chairman of the Special Committee on 10 February 2015. He stepped down as the Chairman of the Audit Committee on 27 April 2015 and remains as a member of the Audit Committee.

⁸ Mr Koh Chiap Khiong was appointed a member of the Board Risk committee on 27 April 2015.

⁹ Mrs Gina Lee-Wan was appointed a director of the Company on 20 April 2015 and a member of the Board Risk Committee on 20 April 2015.

¹⁰ Mr Bob Tan Beng Hai was appointed a director of the Company on 20 April 2015 and a member of the Audit Committee on 20 April 2015.

The Company has adopted a set of internal controls which sets out approval limits for different types of transactions such as procurement of goods and services, capital expenditure, investments and divestments, bank borrowings and foreign exchange. Board's approval is required if the amount of a transaction exceeds a pre-defined threshold.

A comprehensive orientation programme, including facility visits to the Group's various premises, is provided to all newly-appointed directors. They are briefed on the Group's business activities, financial performance, governance policies and practices, regulatory regime and their duties as directors.

Directors are updated regularly on relevant new laws, regulations and changing business risks during Board meetings or at specially-convened sessions. Arrangements are made for them to attend training sessions, courses and seminars conducted by external consultants and institutions at the Company's expense.

A formal letter of appointment which sets out the director's duties and obligations is given to each newly-appointed director. The director also receives an information pack which contains the Group's organisation structure, senior Management's contact details, the Company's constitution, group policies and a list of recent significant issues discussed at Board meetings.

Board's Composition and Guidance (Principle 2) Strong and Independent Board

The Board comprises 10 directors, 7 of whom (including the Chairman of the Board) are independent directors, one of whom (the President & CEO of Sembcorp Marine) is an executive director, and the rest are non-executive and non-independent directors.

The Board currently comprises the following members:

Directors	Position held on the Board	Date of first appointment to the Board	Date of last re-election / re-appointment as director	Nature of appointment
Tan Sri Mohd Hassan Marican	Chairman	1 October 2011	17 April 2015	Non-Executive / Independent
Wong Weng Sun	Director / President & CEO	1 May 2009	22 April 2014	Executive / Non-Independent
Ajaib Haridass	Director	31 October 2003	19 April 2013	Non-Executive / Independent
Tang Kin Fei	Director	1 May 2005	17 April 2015	Non-Executive / Non-Independent
Ron Foo Siang Guan	Director	30 June 2006	17 April 2015	Non-Executive / Independent
Lim Ah Doo	Director	7 November 2008	22 April 2014	Non-Executive / Independent
Koh Chiap Khiong	Director	6 May 2011	22 April 2014	Non-Executive / Non-Independent
Eric Ang Teik Lim	Director	30 April 2013	22 April 2014	Non-Executive / Independent
Gina Lee-Wan	Director	20 April 2015	NA	Non-Executive / Independent
Bob Tan Beng Hai	Director	20 April 2015	NA	Non-Executive / Independent

CORPORATE GOVERNANCE

The NC has ensured that at least one third of the Board is made up of independent directors. It reviews the independence of each director annually based on the guidelines set out in the Code.

Tan Sri Mohd Hassan Marican is a non-executive and independent director of Sembcorp Industries Ltd ("SCI"), a controlling shareholder of the Company. He is also a Senior International Advisor at Temasek International Advisors, a subsidiary of Temasek Holdings Ltd ("Temasek"). His appointments in both SCI and Temasek are non-executive in nature. The Group's transactions with SCI or Temasek (if any) are safeguarded by the mandate for interested person transactions ("IPT Mandate") which was approved by the Company's shareholders at the last annual general meeting and is subject to yearly renewal. During FY2015, SCI provided consultancy services to the Group. The aggregate amount paid by the Group to SCI for such services exceeded \$200,000. Tan Sri Mohd Hassan Marican was not involved in the decision making related to the transactions between SCI and the Group. The aggregate value of the transactions during FY2015 was not significant compared with the revenues of both SCI and SCM groups. The Board considers Tan Sri Mohd Hassan Marican to be an independent director of the Company as the Board believes that he is able to exercise strong independent judgment in his deliberations and act in the best interests of the Company.

Mr Ajaib Haridass has served as an independent director on the Board for more than 9 years. He is a non-executive and independent director of SCI. The Board had conducted a rigorous review on Mr Ajaib Haridass' status and considered Mr Ajaib Haridass to be an independent director of the Company. The Board is of the view that Mr Ajaib Haridass has continued to demonstrate ability to exercise strong independent judgment and act in the interests of the Company. Further, having gained in-depth understanding of the business and operating environment of the Group, Mr Ajaib Haridass provides the Company with much needed experience and knowledge of the industry. His contributions have been invaluable to the Company.

Mr Ron Foo Siang Guan has served as an independent director on the Board for more than 9 years. The Board had conducted a rigorous review on Mr Ron Foo Siang Guan's status and considered him to be an independent director of the Company. The Board is of the view that Mr Ron Foo Siang Guan's more than 9 years of service on the Board has not affected his objectivity. He has continued to exercise strong independent judgment and act in the best interests of the Company. Mr Ron Foo Siang Guan has an extensive auditing, accounting, and financial experience in Singapore and overseas. His knowledge and experience have been invaluable to the Company.

Mr Eric Ang Teik Lim is a Senior Executive Advisor of DBS Bank Ltd ("DBS"). The Board considers that Mr Eric Ang Teik Lim's appointment at DBS has not affected his independence as the services provided by DBS in 2015 were standard services which were in the ordinary course of business of the Group and DBS. The Board had assessed and is of the view that the amounts paid were not significant in the context of the revenues of the Company and DBS.

Mrs Gina Lee-Wan is a partner of Allen & Gledhill LLP ("A&G") which had rendered services to the Group during FY2015. She does not have an interest of more than 10% in A&G. The services were provided to the Group by other partners. The Board had assessed and considered Mrs Gina Lee-Wan to be an independent director of the Company. The Board is of the view that Mrs Gina Lee-Wan's independence has not been compromised as the aggregate value of the transactions during FY2015 was not significant in the context of both the Company's and A&G's revenues.

Each director has been appointed on the strength of their calibre and experience. Board members comprise business leaders, bankers and professionals with financial and legal backgrounds. The profile of each director is set out on pages 48 to 53 of the annual report for the year ended 31 December 2015 ("FY2015 Annual Report"). The directors, having examined and taken into account the size, scope and nature of the operations of the Group, consider that the Board is of an adequate size with the right mix of skills and experience that facilitates effective decision making.

A majority of the Board comprises non-executive directors who constructively challenge and help develop strategies for the Group. They review the performance of Management in meeting agreed goals and objectives as well as reviewing management reports. In addition to contributing their valuable experience and providing insights into the Board's deliberations, each of them brings to the Board an objective perspective to enable balanced and well considered decisions to be made.

The non-executive directors met 4 times in 2015, without the presence of Management, to discuss the Management's performance.

Chairman and Chief Executive Officer (CEO) (Principle 3) A clear division of responsibilities between the Chairman and CEO to ensure a balance of power and authority

The Chairman of the Board and Sembcorp Marine's President & CEO are separate persons. There is a clear separation of the roles and responsibilities between the Chairman and the President & CEO. The President & CEO is not related to the Chairman.

The Chairman, who is an independent director, takes a leading role in the Group's drive to achieve and maintain a high standard of corporate governance with the full support of the directors, company secretaries and the Management.

The Chairman is responsible for the leadership of the Board and for ensuring its effectiveness in all aspects of the Board's role. He sets the agenda and ensures adequate and timely information is provided to directors and sufficient time is available for discussions on important issues. He promotes a culture of openness and debate at the Board. The Chairman facilitates the contribution of non-executive directors in particular, and ensures constructive relations within the Board and between the Board and Management. He also ensures effective communication with shareholders.

The President & CEO manages the operations of the Group in accordance with the Group's strategies and policies; implements the Board's decisions; and provides close oversight, guidance, advice and leadership to senior Management.

Board Membership (Principle 4)

Formal and transparent process for appointment and re-appointment of directors

The NC comprises the following members, the majority of whom, including the Chairman, are non-executive and independent:

Mr Ajaib Haridass (Chairman)
Tan Sri Mohd Hassan Marican
Mr Tang Kin Fei
Mr Eric Ang Teik Lim

The primary purpose of the NC is to support and assist the Board in selection, appointment, and re-election of directors. It makes recommendations to the Board on:

- the review of the Board's succession plans for directors;
- the development of a process for evaluation of the performance of the Board, its committees and directors; and
- the review of training and professional development programmes for the directors.

The NC ensures that directors appointed to the Board and its committees possess the background, experience and knowledge in technology, business, finance and management skills critical to the Group's business and that each director brings to the Board an independent and objective perspective to enable balanced and well considered decisions to be made.

All directors (including the President & CEO) are required to submit themselves for re-nomination and re-appointment at regular intervals, and at least once every 3 years. Mr Wong Weng Sun, Mr Ajaib Haridass and Mr Lim Ah Doo will retire at the forthcoming annual general meeting ("AGM") pursuant to Article 91 of the Company's constitution, and have offered themselves for re-election at the AGM. Mr Ajaib Haridass will step down as a member of the Board Risk Committee with effect from the date of the AGM.

All newly appointed directors are also required to submit themselves for re-election at the AGM immediately following their appointments. Thereafter, they are subject to retirement by rotation in accordance with the Company's constitution. Mrs Gina Lee-Wan and Mr Bob Tan Beng Hai will retire at the AGM pursuant to Article 97 of the Company's constitution, and have offered themselves for re-election at the AGM.

The NC reviews annually, and as and when circumstances require, if a director is independent. The independence of each director is assessed based on their ability to act with independent judgment and to discharge their duties objectively.

The Board has adopted guidelines for addressing competing time commitments that are faced when directors serve on multiple boards and have other principal commitments. The Company has determined that a director should not hold more than 6 principal board representations to ensure that a director will have sufficient time and attention for the affairs of the Company.

The Board does not encourage the appointment of alternate directors. No alternate director is currently being appointed to the Board.

The Board has adopted a process for the selection, appointment and re-appointment of directors. The NC reviews the composition of the Board and Board committees periodically. It assesses and shortlists a list of candidates for a new position on the Board when a need arises. The list of shortlisted candidates is submitted to the Board for review and approval. The successful candidate is then appointed as a director of the Company in accordance with the Company's constitution.

The NC reviews the contribution and performance of each existing director before making recommendations to the Board for his re-election or re-appointment at the next AGM. Once the Board has considered and adopted the recommendations, the resolution proposing the re-election or re-appointment of a director will be tabled at the AGM for shareholders' approval.

CORPORATE GOVERNANCE

Key information regarding directors' profiles, disclosures of interests and directorships are disclosed in other sections of the FY2015 Annual Report.

Board Performance (Principle 5) **Formal assessment of the effectiveness of the Board and contribution by each director**

The Board believes that active participation and valuable contributions are essential to the overall effectiveness of the Board.

The NC reviews the Board's performance annually, based on performance criteria as agreed by the Board. The Chairman of the Board and the NC Chairman also review the performance of each individual director based on factors such as the director's preparedness, participation and contribution at Board meetings, and industry and business knowledge. The Chairman will act on the results of the performance evaluation and propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.

For the year under review, each director was requested to complete a questionnaire based on the following areas of assessment:

- size and composition of the Board;
- Board's access to information;
- Board's processes and accountability; and
- Board's and its committees' performance.

The evaluation and feedback from the directors were consolidated and submitted to the Board for discussion and further improvements in its performance. Based on the overall assessment for 2015, the Board was effective as a whole.

Access to Information (Principle 6) **Complete, adequate and timely information**

All directors have access to complete, adequate and timely information and resources. Directors are provided with electronic tablets to enable them to access Board and Board committee papers 3 days prior to and during meetings. The Management provides the Board with monthly management reports on the Group's operational and financial performance.

The Board has separate and independent access to the President & CEO, members of senior Management and the company secretaries at all times. Management is also present at the meetings to address directors' queries or to provide further insights into matters concerned.

The company secretaries attend all Board and Board committee meetings and are responsible for ensuring that meeting procedures are followed and applicable rules and regulations are complied with. The company secretaries also ensure that good information flows within the Board and its committees, and between Management and non-executive directors. They assist the Board in the implementation and upkeep of good corporate governance and best practices across the Group.

The appointment and removal of each company secretary is a matter taken by the Board as a whole.

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies (Principle 7)

Formal and transparent procedure for fixing remuneration packages of directors

The ERCC comprises the following members, 3 of whom (including the Chairman) are independent directors and all of whom are non-executive directors:

Tan Sri Mohd Hassan Marican (Chairman)
Mr Tang Kin Fei
Mr Ajaib Haridass
Mr Eric Ang Teik Lim

The primary purpose of the ERCC is to support and advise the Company on remuneration matters and leadership development by:

- overseeing development of leadership and management talent;
- ensuring that the Group has appropriate remuneration policies; and
- designing remuneration packages with a focus on long-term shareholders' returns.

The ERCC establishes guidelines on share plans and other long-term incentive plans, and approves the grant of incentives to key executives. The underlying philosophy is to motivate executives to maximise operating and financial performance and shareholders' value.

In addition, the ERCC reviews the remuneration of non-executive directors, executive director and senior executives, as well as major human resource management and compensation policies and practices for the rest of the Group.

On an annual basis, a comprehensive talent management programme and the succession plans are presented to the ERCC for review. The ERCC reviews the succession plans for key and critical positions to align the business goals and the Group's human capital needs. This enables the Company to identify the talent pool and allow focus and devotion of time and resources to leverage the full value and potential of identified successors.

The Company has engaged Mercer (Singapore) to advise the ERCC on remuneration of directors and key executives. Mercer (Singapore) is an independent external consultancy firm. There is no relationship between the Company and Mercer (Singapore) that affects the independence and objectivity of Mercer (Singapore).

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

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

The ERCC reviews the terms of the contracts of service of directors and key management personnel to ensure that the terms are fair and reasonable, and termination clauses are not overly generous.

Level and Mix of Remuneration (Principle 8)

Appropriate remuneration to attract, retain and motivate directors and key management

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

The President & CEO, as an executive director, does not receive director's fee. As a lead member of Management, his compensation consists of his salary, allowances, bonuses and share-based incentives conditional upon meeting certain performance targets. Details on the share-based incentives and performance targets are available on pages 159 to 166 and 258 to 259 of the FY2015 Annual Report.

Non-executive Directors' Fees

The framework below adopted by the Company is based on a scale of fees divided into basic retainer fees, attendance fees and allowances for travel and service on Board committees:

Directors' Fee Framework	\$
(i) Board of directors	
- Basic	75,000
- All-in Chairman's fee	600,000
(ii) Audit Committee, Executive Committee, Transformation Committee and Special Committee	
- Chairman's allowance	50,000
- Member's allowance	30,000
(iii) Board Risk Committee	
- Chairman's allowance	40,000
- Member's allowance	25,000
(iv) Executive Resource & Compensation Committee	
- Chairman's allowance	35,000
- Member's allowance	20,000
(v) Nominating Committee	
- Chairman's allowance	25,000
- Member's allowance	15,000
(vi) Attendance	
- Board meeting	5,000
- Committee meeting	2,500
- Teleconference (Board meeting)	2,000
- Teleconference (Committee meeting)	1,000
(vii) Travel Allowance for overseas directors	
- < 4 hours (to & fro air travel time)	2,500
- 4 to 15 hours (to & fro air travel time)	5,000
- > 15 hours (to & fro air travel time)	10,000

Notes:

- (1) *Mr Wong Weng Sun, being an executive director, does not receive any director's fee.*
- (2) *Cash fees for executives of SCI (nominee directors) are payable to SCI, but share awards are received by nominee directors in their personal capacity.*
- (3) *Fees for Mr Eric Ang Teik Lim will be paid entirely in cash to his employer, DBS.*
- (4) *Attendance fees for committee meetings also apply to attendance at general meetings.*
- (5) *Chairman of the Board will not receive the annual basic retainer fee for directors or any further fees or allowances for his services as chairman or member of any Board committees.*
- (6) *For FY2015, Mr Lim Ah Doo will receive a \$500,000 all-in Chairman fee for his role in the Special Committee. No separate attendance fees or other allowances will be paid to him as Chairman of the Special Committee. He will, however, continue to receive the annual basic retainer fee for directors as well as other applicable fees and allowances for his services as chairman or member of the Board and other Board committees.*

CORPORATE GOVERNANCE

The current intention is that the directors' fees payable to non-executive directors will comprise a cash component and a share component. The ERCC has determined that up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010. The payment of directors' fees (both the cash and share components) is contingent upon shareholders' approval. Directors and their associates will abstain from voting on any resolution(s) relating to their remuneration.

Share awards granted under the Sembcorp Marine Restricted Share Plan 2010 to directors as part of directors' fee will typically consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares in the Company (including shares obtained by other means) worth at least the value of their annual basic retainer fee (currently \$75,000); any excess may be disposed of as desired. A non-executive director may only dispose of all of his shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive director will be determined by reference to the volume-weighted price of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the AGM (or, if no final dividend is proposed at the AGM or if the resolution to approve such final dividend is not approved at the AGM, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. The share component of the directors' fees for FY2015 is intended to be paid after the 2016 AGM has been held.

The shareholders of the Company had approved the payment of directors' fees of up to \$2,037,000 for FY2015 at the last AGM held on 17 April 2015. The Company will be seeking shareholders' approval at the forthcoming 2016 AGM for payment of \$904,792 as additional directors' fees to meet the shortfall in the amount payable for FY2015. The amount approved last year was insufficient due to (i) the appointment of two additional directors in 2015, (ii) the establishment of the Special Committee, and (iii) increased attendance fees attributed to the increase of the number of meetings of the Board and its committees held to respond to extraordinary market conditions. The proposed additional fees include a special fee of \$500,000 payable to Mr Lim Ah Doo as Chairman of the Special Committee for his active oversight role in spearheading and guiding the Special Committee, which was established on 10 February 2015 to conduct an internal investigation into an allegation of improper payments in Brazil and deal with issues arising in connection with the matter.

The Company will also be seeking shareholders' approval at the forthcoming AGM for the payment of directors' fees for year 2016. Subject to shareholders' approval, the cash component of the directors' fees for year 2016 is intended to be paid half-yearly in arrears. The share component of the directors' fees for year 2016 is intended to be paid after the 2017 AGM has been held.

The Company does not have a retirement remuneration plan for non-executive directors.

Remuneration for Key Management Personnel

The Company's remuneration and reward system for key management personnel is designed to ensure a competitive level of compensation to attract, retain and motivate employees to deliver high-level performance in accordance with the Company's established risk policies. The remuneration of the key management personnel comprises three primary components:

▪ **Fixed Remuneration**

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

▪ **Annual Variable Bonuses**

The annual variable bonus is intended to recognise the performance and contributions of the individual, while driving the achievement of key business results for the Company. The annual variable bonus includes two components. The first is linked to the achievement of pre-agreed financial and non-financial performance targets, while the second is linked to the creation of economic value added ("EVA").

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

▪ Share-based Incentives

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

Pay for Performance

As in prior years, a pay-for-performance study was conducted in 2015 by the Company's external consultant, Mercer (Singapore), to review the alignment between the Group's executive pay programme, shareholder returns and business results. The Group benchmarked itself against established global marine, energy services and engineering firms and comparably-sized local listed companies with which the Group competes for talent and capital.

The study benchmarked different elements of senior executive pay, namely fixed remuneration, total cash remuneration and total compensation including long-term incentives, against those of peer companies. It found senior executive pay to be positioned competitively vis-à-vis the Group's relative size and performance. Executive compensation for the year had a robust correlation with the Group's earnings before interest and taxes and EVA. In the longer term, there was also an alignment between executives' total compensation (which includes share awards for the President & CEO and senior executives) and the Group's three-year earnings before interest and taxes, return on capital employed and total shareholder returns. Overall, the study showed a strong correlation between the Group's executive pay and its business results and shareholder returns, indicating strong pay-for-performance alignment.

Disclosure of Remuneration (Principle 9)

Clear disclosure on remuneration policy, level and mix of remuneration

Information regarding remuneration of each individual director (including the President & CEO), and the five key executives is set out on pages 258 to 259 of the FY2015 Annual Report.

Key executives include the Chief Operating Officer, Executive Vice Presidents and Chief Financial Officer of the Group ("CFO").

There were no employees who were immediate family members of a director or the President & CEO, and whose remuneration exceeded \$50,000, during FY2015.

ACCOUNTABILITY AND AUDIT

Accountability (Principle 10)

A balanced and understandable assessment of the Company's performance, position and prospects

The Board is accountable to shareholders and announces the Company's quarterly and full year financial results which present a balanced and understandable assessment of the Company's performance, position and prospects in a timely manner via SGXNet.

The Board ensures that the Company complies with the applicable legislative and regulatory requirements by establishing written policies where appropriate.

Management provides all members of the Board with management accounts accompanied by detailed explanations and information on a monthly basis or as the Board may require from time to time, enabling the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Risk Management and Internal Controls (Principle 11)

A sound system of risk management and internal controls

Sembcorp Marine has put in place a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets. Oversight responsibility of risk management and internal controls is delegated by the Board to the BRC and AC. Both committees work closely to ensure that the system of risk management and internal controls maintained by Management is adequate and effective.

The BRC comprises the following members, 5 of whom (including the Chairman) are independent directors and all of whom are non-executive directors:

Mr Lim Ah Doo (Chairman)
 Mr Ajaib Haridass
 Mr Ron Foo Siang Guan
 Mr Koh Chiap Khiong
 Mr Eric Ang Teik Lim
 Mrs Gina Lee-Wan

CORPORATE GOVERNANCE

As part of its oversight responsibilities, the BRC undertakes the following:

- assess the adequacy and effectiveness of the Group's risk management framework (including policies, procedures and processes). Such reviews can be carried out internally or with the assistance of external parties;
- determine the Group's risk appetite and oversee Management in the design, implementation and monitoring of the Group's risk management framework;
- review and approve the Group's risk policies, plans, guidelines and limits; and
- review the infrastructure and resources that support risk management such as human resources, IT systems, reporting structure and procedures.

To ensure that the system of risk management and internal controls is adequate and effective, Sembcorp Marine has implemented the Enterprise Risk Management ("ERM") programme since 2004. The ERM programme helps the Group identify, assess and manage key risks in the challenging business environment that it operates in. For more information on the Group's ERM programme, please refer to pages 98 to 99 of the FY2015 Annual Report.

Since 2012, Sembcorp Marine has put in place a risk governance assurance framework to assist the Board in forming an opinion on the adequacy and effectiveness of the system of risk management and internal controls. The risk governance assurance framework was developed with guidance from external consultants, and has been implemented for both Singapore and overseas shipyards.

During the year under review, the Board was assured by the President & CEO and the CFO that the financial records had been properly maintained and the financial statements gave a true and fair view of the Group's operations and finances, and that the Group's system of risk management and internal controls was adequate and effective.

The Board, having performed its review, and with the concurrence of AC and BRC, is satisfied that the financial, operational, compliance and information technology controls and risk management system were adequate and effective as at 31 December 2015 to meet the needs of the Group in the current business environment.

This opinion is based on Management's review and effort to continually strengthen the Group's risk mitigating measures and internal controls, reports by the Internal Audit and Group Risk Management departments, statutory audits conducted by the external auditors as well as documentation in risk governance assurance framework.

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

The Risk Management report is found on pages 98 to 101 of the FY2015 Annual Report.

Audit Committee (Principle 12)

Establishment of an Audit Committee with written terms of reference

The AC comprises the following members, 3 of whom (including the Chairman) are independent directors and all of whom are non-executive directors:

Mr Ron Foo Siang Guan (Chairman)
 Mr Lim Ah Doo
 Mr Koh Chiap Khiong
 Mr Bob Tan Beng Hai

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

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

The duties of the AC include:

- reviewing quarterly results and any announcements relating to the Company's financial performance;
- reviewing management's representation on financial matters and internal controls presented quarterly;
- reviewing interested person transactions in accordance with the requirements of the Listing Manual;
- reviewing with the external auditors and internal auditors significant internal control issues, if any, which are likely to have a material impact on the Group's operating results and/or financial position;

- reviewing the representation and opinion of Management and internal audit on internal controls, and the results of work performed by the internal and external auditors, to provide AC's concurrence with the Board's opinion on the adequacy and effectiveness of internal controls and risk management system;
- reviewing the effectiveness of the Company's internal audit function;
- reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors; and
- recommending to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.

The AC meets with the external auditors and internal auditors without the presence of Management at least annually.

The AC had reviewed all the non-audit services provided to the Group by the Company's external auditors, and is satisfied that such services had not affected the independence of the external auditors. A breakdown of the fees for audit and non-audit services paid to the auditors for FY2015 are found on page 216 of the FY2015 Annual Report.

The Company has put in place a whistle-blowing policy and procedure, under the oversight of the AC. Through this avenue, the employees of the Group or any other persons may, in confidence, raise concerns about possible improprieties in matters of financing reporting or other matters. The AC ensures that arrangements are in place for such concerns to be independently investigated, and for appropriate follow-up action to be taken.

During the year under review, the AC had carried out its duties in accordance with its terms of reference. The Chairman of the AC reports to the Board on AC's proceedings and on all significant matters relevant to the AC's duties and responsibilities.

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

No former partner or director of the Company's existing auditing firm or auditing corporation was appointed as a member of the Company's AC for FY2015.

INTERNAL AUDIT

An Effective Internal Audit Function (Principle 13)

Establishment of an internal audit function that is independent of the activities it audits

The head of the Company's Internal Audit Department ("IAD") reports functionally to the AC and administratively to the President & CEO. The AC has empowered the IAD with access to all functions, personnel and records in the organisation necessary for the performance of IAD's reviews and duties. The AC also ensures that the IAD is adequately resourced.

IAD plans internal audit reviews and resource requirements in consultation with, but independent of, the Management. Its risk-based plan is submitted to the AC for approval at the beginning of each year and the AC reviews the internal audit reports quarterly. The IAD conducts audit reviews to provide assurance that the internal controls are adequate and effective to meet the Group's requirements.

IAD's staff consist of suitably qualified professionals with the relevant experience and skill sets. Training and development opportunities are provided to these staff on an ongoing basis.

The IAD adopts the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors and had successfully completed an external Quality Assurance Review in 2012.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights (Principle 14)

Fair and equitable treatment of shareholders

Sembcorp Marine is committed to treat all shareholders fairly and equitably. The Company recognises, protects and facilitates the exercise of shareholders' rights, and continually reviews and updates such governance arrangements.

The Company ensures that there is an adequate disclosure of developments in the Group and such disclosure is in compliance with SGX-ST listing rules.

The Company invites and encourages all registered shareholders to participate in the Company's general meetings. Each shareholder will receive a notice of meeting which is also advertised in the newspapers and released via SGXNet.

CORPORATE GOVERNANCE

Communication with Shareholders (Principle 15) Regular, effective and fair communication with shareholders

The Company has put in place a comprehensive investor relations programme to promote regular, effective and fair communication with shareholders. The Company conveys pertinent information to shareholders and complies with the guidelines set out in the Listing Manual when disclosing information.

The Company does not practise selective disclosure of price sensitive information. The Board announces the Company's quarterly financial results and any significant transactions and developments via SGXNet on a timely basis.

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

The quarterly and full year results announcements provide financial and other performance information of the Group as a whole as well as by business segments. This allows shareholders to gain better insights into the earning drivers within Sembcorp Marine. The earnings results are first released via SGXNet and posted on the SGX-ST website. The Management team then holds a briefing or teleconference for the media and analysts. Materials used at the briefing are made available on SGXNet and on the Company's website at www.sembmarine.com. Following any release of earnings or price-sensitive developments, investor relations personnel are available by email or telephone to answer questions from shareholders and the media as long as the information requested does not conflict with the SGX-ST's rules of fair disclosure.

Apart from the regular meetings, email communication and teleconferences with investors and analysts, the Management team also travels regularly to attend overseas road shows and conferences to reach out to foreign institutional investors.

The Company aims to balance returns to shareholders with the need for long-term sustainable growth. It strives to provide shareholders on an annual basis with a consistent and sustainable dividend based on cash position, working capital, capital expenditure plans, acquisition opportunities and market environment. The Board has recommended a final dividend of 2 Singapore cents per share, bringing the total ordinary dividend for FY2015 to 6 Singapore cents, if the proposed dividend is approved by the shareholders at the forthcoming AGM.

For further details on Sembcorp Marine's communication with its shareholders, please see the "Investor Relations" section of the FY2015 Annual Report.

Conduct of Shareholder Meetings (Principle 16) Greater shareholder participation at general meetings

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

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

The Company ensures that separate resolutions are proposed for substantially separate issues at general meetings.

The Chairman, President & CEO, Chairman of the AC as well as other directors, CFO and company secretaries attend the meetings. The external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

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

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

DEALINGS IN SECURITIES

The Company has put in place a policy on dealings in securities, which prohibits dealings in the Company's securities by its officers during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of the Company's financial year, and one month before the announcement of the Company's full year financial statements, and ending on the date of the announcement of the relevant results.

The officers and employees of the Group are expected to observe insider trading laws at all times and are prohibited from dealing in the Company's securities while in possession of price sensitive information and on short-term considerations.

INTERESTED PERSON TRANSACTIONS (IPTS)

Shareholders approved the renewal of a general mandate for IPTs at the AGM on 17 April 2015. The mandate sets out the levels and procedures for obtaining approval for each type of IPTs covered under the mandate. Information regarding the mandate is available on the Company's website at www.sembmarine.com.

All business units are required to be familiar with the IPT mandate and report any such transactions to their respective finance departments. The Group Finance department keeps a register of the Group's IPTs.

Detailed information on IPTs for FY2015 is found on page 259 of the FY2015 Annual Report.

CORPORATE GOVERNANCE

DISCLOSURE GUIDE ON GOVERNANCE PRACTICES

Guideline	Questions	How has the Company complied?
General	<p>(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.</p> <p>(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p>	The Company has complied in all material aspects with the principles and guidelines set out in the Code.
BOARD RESPONSIBILITY		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	The Company has adopted a set of internal controls which sets out approval limits for different types of transactions. Board's approval is required if the amount of a transaction exceeds a pre-defined threshold.
MEMBERS OF THE BOARD		
Guideline 2.6	<p>(a) What is the Board's policy with regard to diversity in identifying director nominees?</p> <p>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</p> <p>(c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?</p>	<p>(a) The Board ensures that directors possess the background, experience and knowledge in technology, business, finance and management skills critical to the Group's business and that each director should bring to the Board an independent and objective perspective to enable balanced and well considered decisions to be made.</p> <p>(b) Current Board members include business leaders, bankers and professionals with financial and legal backgrounds. Details can be found on page 48 to 53 of the FY2015 Annual Report.</p> <p>(c) The Nominating Committee reviews the composition of the Board and Board committees periodically to ensure that the Board is of an adequate size with the right mix of skills and experience that facilitates effective decision making.</p>
Guideline 4.6	Please describe the Board's nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	<p>(i) The Nominating Committee assesses and shortlists a list of candidates for a new position on the Board when a need arises. The list of shortlisted candidates is submitted to the Board for review and approval and the successful candidate is then appointed as a director in accordance with the Company's constitution.</p> <p>(ii) The Nominating Committee reviews the contribution and performance of each existing director before making recommendations to the Board for his re-election or re-appointment at the next AGM. Once the Board has considered and adopted the Nominating Committee's recommendations, the resolution proposing the re-election or re-appointment of a director will be tabled at the AGM for shareholders' approval.</p>

Guideline	Questions	How has the Company complied?
Guideline 1.6	<p>(a) Are new directors given formal training? If not, please explain why.</p> <p>(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?</p>	<p>(a) Yes.</p> <p>(b)(i) A comprehensive orientation programme, including facility visits to the Group's various premises, is provided to all newly appointed directors. They are briefed on the Group's business activities, financial performance, governance policies and practices, regulatory regime and their duties as directors.</p> <p>(ii) Directors are updated regularly on relevant new laws, regulations and changing business risks during Board meetings or at specially-convened sessions. Arrangements are made for them to attend training sessions, courses and seminars conducted by external consultants and institutions at the Company's expense.</p>
Guideline 4.4	<p>(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?</p> <p>(b) If a maximum number has not been determined, what are the reasons?</p> <p>(c) What are the specific considerations in deciding on the capacity of directors?</p>	<p>(a) The Company has determined that a director should not hold more than 6 principal board representations.</p> <p>(b) Not applicable.</p> <p>(c) The main consideration is to ensure that a director will have sufficient time and attention for the affairs of the Company.</p>
BOARD EVALUATION		
Guideline 5.1	<p>(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?</p> <p>(b) Has the Board met its performance objectives?</p>	<p>(a) The Nominating Committee reviewed the Board's performance based on performance criteria as agreed by the Board. Each director was requested to complete a questionnaire based on certain areas of assessment. The evaluation and feedback from the directors were consolidated and submitted to the Board for discussion and further improvements in its performance.</p> <p>(b) Based on the overall assessment for 2015, the Board was effective as a whole.</p>
INDEPENDENCE OF DIRECTORS		
Guideline 2.1	<p>Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.</p>	<p>Yes. The current Board comprises 10 directors, 7 of whom are independent directors.</p>

CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?
Guideline 2.3	<p>(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.</p> <p>(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.</p>	<p>(a) Yes. (i) Tan Sri Mohd Hassan Marican is a non-executive director and independent director of Sembcorp Industries Ltd ("SCI"), a controlling shareholder of the Company. He is also a Senior International Advisor at Temasek International Advisors, a subsidiary of Temasek Holdings Ltd. (ii) Mr Ajaib Haridass is a non-executive director and independent director of SCI. (iii) Mr Eric Ang Teik Lim is a Senior Executive Advisor of DBS Bank Ltd which provides banking services to the Group, and (iv) Mrs Gina Lee-Wan is a partner of Allen & Gledhill LLP ("A&G") which has rendered services to the Group.</p> <p>(b) Please refer to page 83 of the FY2015 Annual Report.</p>
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	Yes. (i) Mr Ajaib Haridass has served as an independent director on the Board for more than 9 years. The Board had conducted a rigorous review on Mr Ajaib Haridass' status and considered Mr Ajaib Haridass to be an independent director of the Company. The Board is of the view that Mr Ajaib Haridass has continued to demonstrate ability to exercise strong independent judgment and act in the interests of the Company. Further, having gained in-depth understanding of the business and operating environment of the Group, Mr Ajaib Haridass provides the Company with much needed experience and knowledge of the industry. His contributions have been invaluable to the Company. (ii) Mr Ron Foo Siang Guan has served as an independent director on the Board for more than 9 years. The Board had conducted a rigorous review on Mr Ron Foo Siang Guan's status and considered him to be an independent director of the Company. The Board is of the view that Mr Ron Foo Siang Guan's more than 9 years of service on the Board has not affected his objectivity. He has continued to exercise strong independent judgment and act in the best interests of the Company. Mr Ron Foo Siang Guan has an extensive auditing, accounting, and financial experience in Singapore and overseas. His knowledge and experience has been invaluable to the Company.
DISCLOSURE ON REMUNERATION		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes. This information can be found on pages 159 to 166 and 258 to 259 of the FY2015 Annual Report.

Guideline	Questions	How has the Company complied?
Guideline 9.3	<p>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</p> <p>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p>	<p>(a) Yes. This information can be found on pages 230 and 258 to 259 of the FY2015 Annual Report.</p> <p>(b) This information can be found on pages 230 and 258 to 259 of the FY2015 Annual Report.</p>
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	No.
Guideline 9.6	<p>(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.</p> <p>(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p> <p>(c) Were all of these performance conditions met? If not, what were the reasons?</p>	The remuneration of the key management personnel comprises three primary components: Fixed Remuneration, Annual Variable Bonuses and Share-based Incentives. Information on the remuneration received by the executive director and key management personnel as well as details on share-based incentives and performance targets is available on pages 223 to 229 and 258 to 259 of the FY2015 Annual Report.
RISK MANAGEMENT AND INTERNAL CONTROLS		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	<p>All directors have access to complete, adequate and timely information and resources. Directors are provided with electronic tablets to enable them to access Board and Board committee papers 3 days prior to and during meetings.</p> <p>The Management provides all members of the Board with management accounts accompanied by detailed explanations and information on a monthly basis or as the Board may require from time to time, enabling the Board to make a balanced and informed assessment of the Company's performance, position and prospects.</p>
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes. The Head of the Internal Audit Department reports functionally to the Audit Committee and administratively to the President & CEO.

CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?
Guideline 11.3	<p>(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.</p> <p>(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?</p>	<p>(a) The Company has put in place a risk governance assurance framework to assist the Board in forming an opinion on the adequacy and effectiveness of the system of risk management and internal controls. The risk governance assurance framework was developed with guidance from external consultants, and has been implemented for both Singapore and overseas shipyards.</p> <p>(b) Yes.</p>
Guideline 12.6	<p>(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.</p> <p>(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.</p>	<p>(a) Please refer to page 216 of the FY2015 Annual Report.</p> <p>(b) The amount of non-audit fees compared to the total annual audit fees is 51%. The Audit Committee had reviewed the non-audit services provided by the external auditors during the financial year and is satisfied that the independence of the external auditors has not been impaired by the provision of these services. The external auditors have also provided confirmation of their independence.</p>

COMMUNICATION WITH SHAREHOLDERS

Guideline 15.4	<p>(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?</p> <p>(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?</p>	<p>(a) Yes. Details are available in the Investor Relations chapter, pages 66 to 69 and 78 to 79 of the FY2015 Annual Report.</p> <p>(b) It is done by a dedicated investor relations team and involves the senior management team.</p> <p>(c) Details are available in the Investor Relations chapter, pages 66 to 69 and 78 to 79 of the FY2015 Annual Report.</p>
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Not applicable.

RISK MANAGEMENT

2015 witnessed the continued decline of global oil prices to levels last seen in 2004. Across the industry, international drillers are trying to rebalance their businesses by renegotiating drilling commitments, paring back capital expenditure and rephasing drilling activities. Against this backdrop, the Group's system of risk management and internal controls continues to facilitate strategic dialogue and decision-making to manage the risks and opportunities in the challenging environment.

Risk management is a cornerstone of the Group's business and operations, with the Enterprise Risk Management (ERM) framework well in place for over a decade. The Group believes in continuously strengthening its ERM policies and processes to stay ahead of the global risk environment and evolving business requirements. Effective since 2013, the Risk Governance and Assurance framework also provides assurance on the system of risk management and internal controls.

SEMCORP MARINE'S RISK GOVERNANCE STRUCTURE

Board of Directors

Board Risk Committee

Enterprise Risk Management Committee

Enterprise Risk Management Sub-Committees

RISK GOVERNANCE STRUCTURE

Within the Sembcorp Marine Group, the Board of Directors sits on the apex of the risk governance structure and sets an appropriate tone from the top, which is cascaded across the Group through policies and procedures. The Board Risk Committee (BRC) is responsible for driving the Group's risk governance, and assists the Board of Directors in overseeing the design, implementation and monitoring of the Group's system of risk management and internal controls. In 2015, four BRC meetings were held. The Risk Governance and Assurance framework provides the platform on which the BRC is able to engage with Management on various risk governance topics pertaining to risk appetite as well as review risk profile and mitigating plans, among others. Through the reviews and discussions, the BRC is able to assess the adequacy and effectiveness of the Group's system of risk management and internal controls.

Operationally, responsibility for the management of the system of risk management and internal controls lies with the ERM Committee. Chaired by the Group President & CEO, the ERM Committee drives key risk initiatives and reviews risk issues across the Group. The ERM Committee comprises Heads of Commercial Units, Chief Risk Officers from the various yard locations, as well as Heads of Corporate Functions who report on risk issues under their charge and champion their respective key risk areas.

Supporting the ERM Committee are Sub-Committees responsible for specific areas: Customer Credit, Project Risk Management, Finance, Human Resource, Supply Chain, Information Technology, Critical Assets, as well as Health, Safety, Security and Environment (HSSE). These Sub-Committees are chaired by senior management staff appointed by the President & CEO.

RISK MANAGEMENT

KEY RISK MANAGEMENT INITIATIVES IN 2015

Risk appetite monitoring

The Group's risk appetite defines the boundaries within which the business must operate. Hence risk tolerance metrics and tolerance limits were actively monitored and reported to the BRC.

Updating the risk governance and assurance framework (RGAF)

Updated annually, the RGAF enables the monitoring of both management assessment and independent assessment of key controls vis-à-vis their respective risk areas. It allows a view to be formed on the adequacy and effectiveness of control measures for individual risks.

Risk survey

A biennial survey was conducted with management and executive staff to solicit feedback on the effectiveness and maturity of risk management and assurance mechanisms in the Group. The opinions of the Board of Directors were also solicited in the survey. The survey findings were analysed for improvement opportunities.

Assessing and reporting of emerging risks

Horizon scanning is crucial to identifying trends and events that may potentially evolve to impact the Group's business or operations. These trends and events were highlighted and deliberated to determine if they could adversely affect the Group's risk profile.

Anti-bribery compliance

The Group conducted anti-bribery compliance due diligence on third parties appointed to act on its behalf. These third parties included agents marketing the products and services of the Group, and assisting to source for customers for the Group.

Awareness training on Governance, Risk and Controls

Group Risk Management and Internal Audit have reached out to employees to conduct training and awareness sessions with the aim of inculcating a risk and control awareness culture. These sessions serve to educate employees on the importance and requirements of risk governance, risk management and internal controls.

KEY RISKS AND MITIGATION STRATEGIES

The Group's risk profile is regularly refreshed to reflect significant changes in the business and operating environment. External elements influencing the business, as well as control measures in place are factored in, to determine risk level.

External Environment Risks

Oil price volatility, economic sanctions and changes in global interest rates are examples of global events which give rise to external environment risks. In the inter-connected web of business, ripples generated by any node may potentially impact the Group's customers, suppliers, business partners and ultimately the Group.

External environment risks are inherently volatile. Some risks may be unpredictable with short but high intensity impact, while others may slowly build up into a catastrophic situation. With these factors in mind, the Group strives to mitigate external environment risks to as low as reasonably practicable, with due consideration given to achieving an appropriate risk / reward balance.

Strategic Risks

The Group has in place mid- to long-term plans to grow its business and operations, both in Singapore and globally. While shifts in customer requirements, advancement in technology and competitor offerings are considered during the development of the Group's strategies, unforeseen developments in these areas may present risks and opportunities. Hence, the Group constantly keeps ahead of such developments to calibrate its strategies and re-evaluate its investments in order to mitigate risks which may arise, or capitalise on opportunities that present themselves.

Financial Risks

The Finance Committee is an ERM Sub-committee chaired by the Group Chief Financial Officer. The Committee comprises key finance staff from strategic business units and corporate functions of treasury, tax, internal audit and risk management. The primary responsibilities of the Finance Committee cover the areas of financial system integrity, accounting, regulatory reporting, compliance, internal and external audit issues, and financial risks.

The Group's international presence and worldwide clientele inevitably subjects it to financial risks arising from the global financial market, ranging from foreign exchange volatilities to customer credit risks. Policies and procedures addressing these areas have been established and implemented throughout the Group to mitigate the associated risks. These policies also set out financial approval limits for individual staff such that approvals for financial transactions are made within their authorised limits. The Group also has guidelines in place to manage costs of capital, foreign currency fluctuations and interest rates, as well as to ensure that the Group maintain a healthy cash flow to meet financial obligations and operational needs.

Project Management Risks

The Group has established a strong track record in the offshore and marine industry, and has consistently demonstrated good project management through on-time and on-budget deliveries, while meeting safety, quality and environmental requirements.

Nonetheless, the underperformance of contractors and suppliers could contribute to project delays and cost overruns. The Group has in place a stringent selection process for these counterparties to mitigate underperformance, or in severe cases, failure of contractors and suppliers. Once the third parties are engaged, their performance is evaluated regularly to ensure that their contractual obligations are delivered in a satisfactory manner.

Human Resource Risks

People-centredness is one of the Group's core values. Sembcorp Marine believes that employees play a vital role in supporting the achievement of corporate strategic goals and objectives. The Group has put in place a robust and comprehensive training programme which guides the development of its staff to fulfill their potential. In addition, the Company provides competitive remuneration and benefits, as well as progressive pathways for career development to attract and retain capable employees. Further human resource initiatives are discussed in the Human Capital section of this annual report.

Compliance Risks

Operating in a global environment, the Group is required to comply with applicable laws and regulations in the locations where it has a business presence. Some laws, for example, the US Foreign Corrupt Practices Act and the UK Bribery Act, carry significant financial penalties and have extra-territorial reach. On top of applicable laws and regulations, the Group is required to comply with sanctions and trade embargoes imposed by international bodies such as the United Nations and European Union. To identify legal and regulatory obligations, the Group relies on a compliance register.

Information Technology Risks

The Head, Information Technology (IT) chairs the IT Committee, with the mandate to execute strategies for a sound IT framework to support the Group's business and operations. The IT Committee, comprising key IT personnel from the various yard locations, is also the ERM Sub-Committee that identifies and discusses IT risk issues faced by the Group. Together with consultants, Internal Audit and Group Risk Management, a dedicated team has been formed to oversee the timely implementation of the OneERP project as part of the Group's Transformation for Growth strategy.

In 2015, the IT Committee reviewed and updated the Group IT risk profile and strengthened key IT controls. The Committee also reviewed cybersecurity measures to improve resilience against cyber attacks.

Health, Safety, Security and Environment Risks

Sembcorp Marine is committed to ensuring a safe and secure work environment at all times. To achieve this, the Group strives to provide a safe and conducive work environment for its employees, customers and subcontractors by instilling a culture of proactive individual involvement, personal accountability and continuous improvement.

The Health, Safety, Security and Environment (HSSE) Committee is responsible for implementing the Group's four safety strategic thrusts. This Committee, comprising key stakeholders from the various shipyard locations, monitors and reports the Group's safety performance and other HSSE-related matters to the ERM Committee and the BRC on a regular basis.

The Workplace Safety and Health section of this annual report provides more information on the principal activities carried out in 2015.

RISK MANAGEMENT

Fraud and Corruption Risks

Fraud and corruption risks can undermine the Group's reputation and business goals, which are to be achieved through honest and ethical means. The Group takes a zero-tolerance stance towards fraud and corruption in pursuing its business objectives.

Since 2005, the Group's whistle blowing channel has been a key tool for addressing the risk of fraudulent acts, including bribery and corruption. Any complaints of possible improprieties received through the whistle blowing channel will be subject to an independent investigation overseen by the Sembcorp Marine Audit Committee. The Group's Whistle Blowing Policy is published on the Company website, and employees are familiarised with the policy through regular awareness training on governance, risks and controls.

The Group's Fraud Risk Management programme encompasses the following key elements, which are manifested through various policies and procedures put in practice:

- Promoting an anti-fraud culture;
- Prevention measures;
- Detection measures;
- Response measures; and
- Monitoring and evaluating effectiveness of controls.

As at the time of reporting, 4,059 employees, including all management staff, have received anti-bribery compliance training. This group constitutes 89% of Sembcorp Marine global workforce holding executive positions and above.

During the year under review, there was no termination, non-renewal, or disciplinary action taken against employees or business partners arising from confirmed corruption or corruption-related incidents.

Critical Assets Risks

It is essential that critical assets in the Group are available to meet operational requirements, and that they function smoothly as intended to ensure that operations are safe, efficient and effective. The Critical Assets Committee has the task of reviewing policies and procedures relating to the deployment and maintenance of these critical assets, including docks and quays; material handling equipment; workshops; launching facilities; and power and utilities equipment.

In 2015, the Committee also reviewed the Group's critical assets risk profile with a focus on risks relating to malfunction and failure of critical equipment and infrastructure.

OTHER GROUP-WIDE RISK-BASED ACTIVITIES

Further to the key risk management initiatives and risk mitigating measures, the Group leverages a Control Self Assessment programme and Insurance programme to supplement its risk governance and risk management framework.

Control Self Assessment

The Group's Control Self Assessment (CSA) programme is an integral part of the overall risk and governance assurance framework. The CSA programme has been implemented in local yards since 2008 and was rolled out to overseas shipyards in 2013. A risk- based approach is taken to identify suitable processes and controls, for which CSA questionnaires would be completed by process and control owners on a quarterly basis. Updates on the CSA programme are reported at the BRC and ERM Committee meetings each quarter.

Through the programme, weaknesses in the control environment may be detected and reported to management in a structured and formalised approach and corrective action taken to strengthen the process to prevent future occurrences.

In addition to providing assurance that key controls are adequate and effective, the CSA programme instills ownership among the process and controls owners, and promotes a sense of accountability.

Insurance

The Group leverages insurance as a means of risk transfer where it is cost-effective, or required by contractual obligations or legislation (e.g. the Work Injury Compensation Act). Insurance coverage has been undertaken by the Group against foreseeable events which may result in catastrophic financial losses. The Group's approach on insurance is to strike a balance between the risk management capabilities to mitigate risk levels, and the cost benefits of a comprehensive insurance programme.

Through pooling of the various yards' common insurance needs, insurance is procured at the Group level to achieve better cost efficiency. The Group Insurance Committee maintains a close working relationship with insurance brokers and continually reviews insurance market conditions to ensure optimal coverage at competitive prices. During the year, the Group has reviewed the sum insured for its critical assets, motor fleet and employees' benefit insurance programme.

SUSTAINING COMPETITIVENESS

Sembcorp Marine distinguishes itself as an industry leader through its continuous focus on transformation and innovation for growth. By harnessing collaborative synergies, the Group consistently delivers innovative solutions that are uniquely tailored to meet the industry's exacting demands and highest standards of quality, safety and performance. Sembcorp Marine invests in innovation and solutions development to offer customers depth and breadth of services across the offshore and marine value chain while making technological strides and productivity leaps to sustain its competitive edge.

01.



01.

Building a loyal and varied base of partners and customers through close working relationships

02.

Connecting with industry stakeholders and partners at overseas tradeshows

COMMITMENT TO CUSTOMER SATISFACTION

The Group's strategic transformation from a multi-business-unit organisation into 'One Sembcorp Marine' enables it to leverage its global synergies to serve customers with greater flexibility, efficiency and effectiveness. This allows customers seamless access to Sembcorp Marine's collective expertise and versatile integrated solutions in its four key capabilities - Rigs & Floaters, Repairs & Upgrades, Offshore Platforms and Specialised Shipbuilding. For more information on Sembcorp Marine's transformation process, please refer to pages 26 to 31.

Through active engagement, close cooperation and open communication, Sembcorp Marine has forged long-term partnerships and grown its customer base to include leading players and established firms in the offshore and marine sector. Alliance and Favoured Customer Contract (FCC) partners account for more than 80% of the clientele for repairs and upgrades, providing the Group with a resilient base-load for sustainable growth.

SUSTAINING COMPETITIVENESS



Managing Customer Relationships

Sembcorp Marine manages its customer relationship activities through diverse platforms to ensure constant engagement with the customer project teams, work groups and senior management. The Group employs a structured framework to capture information, feedback, expectations and recommendations which are evaluated, translated into strategic action plans and cascaded across the organisation for improvements.

Building successful long-term relationships with customers is vital to business sustainability and growth. A customer-centric approach and an established track record of project deliveries have enabled the Group to nurture confidence and trust among its customers.

The Group's senior management adopts an 'open door' policy where customers can give direct feedback and raise any concerns or issues that need to be addressed. Employees are also trained and equipped with a range of skills and competencies to deliver the Group's vision of superior customer service.

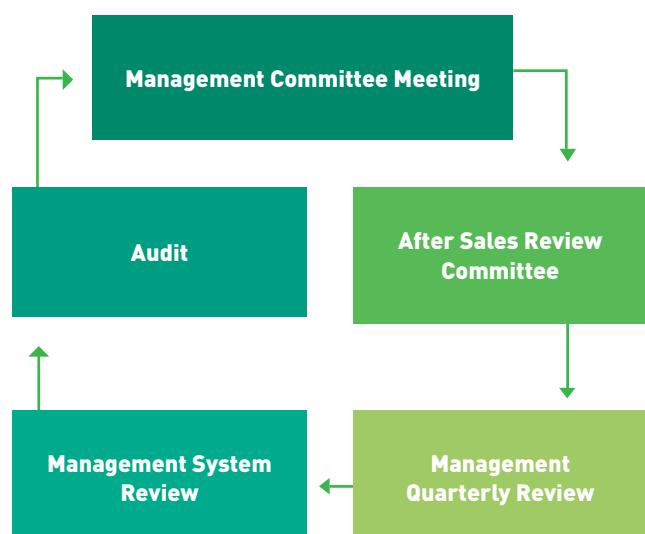
FOR MORE INFORMATION ON HOW SEMBCORP MARINE ENGAGES ITS CUSTOMERS, PLEASE REFER TO PAGES 78 - 79.

Customer Feedback

During the span of a project, the yards engage customer teams through daily, weekly and monthly discussions to ensure that project progress is in line with expectations and that their concerns are attended to promptly. The yards employ formal and informal communication platforms to capture measurable data and qualitative feedback for improvement; to forecast new trends in the market as well as to anticipate changes and understand future demand.

Upon project completion, a formal feedback and project assessment exercise is conducted. Longer tenure projects such as newbuilds and conversions, which typically span more than one year, have progressive reviews to assess project milestones and deliverables. For repair projects, customers evaluate the performance of the various key shipyard operations such as steelwork, blasting and painting, piping works, and facilities, through a comprehensive feedback form.

SEMCORP MARINE CUSTOMER RELATIONSHIP MANAGEMENT FRAMEWORK



THE VALUE OF LONG-TERM PARTNERSHIPS

In 2015, Sembcorp Marine Repairs & Upgrades repaired over 450 vessels, including 34 LNG carriers, the highest number of LNG carriers repaired and upgraded in the world in a single year. A new benchmark was also achieved with 12 passengerships successfully re-delivered in 2015, reinforcing the Group's position as Asia's leading shipyard in the specialised area of repairs and refurbishment for cruise vessels.

This strong performance is a testament to the success of the Group's dedicated customer relationship framework, commitment to provide exemplary, personalised customer service as well as experienced project management capabilities. Such collaborative partnerships have brought about higher operational efficiencies and cost savings to customers. A worldwide agency network and a range of communication channels provide customers with ready access to the Group's services. Customer complaints are resolved at the source and corrective actions are taken promptly.

With an extensive track record of safe, quality and on-time deliveries, Sembcorp Marine Repairs & Upgrades has built a strong reputation internationally. Customer confidence is also evident in its exclusive agreements with globally renowned alliances and favoured customer contract (FCC) partners, ranging from oil & gas heavyweights to cruise line majors. These agreements form a key competitive advantage for Sembcorp Marine.

SUPPLY CHAIN SUSTAINABILITY

Sembcorp Marine's versatility in delivering turnkey projects and providing customised solutions sets it apart from its competitors. The Group is committed to manage the environmental, social and economic impacts across its value-supply chain, through the life-cycle phases of its products and solutions, in compliance with international regulations and high standards of quality, safety and sustainability.

From conceptualisation and design to engineering, procurement and construction, including materials management, each phase is well-coordinated with risk mitigation measures in place to ensure timely and on-budget deliveries, in line with customers' operating requirements.

To mitigate procurement-related risks, Sembcorp Marine actively engages and monitors suppliers to ensure that they comply with stipulated delivery schedules, specification standards as well as ethical codes of conduct. Suppliers who have significant impact on project outcomes, including those providing critical materials, equipment and parts, are identified early and monitored closely throughout the project.

Steering the Group's supply chain management strategy is the Sembcorp Marine Procurement and Outsourcing Resources Committee (SPORC). Led by the Head of Supply Chain, the SPORC plays a key role in creating value from

supply chain synergies through economies of scale and enhanced competitiveness.

In 2015, the SPORC deepened its focus in the areas of supply chain sustainability and responsible procurement. This involved aligning suppliers with the Group's core values and Code of Business Conduct, including its policies on ethical business practices. Sembcorp Marine also encourages suppliers to embrace its commitment towards sustainability and to adopt socially responsible business operations.

Responsible Procurement

Sembcorp Marine is committed to responsible procurement and expects its suppliers to uphold ethical standards in their upstream sourcing and manufacturing operations. The Group does not procure raw materials, parts and products that contain unsustainable substances, such as asbestos which can cause environmental risks and health issues over time. Sembcorp Marine is also against the use of 'conflict minerals', defined as tin, tantalum, tungsten and gold from countries where the mining of these minerals is exploited by armed groups which perpetuate violence and human rights abuses. Sembcorp Marine's suppliers are required to declare that they and their upstream partners do not use or procure the said substances and materials.

SUSTAINING COMPETITIVENESS



03.

Building links with partners and vendors through engagement activities

Supply Chain Due Diligence

Recognising suppliers as important partners in value creation, the Group has in place due diligence measures and internal controls to ensure on-time delivery while meeting standards of quality, safety and reliability. As part of the qualification process for inclusion into Sembcorp Marine's Approved Vendor List, companies are required to declare and provide supporting documentation that demonstrate compliance with the Group's standards, and for assessment by a review panel. Sembcorp Marine is also expanding its focus to include sustainability criteria, such as responsible labour management, human rights and environmental practices, in its review process.

Companies in the Approved Vendor List are selected based on their quality and service track record as well as ability to operate responsibly over a long term. Suppliers are subject to Sembcorp Marine's tender regulations and codes of conduct for fair competition during the bidding process. In the area of manpower supply, Sembcorp Marine's resident contractors are required to have at least bizSAFE Level 3 certification and externally audited safety risk management systems as an endorsement of their workplace safety and health capabilities.

Sembcorp Marine's supply chain monitoring framework includes relevant documentation reviews, vendor checks and on-site audits. Existing suppliers found to be in breach will be warned or removed from the Approved Vendor List to ensure consistency in the Group's deliverables to customers.

SEMCORP MARINE SUPPLIER MANAGEMENT FRAMEWORK

Supplier Assessment

- Quality & Performance
- Health, Safety & Environment
- Business Ethics
- Socially Responsible Operations
- Environmental Sustainability

Compliance with Singapore's legal regulations on business operations and manpower management

Approved Vendor List

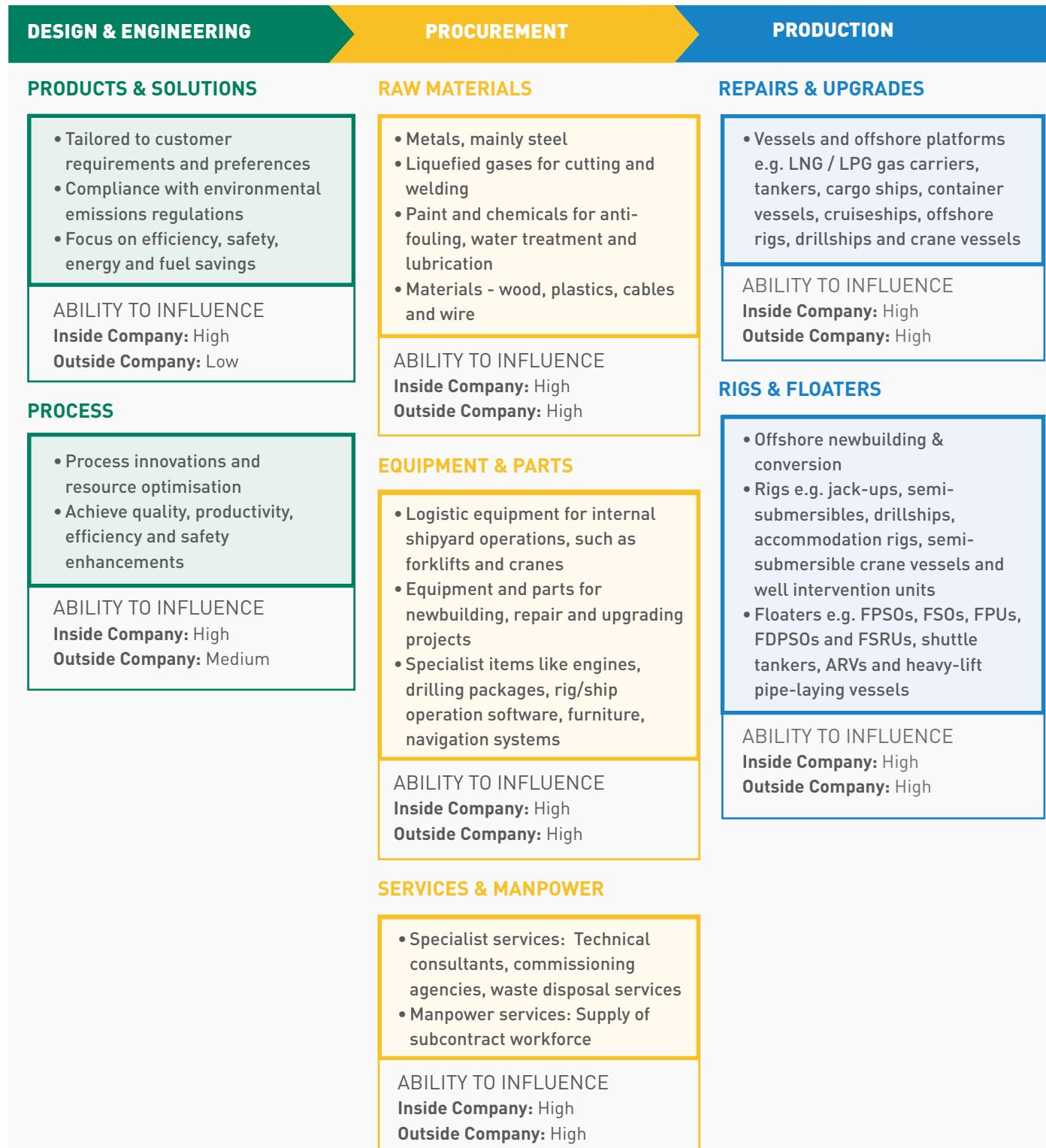
Review & Evaluation

Non-compliance

Failure to take corrective action

Deregistration

SEMCORP MARINE VALUE-SUPPLY CHAIN



CORPORATE FUNCTIONS

- Sales & Marketing
- Customer Relationship Management
- Project Management
- HSSE
- Risk Management
- Procurement
- Human Resource
- Finance

SUSTAINING COMPETITIVENESS

OFFSHORE PLATFORMS

- Turnkey engineering, procurement, construction, transportation, installation, offshore hook-up and commissioning solutions
- Process, production, drilling, wellhead and accommodation platforms
- Topsides modules fabrication, installation and integration

ABILITY TO INFLUENCE
Inside Company: High
Outside Company: High

QUALITY & SAFETY VALIDATION

QUALITY ASSURANCE & COMPLIANCE CHECKS

- Fulfillment of customers' quality, safety and technical requirements
- Certification of newbuild vessels and rigs in compliance with international regulations and classification society standards

ABILITY TO INFLUENCE
Inside Company: High
Outside Company: High

TRANSPORTATION DELIVERY

TOWING SOLUTIONS

- Transportation solutions available as a turnkey contract option for customers
- Towing by tugboats or heavy lift vessels for rigs and fixed platforms which have low or no propulsion for long distance travel

ABILITY TO INFLUENCE
Inside Company: High
Outside Company: Medium

SPECIALISED SHIPBUILDING

- Specialised niche newbuild vessels e.g. DP offshore vessels, heavy lift pipe-lay vessels, mid-sized tankers, container carriers and ice-class chemical tankers

ABILITY TO INFLUENCE
Inside Company: High
Outside Company: High

ABILITY TO INFLUENCE
Inside Company: High
Outside Company: High

INNOVATION AND SOLUTIONS DEVELOPMENT

Sembcorp Marine's Approach

Sembcorp Marine's Transformation for Growth strategy led to the establishment of a new consolidated Research & Development (R&D) Centre in July 2015.

The Group's R&D and innovation activities are guided by a streamlined R&D policy and framework to ensure that its decisions are prioritised for optimum business returns.

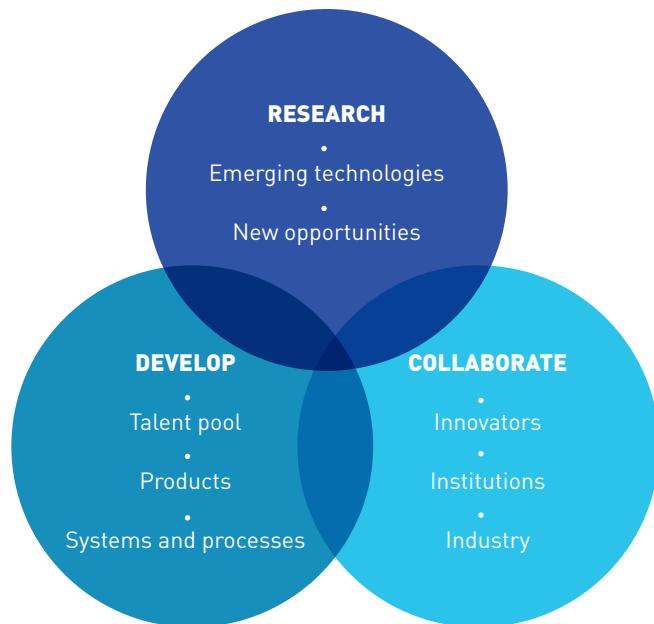
The Group's continuous R&D efforts and strategic investments have resulted in the expansion of Sembcorp Marine's suite of solutions. New international regulations to the shipping as well as oil and gas industries have created business opportunities. These include the International Maritime Organisation's (IMO) International Convention for the Prevention of Pollution from Ships and MARPOL Annex VI requirements that regulate the emission of sulphur oxides (SOx), as well as International Convention for the Control and Management of Ships' Ballast Water and Sediments.

Sembcorp Marine recognises the importance of diversifying technology and product areas amid the uncertainty over oil prices. This has already triggered the search for new value creation levers in the non-oil product areas. LNG is gaining regulatory support as environmentally-friendly fuel for bunker and power generation. The development of LNG solutions by Sembcorp Marine has strengthened its leadership in the LNG value chain.

The Group's production processes will be integrated, streamlined and extensively automated to achieve better quality, higher productivity, and greater product and service delivery capabilities.

To accelerate technology realisation, the Group actively seeks to collaborate with various partners to capitalise on specialised knowledge and expertise from scientists, innovators, industrial specialists and research institutes. This approach facilitates the search for new ideas and their development into core technologies and product solutions.

SEMCORP MARINE'S APPROACH TO INNOVATION AND SOLUTIONS DEVELOPMENT



Strategic Research Programmes

Offering greener products to customers

International shipping contributes approximately 3% of greenhouse gas emissions to the atmosphere every year and is increasingly subject to global regulations, including the IMO's Emission Control Areas (ECA) restriction and Ballast Water Management Convention. Sembcorp Marine has accelerated the development of its proprietary environmentally-friendly technologies to be applied in the areas of engine emission abatement, ballast water treatment and corrosion control for marine applications. These environmentally-sustainable technologies enable customers to reduce their emission of sulphur oxides, reduce carbon footprint, utilise more energy-efficient systems, decrease or eliminate chemical use, and mitigate the impact of shipping operations on marine biodiversity and the climate.

Sembcorp Marine's green technologies include:

Ballast Water Treatment System

The Semb-Eco LUV Ballast Water Treatment System is designed for low power consumption, boasting high efficiency filtration and ultra-violet irradiation with patented bio-fouling control disinfection technology.

SUSTAINING COMPETITIVENESS

04.



04.

Semb-Eco LUV Ballast Water Treatment System

The system is capable of treating up to 6,000 m³/hr of ballast water in an ultra-low-footprint arrangement or modularised arrangement to suit customer requirements. This green product will assist in the global efforts to mitigate the cross-boundary transportation of marine invasive species. The system has passed IMO certification and is currently undergoing testing for U.S. Coast Guard Type Approval.

Exhaust Gas Cleaning System

The Ecospec cSOx Exhaust Gas Cleaning System is the first of its kind in the world to utilise the patented Ultra-Low-Frequency technology. The closed-loop system design eliminates harmful discharge into the sea and controls sulphur emissions in accordance with IMO MARPOL Annex VI requirements and thus permits continuous operation in Emission Control Areas. A 2 x 9 MW cSOx system debuted on a Ro-Ro vessel operating in the Baltic Sea and Northern Gulf of Bothnia region and is undergoing shipboard operational trials.

Research Facilities for Green Technologies

Sembcorp Marine R&D Centre's key research facilities enable realistic system evaluation, optimisation and certification prior to the technology deployment of its products.

05.



05.

Semb-Eco Marine Laboratory

The Semb-Eco Marine Laboratory was established for water treatment technology. This floating platform facility is outfitted to fully simulate shipboard conditions and perform ballast water treatment system tests.

The Semb-Eco Emission Technology Evaluation and Test Centre is a land-based test centre capable of full-scale development and testing of marine exhaust gas cleaning systems. It simulates onboard exhaust gas emission and is configured to analyse and assess scrubber and performance gas data.

Delivering cost-effective and modularised LNG solutions

Liquefied natural gas (LNG) is a clean fossil fuel that produces less greenhouse gas emissions and is gaining regulatory support. Building on its strong track record and expertise in the LNG value chain, Sembcorp Marine's GraviFloat is a next-generation suite of highly scalable, modular and cost-effective LNG solutions for effective distribution and utilisation of this clean alternate fuel.

The GraviFloat liquified petroleum gas (LPG) and LNG terminals concept allows an LNG regasification or liquefaction terminal to be assembled from highly versatile, gravity-based modules for near-shore installation. The GraviFloat terminals eliminate motion challenges typical of a floating storage and regasification unit or floating LNG platform. More cost-competitive than floating LNG (FLNG) solutions and floating storage and regasification units (FSRUs), GraviFloat solutions can be built to suit small-scale needs or expanded on to service large LNG requirement; adapted to suit most soil conditions; and upgraded for harsher environments. To mitigate their impact on the environment at the end of the product life cycle, the modular design terminals can facilitate offsite decommissioning.

Developing advanced floater solutions



Globally renowned for its rig building and offshore conversions, Sembcorp Marine has over the years established an impressive range of proprietary and proven jack-up, semi-submersible, drillship and offshore platform products. Sembmarine SSP's circular hull floaters offer next-generation solutions for oil and gas floating production storage platforms or drilling structures, with superior customisation capabilities and cost-effective station-keeping features. Designed for operational stability, superior motion performance and improved safety, the platforms are highly versatile and can be developed for drilling, accommodation and production. They can be adapted for harsh environment, arctic, and other region-specific operating requirements.

DISCOVER MORE ABOUT SEMBCORP MARINE'S PROPRIETARY DESIGNS AND INNOVATIVE SOLUTIONS AT THE TECHNOLOGIES SECTION OF WWW.SEMBMARINE.COM.



When built for production, storage and offloading purposes, the design eliminates the need for turret, swivel or CALM buoy facilities. This translates to significant cost advantages for customers. As an accommodation, logistics and offshore supply hub solution for remote offshore locations, the floater is designed for the efficient and safe movement of personnel. It features multiple helicopter landing facilities as well as a proprietary tunnel arrangement for berthing large capacity crew boats.

Product Excellence and Compliance

Sembcorp Marine's current suite of marine and offshore solutions is designed and engineered to offer optimised life cycle performance, enhanced safety and environmental friendliness. The Group leverages an integrated network of facilities and expertise to provide one-stop applied engineering solutions for even the most sophisticated and demanding projects in the offshore and marine value chain.

A highly adaptive and responsive team has helped the Group's customers navigate through current evolving challenges. Sembcorp Marine offers flexible product design and specification according to deployment locations and customer requirements. The Group's proprietary products are continuously enhanced for easier and more cost-efficient construction, operation and maintenance, in addition to improved safety, reliability and environmental friendliness.

Sembcorp Marine will ensure its delivered products are fully compliant with IMO rules, ISO standards, as well as classification rules and standards.

SUSTAINING COMPETITIVENESS

To reduce carbon footprint and protect the environment, Sembcorp Marine ensures newbuild projects are compliant with the IMO's International Convention for the Prevention of Pollution from Ships and MARPOL Annex VI Tier II, which restrict the main air pollutants contained in the exhaust gas of ships, such as sulphur oxides (SO_x) and nitrous oxides (NO_x), and prohibit the deliberate emission of ozone depleting substances. In addition, drilling rig construction projects are designed to ensure compliance with the IMO's Code for Construction and Equipment of Mobile Offshore Drilling Units.

To protect the community, Sembcorp Marine's products have been built to stringent port state standards, such as the US Coast Guard Regulations for Foreign Flag Vessels Calling at US Ports, the NORSO_K S-002 Working Environment and S-003 Environmental Care standards. Clear operational safety, health and environment signage and well-developed user operation and maintenance manuals safeguard the health and safety of the Group's customers.

Additionally, Sembcorp Marine's proprietary designs and customised solutions undergo meticulous risk-based evaluation, stringent technology qualification and performance verification in order to set higher product standards and performance. The Group also partners with approving bodies, contributing to the development and recommendation of appropriate rules through joint industry projects for safe and reliable implementation of new technologies.

Technology and Operational Excellence

Investing in efficient production systems

New Steel Structure Fabrication Workshop

Sembcorp Marine's flagship Tuas Boulevard Yard has an extensively automated steel structure fabrication workshop designed for streamlined and seamless production. Functioning as a key production capability, this state-of-the-art facility positions the Group for its expansion into future product markets.

Smart Assets Monitoring

In 2015, together with government partners A*STAR and the Maritime and Port Authority of Singapore as well as industry specialists, Sembcorp Marine developed a new wireless Structural Health Monitoring System for cranes. Upon successful trial, the system will provide real-time wireless monitoring of crane performance, loading history and usage patterns via sensors. This advanced maintenance programme will result in smarter, safer and more productive assets.

Land-based Energy Management System (LEMS)

Developed together with the Nanyang Technological University, this system captures and processes data that assist with optimising energy consumption as well as accurate forecasting, reporting and regulation of power usage. With promising results from earlier implementation at the Sembcorp Marine Tuas Boulevard Yard Phase I development in 2013, the system was extended to Phase II's steel structure fabrication workshop in 2015.

08.



06.

The superior-motion Sembmarine SSP circular hull floater has versatile applications, such as a hub for accommodation, logistics and offshore supply

07.

More cost-competitive and versatile than FSRUs and land terminals, the GraviFloat terminals offer much potential with their customisation opportunities

08.

Sembcorp Marine's steel structure fabrication workshop at the Tuas Boulevard Yard is the largest of its kind in Southeast Asia. The workshop has the capacity to halve the number of man-hours and production time per tonne of steel fabricated, compared to previous process requirements

09.

**09.**

New research collaboration to develop more efficient and eco-friendly ships

Cultivating Innovation Culture

Innovation is one of Sembcorp Marine's key values. All managers and change agents are empowered to lead, think creatively, encourage continuous learning and improvement and develop problem-solving skills as part of an extensive leadership competency development programme. Successful platforms such as innovation competitions, suggestion schemes and feedback channels encourage the Group's stakeholders to participate in the continuous improvement and innovation process.

**LEARN MORE ABOUT HOW INNOVATION IS
ENCOURAGED AMONG SEMBCORP MARINE'S
EMPLOYEES AND PARTNERS IN THE SUSTAINABILITY
CASE STUDIES SECTION OF WWW.SEMBMARINE.COM.**

SUSTAINING COMPETITIVENESS

Technology Collaborations to Bring Ideas to Life

Sembcorp Marine joins forces with various partners to push innovation forward. The Group believes that greater success can be achieved in conceptualising, developing and deploying technologies through active collaborations.

Partnerships with NTU

Leveraging its shared values towards excellence, sustained innovation and R&D, the Group has established research collaboration arrangements with the Nanyang Technological University (NTU). Sembcorp Marine has committed S\$10 million towards an R&D endowment fund at NTU to support the development of eco-friendly solutions for the industry, such as the use of renewable and clean fuels for marine engines, and emission control technologies. The partnership will help groom a strong pool of research talent to advance Sembcorp Marine's business as well as for the offshore and marine industry in Singapore.

In a second collaboration, Sembcorp Marine, NYK Line, Monohakobi Technology Institute, ClassNK and NTU came together to develop next-generation cost-effective scrubbers at the NTU marine engine test bed. The project focuses on green exhaust cleaning solutions that are compliant with the regulations for sulphur oxides, nitrous oxides, particulate matter and greenhouse gas emissions outside the Emission Control Areas.

Partnerships with A*STAR, IHPC and UoG

In 2015, Sembcorp Marine announced a new research collaboration with A*STAR's Institute of High Performance Computing (IHPC), University of Glasgow (UoG) and University of Glasgow Singapore (UGS). The three-year agreement will develop 1) innovative hull form with improved hydrodynamics for better fuel efficiency, and 2) optimised features to reduce harmful exhaust emissions through the scrubber and ballast treatment systems in compliance with IMO's 2015 MARPOL Annex VI standards on ship-related air pollutants and marine environmental issues.

Nurturing future generations

Sembcorp Marine's talent pipeline is supported by various undergraduate and postgraduate development programmes in wide-ranging science, technology and engineering disciplines. The Group will continue to build on this multi-disciplinary approach to enrich the skillsets of its research engineers and to explore emerging technologies and scientific frontiers.

FOR MORE INFORMATION ON HOW SEMBCORP MARINE NURTURES A PROACTIVE GREEN MINDSET AMONG THE YOUNG, PLEASE REFER TO PAGE 139.

HUMAN CAPITAL

01.

Harnessing collaborative synergies for enhanced competitiveness

People are the key differentiators for Sembcorp Marine's sustained competitiveness. Through a robust multi-pronged human resource (HR) strategy, the Group continually develops and empowers its people to create a progressive, resilient and dynamic workforce that is core to the company's growth, transformation and success.



WORKFORCE PROFILE

Sembcorp Marine's employees in Singapore totalled 11,142 as at end December 2015, with no major fluctuations or seasonal variation in workforce numbers during the year. The Group's operational work activities are largely performed by employees and supervised contract workers who supplement the regular workforce.

The gender composition of the Sembcorp Marine workforce is about 92% males and 8% females, which is consistent with companies in the offshore and marine industry. Production workers represent around 53% of the total headcount while management and support function staff make up the remaining 47%. Within these categories, males account for about 99% of the production employees and 83% of the management and support staff. Singaporeans and permanent residents constitute approximately 67% of the management and local workers in the workforce.

Corporate level senior management at Sembcorp Marine consists of 17 men and five women. All 22 of them are Singaporeans, with five in the 40-49 years age group category and 17 in age group 50 and above. More details on the Group's senior management can be found in the 'Senior Management' section of the annual report and the corporate website.

As at end-2015, there were 2,803 unionised employees in Singapore, representing about 50% of the management and

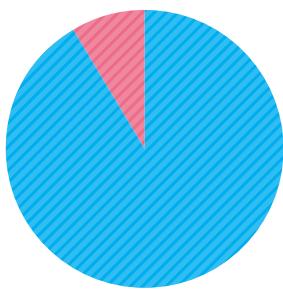
local workers in the workforce. For its Singapore operations, the Group is guided by the 'Industrial Relations Act' which allows representation of employees by trade unions for resolution of grievances and disputes through various channels, including collective bargaining and arbitration. The unions engage in active dialogue with management to develop collective agreements that focus on staff benefits, training and development as well as workplace safety and health.

For non-unionised employees, structured procedures are in place for them to seek recourse for their grievances under the Group's Employee Grievance Handling Policy. Employees can bring up such matters to their immediate supervisor and then to their respective heads of department. If there is no effective resolution, they can escalate the issue to the HR Department, which will review the situation for an objective settlement. However, should the grievance remain unresolved, an enquiry panel comprising top management will investigate and propose a final resolution. Proper documentation is kept throughout this process.

FOR MORE DETAILS ON SEMBCORP MARINE'S APPROACH TO HUMAN RIGHTS, FAIR EMPLOYMENT AND DIVERSITY, PLEASE VISIT THE SUSTAINABILITY SECTION OF WWW.SEMBMARINE.COM.

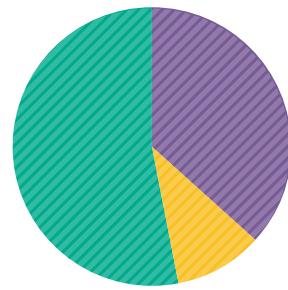
HUMAN CAPITAL

WORKFORCE DISTRIBUTION: GENDER



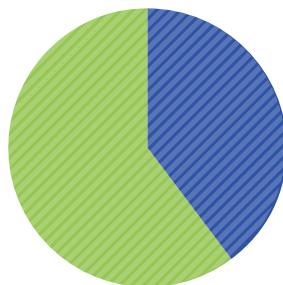
- Male 92%
- Female 8%

WORKFORCE DISTRIBUTION: WORK FUNCTION



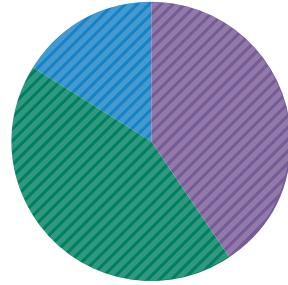
- Management Staff (Male 81% Female 19%) 37%
- Support Staff (Male 92% Female 8%) 10%
- Production Worker (Male 99% Female 1%) 53%

WORKFORCE DISTRIBUTION: EMPLOYMENT CONTRACT



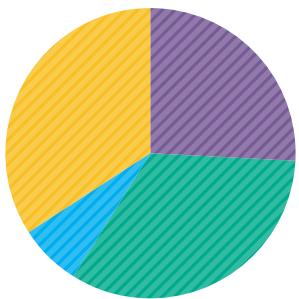
- Permanent (Male 82% Female 18%) 40%
- Contract (Male 98% Female 2%) 60%

WORKFORCE DISTRIBUTION: AGE GROUP



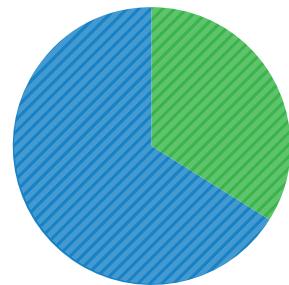
- <30 (Male 94% Female 6%) 41%
- 30-49 (Male 90% Female 10%) 43%
- 50 & Above (Male 90% Female 10%) 16%

WORKFORCE DISTRIBUTION: ETHNICITY



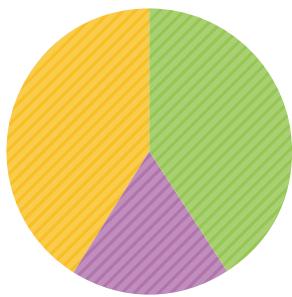
- Chinese 26%
(Male 78% Female 22%)
- Indian 33%
(Male 98% Female 2%)
- Malay 7%
(Male 82% Female 18%)
- Others 34%
(Male 97% Female 3%)

WORKFORCE DISTRIBUTION: LOCAL / NON-LOCAL



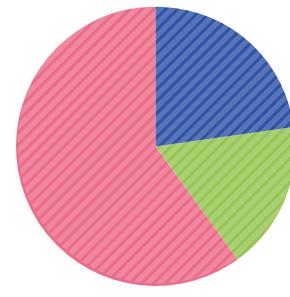
- Local-Singaporean / PR 34%
(Male 80% Female 20%)
- Non-Local 66%
(Male 97% Female 3%)

WORKFORCE DISTRIBUTION: EDUCATION



- Degree & Above 41%
(Male 83% Female 17%)
- Diploma 18%
(Male 91% Female 9%)
- Others 41%
(Male 98% Female 2%)

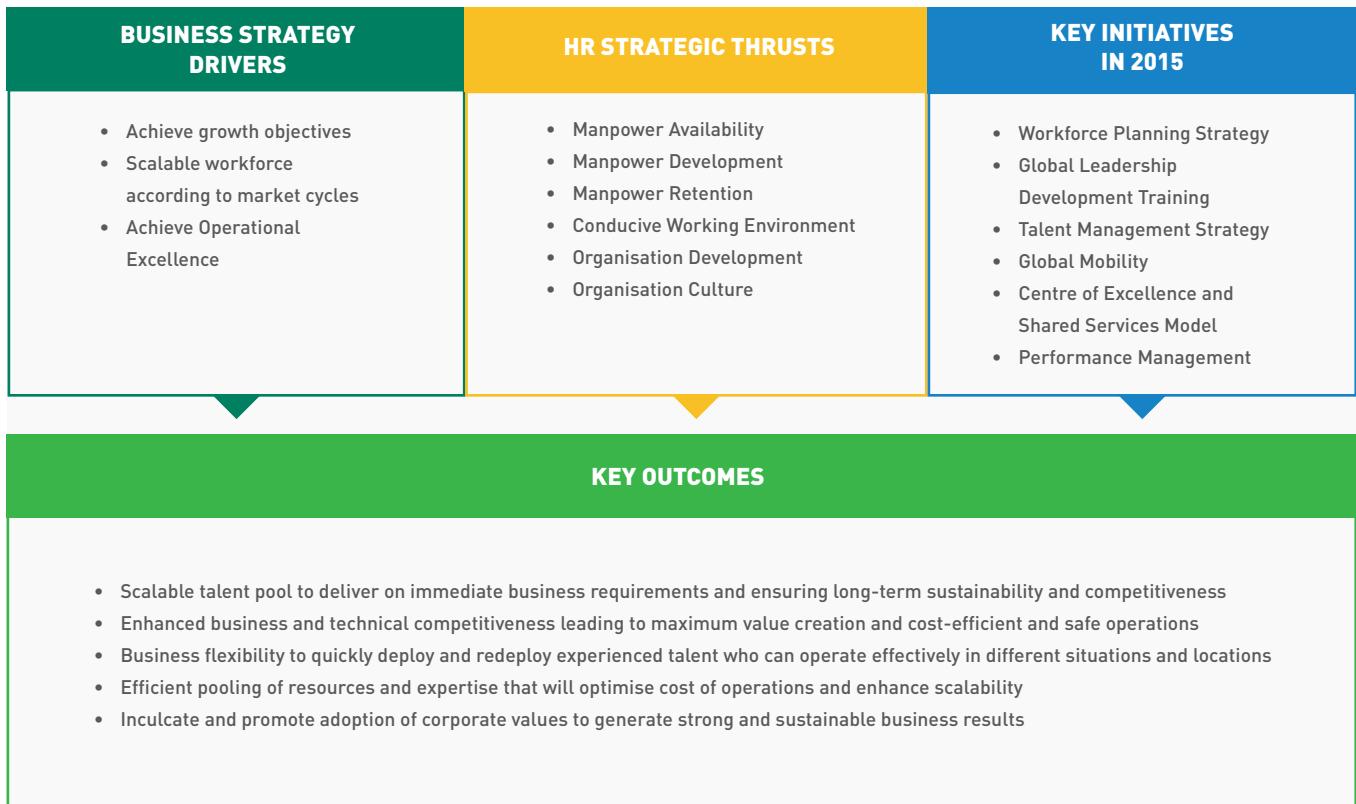
WORKFORCE DISTRIBUTION: SPECIALISATION



- Engineering 23%
(Male 87% Female 13%)
- Technical 17%
(Male 96% Female 4%)
- Trade Skills / Others 60%
(Male 92% Female 8%)

HUMAN CAPITAL

HUMAN CAPITAL STRATEGY



By nurturing, growing and empowering people, the Group's HR strategy furthers the company's objectives of enhancing competencies for long-term sustainability and competitiveness; developing a scalable workforce for business flexibility; and achieving operational excellence through resource optimisation.

ENSURING WORKFORCE AVAILABILITY

The Group strives to be an employer of choice, with the ability to attract and retain the best talent by providing opportunities for staff to develop their full potential and to grow in tandem with the company.

Sembcorp Marine taps on a variety of recruitment channels in its continuous search for promising individuals and capable talent. To ensure candidates are well-qualified and suitable for the positions they are applying to, a structured competency framework is used to evaluate their knowledge, skills, attitude and character during the selection process.

The Group does not tolerate discrimination on the basis of ethnicity, gender, religious beliefs, nationality, age or physical disability; as well as unethical practices such as child labour,

slavery, forced labour and human trafficking. In 2015, no reports of discrimination or exploitative labour practices were received.

Sembcorp Marine adheres to the guidelines issued by Singapore's Tripartite Alliance for Fair and Progressive Employment Practices. It has fair and non-discriminatory processes for recruitment, training and development, performance appraisal and grievance management. The Group's hiring is based on merit, with equal opportunities provided for career development and progression.

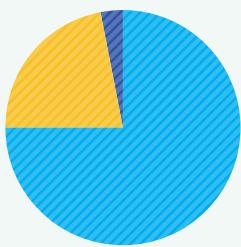
In 2015, the Group took part in 27 recruitment and outreach programmes to raise its profile among jobseekers.

These programmes included engaging students from tertiary institutions through participation in school visits, career talks and job fairs as well as 15 yard tours to spark their interest in the offshore and marine industry.

Scholarships and internships are also an effective means to identify and develop talent from tertiary institutions and universities. During the year in review, 23 students took up scholarships from Sembcorp Marine and 14 scholars came onboard after their graduation. The Group also hosted internships and industrial attachments for more than 180 students, providing them with real-world exposure and practical training.

NEW RECRUITS

Total: 1,201

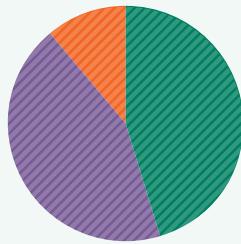


Age Group:

● <30	75%
(Male 93% Female 7%)	
● 30-49	22%
(Male 84% Female 16%)	
● 50 & Above	3%
(Male 86% Female 14%)	

EMPLOYEE TURNOVER

Total: 1,355



Age Group:

● <30	46%
(Male 93% Female 7%)	
● 30-49	44%
(Male 93% Female 7%)	
● 50 & Above	10%
(Male 93% Female 7%)	

PEOPLE DEVELOPMENT

Continuous learning and skills upgrading is vital in ensuring the competitiveness of Sembcorp Marine's workforce. The Group provides employees with training and development opportunities based on their individual learning needs that correspond to their job functions and potential.

In 2015, Sembcorp Marine invested \$6.23 million for its employees to undergo 310,570 hours of structured training to equip them with relevant technical capabilities, supervisory skills, safety knowledge and functional competencies. Of those who received training, production workers made up 67% while management and support staff accounted for the remaining 33%. Male and female employees represented 94% and 6% of the personnel trained respectively, reflecting the gender composition of the Group's workforce.

Besides employees, Sembcorp Marine also develops the skills and capabilities of its contractor workforce. In 2015, the Group's resident contractors underwent 168,950 hours of training in areas ranging from technical expertise in specialised trades to workplace safety and health.

New employees attend a comprehensive orientation programme where they acquire an understanding of the Group's business operations as well as its stringent workplace safety management system. New hires working on-site, such as those in production or project management, are required to undergo more in-depth technical training and attachments in their specific job areas, in order for them to gain a thorough understanding of the work processes and risk management procedures.

Sembcorp Marine has in-house training facilities at its Tuas Boulevard, Admiralty and Pandan yard locations offering specialised marine skills training and certification, such as the Ministry of Manpower (MOM) accredited Shipyard Safety Instruction Courses for Workers; Institute of Technical Education (ITE) approved NITEC programmes; and Singapore Workforce Development Agency (WDA) approved Workplace Safety & Health Trade Competencies programmes. Notably, trainees at the Group's state-of-the-art Learning Centre at Tuas Boulevard Yard undergo hands-on training in pipe and steel fabrication, scaffolding, utilities, electrical works,

HUMAN CAPITAL

**02.**

Trainees undergoing specialised marine skills training at the Sembcorp Marine Tuas Boulevard Yard Learning Centre

mechanical works, welding, rigger & signalman tasks as well as crane operations. The training involves the use of advanced equipment and simulated environments in the workshop as well as theory-based learning in the classroom.

The Group also focuses on employees' growth and holistic development. Through courses that enhance their skills in communication, team-building, customer service, change management and time management, Sembcorp Marine employees improve their people skills and professional competencies.

Apart from structured courses, other external learning platforms for staff include participation in both local and overseas seminars, conferences and workshops, where they benefit from the insights of leading experts in the industry.

To enhance its training capabilities, Sembcorp Marine participates actively in various technical and professional work groups where staff representatives exchange ideas and insights with government ministries, educational institutions, industry associations and certified training providers.

Several of the Group's senior management staff also serve on the boards of institutions, such as the Maritime and Port Authority of Singapore, Workplace Safety and Health Council, Association of Singapore Marine Industries, Singapore Maritime Foundation, Nanyang Technological University and Ngee Ann Polytechnic. Through such involvements, Sembcorp Marine is able to share industry insights and contribute to the educational development of students who will eventually join the offshore and marine engineering sector.

Nurturing High Performance Leaders

To ensure business continuity, Sembcorp Marine has a talent management and succession planning framework in place for nurturing high-performance employees with leadership potential.

The important function of identifying and grooming future leaders and successors is reviewed at the Board level by the Executive Resource and Compensation Committee (ERCC). The ERCC oversees management development to ensure continual buildup of talent and renewal of strong leadership to further the Group's success. This involves approving the appointment of senior management executives, reviewing succession plans and overseeing the development of talented executives for key positions.

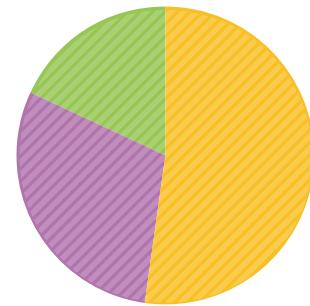
Promising talent is surfaced through Sembcorp Marine's performance management framework, which provides a structured mechanism for evaluating achievements and contributions. This enables the Group to track the growth of promising employees and design relevant training programmes to enhance their technical, functional and leadership capabilities.

Performance Management System

The Group's performance management system has been enhanced with the incorporation of a balanced scorecard framework that aligns organisational objectives with the skills, goals and competencies of employees. This collaborative and inclusive process enables staff to take greater ownership of their results and benchmark their performance against clear and structured goals that contribute to the company's strategies and objectives. The integrated approach provides a process to monitor, develop and recognise individual achievements, as well as a basis for building employee competencies and raising performance standards across the organisation.

EMPLOYEE TRAINING

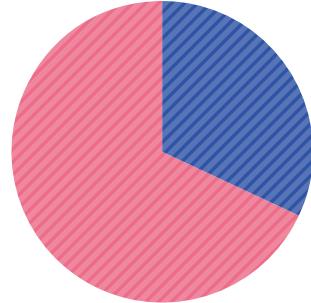
Total: 310,570 Training Hours



● Specialised Trades	52%
● Health, Safety & Environment	30%
● Leadership & Personal Effectiveness	18%

CONTRACTOR TRAINING

Total: 168,950 Training Hours



● Specialised Trades	32%
● Health, Safety & Environment	68%

HUMAN CAPITAL

GLOBAL LEADERSHIP DEVELOPMENT PROGRAMME

To nurture high-performance leaders with global mindsets, Sembcorp Marine partnered with the Singapore Management University (SMU) to launch a Global Leadership Development Programme, comprising a unique range of leadership training modules to harness the full potential of its management employees.

Developed based on the Group's Global Leadership Competency Framework, the customised training modules aim to build global leadership competencies across all levels of management staff and to empower them in their respective roles to further Sembcorp Marine's growth and success. Conducted by SMU faculty and the Group's trainers who are certified by SMU, the programme comprises a mix of lectures, group discussions, case studies, simulations and leadership assessments. Participants learn how they can apply specific leadership competencies locally and globally through strategy, people and execution to achieve desired results for themselves, their teams and the company.

Since the programme's launch in the third quarter of 2015, more than 316 management staff have undergone the leadership development training. A key part of Sembcorp Marine's training and development framework, the ongoing programme will be progressively extended to management employees across the Group.

03.



03.

Enhancing leadership competencies of management staff: The newly launched Global Leadership Development Programme is custom-developed by Sembcorp Marine and the Singapore Management University

TALENT RETENTION

A key priority for Sembcorp Marine is the retention of capable employees for maintaining the Group's talent pool. To motivate and stimulate staff, a wide range of learning and development opportunities – including job rotation, mentorship schemes and work attachments in Singapore and the Group's overseas yard facilities – are provided for them to accumulate experience, acquire new skills and broaden perspectives.

Sembcorp Marine also offers competitive remuneration and incentives, including performance bonuses and equity-based rewards, to attract and retain the best talent. External human resource consultants are engaged to conduct regular reviews that ensure compensation packages and benefits are aligned with industry benchmarks. In accordance with mandatory national requirements for companies, a percentage of the salary payments to staff who are Singaporeans and permanent residents are channeled to their Central Provident Fund accounts as part of a national social security savings scheme for the employees' future retirement.

Remuneration and benefits are provided to staff based on their merit and contributions. Through the Group's structured Performance Management System, employees are evaluated based on objective criteria, set targets and key performance indicators. Performance appraisals are conducted every year where employees are assessed for career advancements and salary increments.

The Group offers its staff health and welfare benefits such as leave entitlements, group insurance coverage and company transportation. Employees have the versatility to customise benefits to suit their needs and preferences. As part of the Group's Flexible Benefits Programme, personnel can opt to utilise their credits on health care, medical screening, self-improvement, travel, insurance, childcare and fitness club membership expenses. Full-time employees and contract staff are entitled to basic healthcare and leave benefits. However, there may be differences in variable compensation and flexible benefits, depending on individual employment contracts.

Reflecting Sembcorp Marine's pro-family policies, the Group provides married employees with maternity and paternity leave benefits for childbirth as well as leave entitlements for child care, in line with Singapore's legislation. Requests by staff for flexible work arrangements in the interim, such as telecommuting and part-time work, will be reviewed on a case-by-case basis for those with health concerns or special considerations.

Another thrust of Sembcorp Marine's talent retention strategy is the re-hiring of retired employees beyond the statutory retirement age of 62 years. This has been the Group's practice

even prior to the 'Retirement and Re-employment Act', where companies are required to offer re-employment to eligible employees until the age of 65. A total of 354 retired employees continued to extend their employment on an annual contract basis in 2015. Employees aged 65 years and above constitute about 3% of the workforce. For retiring staff, preparatory workshops are provided to enable them to make a smooth transition from work to retirement.

The Group values its long-serving employees who play an important role in knowledge transfer. Long service awards are given out annually to show appreciation to staff for their contributions. In 2015, a total of 548 employees were recognised for their loyalty and commitment.

OPTIMISING RESOURCES AND EXPERTISE

Workforce Planning & Organisational Development

Sembcorp Marine has developed workforce planning and organisational development strategies to build a scalable talent pool and to enhance operational productivity for long-term competitiveness. These strategies strengthen the Group's flexibility in responding to changes and its ability to capture new opportunities.

Geared towards supporting Sembcorp Marine's growth objectives, the Group's HR functions are aligned with business excellence systems, such as ISO 9001, Singapore Quality Class, Singapore Innovation Class and People Developer standards, enabling continuous benchmarking against best practices.

Centres of Excellence & Shared Services

The HR operating model has also evolved to drive and support Sembcorp Marine's 'Transformation for Growth' strategy. An aspect of the Group's strategic transformation involves the streamlining of corporate service functions by centralising processes and creating centres of excellence to optimise operational efficiency, scalability and quality.

In line with this, Sembcorp Marine has a new HR operating model that is structured based on the work functions of 'HR Strategy and Centres of Excellence', 'Yard / Business HR', 'HR Shared Services' and 'HR Support Services'. With the pooling together of resources and expertise, HR will continue to play a vital role in supporting the Group's growth and key organisational outcomes.

FOR MORE INFORMATION ON SEMBCORP MARINE'S TRANSFORMATION STRATEGY, PLEASE REFER TO PAGES 26 - 31.

HUMAN CAPITAL



04.

04.

Briefing employees on Sembcorp Marine's strategic transformation

FOSTERING IDENTITY AND ENGAGING EMPLOYEES

Aligning employees with Sembcorp Marine's corporate culture and fostering a 'One Sembcorp Marine' identity are important aspects of enhancing teamwork and cohesiveness to achieve high performance and sustainable results.

Various channels, such as orientation programmes, memos, online portals, briefings and workshops, are used to convey Sembcorp Marine's corporate values and policies. These cover key topics such as code of business conduct, risk management, anti-corruption, whistle-blowing, workplace safety and health as well as quality and security management. The Group's Code of Business Conduct is published on the corporate website and intranet portal for ease of access by employees. Workshops on anti-bribery compliance and enterprise risk management are also conducted to brief employees on corporate governance principles and policies.

To communicate Sembcorp Marine's transformation strategy, more than 33 employee engagement sessions were organised in 2015, attended by over 3,200 management employees. In addition, the Group leveraged an array of engagement platforms – including a dedicated intranet portal, teambuilding workshops, staff dialogues, focus groups and briefing sessions – to connect with employees. In line with the implementation of the transformation strategy, various modes of communication, including employee information booklets, a launch video and updated marketing collaterals were used to educate staff, stakeholders and partners on the new transformation direction.

During the year, a Group-wide survey was conducted to better understand the expectations of staff in the light of Sembcorp Marine's transformation. The results of the survey indicated that more than 91% of respondents were confident of their career prospects with the company. The survey provided useful feedback for management on the areas of improvement in engaging employees and increasing their fulfillment.

To build closer links among management and employees, teambuilding sessions, sporting tournaments, recreational activities and festive events are organised with the aim of deepening bonds and strengthening synergy within the Group.

The close union-management collaboration at Sembcorp Marine has also led to joint initiatives to enhance workforce competencies, occupational safety, people development and workplace improvements. Sembcorp Marine's management also partners with the union to co-organise events such as National Day functions, innovation carnivals and festive celebrations to strengthen bonds and build a progressive culture within the Group.

05.



Conducive and Caring Workplace

Sembcorp Marine strives to create a conducive and inclusive workplace where employees feel valued and are motivated to excel. The Group cares for the welfare of its people and ensures that new staff are oriented to the work environment and have the necessary support to perform their jobs well. Non-local workers go through a special immersion programme where they receive English language lessons, mandatory safety courses and relevant skills training to ensure that they are well assimilated into the company and their new work roles.

Living arrangements are also made for non-local employees to reside in hostels and dormitories located near Sembcorp Marine's various yard locations. The Group's latest purpose-built dormitory at the Sembcorp Marine Tuas Boulevard Yard is conveniently situated within the yard premises, enabling residents to cut down on travelling time. With the capacity to house 4,888 residents, the precinct is equipped with a modern gymnasium, recreation courts, a multi-purpose sports hall, reading areas and a multi-media room. Other facilities include central laundry services, central kitchen meals provision, a minimart, a hair salon and an ATM. With their well-being and living needs taken care of, workers will be invigorated and energised to deliver higher productivity and performance on the job.

06.



Health and Wellness

Sembcorp Marine is committed to promote health and wellness among employees and stakeholders. The various yard locations are equipped with emergency response capabilities and medical facilities to provide the necessary support to personnel should they require urgent medical attention or regular healthcare treatment.

HUMAN CAPITAL

The Group has partnered with Jurong Medical Centre, Ng Teng Fong General Hospital and Khoo Teck Puat Hospital to ensure swift response in the event of incidents or contingencies. This collaboration also enables staff to have faster access to medical advice and direct referrals for specialist consultations, radiology treatments and clinical tests.

A holistic range of workplace health promotion initiatives are offered to enhance the well-being of employees. Annual health screenings and early intervention programmes are conducted to enable timely detection and management of chronic diseases, such as high cholesterol, high blood pressure, coronary heart disease, stroke, hypertension and diabetes.

In 2015, various health talks and workshops were held to educate staff on diverse topics, including the prevention of diseases such as cancer, osteoporosis, dengue fever, tuberculosis and human immunodeficiency virus (HIV); the adoption of safe work practices to prevent aches and strain; as well as the importance of regular exercise and good dietary habits.



Total Well-Being

Beyond physical well-being, the Group's workplace health programmes also focus on themes such as stress management and mental health to equip employees with a positive attitude to excel at work and in their personal life. To further support staff, an Employee Assistance Programme was introduced, providing access to various help platforms, including a counselling hotline for advice on work, personal or family issues. In addition, talks are also conducted where employees acquire useful knowledge on enhancing family ties and interpersonal relationships beyond the workplace.

FOR MORE INFORMATION ON SEMBCORP MARINE'S OCCUPATIONAL HEALTH AND SAFETY PROGRAMMES FOR EMPLOYEES, PLEASE REFER TO PAGE 131.

08.



Active Living

Daily morning exercises and ACTIVE (All Companies Together in Various Exercises) Day monthly mass workouts are some of the initiatives implemented to foster healthy and active living among staff. Various avenues for keeping fit are available to employees at the workplace, including gymnasium facilities, personal training sessions and fitness classes for exercises such as zumba, pilates and yoga. To encourage staff to be mindful of their dietary choices, healthy snacks, fruits and beverages are given out on a regular basis. Special health awareness events, for example, Fruit Day and Healthy Eating Day, are also held to promote the importance of a well-balanced diet for optimal health.

Outside the workplace, the Group holds tournaments and competitions – for sports such as futsal, bowling and darts as well as recreational games like carrom, pool and chess – where employees can showcase their talent, have fun and strengthen camaraderie. Nature walks and other outdoor excursions are also periodically organised to foster greater interaction and bonding between management and staff.

05.

Strengthening union-management partnership and tripartite links

06.

Promoting teamwork and active living through sporting events

07.

Annual health screening for early detection of chronic illnesses

08.

Outdoor excursions provide interaction and bonding opportunities for employees

WORKPLACE SAFETY & HEALTH

Sembcorp Marine's journey of workplace safety and health excellence is directed towards a zero-incident target. Together with employees, contractors and stakeholders, the Group is committed to nurture a culture of continuous safety and health improvement at the workplace, personal accountability and proactive individual involvement.

High standards of workplace safety and health are key factors in capturing the trust and confidence of the Group's employees, customers and other stakeholders. In this regard, Sembcorp Marine's Health, Safety, Security, Environmental & Quality policies and practices are certified to OHSAS 18001 Occupational Health and Safety standards and Singapore's Workplace Safety and Health Act.

The Group further benchmarks against global standards such as the International Association of Oil & Gas Producers (IOPG) Safety Data Reporting Users' guide; Oil Companies International Marine Forum's Marine Injury Reporting Guidelines; International Labour Organisation (ILO) Guidelines for Occupational Health and Safety Management Systems; ILO Safety in the Use of Chemicals at Work guidelines; and ILO Safety and Health in Shipbuilding and Ship Repairing guidelines.

The Group regularly reviews these policies to include best practices from industry leaders, customers, business partners and other stakeholders.

Reflecting a commitment from the top through the organisation, the Group's workplace health and safety policies and practices extend from the Board Risk Committee and Enterprise Risk Management Committee to the Group's yard departments and sub-trade functions which encompass 33,861 employees and contractors in 2015. At the operational level, there are over 300 male and female representatives of employees and contractor partners in the various Health, Safety and Environment (HSE) committees.

Sembcorp Marine's HSE strategic thrusts are:

- Continuous enhancement of HSE competencies and capabilities**
To create and foster an internalised safety culture, including proactive risk management and shared ownership by all stakeholders
- Building up commitment and leadership towards a better Workplace Safety and Health (WSH) culture**
To enhance capability building among all stakeholders and encourage innovation in promoting continuous safety and health assessment to ensure the highest WSH standards
- Involvement and support from stakeholders**
To increase connectivity and communication networks so as to enhance outreach to all relevant stakeholders through promotional activities and information-sharing portals
- Improvement in risk and safety management systems**
To enhance the HSE management system through the development of benchmarking and statistical tools, incident reporting and continuous improvement and to develop focused intervention programmes for identified high risks to reduce incidents, including risk assessments, trade specific guides and industry practices

To assess, monitor and improve workplace safety and health, Sembcorp Marine adopts a robust safety monitoring and evaluation system benchmarked against global standards. This includes a range of indicators such as near misses, reported hazards and occupational disease rate. The Group annually reviews its HSE work plans to ensure that its programmes and activities are constantly adapted to changing work behaviours.

FOR MORE DETAILS ON SEMBCORP MARINE YARD CERTIFICATIONS, PLEASE REFER TO PAGE 5.

MORE INFORMATION ON SEMBCORP MARINE'S HEALTH, SAFETY AND ENVIRONMENT (HSE) RISK MANAGEMENT APPROACH CAN BE FOUND ON PAGES 100 - 101.

WORKPLACE SAFETY & HEALTH

SEMCORP MARINE'S SAFETY PERFORMANCE



WSH PERFORMANCE IN 2015

In 2015, the Group's Accident Frequency Rate (AFR) decreased by 17% to 0.35 incidents per million man-hours, but Accident Severity Rate (ASR) rose to 120.30 man-days lost per million man-hours. Workplace Injury Rate (WIR) decreased to 118.69 incidents per 100,000 employed persons.

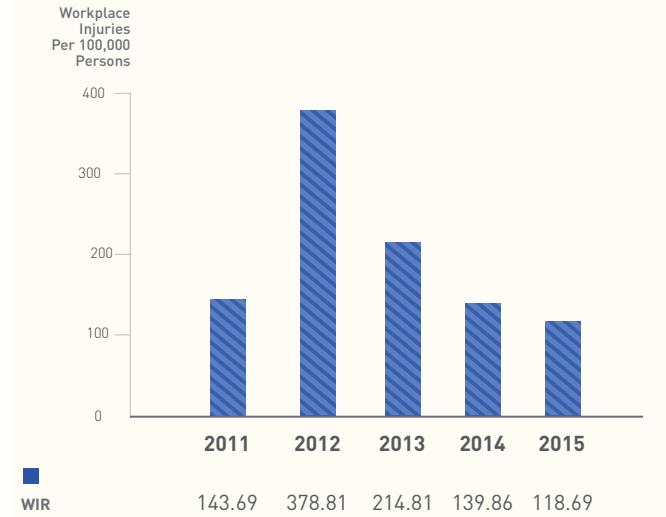
Contractor reportable incidents in 2015 fell to 55%, an improvement over 62% in the previous year. This was largely due to more aggressive efforts to integrate and align contractors with the Group's WSH targets through a range of programmes and training.

Sembcorp Marine's yards conducted 213 drills in 2015 together with its contractors, customers, shipyard occupiers and other relevant stakeholders. These included evacuation drills, environmental threats, security breaches, onboard and onshore fire & rescue scenarios as well as joint exercises with the Singapore Civil Defence Force.

In 2015, Sembcorp Marine reported two fatal incidents involving contractors in a lifting operation and a crane-related incident. The Group responded with immediate investigation protocols and undertook new measures with both contractors and employees to reinforce conformance to its safety system standards across all the yards.

During the reporting year, penalties were imposed on two separate incidents which occurred in prior years. These related to a diving incident and a pedestrian accident at the workplace.

WORKPLACE INJURY RATE (WIR)



01.



01.

Daily HSE meetings drive home the importance of workplace safety and health

RISK & SAFETY MANAGEMENT SYSTEMS

Sembcorp Marine yards undergo annual audits as part of OHSAS 18001 certification and company policy. Risk management teams continuously monitor and evaluate HSE performance against WSH impact on people, assets and consequential loss, environment as well as reputation.

The Group actively encourages its resident contractors to reach bizSAFE[#] Star levels, where they are required to be certified to a SS506 Occupational Health and Safety Management, OHSAS 18001 or equivalent standard. In 2015, 63% of Sembcorp Marine's 209 resident contractors were bizSAFE Star rated. All Sembcorp Marine resident contractors are required to meet bizSAFE level 3 standards to ensure that they have audited risk management systems.

To identify areas for improvement and align contractor WSH practices with Sembcorp Marine's Code of Business Conduct, standards and policies, an audit initiative on the safety management systems of the Group's resident contractors was launched in 2014. In 2015, the ongoing programme saw a total of 74 contractor partners audited.

The Group also centred its Review, Educate and Validate (REV) risk mitigation programme on the topics of fire and explosion, working at heights, machinery equipment as well as material handling. Employees, contractors and project teams were required to conduct regular safety audits, evaluations and risk assessments on these key risk topics.

BUILDING COMPETENCIES TO BEST STANDARDS

Sembcorp Marine benchmarks its WSH practices against global standards, often in close collaboration with international customers. Some initiatives that have stemmed from this practice include:

- Communication, Awareness, Reporting and Engagement (CARE) Programme – an integrated approach to fostering a cohesive WSH culture;
- MoveSMART® – a customer-initiated training and reinforcement-based process to reduce injuries through a proven set of movement techniques; and
- Adoption of International Association of Oil & Gas Producers (IOGP) reporting benchmarks.

A programme driven by the national WSH Council where risk management implementation frameworks and procedures must be assessed by a ministry-approved WSH auditor.

WORKPLACE SAFETY & HEALTH

Sembcorp Marine's yards conduct joint exercises with the Singapore Civil Defence Force, Security & Safety Watch Groups in the community, and Home Team agencies like the Singapore Police Force to improve occupational health and safety standards in the industry and ensure continued community vigilance and emergency readiness. Sembcorp Marine also works closely with external agencies such as the Ministry of Manpower, WSH Council and the Association of Singapore Marine Industries, providing feedback for policy development.

The Group has an HSE Officers Inter-yard Exchange Programme aimed at streamlining and accelerating implementation of HSE best practices across Sembcorp Marine's yards. In 2015, this programme focused on operations in the Tuas Boulevard facility.

A series of specialist training is provided to Sembcorp Marine HSE personnel to build a robust scope of competencies and capabilities. These include courses on occupational first aid covering Automated External Defibrillation (AED), Cardio-Pulmonary Resuscitation (CPR), fire fighting, handling of hazardous materials, working in confined space and assessing work at height conditions.

In 2015, Sembcorp Marine yards participated in the national CultureSAFE programme, launched in 2014. The Group introduced 28 contractors to the WSH culture-building platform, which focuses on aligning WSH goals across all levels and stakeholders, as well as broadening communication and participation channels necessary to strengthen a mindset that sustains safe work systems and processes. Together, some of the initiatives that were run under the CultureSAFE programme included:

- Sustainable training activities tailored to different levels of the workforce to address topics such as management systems;
- Empowerment of onsite personnel to halt ongoing operations or work activity should any potentially unsafe work conditions be spotted;
- Awareness enhancement of common hazards through case study analysis and a spectrum of communication platforms; and
- Intensification of onsite promotion of proactive safety behaviour to reinforce the importance of personal responsibility and workplace safety and health practices.

Additionally, the Group utilises a series of award recognition initiatives to encourage exemplary WSH behaviour for employees. These initiatives include WSH Best Supervisor and WSH Best Worker Awards.

02.

Joint HSE site inspection with customers

02.





03.

03.

Regular multi-scenario drills prepare onsite teams to respond swiftly to potential emergency scenarios

04.

Fostering a proactive and collaborative WSH culture with contractor partners and external stakeholders

05.

A holistic approach to safety and health at the workplace

DRIVING CONTRACTOR PARTNERS FORWARD

Sembcorp Marine is committed to fostering contractors' growth in tandem with the Group's high expectations of workplace safety and health.

Recognition and incentive programmes such as the WSH Pinnacle Award, the WSH STAR Award and the Contractor Safety Recognition Award were developed for contractor partners, to encourage good safety performance among them. The yards' HSE and training teams work closely with contractors to identify areas for improvement.

Sembcorp Marine actively involves contractors and stakeholders in the Group's WSH innovation competitions, which promote ownership of WSH responsibility and a proactive approach to developing WSH improvement solutions.

The Group also works closely with contractors through joint task forces in conducting regular patrols and discussions that reinforce HSE best practices in the yards.



04.

04.**05.**

WORKPLACE SAFETY & HEALTH

A HEALTHY AND SAFE WORKPLACE

The company is committed to total health care in the workplace. Regular health checks are offered to staff under the company's health programme. Personnel in jobs with exposure to specific occupational health risks are identified for additional assessment and monitoring.

The yards' medical facilities, onsite paramedics and medical staff teams are equipped with knowledge and skills to quickly respond to situations ranging from occupational first aid to advanced life support.

Health emergency protocols are in place to safeguard and monitor staff, contractors and customers during nationwide crises and against communicable diseases, such as hazardous haze conditions and influenza epidemics respectively.

To create an environment free from mosquito-borne hazards such as dengue fever and malaria, the yards adopt a preventive approach. Regular site inspections, housekeeping exercises and fumigations identify and eliminate potential mosquito breeding grounds. Awareness and prevention training is provided to staff and contractors to encourage vigilance.

RECOGNITION OF WSH EFFORTS

In 2015, the Group garnered 34 WSH national and industry awards – including 24 safety and health performance recognitions for projects (SHARP), six WSH Innovation awards, two awards for exemplary WSH behaviour by supervisors, and two WSH Performance awards for two separate Sembcorp Marine yards. The Group is also pleased to report that a resident contractor with 22 years of working relationship with Sembcorp Marine Tanjong Kling Yard received the national WSH Risk Management Award.

PLEASE REFER TO PAGES 12 - 13 FOR MORE INFORMATION ON SEMBCORP MARINE'S AWARDS AND ACCOLADES.

06.

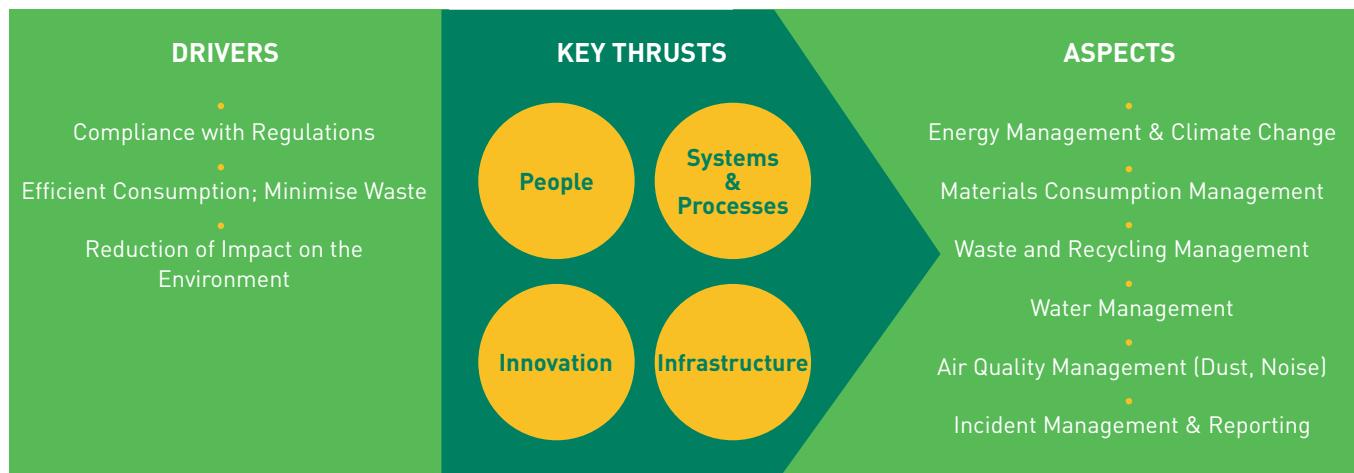
Senior management regularly engage contractor partners to emphasise the importance of workplace safety and health excellence



ENVIRONMENTAL FOCUS

Sembcorp Marine is committed to mitigating its business impact on the environment and the community. The Group aims to further enhance its service and product offering with optimal use of resources, and with minimal impact to the environment and the community.

ENVIRONMENTAL FRAMEWORK



In 2015, a Sembcorp Marine Environmental Committee was formed to support the Group's efforts to build an environmentally-friendly workplace befitting of good corporate governance and responsibility. Committee responsibilities include streamlining entity policies and activities, as well as sharpening evaluation measures and performance.

Sembcorp Marine yards adopt individualised environmental management systems (EMS) adapted to the respective locations and managed by committees consisting of HSE personnel, business excellence champions and management representatives from the Group's operations. These EMS are compliant with strict national regulations such as the National Environment Agency's Environment Protection and Management Act and Hazardous Waste (Control of Export, Import and Transit)

Act, as well as the Maritime and Port Authority of Singapore's Prevention of Pollution of the Sea Act. Two of the Group's largest yards are certified to ISO 14001 Environment Management standards. Risk assessments on environmental impact as well as health and safety impact form an integral part of Sembcorp Marine's operations. All of its yards undergo regular external and internal audits as part of ISO 14001 Environment Management, ISO 9001 Quality Management or OHSAS 18001 Occupational Health and Safety Management certifications.

All Sembcorp Marine contractors, vendors, customers and shipyard occupiers are expected to comply with the Group's environmental policies and practices.

In 2015, there were no environment-related non-compliance cases or reports of oil spills, sanctions and fines.

ENVIRONMENTAL FOCUS

ENERGY CONSUMPTION AND CLIMATE CHANGE

Yard operations consume energy for two primary functions – gas fuel to produce heat for cutting and welding; and electricity and diesel to power operations, buildings, generators and equipment.

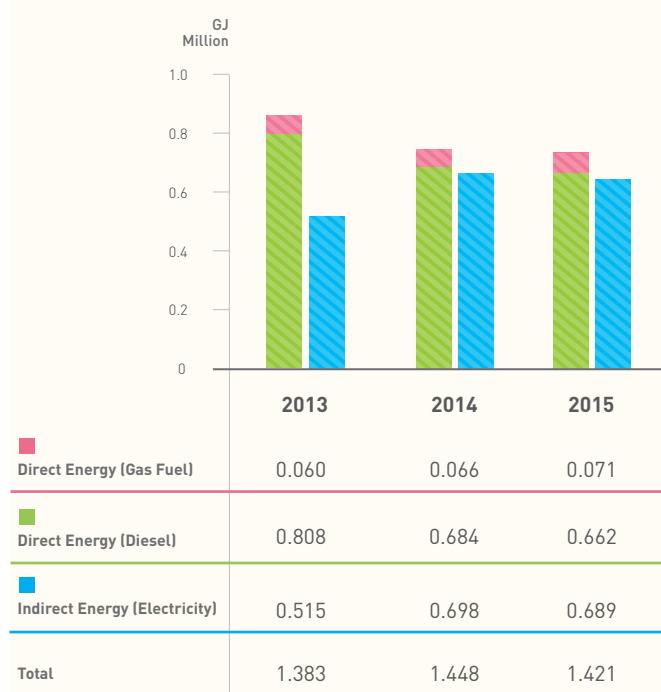
The Group promotes responsible usage of electricity, as well as takes a continuous improvement approach towards more climate-friendly gases and technology. Decreasing reliance on fossil fuel, adoption of cleaner gases, and enhancement of energy efficiency enable Sembcorp Marine to mitigate atmospheric emissions. The Group's three largest locations are overseen by certified energy managers who track and monitor the consumption of electricity, fossil fuel and gas fuel.

Since 2012, Sembcorp Marine has reduced its reliance on diesel-fuelled generators. Alternative forms of power such as electricity have enabled the Group to decrease the carbon emissions impact of its operations. At Sembcorp Marine Tuas Boulevard Yard, the Group has also implemented a Land-based Energy Management System that monitors and provides data to actively manage electricity consumption.

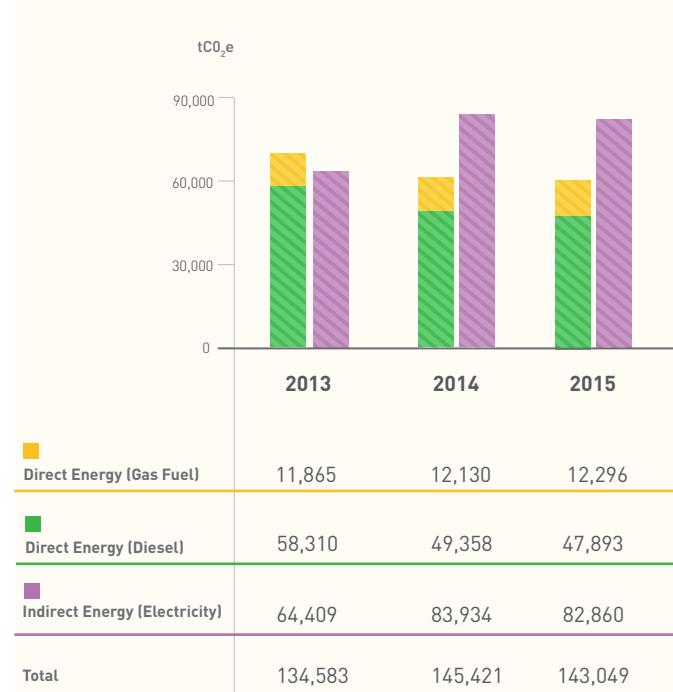
The Group sources its electricity from the Singapore power grid, which is generated by a fuel mix comprising 95% of natural gas, 0.9% of petroleum products (mainly diesel and fuel oil) and 3.7% of other sources such as municipal waste, coal and biomass[^].

In 2015, Sembcorp Marine's operations consumed 1,421,988 GJ of energy. This translated to 143,146 tCO₂e of carbon emissions.

ENERGY CONSUMPTION



CARBON EMISSIONS



Notes:

- 2014 electricity emissions have been updated to reflect new figures from the Energy Market Authority.
- Historical gas fuel emissions have been restated to reflect a calculation error for natural gas.
- Gas fuel for welding and cutting activity includes acetylene, liquefied petroleum gas and natural gas.

[^] Latest available figures at time of print from "Energising Our Nation: Singapore Energy Statistics 2015", page 102, Table 7.1: Electricity Grid Emission Factor and Upstream Fugitive Methane Emission Factor, Republic of Singapore.



01.

Sembcorp Marine yards conduct regular chemical spill drills to ensure operations are emergency-ready

WATER CONSUMPTION



AIR QUALITY MANAGEMENT

Sembcorp Marine shipyards manage airborne particulates by maximising the amount of sheltered blasting and painting facilities, as well as ensuring compliance with the National Environment Agency's requirements which are in turn benchmarked against the World Health Organization Air Quality Guidelines. Areas that undertake blasting or painting activities are regulated by filtration systems. To mitigate the impact on nearby residential areas, the Sembcorp Marine Admiralty Yard has taken additional precautionary steps, such as setting up PM2.5 monitoring points to constantly track the emission of airborne particulates as well as halting work in open blasting and painting areas if wind speeds exceed eight knots.

WATER CONSUMPTION MANAGEMENT

Sembcorp Marine sources its water from the national Public Utilities Board (PUB) which draws from local catchment areas, imported water, desalinated water and reclaimed water known as NEWater. As a corporate member of a water-stressed country[°], the Group is fully committed to managing its water consumption responsibly. Sembcorp Marine's operations utilise seawater and recycled water in order to reduce the Group's water withdrawal from national sources.

The Group utilised a total of 2.201 million m³ of water in 2015, compared with 2.137 million m³ in 2014. This increase was due to more ship repair and hydro-blasting activities. Sembcorp Marine's reclaimed water usage constituted 49% of the Group's total consumption, an improvement over 38% in 2014.

In 2015, Sembcorp Marine reviewed its water consumption monitoring and trialed a new water stewardship framework involving increased measures such as regulated leak checks, additional monitoring equipment and new reporting metrics at the Admiralty, Tanjong Kling and Tuas Boulevard yards.

[°] According to the World Resources Institute

ENVIRONMENTAL FOCUS

MATERIAL MANAGEMENT

Steel is one of Sembcorp Marine's primary raw materials. Centralised procurement is practised to ensure vendor compliance with national regulations as well as the Group's Code of Conduct. In 2015, 115,903 MT of steel was consumed, a decrease from previous years as ongoing projects moved out of the heavy construction phase, or construction progress was paced out.

The Group is committed to minimising wastage of all raw materials such as steel. The yards utilise a materials workflow management system to optimise all possible usage of steel before remaining scraps are sent for recycling.

FOR MORE INFORMATION ON SEMBCORP MARINE'S SOURCING POLICIES, PLEASE REFER TO PAGES 104-105.

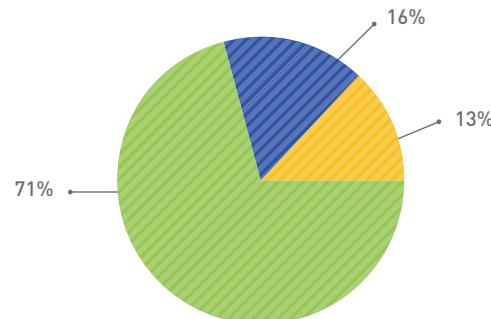
WASTE MANAGEMENT

Sembcorp Marine's waste management programme focuses on hazardous waste, non-hazardous waste and materials sent for recycling.

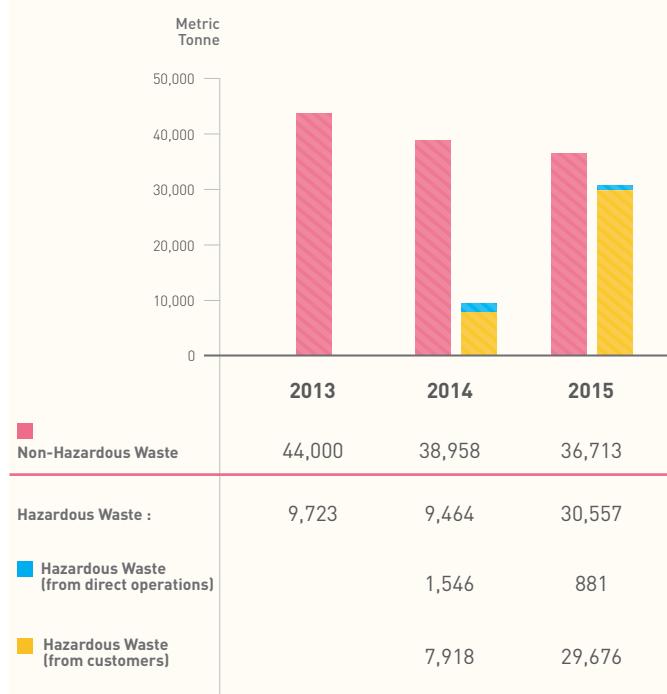
Waste management is highly regulated in land-scarce Singapore. Waste generated by Sembcorp Marine, its subsidiaries and contractors is handled by ministry-approved waste disposal vendors. Companies that process general and hazardous waste are subject to strict regulations imposed by the government in accordance with global standards and agreements, such as the Basel Convention.

The Group's policy on chemical and hazardous substances sets out detailed company regulations on the procurement, handling and disposal of hazardous substances. The policy includes stringent waste segregation measures, mandatory compliance with the Global Harmonised System (GHS) of classification and handling, trained handling requirements and emergency response procedures. Implementation of this policy is overseen by HSE, security and production personnel, as well as procurement and project managers.

TYPES OF WASTE



- Recycled Waste
- Non-Hazardous Waste
- Hazardous Waste



Notes:

- PPL commenced tracking of waste materials in 2014.
- The Group began tracking separate sources of hazardous waste in 2014.

TO LEARN HOW SEMBCORP MARINE RECYCLES USED COPPER GRIT, PLEASE VISIT THE SUSTAINABILITY CASE STUDIES SECTION OF WWW.SEMBMARINE.COM.



02.

In 2015, 36,713 MT of non-hazardous waste was disposed. Of the total hazardous waste disposed by the Group, 881 MT (3%) was due to direct shipyard operations and the other 29,676 MT (97%) was removed on behalf of customers from vessels which called at Sembcorp Marine yards for repair and upgrading works.

Sludge and oily water removed from customers' vessels during repairs are the main contributors of hazardous waste. Disposal companies certified to handle hazardous waste in Singapore treat and discharge oily water with full regulatory compliance. Oily solid matter and sludge are incinerated to reduce landfill volume and subsequent stress on land-scarce Singapore as well as to leverage waste-to-energy opportunities.

The overall increase in waste at Sembcorp Marine was due primarily to the increase in repair and maintenance customer jobs in 2015. Sembcorp Marine targets to reduce the impact of waste disposal on the environment.

The Group recycles fully all spent copper grit and steel scraps retrieved from shipyard operations. Last year, this amounted to 118,400 MT and 45,553 MT respectively and were the two most significant recycled materials at Sembcorp Marine yards.

Spent copper grit is treated and either reused for blasting activities, or recycled as a sand substitute in brick construction or cement production. Scrap steel is recycled to produce steel for a range of non-demanding uses.

ENVIRONMENTAL FOCUS

FOR MORE INFORMATION ON HOW SEMBCORP MARINE DEVELOPS GREEN TECHNOLOGIES AND INITIATIVES, PLEASE REFER TO PAGES 108 - 113 AND THE TECHNOLOGIES SECTION OF WWW.SEMBMARINE.COM.

SEMCORP MARINE PROMOTES A PROACTIVE GREEN MINDSET AMONG YOUNG MINDS. FIND OUT MORE AT PAGE 139 AND ON WWW.SEMBMARINE.COM/GREENWAVE/.

02.

Sembcorp Marine reduces landfill stress in land-scarce Singapore by upcycling used copper slag as a sand substitute for pavement bricks and ready-mix concrete

03.

Regular monitoring of water consumption as part of Sembcorp Marine's water stewardship programme

04.

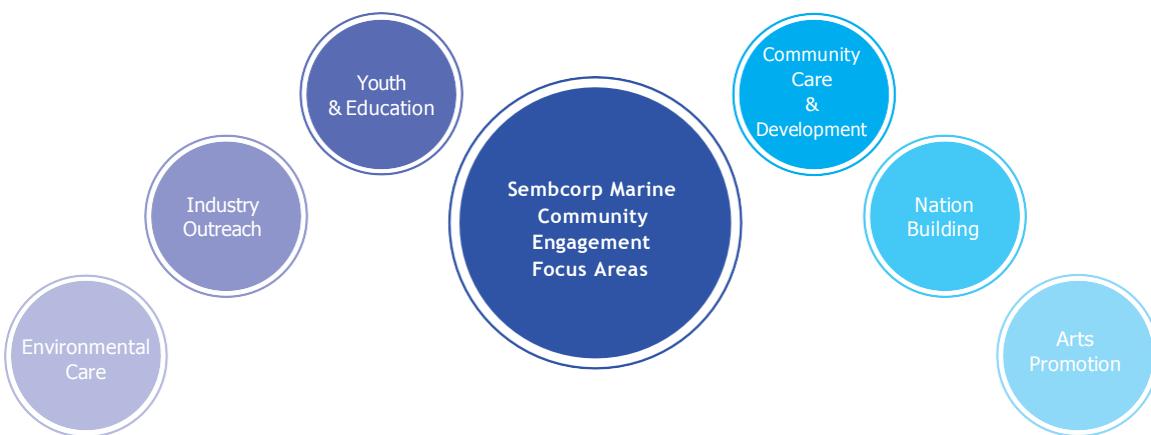
Fostering an environmentally-friendly culture among contractor partner and employees

04.

COMMUNITY DEVELOPMENT & INVOLVEMENT

Sembcorp Marine cultivates close links with the community and champions a wide range of social improvement and industry development initiatives to make a positive difference to society. As part of the community engagement thrust of its corporate social responsibility programme, the Group focuses on advancing causes relating to 'youth and education', 'community care and development', 'nation building', 'environmental care', 'arts promotion' and 'industry outreach'.

In 2015, Sembcorp Marine gave more than \$3.82 million towards community building initiatives, charitable causes and industry development projects through company-driven programmes, sponsorships as well as corporate and staff donations. The Group and its employees contributed more than 5,740 hours of community service and volunteering efforts in various social improvement projects.



SUPPORTING YOUTH AND EDUCATION

Sembcorp Marine has been helping needy students from families residing near the Group's yards since the launch of its School Book Assistance Grant (SchoolBAG) Programme in 2001. Aimed at supporting children and youths from financially disadvantaged families, the SchoolBAG programme has benefited more than 17,500 students through cumulative grants of \$3.6 million over the past 15 years. In 2015, the Group gave \$256,000 in financial aid to 1,250 primary, secondary and junior college students to subsidise their school expenses and enrichment programmes.

Demonstrating its strong support for education, Sembcorp Marine regularly sponsors awards and book prizes given by educational institutions to honour top students who excel in their studies and co-curricular activities. Internally, the

Group also provided academic awards and bursaries totalling \$66,100 to the children of its employees in 2015 to recognise their educational achievements and to supplement their school expenses.

To bolster the development of education and research, the Group partnered with the Nanyang Technological University (NTU) in establishing the Sembcorp Marine Lab @ NTU, an advanced research facility focused on developing cutting-edge technologies and solutions to sharpen Singapore's competitiveness in the offshore and marine industry.

The Group had made a commitment earlier in 2012 to contribute \$10 million over a period of five years to fund the development of this high-tech Research & Development lab.

COMMUNITY DEVELOPMENT & INVOLVEMENT

01.



01.

Providing financial grants under the SchoolBAG programme to support students in their educational journey

02.

The Green Wave Environmental Care Competition aims to inspire young minds to develop innovative green solutions for environmental improvement

CREATING ENVIRONMENTAL AWARENESS

Sembcorp Marine continues to raise awareness of environmental protection and preservation through the Green Wave Environmental Care Competition. Started in 2003, the Green Wave competition is an annual initiative that encourages children and youths to apply their creative talent in developing innovative environmental projects.

The 2015 Green Wave competition saw the submission of 234 project entries by 850 students in the primary, secondary, junior college, ITE (Institute of Technical Education) and tertiary categories. These projects reflected the growing maturity among student participants in tackling a gamut of environmental challenges, ranging from water preservation and waste management to the protection of various ecosystems. Since the extension of the competition to regional tertiary institutions in 2014, Green Wave has attracted outstanding submissions from overseas and created opportunities for knowledge exchange among local and overseas participants.

02.



The Green Wave event also serves as a platform for Sembcorp Marine to engage industry stakeholders and community leaders in championing the green cause, by involving them in the competition's judging process and also encouraging them to offer internship opportunities as competition awards.

Committed to advancing marine sustainability, Sembcorp Marine was a sponsor of the World Ocean Council Sustainable Ocean Summit 2015. The convention brought together the international ocean business community to further the development and implementation of industry-driven solutions to address ocean sustainability challenges.

03.



03.

Sembcorp Marine volunteers and Community Chest beneficiaries drumming up the atmosphere at the Heartstrings Walk 2015

04.



04.

Volunteers from Sembcorp Marine bringing joy to beneficiaries during festive celebrations

CARING FOR THE COMMUNITY

Sembcorp Marine extends care and support to those in need within the community through various avenues, such as donations, sponsorships, staff volunteering efforts and community service.

In 2015, the Group contributed to several charitable organisations and philanthropic causes, including the Community Chest, the Singapore Children's Society, the Tan Tock Seng Hospital Community Charity Ride Programme and the NTUC U-Care Fund. Under a dollar-for-dollar donation matching initiative, Sembcorp Marine and its employees gave a total of \$95,000 in aid of the Community Chest's SHARE Programme, which supports voluntary welfare organisations in Singapore's social services sector. Direct salary contributions were also made by employees to the Chinese Development Assistance Council (CDAC), Yayasan MENDAKI, the Singapore Indian Development Association and the Eurasian Association. These organisations provide educational assistance and community care to beneficiaries.

Sembcorp Marine was a key sponsor of the annual Heartstrings Walk organised by the Community Chest to raise funds for charities under its care. In conjunction with the charity walk, several staff volunteers from the Group also participated in a community drumming activity with beneficiaries from the SIA MINDS Employment Development Centre. Several sessions of rehearsals leading up to the event enabled employees to connect and build rapport with the participating drummers to deliver a successful performance.

On the community development front, the Group has close links with the Yishun Students Care Service and actively supports the organisation's initiatives to positively impact children and youths. The U.Me Christmas Party is an annual celebration jointly organised by Sembcorp Marine and the Yishun Students Care Service for the care centre's beneficiaries and their families. Apart from helping with the planning and execution, Sembcorp Marine employees also volunteered their time to create a memorable festive experience for the young participants.

Sembcorp Marine employees came together to assist the elderly residents of the Sunshine Welfare Action Mission (SWAMI) in the new-year spring cleaning tasks. On festive occasions, such as the Lunar New Year and mid-autumn celebrations, they visited various welfare organisations to bring cheer to the seniors residing there.

Donating blood to save lives is another meaningful cause supported by the Group's employees, who actively participated in quarterly blood donation drives organised by the Singapore Blood Bank at the Khoo Teck Puat Hospital during the year.

COMMUNITY DEVELOPMENT & INVOLVEMENT

05.



05.

Strong commitment by management and staff towards nation building

06.



06.

Employees marching with pride as part of the SG50 National Day Parade celebrations

SUPPORTING SG50 AND NATION BUILDING

In line with Singapore's 50th anniversary (SG50) celebrations, Sembcorp Marine supported a series of meaningful initiatives and events to mark this significant national milestone.

Sembcorp Marine is honoured to be involved in Singapore's Golden Jubilee National Day Parade (NDP) celebrations in 2015, marking the Group's ninth consecutive year of NDP sponsorship and participation. Some 23 employee volunteers represented the Group in the marching segment of the parade. Additionally, Sembcorp Marine sponsored several mementos in the SG50 fun packs given to parade spectators to commemorate the celebration.

The Group is also proud to have been a part of SPRING Singapore's 'The Economic Miracle' travelling exhibition, an interactive showcase tracing the evolution of key industries and pioneering companies which had contributed to Singapore's economic success. Sembcorp Marine's veteran staff, 60-year-old technical engineer Mr N. Mariappan, was featured in the 'Hands that Built Our Nation' segment of the exhibition, where he shared his personal experience of the Group's progress and transformation into a global leader in the offshore and marine industry.

The 'Local Champions, Global Leaders' competition was another SPRING Singapore initiative supported by the Group in 2015. As a nation-wide competition, teams of students collaborated with local industry champions and multi-national companies to showcase the firms' significant contributions to Singapore's growth and success. Sembcorp Marine's collaboration with Team Trium from the National

University of Singapore won the first runner-up award at the competition with an interactive and engaging display highlighting the Group's heritage, milestones and achievements.

Sembcorp Marine was also a major sponsor of a televised documentary and a commemorative coffee table book, both commissioned by the Maritime and Port Authority of Singapore (MPA) and the Singapore Shipping Association in partnership with National Geographic to commemorate SG50. These projects, in which Sembcorp Marine was featured, successfully documented the nation's achievements in the offshore and marine sector as well as its capabilities as an integrated maritime hub of choice.

07.



07.

Sembcorp Marine's collaboration with Team Trium from NUS won the first-runner up award at the SG50 'Local Champions, Global Leaders' competition organised by SPRING Singapore



08.

Connecting with stakeholders through various engagement platforms

FOSTERING A VIBRANT COMMUNITY

Sembcorp Marine supports the promotion of arts and sports in Singapore to foster greater creativity, passion and vibrancy within the community. The Group was a sponsor of the Asian Civilisations Museum's comprehensive renewal project. This initiative involved the development of additional installations, such as a riverfront entrance and new galleries spread over three floors; as well as engagement programmes to enhance the museum's capacity and outreach efforts.

Sembcorp Marine also contributes towards the Yishun Students Care Service's efforts to engage children and youths through arts and sports. In 2015, the Group sponsored art workshops and a soccer camp organised by the care centre.

GLOBAL COMMUNITY ENGAGEMENT

Beyond Singapore, Sembcorp Marine's overseas yards also embrace the Group's commitment towards corporate social responsibility and community engagement. Employees from these yards are involved in projects that promote environmental sustainability, skills training and access to learning resources. In 2015, they organised educational and sporting workshops for youths and contributed to fund-raising projects and charitable causes.

LEARN MORE ABOUT SEMBCORP MARINE'S GLOBAL INITIATIVES IN COMMUNITY ENGAGEMENT AT THE SUSTAINABILITY SECTION OF WWW.SEMBMARINE.COM.

INDUSTRY DEVELOPMENT

As a leading industry player in Singapore, Sembcorp Marine contributes its knowledge, expertise and resources to advance the sustainable development of the nation's offshore and marine sector. The Group supports a broad spectrum of industry outreach, promotion and development programmes that raise the sector's profile locally and globally; strengthens ties and partnerships among industry players; as well as sharpen the industry's competitive capabilities.

In 2015, Sembcorp Marine participated in several prominent local and overseas exhibitions, such as the Sea Asia and Gastech conferences in Singapore, the Nor-Shipping tradeshow in Norway, as well as the Cruise Shipping Miami exhibition and Houston-based Offshore Technology Conference (OTC) in the United States.

As a Singapore pavilion exhibitor at OTC and Nor-Shipping, Sembcorp Marine succeeded in raising awareness of the nation's offshore and marine sector by showing the Group's integrated global capabilities. In conjunction with these tradeshows, high profile networking functions were organised by the Group to connect with customers and partners as well as to share the latest developments in the company's transformation journey.

Sembcorp Marine actively champions industry promotion, capability building, knowledge sharing and networking programmes through collaborations with various industry

COMMUNITY DEVELOPMENT & INVOLVEMENT

partners. The Group has strong ties with stakeholders in diverse circles through its membership in the Association of Singapore Marine Industries (ASMI), Society of Naval Architects and Marine Engineers (Singapore), Singapore Business Federation and Singapore International Chamber of Commerce. It maintains close links with the Singapore Maritime Foundation (SMF) and the Singapore Shipping Association (SSA).

The Group also works with governmental organisations, such as the MPA, International Enterprise Singapore (IE Singapore), Economic Development Board (EDB), Ministry of Education, Ministry of Defence, Ministry of Manpower, National Environment Agency and SPRING Singapore, to enhance the nation's capabilities and competitiveness. In 2015, Sembcorp Marine hosted several visits by various government officials, including delegates from EDB and MPA.



09.

Exhibiting at international tradeshows to raise the profile of Sembcorp Marine and Singapore's offshore and marine industry

To promote closer links between Latin America and Asia, Sembcorp Marine was a strategic sponsor of IE Singapore's biennial Latin Asia Business Forum 2015, a conference platform that aims to foster trade, investments and thought leadership between both regions.

The Workplace Safety and Health (WSH) Council's national WSH campaign for raising standards of occupational safety and health in Singapore was another key initiative supported by the Group during the year.

To further the development of maritime law and arbitration, Sembcorp Marine sponsored the Singapore Chamber of Maritime Arbitration Conference and the Asian Maritime Law and Arbitration Conference organised by the Maritime Law Association of Singapore.

To reach out to youths, the Group is actively involved in ongoing outreach programmes organised by MPA and relevant industry associations to encourage students to embark on careers in the offshore and marine sector. It also collaborates with polytechnics, universities and vocational institutions to enhance competencies in student education, workforce training as well as Research & Development.

In 2015, Sembcorp Marine supported outreach events such as the MPA Maritime Heritage Exhibition and Maritime Learning Journeys programme during Singapore Maritime Week. The Group also supported the Amazing Maritime Challenge, an event co-organised by MPA and SMF with the support of ASMI and SSA, to generate greater public awareness of the sector. Close to 1,000 participants, including the Group's staff, engaged in educational games that deepened their knowledge of Singapore's maritime industry.



10.

Forging strong ties with government agencies

GRI

INDEX

GLOBAL REPORTING INITIATIVE (GRI) G4 CORE CONTENT INDEX

GENERAL STANDARD DISCLOSURES			
Standard Disclosure	Standard Disclosure Title	Annual Report Sections	Page References
STRATEGY AND ANALYSIS			
G4-1	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	Chairman and CEO's Statement	16 - 23
G4-2	Description of key impacts, risks, and opportunities	• Chairman and CEO's Statement • Risk Management	16 - 23 98 - 101
ORGANISATIONAL PROFILE			
G4-3	Name of the organisation	Corporate Directory	63
G4-4	Primary brands, products, and/or services	Corporate Profile	Inside front cover
G4-5	Location of organisation's headquarters	Corporate Directory	63
G4-6	Number and names of countries where the organisation operates	Our Integrated Global Platform	3 - 5
G4-7	Nature of ownership and legal form	Corporate Directory	63
G4-8	Markets served	Our Integrated Global Platform	3 - 5
G4-9	Scale of the organisation	Corporate Profile	Inside front cover - 5
G4-10	Workforce statistics	Human Capital	114 - 125
G4-11	Percentage of total employees covered by collective bargaining agreements	Human Capital	114
G4-12	Description of organisation's supply chain	Sustaining Competitiveness	106 - 107
G4-13	Significant changes during the reporting period	Chairman and CEO's Statement	16 - 23
G4-14	Application of precautionary approach or principle	Approach to Sustainability	72 - 79
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	• Our Integrated Global Platform • Approach to Sustainability • Corporate Governance • Human Capital • Workplace Safety & Health • Environmental Focus • Community Development & Involvement	5 72 - 79 80 - 97 114 - 125 126 - 131 132 - 137 138 - 143
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organisations	• Approach to Sustainability • Community Development & Involvement	72 138 - 141
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Coverage of entities in relation to organisation's consolidated financial statements or equivalent documents	• Financial Statements • Approach to Sustainability	254 - 257 79
G4-18	Process for defining report content and Aspect Boundaries	Approach to Sustainability	72 - 79
G4-19	Material Aspects identified	Approach to Sustainability	74 - 77
G4-20	Aspect Boundaries within the organisation for each Material Aspect	• Approach to Sustainability • Sustaining Competitiveness	74 - 77 106 - 107
G4-21	Aspect Boundaries outside the organisation for each Material Aspect	• Approach to Sustainability • Sustaining Competitiveness	74 - 77 106 - 107

GRI INDEX

GENERAL STANDARD DISCLOSURES			
Standard Disclosure	Standard Disclosure Title	Annual Report Sections	Page References
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-22	Restatements	Environmental Focus <i>Direct energy carbon emission figures for 2013 and 2014 have been restated due to a historical calculation error for natural gas.</i>	133
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Approach to Sustainability	79
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups engaged by the organisation	Approach to Sustainability	78 - 79
G4-25	Basis for identification and selection of stakeholders with whom to engage	Approach to Sustainability	73 - 74, 77 - 79
G4-26	Organisation's approach to stakeholder engagement	Approach to Sustainability	72 - 79
G4-27	Key topics and concerns raised through stakeholder engagement	Approach to Sustainability	73 - 74, 78 - 79
REPORT PROFILE			
G4-28	Reporting period	Approach to Sustainability	79
G4-29	Date of most recent previous report	Sembcorp Marine has published its sustainability report annually since 2011	79
G4-30	Reporting cycle	<ul style="list-style-type: none"> Approach to Sustainability Group Financial Review 	79 32 - 43
G4-31	Contact point for questions regarding the report or its contents	Approach to Sustainability	79
G4-32	'In accordance' option	Approach to Sustainability	79
G4-33	Policy and current practice with regard to seeking external assurance of the report	Approach to Sustainability	79
GOVERNANCE			
G4-34	Governance structure of the organisation	<ul style="list-style-type: none"> Board of Directors Senior Management Corporate Governance 	48 - 53 54 - 61 80 - 97
ETHICS AND INTEGRITY			
G4-56	Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Corporate Governance	80 - 97
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	<ul style="list-style-type: none"> Corporate Governance Risk Management 	80 - 97 98 - 101

SPECIFIC STANDARD DISCLOSURES			
Standard Disclosure	Standard Disclosure Title	Annual Report Sections	Page References
CATEGORY: ECONOMIC			
ASPECT: ECONOMIC PERFORMANCE			
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> • Approach to Sustainability • Corporate Governance • Risk Management • Group Financial Review 	72 - 79 80 - 97 98 - 101 32 - 43
G4-EC1	Direct economic value generated and distributed	Group Financial Review	32 - 43
CATEGORY: ENVIRONMENTAL			
ASPECT: MATERIALS			
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> • Approach to Sustainability • Risk Management • Environmental Focus 	72 - 79 98 - 101 132 - 137
G4-EN1	Materials used by weight or volume	Environmental Focus	135
ASPECT : ENERGY			
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> • Approach to Sustainability • Risk Management • Environmental Focus 	72 - 79 98 - 101 132 - 137
G4-EN3	Energy consumption within the organisation	Environmental Focus	133
G4-EN6	Reduction of energy consumption	Environmental Focus	133
G4-EN7	Reductions in energy requirements of products and services	<ul style="list-style-type: none"> • Environmental Focus • Sustaining Competitiveness 	133 110 - 113
ASPECT: WATER			
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> • Approach to Sustainability • Risk Management • Environmental Focus 	72 - 79 98 - 101 132 - 137
G4-EN8	Total water withdrawal by source	Environmental Focus	134
ASPECT: EMISSIONS			
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> • Approach to Sustainability • Risk Management • Environmental Focus 	72 - 79 98 - 101 132 - 137
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Environmental Focus	133
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Environmental Focus	133
G4-EN19	Reduction of greenhouse gas (GHG) emissions	<ul style="list-style-type: none"> • Environmental Focus • Sustaining Competitiveness 	133 108 - 113
ASPECT: EFFLUENTS AND WASTE			
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> • Approach to Sustainability • Risk Management • Environmental Focus 	72 - 79 98 - 101 132 - 137
G4-EN23	Total weight of waste by type and disposal method	Environmental Focus	135 - 136
G4-EN24	Total number and volume of significant spills	No significant spills took place during the reporting period	
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Environmental Focus	135 - 136
ASPECT: COMPLIANCE			
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> • Approach to Sustainability • Risk Management • Environmental Focus 	72 - 79 98 - 101 132 - 137
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No significant fines or sanctions took place during the reporting period	

GRI INDEX

SPECIFIC STANDARD DISCLOSURES			
Standard Disclosure	Standard Disclosure Title	Annual Report Sections	Page References
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK			
ASPECT: EMPLOYMENT			
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> Approach to Sustainability Human Capital Risk Management Corporate Governance 	72 - 79 114 - 125 98 - 101 80 - 97
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Human Capital	118
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Human Capital	122
ASPECT: OCCUPATIONAL HEALTH AND SAFETY			
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> Approach to Sustainability Risk Management Workplace Safety & Health 	72 - 79 98 - 101 126 - 131
G4-LA5	Percentage of total workforce represented in formal joint management worker health and safety committees that help monitor and advise on occupational health and safety programmes	<ul style="list-style-type: none"> Workplace Safety & Health Environmental Focus 	126 132
G4-LA6	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Workplace Safety & Health	127
G4-LA7	Workers with high incidence or high risk of diseases related to their occupations	Workplace Safety & Health	131
G4-LA8	Health and safety topics covered in formal agreements with trade unions	Human Capital	114
ASPECT: TRAINING AND EDUCATION			
G4-DMA	Generic Disclosures on Management Approach	Human Capital	114 - 125
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Human Capital	118 - 120
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Human Capital	122
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Human Capital	122
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY			
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> Approach to Sustainability Human Capital 	72 - 79 114 - 125
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Human Capital	114 - 116
SUB-CATEGORY: HUMAN RIGHTS			
ASPECT: NON-DISCRIMINATION			
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> Approach to Sustainability Human Capital 	72 - 79 114 - 125
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Human Capital	117
ASPECT: CHILD LABOUR			
G4-DMA	G4-DMA Generic Disclosures on Management Approach	<ul style="list-style-type: none"> Approach to Sustainability Human Capital 	72 - 79 114 - 125
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	<ul style="list-style-type: none"> Human Capital Sustaining Competitiveness 	117 104 - 107

SPECIFIC STANDARD DISCLOSURES			
Standard Disclosure	Standard Disclosure Title	Annual Report Sections	Page References
ASPECT: FORCED OR COMPULSORY LABOUR			
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> • Approach to Sustainability • Human Capital 	72 - 79 114 - 125
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	<ul style="list-style-type: none"> • Human Capital • Sustaining Competitiveness 	117 104 - 107
SUB-CATEGORY: SOCIETY			
ASPECT: LOCAL COMMUNITIES			
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> • Approach to Sustainability • Community Development & Involvement 	72 - 79 138 - 143
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	<ul style="list-style-type: none"> • Community Development & Involvement • Workplace Safety & Health 	138 - 143 128 - 131
G4-SO2	Operations with significant actual and potential negative impacts on local communities	Environmental Focus	132 - 137
ASPECT: ANTI-CORRUPTION			
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> • Approach to Sustainability • Risk Management 	72 - 79 98 - 101
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Risk Management	98 - 101
G4-SO4	Communication and training on anti-corruption policies and procedures	Risk Management	100 - 101
G4-SO5	Confirmed incidents of corruption and actions taken	Risk Management	101
ASPECT: ANTI-COMPETITIVE BEHAVIOUR			
G4-DMA	Generic Disclosures on Management Approach	Risk Management	98 - 101
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	No significant legal actions took place during the reporting period	
ASPECT: COMPLIANCE			
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> • Approach to Sustainability • Risk Management 	72 - 79 98 - 101
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	\$115,000. Please refer to the Workplace Safety & Health section	127
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
ASPECT: CUSTOMER HEALTH AND SAFETY			
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> • Approach to Sustainability • Sustaining Competitiveness 	72 - 79 102, 108 - 111
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	<ul style="list-style-type: none"> • Sustaining Competitiveness 	108, 110 - 111
ASPECT: PRODUCT AND SERVICE LABELLING			
G4-DMA	Generic Disclosures on Management Approach	<ul style="list-style-type: none"> • Approach to Sustainability • Sustaining Competitiveness 	72 - 79 110 - 111
G4-PR5	Results of surveys measuring customer satisfaction	Sustaining Competitiveness	102 - 104

Financial Statements

Directors' Statement	150
Independent Auditors' Report	168
Balance Sheets	169
Consolidated Income Statement	170
Consolidated Statement of Comprehensive Income	171
Consolidated Statement of Changes in Equity	172
Consolidated Statement of Cash Flows	174
Notes to the Financial Statements	176
Supplementary Information	258
Major Properties	260
Notice of Annual General Meeting	262
Proxy Form	

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2015.

In our opinion:

- (a) the financial statements set out on pages 169 to 257 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 2015, and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

DIRECTORS

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

Tan Sri Mohd Hassan Marican	Chairman
Wong Weng Sun	President and CEO
Ajaib Haridass	
Tang Kin Fei	
Ron Foo Siang Guan	
Lim Ah Doo	
Koh Chiap Khiong	
Eric Ang Teik Lim	
Gina Lee-Wan	(appointed on 20 April 2015)
Bob Tan Beng Hai	(appointed on 20 April 2015)

DIRECTORS' INTERESTS

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

Name of director and corporation in which interests (are) held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse, infant children or nominees				Other shareholdings in which the director is deemed to have an interest			
			At beginning of the year/ At date of appointment	At end of the year	At 21/01/2016	At beginning of the year/ At date of appointment	At end of the year	At 21/01/2016	At beginning of the year/ At date of appointment	At end of the year
Tan Sri Mohd Hassan Marican										
Sembcorp Marine Ltd	Ordinary shares (Note 1)	–	30,200	80,300	80,300	–	–	–	–	–
Sembcorp Industries Ltd	Ordinary shares (Note 1)	–	29,600	41,000	41,000	–	–	–	–	–

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse, infant children or nominees				Other shareholdings in which the director is deemed to have an interest			
			At beginning of the year/		At end of the year	At 21/01/2016	At beginning of the year/		At end of the year	At 21/01/2016
			At date of appointment	At end of the year			At date of appointment	At end of the year		
Wong Weng Sun										
Sembcorp Marine Ltd	Ordinary shares	–	3,378,918	3,482,184	3,482,184	–	–	–	–	–
	Conditional award of 250,000 performance shares to be delivered after 2014 (Note 2a)	–	Up to 375,000	–	–	–	–	–	–	–
	Conditional award of 250,000 performance shares to be delivered after 2015 (Note 2b)	–	Up to 375,000	Up to 375,000	Up to 375,000	–	–	–	–	–
	Conditional award of 500,000 performance shares to be delivered after 2016 (Note 2c)	–	Up to 750,000	Up to 750,000	Up to 750,000	–	–	–	–	–
	Conditional award of 375,000 performance shares to be delivered after 2017 (Note 2d)	–	–	Up to 562,500	Up to 562,500	–	–	–	–	–
	Conditional award of 100,000 restricted shares to be delivered after 2012 (Note 3a)	–	38,666	–	–	–	–	–	–	–

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse, infant children or nominees				Other shareholdings in which the director is deemed to have an interest			
			At beginning of the year/		At end of the year	At 21/01/2016	At beginning of the year/		At end of the year	At 21/01/2016
			At date of appointment	At end of the year			At date of appointment	At end of the year		
Wong Weng Sun (cont'd)										
Sembcorp Marine Ltd (cont'd)	Conditional award of 85,000 restricted shares to be delivered after 2013 (Note 3b)	—	68,000	34,000	34,000	—	—	—	—	—
	Conditional award of 85,000 restricted shares to be delivered after 2014 (Note 3c)	—	Up to 127,500	61,200	61,200	—	—	—	—	—
	Conditional award of 85,000 restricted shares to be delivered after 2015 (Note 3d)	—	Up to 127,500	Up to 127,500	Up to 127,500	—	—	—	—	—
	Conditional award of 127,500 restricted shares to be delivered after 2016 (Note 3e)	—	—	Up to 191,250	Up to 191,250	—	—	—	—	—
Sembcorp Industries Ltd	Ordinary shares	—	79,000	79,000	79,000	—	—	—	—	—
Ajaib Haridas										
Sembcorp Marine Ltd	Ordinary shares	—	713,910	739,810	739,810	—	—	—	—	—
Sembcorp Industries Ltd	Ordinary shares	—	—	5,800	5,800	—	—	—	—	—

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse, infant children or nominees				Other shareholdings in which the director is deemed to have an interest			
			At beginning of the year/		At end of the year	At 21/01/2016	At beginning of the year/		At end of the year	At 21/01/2016
			At date of appointment	At end of the year			At date of appointment	At end of the year		
Tang Kin Fei										
Sembcorp Marine Ltd	Ordinary shares	–	249,470	272,270	272,270	–	–	–	–	–
Sembcorp Industries Ltd	Ordinary shares (Note 6)	–	5,499,486	5,688,006	5,688,006	–	–	–	–	–
	Conditional award of 400,000 performance shares to be delivered after 2014 (Note 2a)	–	Up to 600,000	–	–	–	–	–	–	–
	Conditional award of 300,000 performance shares to be delivered after 2015 (Note 2b)	–	Up to 450,000	Up to 450,000	Up to 450,000	–	–	–	–	–
	Conditional award of 300,000 performance shares to be delivered after 2016 (Note 2c)	–	Up to 450,000	Up to 450,000	Up to 450,000	–	–	–	–	–
	Conditional award of 350,000 performance shares to be delivered after 2017 (Note 2d)	–	–	Up to 525,000	Up to 525,000	–	–	–	–	–

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse, infant children or nominees				Other shareholdings in which the director is deemed to have an interest			
			At beginning of the year/ At date of appointment	At end of the year	At 21/01/2016	At beginning of the year/ At date of appointment	At end of the year	At 21/01/2016	At beginning of the year/ At date of appointment	At end of the year
Tang Kin Fei (cont'd)										
Sembcorp Industries Ltd (cont'd)	Conditional award of 126,000 restricted shares to be delivered after 2012 (Note 4a)	-	57,120	-	-	-	-	-	-	-
	Conditional award of 126,000 restricted shares to be delivered after 2013 (Note 4b)	-	126,000	63,000	63,000	-	-	-	-	-
	Conditional award of 180,000 restricted shares to be delivered after 2014 (Note 4c)	-	Up to 270,000	136,800	136,800	-	-	-	-	-
	Conditional award of 180,000 restricted shares to be delivered after 2015 (Note 4d)	-	Up to 270,000	Up to 270,000	Up to 270,000	-	-	-	-	-
	Conditional award of 230,000 restricted shares to be delivered after 2016 (Note 4e)	-	-	Up to 345,000	Up to 345,000	-	-	-	-	-

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse, infant children or nominees			Other shareholdings in which the director is deemed to have an interest		
			At beginning of the year/ At date of appointment		At end of the year	At 21/01/2016	At beginning of the year/ At date of appointment	
			Principal Amount:	Principal Amount:	Principal Amount:	Principal Amount:	Principal Amount:	Principal Amount:
Tang Kin Fei (cont'd)								
Sembcorp Industries Ltd (cont'd)	Subordinated Perpetual Securities issued on 21 Aug 2013 under the \$2 Billion Multicurrency Debt Issuance Programme (Note 7)	–	Principal Amount: \$1,000,000	Principal Amount: \$1,000,000	Principal Amount: \$1,000,000	–	–	–
Sembcorp Financial Services Pte Ltd	Fixed Rate Notes issued under the \$2 Billion Multicurrency Debt Issuance Programme - Due 2020 (Note 8)	–	Principal Amount: \$500,000	Principal Amount: \$500,000	Principal Amount: \$500,000	–	–	–
Ron Foo Siang Guan								
Sembcorp Marine Ltd	Ordinary shares	–	138,580	160,480	160,480	28,000	28,000	28,000
Sembcorp Industries Ltd	Ordinary shares	–	52,820	82,820	82,820	–	–	–
Lim Ah Doo								
Sembcorp Marine Ltd	Ordinary shares	–	61,700	83,300	83,300	–	–	–
Sembcorp Industries Ltd	Ordinary shares	–	9,768	9,768	9,768	–	–	–
Koh Chiap Khiong								
Sembcorp Marine Ltd	Ordinary shares (Note 9)	–	21,400	38,300	38,300	–	–	–
Sembcorp Industries Ltd	Ordinary shares (Note 9)	–	270,865	345,615	345,615	–	–	–

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse, infant children or nominees				Other shareholdings in which the director is deemed to have an interest			
			At beginning of the year/ At date of appointment	At end of the year	At 21/01/2016	At beginning of the year/ At date of appointment	At end of the year	At 21/01/2016	At beginning of the year/ At date of appointment	At end of the year
Koh Chiap Khiong (cont'd)										
Sembcorp Industries Ltd (cont'd)	Conditional award of 80,000 performance shares to be delivered after 2014 (Note 2a)	–	Up to 120,000	–	–	–	–	–	–	–
	Conditional award of 75,000 performance shares to be delivered after 2015 (Note 2b)	–	Up to 112,500	Up to 112,500	Up to 112,500	–	–	–	–	–
	Conditional award of 75,000 performance shares to be delivered after 2016 (Note 2c)	–	Up to 112,500	Up to 112,500	Up to 112,500	–	–	–	–	–
	Conditional award of 105,000 performance shares to be delivered after 2017 (Note 2d)	–	–	Up to 157,500	Up to 157,500	–	–	–	–	–
	Conditional award of 52,500 restricted shares to be delivered after 2012 (Note 5a)	–	23,800	–	–	–	–	–	–	–
	Conditional award of 52,500 restricted shares to be delivered after 2013 (Note 5b)	–	52,500	26,250	26,250	–	–	–	–	–

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse, infant children or nominees				Other shareholdings in which the director is deemed to have an interest			
			At beginning of the year/ At date of appointment	At end of the year	At 21/01/2016	At beginning of the year/ At date of appointment	At end of the year	At 21/01/2016	At beginning of the year/ At date of appointment	At end of the year
Koh Chiap Khiong (cont'd)										
Sembcorp Industries Ltd (cont'd)	Conditional award of 65,000 restricted shares to be delivered after 2014 (Note 5c)	–	Up to 97,500	49,400	49,400	–	–	–	–	–
	Conditional award of 65,000 restricted shares to be delivered after 2015 (Note 5d)	–	Up to 97,500	Up to 97,500	Up to 97,500	–	–	–	–	–
	Conditional award of 85,000 restricted shares to be delivered after 2016 (Note 5e)	–	–	Up to 127,500	Up to 127,500	–	–	–	–	–
	Subordinated Perpetual Securities issued on 21 Aug 2013 under the \$2 Billion Multicurrency Debt Issuance Programme (Note 7)	–	Principal Amount: \$250,000	Principal Amount: \$250,000	Principal Amount: \$250,000	–	–	–	–	–

Note 1: The 80,300 Sembcorp Marine Ltd shares and 41,000 Sembcorp Industries Ltd shares are held in the name of Citibank Nominees Singapore Pte Ltd.

Note 2: The actual number to be delivered will depend on the achievement of set targets over a 3-year period as indicated below. Achievement of targets below threshold level will mean no performance shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional performance shares awarded could be delivered.

- (a) Period from 2012 to 2014*
- (b) Period from 2013 to 2015
- (c) Period from 2014 to 2016
- (d) Period from 2015 to 2017

* For this period, no shares earned based on achievement factor at the end of the prescribed performance period, the conditional awards covering the period has thus lapsed.

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS (CONT'D)

Note 3: The actual number to be delivered will depend on the achievement of set targets at the end of 2-year performance period as indicated below. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

- (a) Period from 2011 to 2012*
- (b) Period from 2012 to 2013**
- (c) Period from 2013 to 2014***
- (d) Period from 2014 to 2015
- (e) Period from 2015 to 2016

* For this period, 38,666 shares (the final release of 1/3 of the 116,000 shares) were vested under the award on 18 March 2015. The 1st and 2nd release of 38,667 shares each have been vested on 15 March 2013 and 24 March 2014 respectively.

** For this period, 34,000 shares (2nd release of 1/3 of the 102,000 shares) were vested under the award on 18 March 2015 and the remaining 34,000 shares will be vested in year 2016. The 1st release of 34,000 shares has been vested on 24 March 2014.

*** For this period, 30,600 shares (1st release of 1/3 of the 91,800 shares) were vested under the award on 18 March 2015 and the remaining 61,200 shares will be vested in year 2016/2017.

Note 4: The actual number to be delivered will depend on the achievement of set targets at the end of 2-year performance period as indicated below. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

- (a) Period from 2011 to 2012*
- (b) Period from 2012 to 2013**
- (c) Period from 2013 to 2014***
- (d) Period from 2014 to 2015
- (e) Period from 2015 to 2016

* For this period, 57,120 shares (the final release of 1/3 of the 171,360 shares) were vested under the award on 27 March 2015. The 1st and 2nd release of 57,120 shares each have been vested in 2013 and 2014 respectively.

** For this period, 63,000 shares (2nd release of 1/3 of the 189,000 shares) were vested under the award on 27 March 2015 and the remaining 63,000 shares will be vested in year 2016. The 1st release of 63,000 shares has been vested on 27 March 2014.

*** For this period, 68,400 shares (1st release of 1/3 of the 205,200 shares) were vested under the award on 27 March 2015 and the remaining 136,800 shares will be vested in year 2016/2017.

Note 5: The actual number to be delivered will depend on the achievement of set targets at the end of 2-year performance period as indicated below. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

- (a) Period from 2011 to 2012*
- (b) Period from 2012 to 2013**
- (c) Period from 2013 to 2014***
- (d) Period from 2014 to 2015
- (e) Period from 2015 to 2016

* For this period, 23,800 shares (the final release of 1/3 of the 71,400 shares) were vested under the award on 27 March 2015. The 1st and 2nd release of 23,800 shares each have been vested in 2013 and 2014 respectively.

** For this period, 26,250 shares (2nd release of 1/3 of the 78,750 shares) were vested under the award on 27 March 2015 and the remaining 26,250 shares will be vested in year 2016. The 1st release of 26,250 shares has been vested on 27 March 2014.

*** For this period, 24,700 shares (1st release of 1/3 of the 74,100 shares) were vested under the award on 27 March 2015 and the remaining 49,400 shares will be vested in year 2016/2017.

Note 6: Of the 5,688,006 Sembcorp Industries Ltd shares, 1,000,000 shares are held in the name of DBS Nominees Pte Ltd and 1,000,000 shares are held in the name of Citibank Nominees Singapore Pte Ltd.

Note 7: Subordinated Perpetual Securities issued on 21 August 2013 under the \$2 Billion Multicurrency Debt Issuance Programme.

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS (CONT'D)

Note 8: Fixed Rate Notes issued under the \$2 Billion Multicurrency Debt Issuance Programme of Sembcorp Industries Ltd and Sembcorp Financial Services Pte Ltd, a related company of Sembcorp Industries Group.

Note 9: The 21,400 Sembcorp Marine Ltd shares and 345,615 Sembcorp Industries Ltd shares are held in the name of DBS Nominees Pte Ltd.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2016.

Except as disclosed under the "Share-based Incentive Plans" section of this statement, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except as disclosed in Notes 23(a) and 34 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

SHARE-BASED INCENTIVE PLANS

The Company's Performance Share Plan ("SCM PSP 2010") and Restricted Share Plan ("SCM RSP 2010") (collectively, the "2010 Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 20 April 2010. The 2010 Share Plans replaced the Share Plans which were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 31 May 2000 and expired in 2010.

The Executive Resource and Compensation Committee (the "Committee") of the Company has been designated as the Committee responsible for the administration of the Share Plans. The Committee comprises the following members, all of whom are directors:

Tan Sri Mohd Hassan Marican	Chairman
Tang Kin Fei	
Ajaib Haridass	
Eric Ang Teik Lim	(appointed on 1 January 2016)

The SCM RSP 2010 is the incentive scheme for directors and employees of the Company and its subsidiaries (the "Group") whereas the SCM PSP 2010 is aimed primarily at key executives of the Group.

The 2010 Share Plans are intended to increase the Company's flexibility and effectiveness in its continuing efforts to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of the Group. The 2010 Share Plans will strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives.

The Company designates Sembcorp Industries Ltd as the Parent Group.

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

DIRECTORS' STATEMENT

SHARE-BASED INCENTIVE PLANS (CONT'D)

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

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

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

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

Other information regarding the 2010 Share Plans and expired Share Plans is as follows:

(a) Share Option Plan

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

Other information regarding the Share Option Plan is as follows:

- (i) The exercise price of the options can be set at market price or a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. Market price is the volume-weighted average price for the shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the three consecutive trading days prior to grant date of that option. For all options granted to date, the exercise prices are set at market price.
- (ii) After the first 12 months of lock-out period, the Group imposed a further vesting of 4 years for managers and above for retention purposes.
- (iii) In 2015 and 2014, all options were settled by the issuance of treasury shares.
- (iv) The options granted expire after 5 years for non-executive directors and employees of the Company's associates, and 10 years for the employees of the Group and Parent Group. There are no outstanding share options for non-executive directors.

DIRECTORS' STATEMENT

SHARE-BASED INCENTIVE PLANS (CONT'D)

(a) Share Option Plan (cont'd)

(v) Share Option Plan

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

Date of grant of options	Exercise price per share	Options outstanding at 1 January	Options exercised	Options cancelled/ lapsed/not accepted	Options outstanding at 31 December	Options exercisable at 31 December	Options exercisable at 31 December	Proceeds on options exercised during the year credited to share capital \$'000
2015								
11/08/2005	\$2.11	667,190	(392,000)	(275,190)	—	—	667,190	—
02/10/2006	\$2.38	1,009,312	(22,000)	(14,000)	973,312	160	1,009,312	827
		<u>1,676,502</u>	<u>(414,000)</u>	<u>(289,190)</u>	<u>973,312</u>	<u>1,676,502</u>	<u>973,312</u>	<u>879</u>
2014								
10/08/2004	\$0.74	168,710	(129,760)	(38,950)	—	—	168,710	96
11/08/2005	\$2.11	857,140	(173,500)	(16,450)	667,190	70	857,140	366
02/10/2006	\$2.38	1,134,329	(109,617)	(15,400)	1,009,312	165	1,134,329	261
		<u>2,160,179</u>	<u>(412,877)</u>	<u>(70,800)</u>	<u>1,676,502</u>	<u>2,160,179</u>	<u>1,676,502</u>	<u>723</u>

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

DIRECTORS' STATEMENT

SHARE-BASED INCENTIVE PLANS (CONT'D)

(a) Share Option Plan (cont'd)

The options of the Company exercised in 2015 resulted in 414,000 (2014: 412,877) ordinary shares being issued at a weighted average price of \$3.09 (2014: \$4.20). The options were exercised on a regular basis throughout the year. The weighted average share price during the year was \$2.68 (2014: \$3.77).

The details of options of the Company awarded/exercised since commencement of the Scheme (aggregate) to 31 December 2015 are as follows:

Option participants	Aggregate options granted	Aggregate options cancelled/ lapsed/not accepted	Aggregate options exercised	Aggregate options outstanding
Directors of the Company				
Wong Weng Sun	1,208,500	–	(1,208,500)	–
Ajaib Haridass	403,000	–	(403,000)	–
Tang Kin Fei	124,000	–	(124,000)	–
Ron Foo Siang Guan	28,000	–	(28,000)	–
Former Directors of the Company	14,911,800	–	(14,911,800)	–
Other executives	115,977,395	(14,737,336)	(100,266,747)	973,312
At 31 December 2015	132,652,695	(14,737,336)	(116,942,047)	973,312

Since the commencement of the Share Option Plan, no options have been granted to the controlling shareholders of the Company or their associates. No participant under the Share Option Plan has been granted 5% or more of the total options available. No options have been offered at a discount.

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any company.

(b) Performance Share Plan

Under the Performance Share Plan ("SCM PSP 2010"), the awards granted conditional on performance targets are set based on medium-term corporate objectives at the start of each rolling three-year performance qualifying period. A specific number of performance shares shall be awarded at the end of the three-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset.

The performance levels were calibrated based on Wealth Added and Total Shareholder Return. For awards granted from 2014 onwards, both market-based and non-market-based performance conditions are taken into account. A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Performance shares to be delivered will range between 0% to 150% of the conditional performance shares awarded.

To create alignment between senior management and other employees at the time of vesting, SCM PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2015 to 2017 will be vested to the senior management participants only if the restricted shares for the performance period 2016 to 2017 are vested, subject to the achievement of the performance conditions for the respective performance periods.

DIRECTORS' STATEMENT

SHARE-BASED INCENTIVE PLANS (CONT'D)

(b) Performance Share Plan (cont'd)

Senior management participants are required to hold a minimum percentage of the shares released to them under the Performance Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

The details of the movement of the performance shares of the Company awarded during the year are as follows:

Performance Shares participants	At 1 January	Movements during the year					At 31 December						
		Conditional performance shares awarded	Performance shares lapsed arising from targets not met	Conditional performance shares released		Conditional performance shares lapsed							
				shares released	shares lapsed								
2015													
Director of the Company													
Wong Weng Sun	1,000,000	375,000	(250,000)	–	–	–	1,125,000						
Key executives of the Group	1,810,000	840,000	(425,000)	–	(150,000)	–	2,075,000						
	2,810,000	1,215,000	(675,000)	–	(150,000)	–	3,200,000						
2014													
Director of the Company													
Wong Weng Sun	750,000	500,000	(172,500)	(77,500)	–	–	1,000,000						
Key executives of the Group	1,165,000	980,000	(188,215)	(84,560)	(62,225)	–	1,810,000						
	1,915,000	1,480,000	(360,715)	(162,060)	(62,225)	–	2,810,000						

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2012 to 2014 (2014: performance period 2011 to 2013), there were no (2014: 162,060) performance shares released via the issuance of treasury shares.

In 2015, there were 675,000 (2014: 360,715) performance shares that lapsed for under-achievement of the performance targets for the performance period 2012 to 2014 (2014: 2011 to 2013).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at 31 December 2015, was 3,200,000 (2014: 2,810,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 4,800,000 (2014: 4,215,000) performance shares.

(c) Restricted Share Plan

Under the Restricted Share Plan ("SCM RSP 2010"), the awards granted conditional on performance targets are set based on corporate objectives at the start of each rolling two-year performance qualifying period. The performance criteria for the restricted shares are calibrated based on Return on Capital Employed and Earnings Before Interest and Taxes for awards granted in 2015 and 2014.

A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Based on the criteria, restricted shares to be delivered will range from 0% to 150% of the conditional restricted shares awarded.

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

DIRECTORS' STATEMENT

SHARE-BASED INCENTIVE PLANS (CONT'D)

(c) Restricted Share Plan (cont'd)

A specific number of restricted shares shall be awarded at the end of the two-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset. There is a further vesting of three years after the performance period, during which one-third of the awarded shares are released each year to managerial participants. Non-managerial participants will receive the equivalent in cash at the end of the two-year performance cycle, with no further vesting conditions.

Senior management participants are required to hold a minimum percentage of the shares released to them under the Restricted Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

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

From 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Mr Wong Weng Sun, who is the President & CEO, and who does not receive any directors' fees). In 2015 and 2014, the awards granted consisted of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the Annual General Meeting ("AGM") (or, if the resolution to approve the final dividend is not approved, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

DIRECTORS' STATEMENT

SHARE-BASED INCENTIVE PLANS (CONT'D)

(c) Restricted Share Plan (cont'd)

The details of the movement of the restricted shares of the Company awarded during the year are as follows:

Restricted Shares participants	At 1 January	Movements during the year				At 31 December		
		Conditional restricted shares awarded	Additional restricted shares awarded arising from targets met	Conditional restricted shares released	Conditional restricted shares lapsed			
2015								
Directors of the Company								
Tan Sri Mohd Hassan Marican	–	50,100	–	(50,100)	–	–		
Wong Weng Sun	276,666	127,500	6,800	(103,266)	–	307,700		
Ajaib Haridass	–	25,900	–	(25,900)	–	–		
Tang Kin Fei	–	22,800	–	(22,800)	–	–		
Ron Foo Siang Guan	–	21,900	–	(21,900)	–	–		
Lim Ah Doo	–	21,600	–	(21,600)	–	–		
Koh Chiap Khiong	–	16,900	–	(16,900)	–	–		
Other executives	7,986,135	4,843,801	191,359	(2,806,454)	(420,956)	9,793,885		
	8,262,801	5,130,501	198,159	(3,068,920)	(420,956)	10,101,585		
2014								
Directors of the Company								
Tan Sri Mohd Hassan Marican	–	18,700	–	(18,700)	–	–		
Wong Weng Sun	297,333	85,000	17,000	(122,667)	–	276,666		
Ajaib Haridass	–	18,200	–	(18,200)	–	–		
Tang Kin Fei	–	16,500	–	(16,500)	–	–		
Ron Foo Siang Guan	–	16,500	–	(16,500)	–	–		
Lim Ah Doo	–	16,000	–	(16,000)	–	–		
Koh Chiap Khiong	–	10,500	–	(10,500)	–	–		
Other executives	8,247,817	2,868,580	491,977	(3,338,511)	(283,728)	7,986,135		
	8,545,150	3,049,980	508,977	(3,557,578)	(283,728)	8,262,801		

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2013 to 2014, a total of 1,013,899 (2014: Nil) restricted shares were released. For awards in relation to the performance period 2012 to 2013, a total of 950,779 (2014: 1,154,566) restricted shares were released. For awards in relation to the performance period 2011 to 2012, a total of 945,042 (2014: 1,074,512) restricted shares were released. In 2014, 1,232,100 restricted shares were released for awards in relation to the performance period 2010 to 2011. In 2015, there were 159,200 (2014: 96,400) restricted shares released to non-executive directors. The restricted shares were released via the issuance of treasury shares.

In 2015, additional 198,159 (2014: 508,977) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2013 to 2014 (2014: performance period 2012 to 2013).

The total number of restricted shares outstanding, including awards achieved but not released, as at 31 December 2015, was 10,101,585 (2014: 8,262,801). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 7,623,701 (2014: 5,450,570). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 11,435,552 (2014: 8,175,855) restricted shares.

DIRECTORS' STATEMENT

SHARE-BASED INCENTIVE PLANS (CONT'D)

(c) Restricted Share Plan (cont'd)

Sembcorp Marine Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2013 to 2014 (2014: performance period 2012 to 2013), a total of \$2,849,108 (2014: \$4,122,758), equivalent to 942,290 (2014: 1,010,480) notional restricted shares, were paid.

A total of 2,140,509 (2014: 1,223,280) notional restricted shares were awarded on 27 May 2015 (2014: 15 June 2014) for the Sembcorp Marine Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Marine Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at 31 December 2015, was 3,070,668 (2014: 2,066,240). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 4,606,002 (2014: 3,099,360).

(d) Maximum Number of Shares Issuable

The maximum number of performance shares and restricted shares which could be delivered, when aggregated with the number of new shares issued and issuable in respect of all options granted, is within the 15% limit of the share capital of the Company on the day preceding the relevant date of the grant.

AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this statement are:

Ron Foo Siang Guan	Chairman
Lim Ah Doo	
Koh Chiap Khiong	
Bob Tan Beng Hai	(appointed on 20 April 2015)

The Audit Committee held seven meetings during the financial year. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee performs the functions specified in Section 201B of the Singapore Companies Act, Chapter 50, the Listing Manual of the Singapore Exchange, and the Code of Corporate Governance.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the external and internal auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption;
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange);
- internal audit plans and internal audit reports; and
- whistle-blowers' disclosures.

DIRECTORS' STATEMENT

AUDIT COMMITTEE (CONT'D)

The Audit Committee has full access to the management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiaries and significant associates, we have complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange.

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



Tan Sri Mohd Hassan Marican
Chairman



Wong Weng Sun
Director

Singapore
15 February 2016

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
SEMCORP MARINE LTD

Report on the financial statements

We have audited the accompanying financial statements of Sembcorp Marine Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2015, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 169 to 257.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

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.



KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
15 February 2016

BALANCE SHEETS

AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Non-current assets					
Property, plant and equipment	4	3,540,555	3,008,909	94,490	90,805
Investment properties	5	–	–	20,733	22,535
Investments in subsidiaries	6	–	–	503,022	502,075
Interests in associates and joint ventures	7	312,056	470,277	107,369	107,369
Other financial assets	8	107,263	90,443	70,429	59,528
Trade and other receivables	9	54,106	41,015	54,515	73,824
Intangible assets	11	46,607	52,614	184	184
Deferred tax assets	12	23,499	8,044	–	–
		4,084,086	3,671,302	850,742	856,920
Current assets					
Inventories and work-in-progress	13	3,833,066	3,005,419	–	–
Trade and other receivables	9	589,711	468,532	48,329	40,869
Tax recoverable		3,893	203	1,611	–
Other financial assets	8	61,061	14,188	–	–
Cash and cash equivalents	14	629,305	1,078,776	10,908	22,402
		5,117,036	4,567,118	60,848	63,271
Total assets		9,201,122	8,238,420	911,590	920,191
Current liabilities					
Trade and other payables	15	2,518,677	1,825,676	22,502	18,430
Excess of progress billings over work-in-progress	13	288,067	1,005,353	–	–
Provisions	17	24,136	15,690	6,771	–
Other financial liabilities	18	104,614	46,771	–	–
Current tax payable		46,601	121,259	–	3,682
Interest-bearing borrowings	19	914,951	433,848	–	–
		3,897,046	3,448,597	29,273	22,112
Net current assets		1,219,990	1,118,521	31,575	41,159
Non-current liabilities					
Deferred tax liabilities	12	42,722	130,309	10,541	11,069
Provisions	17	51,391	100,274	18,036	27,895
Other financial liabilities	18	2,635	35,673	–	–
Interest-bearing borrowings	19	2,465,224	1,307,519	–	–
Other long-term payables	15	77,825	84,021	5,580	16,823
		2,639,797	1,657,796	34,157	55,787
Total liabilities		6,536,843	5,106,393	63,430	77,899
Net assets		2,664,279	3,132,027	848,160	842,292
Equity attributable to owners of the Company					
Share capital	20	484,288	484,288	484,288	484,288
Other reserves	21	9,770	(76,625)	(7,988)	(16,733)
Revenue reserve		2,017,147	2,557,455	371,860	374,737
		2,511,205	2,965,118	848,160	842,292
Non-controlling interests	30	153,074	166,909	–	–
Total equity		2,664,279	3,132,027	848,160	842,292

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

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2015

		Group	
	Note	2015 \$'000	2014 \$'000
Turnover			
Cost of sales	22	4,968,132	5,832,595
		(4,837,240)	(4,988,918)
Gross profit		130,892	843,677
Other operating income		41,448	35,348
Other operating expenses		(31,926)	(19,584)
General and administrative expenses		(290,405)	(152,416)
Operating (loss)/profit	23	(149,991)	707,025
Finance income	24	10,813	9,711
Finance costs	24	(46,775)	(20,960)
Investment income	25	557	1,192
Non-operating income	26	–	179
Non-operating expenses	26	(18,708)	(2)
Share of results of associates and joint ventures, net of tax	27	(173,499)	9,859
(Loss)/profit before tax		(377,603)	707,004
Tax credit/(expense)	28	77,637	(105,729)
(Loss)/profit for the year		(299,966)	601,275
 (Loss)/profit attributable to:			
Owners of the Company		(289,672)	560,128
Non-controlling interests	30	(10,294)	41,147
(Loss)/profit for the year		(299,966)	601,275
 Earnings per share (cents)	31		
Basic		(13.87)	26.83
Diluted		(13.87)	26.82

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2015

		Group	
	Note	2015 \$'000	2014 \$'000
(Loss)/profit for the year		(299,966)	601,275
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences for foreign operations		78,807	57,047
Net change in fair value of cash flow hedges		(15,375)	(42,395)
Net change in fair value of cash flow hedges transferred to profit or loss		12,181	12,159
Net change in fair value of available-for-sale financial assets		6,761	(22,008)
Change in fair value of available-for-sale financial assets transferred to profit or loss	8	17,055	–
Other comprehensive income for the year, net of tax	29	99,429	4,803
Total comprehensive income for the year		(200,537)	606,078
Total comprehensive income attributable to:			
Owners of the Company		(201,103)	558,246
Non-controlling interests	30	566	47,832
Total comprehensive income for the year		(200,537)	606,078

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2015

Attributable to owners of the Company										
Group	Share capital \$'000	Reserve for own shares \$'000	Capital reserves \$'000	Currency translation reserve \$'000	Share-based payments reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revenue reserve \$'000	Non-controlling interests \$'000	Total equity \$'000
At 1 January 2015	484,288	(1,715)	25,574	(17,044)	(29,191)	(43,421)	(10,828)	2,557,455	2,965,118	166,909
Total comprehensive income for the year								(289,672)	(289,672)	(10,294)
Loss for the year										(299,966)
Other comprehensive income										
Foreign currency translation differences for foreign operations				67,947					67,947	10,860
Net change in fair value of cash flow hedges					(15,375)				(15,375)	78,807
Net change in fair value of cash flow hedges transferred to profit or loss						12,181			12,181	(15,375)
Net change in fair value of available-for-sale financial assets							6,761		6,761	6,761
Change in fair value of available-for-sale financial assets transferred to profit or loss								17,055	17,055	17,055
Total other comprehensive income for the year				67,947		(3,194)	23,816		88,569	10,860
Total comprehensive income for the year				67,947		(3,194)	23,816	(289,672)	(201,103)	566
										(200,537)
<i>Transactions with owners of the Company, recognised directly in equity</i>										
<i>Contributions by and distributions to owners of the Company</i>										
Purchase of treasury shares									(12,293)	
Issue of treasury shares									861	861
Dividends paid to owners of the Company								(250,665)	(250,665)	(250,665)
- owners of the Company (Note 32)										
- non-controlling interests										(14,558)
Unclaimed dividends								29	29	29
Share-based payments									9,258	9,258
Capital contribution by non-controlling interests										157
Total contributions by and distributions to owners of the Company										157
At 31 December 2015	484,288	(3,149)	25,574	50,903	(29,931)	(46,615)	12,988	(252,636)	(252,810)	(14,401)
										(267,211)
										2,664,279

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2015

Attributable to owners of the Company										
Share capital \$'000	Reserve for own shares \$'000	Capital reserves \$'000	Currency translation reserve \$'000	Share-based payments reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revenue reserve \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
484,288	(7,759)	25,574	(67,406)	(24,583)	(13,185)	11,180	2,268,927	2,677,036	132,476	2,809,512
—	—	—	—	—	—	—	560,128	560,128	41,147	601,275
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	50,362	—	50,362
—	—	—	—	—	—	(42,395)	—	—	(42,395)	—
—	—	—	—	—	—	12,159	—	—	12,159	—
—	—	—	—	—	—	—	(22,008)	—	(22,008)	—
—	—	—	—	—	—	(30,236)	(22,008)	—	(1,882)	6,685
—	—	—	—	—	—	(30,236)	(22,008)	560,128	558,246	4,803
—	—	—	—	—	—	—	—	—	—	—
—	(11,555)	—	—	—	—	—	—	—	(11,555)	—
—	17,599	—	—	(16,887)	—	—	—	—	712	—
—	—	—	—	—	—	—	(271,605)	(271,605)	—	(271,605)
—	—	—	—	—	—	—	—	—	(13,399)	(13,399)
—	—	—	—	—	—	—	5	5	—	5
—	—	—	—	12,279	—	—	—	—	12,279	—
—	6,044	—	—	(4,608)	—	—	(271,600)	(270,164)	(13,399)	(283,563)
484,288	(1,715)	25,574	(17,044)	(29,191)	(43,421)	(10,828)	2,557,455	2,965,118	166,909	3,132,027

Transactions with owners of the Company, recognised directly in equity

Contributions by and distributions to owners of the Company

Purchase of treasury shares	(11,555)	-	-	-	-	-	(11,555)	-	(11,555)
Issue of treasury shares	17,599	-	-	(16,887)	-	-	712	-	712
Dividends paid to									
- - owners of the Company (Note 32)	-	-	-	-	-	(271,605)	(271,605)	-	(271,605)
- - non-controlling interests	-	-	-	-	-	-	-	(13,399)	(13,399)
Unclaimed dividends	-	-	-	-	-	-	5	5	5
Share-based payments	-	-	-	12,279	-	-	12,279	-	12,279
Total contributions by and distributions to									
owners of the Company									
At 31 December 2014	484,288	(1,715)	25,574	(17,044)	(29,191)	(43,421)	(10,828)	2,557,455	2,965,118
								(13,399)	(283,563)
								166,909	3,132,027

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2015

	Group	
	2015	2014
	\$'000	\$'000
Cash flows from operating activities		
(Loss)/profit for the year	(299,966)	601,275
Adjustments for:		
Finance income	(10,813)	(9,711)
Finance costs	46,775	20,960
Investment income	(557)	(1,192)
Depreciation of property, plant and equipment	125,731	110,893
Amortisation of intangible assets	6,007	4,240
Share of results of associates and joint ventures, net of tax	173,499	(9,859)
Gain on disposal of property, plant and equipment	(426)	(98)
Fair value adjustment on hedging instruments	29,409	12,169
Net change in fair value of financial assets measured through profit or loss	1,653	(177)
Impairment losses on available-for-sale financial assets	17,055	–
Share-based payment expenses	7,011	15,998
Impairment losses on property, plant and equipment	1,400	–
Property, plant and equipment written off	14	232
Inventories written down/(written back), net	85,518	(76)
Provision for foreseeable losses on contracts work-in-progress	277,961	–
Allowance for doubtful debts and bad debts, net	153,856	192
Tax (credit)/expense	(77,637)	105,729
Operating profit before working capital changes	536,490	850,575
Changes in working capital:		
Inventories and work-in-progress	(1,908,412)	(1,357,216)
Trade and other receivables	(288,254)	(22,657)
Trade and other payables	793,330	112,557
Cash used in operations	(866,846)	(416,741)
Investment and interest income received	11,498	10,726
Interest paid	(29,824)	(19,460)
Tax paid	(103,927)	(82,798)
Net cash used in operating activities	(989,099)	(508,273)
Cash flows from investing activities		
Purchase of property, plant and equipment	(932,829)	(738,878)
Proceeds from sale of property, plant and equipment	647	419
Purchase of intangible assets	–	(26,513)
Acquisition of other financial assets	(15)	(5,417)
Net cash used in investing activities	(932,197)	(770,389)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2015

	Group	
	2015	2014
	\$'000	\$'000
Cash flows from financing activities		
Proceeds from borrowings	2,052,674	1,255,269
Repayment of borrowings	(309,138)	(291,696)
Proceeds from share options exercised	879	723
Purchase of treasury shares	(12,293)	(11,555)
Dividends paid to owners of the Company	(250,665)	(271,605)
Dividends paid to non-controlling interests of subsidiaries	(14,558)	(13,399)
Capital contribution by non-controlling interests	157	–
Unclaimed dividends	29	5
Net cash generated from financing activities	1,467,085	667,742
 Net decrease in cash and cash equivalents		
Cash and cash equivalents at beginning of the year	(454,211)	(610,920)
Effect of exchange rate changes on balances held in foreign currencies	1,076,783	1,694,901
Cash and cash equivalents at end of the year (Note 14)	4,710	(7,198)
	627,282	1,076,783

Significant non-cash transactions

During the year, purchase of property, plant and equipment includes payment of \$27.9 million on prior year's accrued capital expenditure for the Brazil new yard (FY 2014: excludes accrued capital expenditure of \$33.1 million for the Brazil new yard).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 15 February 2016.

1 DOMICILE AND ACTIVITIES

Sembcorp Marine Ltd (the "Company") is a company incorporated in the Republic of Singapore and has its registered office at 29 Tanjong Kling Road, Singapore 628054.

With the adoption of FRS 110 on 1 January 2014, the immediate holding company, Sembcorp Industries Ltd ("SCI"), a company incorporated in Singapore, has been assessed to be a subsidiary of Temasek Holdings (Private) Limited, a company incorporated in Singapore. As such, the Company's immediate holding company is SCI and the ultimate holding company is Temasek Holdings (Private) Limited.

The financial statements comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates and joint ventures.

The principal activities of the Company are the provision of management services and investment holding. The principal activities of the subsidiaries, associates and joint ventures are stated in Note 40.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the accounting policies below.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand (\$'000), unless otherwise stated.

2.4 Use of estimates and judgements

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

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is discussed in Note 39.

2.5 Changes in accounting policies

With effect from 1 January 2015, the Group adopted the new or revised FRS that are mandatory for application from that date. The adoption of these new or revised FRS did not have any significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by Group entities to all periods presented in these financial statements.

3.1 Basis of consolidation

(i) *Business combinations*

Acquisitions on or after 1 January 2010

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Deferred consideration comprises obligations to pay specific amounts at future dates. Deferred consideration is recognised and measured at fair value at the acquisition date and included in the consideration transferred. The unwinding of any interest element of deferred consideration is recognised in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Acquisitions prior to 1 January 2010

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

(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 FRSs.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their own capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of net assets of the subsidiary.

Prior to 1 January 2010, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(iii) *Subsidiaries*

Subsidiaries are those entities that are controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary even if this results in the non-controlling interests having a deficit balance.

(iv) *Loss of control*

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) *Associates*

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

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has significant influence over another entity. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Associates are accounted for using the equity method of accounting from the date that significant influence commences until the date that significant influence ceases and are recognised initially at cost. The cost of investments includes transaction costs. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment (including any other unsecured receivables, that in substance, form part of the Group's net investment in the associate) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or made payments on its behalf to satisfy obligations of the associate that the Group has guaranteed or otherwise committed on behalf of.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(vi) *Joint ventures*

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement.

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

Joint ventures are accounted for using the equity method of accounting from the date that joint control commences until the date that joint control ceases.

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

(vii) *Transactions eliminated on consolidation*

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

(viii) *Accounting for subsidiaries, associates and joint ventures*

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

3.2 Foreign currencies

(i) *Foreign currency transactions and balances*

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

- Foreign currency monetary assets and liabilities are retranslated to the functional currency using exchange rates at that date.
- Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using exchange rate at the date of the transaction.
- Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at exchange rates at the date the fair value was determined.

Foreign currency differences arising from the settlement or from translation of monetary items are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies (cont'd)

(i) *Foreign currency transactions and balances (cont'd)*

Foreign currency differences arising on retranslation are recognised directly in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:

- Available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- A financial liability designated as a hedge of net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

(ii) *Foreign operations*

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

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

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

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

(iii) *Net investment in a foreign operation*

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment

(i) *Owned assets*

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

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

Cost may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

(ii) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment is recognised in the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and its costs can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised as an expense when incurred.

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

(iii) *Disposals*

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

(iv) *Leasehold land*

Operating leasehold land has been capitalised as part of property, plant and equipment and is depreciated over the lease period.

(v) *Finance lease assets*

Finance leases are those leasing agreements with terms of which the Group assumes substantially all the risks and rewards of ownership. Property, plant and equipment acquired by way of such leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

Finance charges are charged directly to profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

(vi) *Provision for restoration costs*

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

(vii) *Depreciation*

Depreciation is 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	25 to 50 years or lease period of 3 to 60 years
Quays and dry docks	25 to 60 years or lease period of 6 to 22 years
Marine vessels	7 to 25 years
Cranes and floating docks	3 to 30 years
Plant, machinery and tools	3 to 30 years
Motor vehicles	3 to 10 years
Furniture and office equipment	3 to 10 years
Utilities and fittings	10 to 30 years
Computer equipment	1 to 5 years

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

No depreciation is provided on freehold land or construction-in-progress.

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

3.4 Investment properties

Investment properties are properties held for long-term rental yields or for capital appreciation, or both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives ranging from 45 to 60 years or the lease period of 15 to 16 years. The assets' depreciation methods, useful lives and residual values are reviewed, if not insignificant, annually, and adjusted if appropriate. No depreciation is provided on the freehold land.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as additions when it increases the future economic benefits, embodied in the specific asset to which it relates, and its costs can be measured reliably. The carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvements is recognised as an expense when incurred.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Intangible assets

(i) *Goodwill*

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree;
- plus if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, less the net amount recognised (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures, respectively. An impairment loss on such investments is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investments.

Goodwill is tested for impairment on an annual basis in accordance with Note 3.12.

(ii) *Intellectual property rights*

Intellectual property rights are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 10 years.

(iii) *Subsequent expenditure*

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

(iv) *Amortisation*

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets 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 derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheets when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial assets (cont'd)

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

(i) *Financial assets at fair value through profit or loss*

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

Financial assets designated at fair value through profit or loss comprise unquoted securities that otherwise would have been classified as available-for-sale.

(ii) *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date for which they are classified as non-current assets. Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Receivables with a short duration are not discounted. Loans and receivables are included in trade and other receivables in the balance sheet.

Loans and receivables comprise cash and cash equivalents, work-in-progress due from customers on construction contracts, trade and other receivables excluding prepayments and advances to suppliers.

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.

(iii) *Available-for-sale financial assets*

Other financial assets held by the Group that are either designated in this category or not classified in any other category, are classified as being available-for-sale. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. They are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences, are recognised directly in other comprehensive income. When these investments are derecognised, the cumulative gain or loss previously recognised directly in other comprehensive income, or part thereof, is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Available-for-sale financial assets comprise equity shares and unit trusts.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

Reversals of impairment

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Derivatives

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

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are re-measured at fair value and any changes in its fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant changes in the fair value depends on the nature of the item being hedged as described in Note 3.9.

3.9 Hedging activities

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, together with the methods that will be used to assess the effectiveness of the hedge relationship as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

(i) *Fair value hedges*

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

(ii) *Cash flow hedges*

Where a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised directly in other comprehensive income and presented in the hedging reserve in equity. The ineffective portion of changes in the fair values of the derivative is recognised immediately in profit or loss.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is reclassified from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated changes in fair value that were recognised directly in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Inventories and work-in-progress

(i) *Inventories*

Inventories consist mainly of steel and other materials used for ship and rig repair, building and conversion and are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) *Long-term contracts*

The accounting policy for recognition of contract revenue is set out in Note 3.19(i).

Long-term contracts-in-progress at the balance sheet date are recorded in the balance sheet at cost plus attributable profit less recognised losses, net of progress billings and allowance for foreseeable losses, and are presented in the balance sheet as 'inventories and work-in-progress' (as an asset) or 'excess of progress billings over work-in-progress' (as a liability), as applicable. Work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work completed to date. This comprises mainly uncompleted ship and rig repair, building and conversion jobs. It is measured at cost plus profit recognised to date less progress billings and recognised losses. The amount due from customers on construction contracts are classified as financial assets. Long-term contract costs includes the cost of direct materials, direct labour, sub-contractors' costs and an appropriate allocation of fixed and variable production overheads. Allowance is made for anticipated losses, if any, on work-in-progress when the possibility of loss is ascertained. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Progress billings not yet paid by the customer are included in the balance sheet under "Trade receivables".

3.11 Government grants

Asset related grants are credited to a deferred asset grant account at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as other income on the straight-line basis over the estimated useful lives of the relevant assets.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its recoverable amount. A CGU 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 CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then, to reduce the carrying amount of the other assets in the CGU (group of CGUs) 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 CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. 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 CGUs.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs 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 CGUs that are expected to benefit from the synergies of the combination.

(ii) *Reversals of impairment*

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

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

Goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or joint venture may be impaired.

3.13 Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the balance sheets when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Non-derivative financial liabilities (cont'd)

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.14 Employee benefits

(i) *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred.

(ii) *Long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Long-term employee benefits are reported in "non-current other payables".

(iii) *Short-term employee benefits*

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

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

(iv) *Staff retirement benefits*

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

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

(v) *Equity and equity-related compensation benefits*

Share Option Plan

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits (cont'd)

(v) *Equity and equity-related compensation benefits (cont'd)*

Share Option Plan (cont'd)

The proceeds received net of any directly attributable transaction costs are credited to share capital when new shares are issued. The amount in the share-based payments reserve is retained when the option is exercised or expires.

Where treasury shares are issued, the difference between the cost of treasury shares and the proceeds received net of any directly attributable costs are transferred to share-based payments reserve.

Performance Share Plan

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

The fair value of the compensation cost is measured at grant date and amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. In estimating the fair value of the compensation cost, market-based performance conditions are taken into account. From 2014 onwards, awards granted have both market-based and non-market-based performance conditions. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates, irrespective of whether this performance condition is satisfied.

The share-based payments reserve relating to the performance shares released is transferred to share capital when new shares are issued. When treasury shares are issued, the cost of treasury shares is transferred to share-based payments reserve.

Restricted Share Plan

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

The fair value of the compensation cost is measured at grant date and amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. Awards granted have non-market based performance conditions. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates.

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

The share-based payments reserve relating to the restricted shares released is transferred to share capital when new shares are issued. When treasury shares are issued, the cost of treasury shares is transferred to share-based payments reserve.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits (cont'd)

(vi) *Cash-related compensation benefits*

Sembcorp Marine Challenge Bonus

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

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

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

3.15 Provisions

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

3.16 Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to business combinations, or to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Share capital

Ordinary shares are classified as equity.

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

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

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

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

3.18 Dividends

Dividends on ordinary shares are recognised when they are approved for payments. Dividends on ordinary shares classified as equity are accounted for as movements in revenue reserve.

3.19 Revenue recognition

(i) *Contract revenue*

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

Revenue from ship and rig repair, building, conversion and offshore is recognised on the percentage of completion method, provided the outcome of the contract can be reliably estimated. The percentage of completion is assessed by reference to surveys of work performed.

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

(ii) *Income on goods sold and services rendered*

Revenue from goods sold is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue on other service work is recognised when the work is completed. Revenue excludes goods and services or other sales taxes and is after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Dividend and finance income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance income is recognised in profit or loss as it accrues, using the effective interest rate method.

3.21 Leases

(i) *Operating lease*

When entities within the Group are lessees of an operating lease

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

When entities within the Group are lessors of an operating lease

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

(ii) *Finance lease*

When entities within the Group are lessors of a finance lease

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

3.22 Finance costs

Finance costs comprise of interest expense on borrowings, amortisation of capitalised transaction costs and transaction costs written off. Interest expense and similar charges are expensed in profit or loss in the period using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset. The interest component of finance lease payments is recognised in profit or loss using the effective interest method.

3.23 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise awards of share options granted to employees.

3.24 Segment reporting

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

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.25 Financial guarantee contracts

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

3.26 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

Group	Cost/valuation	Land and buildings Freehold \$'000	Leasehold \$'000	Construction-in-progress ⁽¹⁾ \$'000	Docks, quays, and cranes ⁽²⁾ \$'000	Marine vessels ⁽³⁾ \$'000	Plant, machinery and tools \$'000	Others ⁽⁴⁾ \$'000	Total ⁽⁵⁾ \$'000
Balance at 1 January 2014									
At cost		16,729	687,400	489,539	1,136,844	247,996	659,063	85,758	3,323,329
At valuation		—	—	—	25,152	—	—	—	25,152
Translation adjustments		16,729 (230)	687,400 5,820	489,539 (52,744)	1,161,996 9	247,996 (2,989)	659,063 (2,989)	85,758 368	3,348,481 (39,631)
Additions		—	17,112	558,281	37,117	—	147,989	11,487	771,986
Reclassifications		—	692	(16,242)	10	—	12,407	3,133	—
Disposals		—	—	—	(213)	—	(2,311)	(918)	(3,442)
Write-offs		—	(47)	—	—	—	(1,544)	(672)	(2,263)
Balance at 31 December 2014		16,499	710,977	978,834	1,198,919	258,131	812,615	99,156	4,075,131
Balance at 31 December 2014									
At cost		16,499	710,977	978,834	1,173,767	258,131	812,615	99,156	4,049,979
At valuation		—	—	—	25,152	—	—	—	25,152
16,499	710,977	978,834	1,198,919	258,131	812,615	99,156	4,075,131		
Balance at 1 January 2015									
At cost		16,499	710,977	978,834	1,173,767	258,131	812,615	99,156	4,049,979
At valuation		—	—	—	25,152	—	—	—	25,152
Translation adjustments		16,499 (46,633)	710,977 9,888	978,834 (196,953)	1,198,919 14	258,131 17,093	812,615 (19,470)	99,156 (180)	4,075,131 (236,241)
Additions		3,869	97,678	730,261	26,422	1,555	32,327	12,779	904,891
Reclassifications		369,541	80,979	(536,383)	824	10,390	73,894	755	—
Disposals		—	—	—	—	—	(8,601)	(691)	(9,292)
Write-offs		—	(9,480)	—	(51,599)	—	(6,362)	(1,640)	(69,081)
Balance at 31 December 2015		343,276	890,042	975,759	1,174,580	287,169	884,403	110,179	4,665,408

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

	Land and buildings Freehold \$'000	Leasehold \$'000	Construction-in-progress ⁽¹⁾ \$'000	Docks, quays, and cranes ⁽²⁾ \$'000	Marine vessels ⁽³⁾ \$'000	Plant, machinery and tools \$'000	Others ⁽⁴⁾ \$'000	Total ⁽⁵⁾ \$'000
Group								
Cost/valuation								
Balance at 31 December 2015	343,276	890,042	975,759	1,149,428	287,169	884,403	110,179	4,640,256
At cost	—	—	—	25,152	—	—	—	25,152
At valuation	343,276	890,042	975,759	1,174,580	287,169	884,403	110,179	4,665,408
Accumulated depreciation and impairment losses								
Balance at 1 January 2014	2,754	185,648	—	349,511	15,306	335,636	65,459	954,314
Translation adjustments	13	2,026	—	8	453	3,184	483	6,167
Depreciation for the year	127	22,833	—	27,867	9,294	41,785	8,987	110,893
Disposals	—	—	—	(38)	—	(2,181)	(902)	(3,121)
Write-offs	—	(15)	—	—	—	(1,344)	(672)	(2,031)
Balance at 31 December 2014	2,894	210,492	—	377,348	25,053	377,080	73,355	1,066,222
Translation adjustments	(675)	3,579	—	14	1,077	4,958	685	9,638
Depreciation for the year	5,077	24,914	—	28,238	11,152	46,058	10,292	125,731
Disposals	—	—	—	—	—	(8,386)	(685)	(9,071)
Write-offs	—	(9,480)	—	(51,597)	—	(6,355)	(1,635)	(69,067)
Impairment losses	—	—	—	—	1,400	—	—	1,400
Balance at 31 December 2015	7,296	229,505	—	354,003	38,682	413,355	82,012	1,124,853
Carrying amounts								
At 1 January 2014	13,975	501,752	489,539	812,485	232,690	323,427	20,299	2,394,167
At 31 December 2014	13,605	500,485	978,834	821,571	233,078	435,535	25,801	3,008,909
At 31 December 2015	335,980	660,537	975,759	820,577	248,487	471,048	28,167	3,540,555

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Docks and cranes ⁽²⁾ \$'000	Plant, machinery and tools \$'000	Others ⁽⁴⁾ \$'000	Total \$'000
Cost/valuation				
Balance at 1 January 2014				
At cost	163,709	7,609	8,323	179,641
At valuation	25,152	—	—	25,152
	188,861	7,609	8,323	204,793
Additions	—	—	11,825	11,825
Balance at 31 December 2014	188,861	7,609	20,148	216,618
Balance at 31 December 2014				
At cost	163,709	7,609	20,148	191,466
At valuation	25,152	—	—	25,152
	188,861	7,609	20,148	216,618
Balance at 1 January 2015				
At cost	163,709	7,609	20,148	191,466
At valuation	25,152	—	—	25,152
	188,861	7,609	20,148	216,618
Additions	—	—	11,962	11,962
Write-offs	(28,356)	(5,369)	—	(33,725)
Balance at 31 December 2015	160,505	2,240	32,110	194,855
Balance at 31 December 2015				
At cost	135,353	2,240	32,110	169,703
At valuation	25,152	—	—	25,152
	160,505	2,240	32,110	194,855
Accumulated depreciation				
Balance at 1 January 2014	105,211	6,872	4,966	117,049
Depreciation for the year	7,663	100	1,001	8,764
Balance at 31 December 2014	112,874	6,972	5,967	125,813
Depreciation for the year	7,115	33	1,129	8,277
Write-offs	(28,356)	(5,369)	—	(33,725)
Balance at 31 December 2015	91,633	1,636	7,096	100,365
Carrying amounts				
At 1 January 2014	83,650	737	3,357	87,744
At 31 December 2014	75,987	637	14,181	90,805
At 31 December 2015	68,872	604	25,014	94,490

⁽¹⁾ During the year, interest charge of \$74,457,000 (2014: \$13,231,000) was capitalised as construction-in-progress.

⁽²⁾ The carrying amounts of docks and cranes included certain docks stated at Directors' valuation of \$25,152,000 in the year 1973. Subsequent additions to these docks were stated at cost. The revaluation was done on a one-off basis and accordingly, the transitional provision in FRS 16 *Property, Plant and Equipment* was adopted to continue with its existing policy of stating these docks at cost and revalued amounts. If the following re-valued assets of the Group and Company had been included in the financial statements at cost less accumulated depreciation, they would have been fully written down.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(3) Owing to the adverse market developments in the offshore marine sector, there was an indication that the Group's marine accommodation vessel might be impaired. The Group used the discounted cash flow projections which took into account: (i) the existing charter rates over the remaining contractual period through 2018; and (ii) the assumed renewal rates, which were adjusted downwards by a 10% discount from the current contractual rates but factored another 2% inflationary adjustment till the end of the economic useful life of the vessel. The assumed operating cost is based on approved budget and adjusted for inflation at 2% per annum throughout the cash flow periods. The utilisation rate is assumed to be at 95% throughout the cash flow periods; and the terminal value is based on expected scrap value at the end of the economic useful life of the vessel. These cash flows are then discounted using the weighted average cost of capital determined to be at 9.55% (2014: 9.55%). Based on the Group's assessment of the recoverable amount of the marine accommodation vessel, an impairment loss of \$1,400,000 (2014: \$Nil) was recognised in profit or loss.

(4) Others comprise motor vehicles, furniture and office equipment, utilities and fittings, and computer equipment.

(5) Includes provision for restoration costs amounting to \$57,097,000 (2014: \$60,287,000).

5 INVESTMENT PROPERTIES

	Company	
	2015	2014
	\$'000	\$'000
Cost		
Balance at 1 January	95,361	95,361
Write-offs	(32,697)	-
Balance at 31 December	<u>62,664</u>	<u>95,361</u>
Accumulated depreciation		
Balance at 1 January	72,826	70,729
Depreciation for the year	1,802	2,097
Write-offs	(32,697)	-
Balance at 31 December	<u>41,931</u>	<u>72,826</u>
Carrying amounts		
At 31 December	<u>20,733</u>	<u>22,535</u>

The investment properties of the Company are used by the Group in carrying out its principal activities and are accounted for as property, plant and equipment at the Group.

The following amounts are recognised in profit or loss:

	Company	
	2015	2014
	\$'000	\$'000
Rental income	(29,856)	(29,536)
Operating expenses arising from rental of investment properties	<u>28,369</u>	<u>27,945</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

6 INVESTMENTS IN SUBSIDIARIES

	Company	
	2015	2014
	\$'000	\$'000
Unquoted shares, at cost	518,273	517,926
Allowance for impairment loss	(15,251)	(15,251)
	<hr/>	<hr/>
	503,022	502,675

Details of the Company's subsidiaries are set out in Note 40.

7 INTERESTS IN ASSOCIATES AND JOINT VENTURES

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Interests in associates	242,313	403,777	107,369	107,369
Interests in joint ventures	69,743	66,500	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
	312,056	470,277	107,369	107,369

In 2015 and 2014, the Group did not receive dividends from its associates and joint ventures.

Associates

The Group has one (2014: one) associate that is material and a number of associates that are individually immaterial to the Group. All are equity accounted. The following information is in relation to the material associate:

Name of significant associate	Principal activity	Country of incorporation	Fair value of ownership interest (if listed)			
			Effective equity held by the Group		2015	2014
			%	%	\$'000	\$'000
Cosco Shipyard Group Co., Ltd	Provision of services for repairs of vessels; repairs, construction and conversion of offshore platforms and offshore engineering facilities; and related services	People's Republic of China	30	30	N.A.	N.A.

The following summarises the financial information of the Group's material associate based on the financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The table also includes summarised financial information for the Group's interest in immaterial associates, based on the amounts reported in the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

7 INTERESTS IN ASSOCIATES AND JOINT VENTURES (CONT'D)

Summarised financial information of associates is as follows:

	Cosco Shipyard Group Co., Ltd \$'000	Immaterial associates \$'000	Total \$'000
2015			
Revenue	3,515,121	17,852	3,532,973
Loss from continuing operations	(900,754)	(5,321)	(906,075)
Other comprehensive income	–	–	–
Total comprehensive income	(900,754)	(5,321)	(906,075)
Attributable to non-controlling interests	(329,024)	–	(329,024)
Attributable to investee's shareholders	(571,730)	(5,321)	(577,051)
Non-current assets	2,447,946	42,568	2,490,514
Current assets	7,751,894	16,604	7,768,498
Non-current liabilities	(2,755,377)	(109)	(2,755,486)
Current liabilities	(6,382,233)	(20,832)	(6,403,065)
Net assets	1,062,230	38,231	1,100,461
Attributable to non-controlling interests	247,179	–	247,179
Attributable to investee's shareholders	815,051	38,231	853,282
Group's interest in net assets of investee at beginning of the year	395,094	8,683	403,777
Group's share of:			
- Loss from continuing operations	(171,519)	(1,202)	(172,721)
- Other comprehensive income	–	–	–
- Total comprehensive income	(171,519)	(1,202)	(172,721)
Translation adjustments	11,259	(2)	11,257
Carrying amount of interest in investee at end of the year	234,834	7,479	242,313

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

7 INTERESTS IN ASSOCIATES AND JOINT VENTURES (CONT'D)

	Cosco Shipyard Group Co., Ltd	Immaterial associates	Total
	\$'000	\$'000	\$'000
2014			
Revenue	4,303,180	15,607	4,318,787
Profit/(loss) from continuing operations	28,768	(6,467)	22,301
Other comprehensive income	–	–	–
Total comprehensive income	28,768	(6,467)	22,301
Attributable to non-controlling interests	(9,506)	–	(9,506)
Attributable to investee's shareholders	38,274	(6,467)	31,807
Non-current assets	2,436,450	45,676	2,482,126
Current assets	7,128,417	10,851	7,139,268
Non-current liabilities	(2,730,885)	–	(2,730,885)
Current liabilities	(4,924,024)	(13,100)	(4,937,124)
Net assets	1,909,958	43,427	1,953,385
Attributable to non-controlling interests	560,547	–	560,547
Attributable to investee's shareholders	1,349,411	43,427	1,392,838
Group's interest in net assets of investee at beginning of the year	374,218	10,150	384,368
Group's share of:			
- Profit/(loss) from continuing operations	10,280	(1,462)	8,818
- Other comprehensive income	–	–	–
- Total comprehensive income	10,280	(1,462)	8,818
Translation adjustments	10,596	(5)	10,591
Carrying amount of interest in investee at end of the year	395,094	8,683	403,777

Joint ventures

The Group has a number of joint ventures that are individually immaterial to the Group. All are equity accounted. The following summarises the financial information of the Group's interest in immaterial joint ventures based on the financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

Summarised financial information of joint ventures is as follows:

	2015 \$'000	2014 \$'000
Carrying amount	69,743	66,500
Loss for the year	(14,205)	(666)
Other comprehensive income	–	–
Total comprehensive income	(14,205)	(666)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

8 OTHER FINANCIAL ASSETS

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
(a) Non-current assets				
Available-for-sale financial assets:				
- Quoted equity shares, at fair value	83,969	77,259	64,925	54,075
- Unit trusts, at fair value	500	449	500	449
- Unquoted equity shares, at cost ⁽¹⁾	7,646	7,646	5,004	5,004
	92,115	85,354	70,429	59,528
Financial assets at fair value through profit or loss:				
- Quoted equity shares, at fair value	–	1	–	–
- Unit trusts, at fair value	–	1,957	–	–
Cash flow hedges:				
- Forward foreign currency contracts	2,309	8	–	–
- Interest rate swaps	12,839	3,123	–	–
	107,263	90,443	70,429	59,528
(b) Current assets				
Financial assets at fair value through profit or loss:				
- Forward foreign currency contracts	56,355	14,022	–	–
Cash flow hedges:				
- Forward foreign currency contracts	4,706	166	–	–
	61,061	14,188	–	–

⁽¹⁾ Unquoted equity securities which have no market prices and whose fair value cannot be reliably measured using other valuation techniques are stated at cost less impairment losses.

During the year, impairment losses on available-for-sale financial assets amounting to \$17,055,000 (2014: \$Nil) were recognised in profit or loss through re-classifying the losses accumulated in the fair value reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

	Note	Group						Company					
		2015			2014			2015			2014		
		Non-current \$'000	Current \$'000	Total \$'000									
Trade receivables		–	648,763	648,763	–	381,427	381,427	–	–	–	–	–	–
Amounts due from related parties	10	37,260	5,655	42,915	40,961	5,103	46,064	54,515	37,029	91,544	73,824	36,341	110,165
Amounts due from non-controlling interests		–	53	53	–	52	52	–	–	–	–	–	–
Staff loans	(a)	34	258	292	54	371	425	–	–	–	–	–	–
GST refundable		–	36,773	36,773	–	32,913	32,913	–	815	815	–	266	266
Interest receivable		–	163	163	–	291	291	–	2	2	–	2	2
Deposits		–	2,678	2,678	–	2,794	2,794	–	–	–	–	–	–
Sundry receivables		–	16,480	16,480	–	16,785	16,785	–	7,426	7,426	–	3,403	3,403
Unbilled receivables		–	7,810	7,810	–	7,468	7,468	–	–	–	–	–	–
Recoverable		–	2,909	2,909	–	2,729	2,729	–	–	–	–	–	–
		37,294	721,542	758,836	41,015	449,933	490,948	54,515	45,272	99,787	73,824	40,012	113,836
Allowance for doubtful receivables		–	(158,315)	(158,315)	–	(1,003)	(1,003)	–	–	–	–	–	–
		37,294	563,227	600,521	41,015	448,930	489,945	54,515	45,272	99,787	73,824	40,012	113,836
Prepayments and advances		16,812	26,484	43,296	–	19,602	19,602	–	3,057	3,057	–	857	857
		54,106	589,711	643,817	41,015	468,532	509,547	54,515	48,329	102,844	73,824	40,869	114,693

(a) Staff loans

Staff loans are unsecured and bear interest at 3.0% (2014: 3.0%) per annum.

The impairment losses on trade receivables are as follows:

Group	Gross			Impairment			Total		
	2015 \$'000	2015 \$'000	2015 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000
Trade receivables	648,763	(158,315)	490,448	381,427	(1,003)	380,424			

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

10 AMOUNTS DUE FROM RELATED PARTIES

Group	Note	Associates and joint ventures		Related companies		Total	
		2015	2014	2015	2014	2015	2014
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Amounts due from:							
- Trade	(a)	3,735	3,426	1,061	830	4,796	4,256
- Non-trade	(b)	859	847	–	–	859	847
- Loans and advances	(c)	37,260	40,961	–	–	37,260	40,961
		41,854	45,234	1,061	830	42,915	46,064
Amount due within 1 year	9	(4,594)	(4,273)	(1,061)	(830)	(5,655)	(5,103)
	9	37,260	40,961	–	–	37,260	40,961

Company	Note	Subsidiaries		Related companies		Total	
		2015	2014	2015	2014	2015	2014
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Amounts due from:							
- Trade	(a)	31,447	45,249	–	26	31,447	45,275
- Non-trade	(b)	20,498	19,650	–	–	20,498	19,650
- Loans and advances	(c)	39,599	45,240	–	–	39,599	45,240
		91,544	110,139	–	26	91,544	110,165
Amount due within 1 year	9	(37,029)	(36,315)	–	(26)	(37,029)	(36,341)
	9	54,515	73,824	–	–	54,515	73,824

- (a) The trade amounts due from related parties are unsecured, repayable on demand and interest-free, except for a trade amount due from a subsidiary of \$14,916,000 (2014: \$28,584,000) which is not expected to be repayable within the next twelve months.
- (b) The non-trade amounts due from related parties comprise mainly payments on behalf which are unsecured, repayable on demand and interest-free.
- (c) At the Group and Company level, the loans and advances to related parties are unsecured and interest-free, except for \$37,260,000 (2014: \$40,961,000) of loan to a joint venture that bears interest rates ranging from 0.46% to 1.14% (2014: 0.22% to 0.25%) per annum. The settlement of loans and advances to these related parties is neither planned nor likely to occur in the foreseeable future. As these are, in substance, a part of the Company's net investment in these entities, they are stated at cost.

No impairment loss has been recognised in respect of amounts due from related parties.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

11 INTANGIBLE ASSETS

	Goodwill \$'000	Club memberships \$'000	Intellectual property rights \$'000	Intellectual
				property rights \$'000
Group				Total \$'000
Cost				
Balance at 1 January 2014	8,473	902	33,559	42,934
Translation adjustments	15	14	–	29
Additions	–	–	26,513	26,513
Balance at 31 December 2014	8,488	916	60,072	69,476
Translation adjustments	24	–	–	24
Balance at 31 December 2015	8,512	916	60,072	69,500

Accumulated amortisation and impairment losses

Balance at 1 January 2014	2,533	663	9,397	12,593
Translation adjustments	15	14	–	29
Amortisation for the year	–	–	4,240	4,240
Balance at 31 December 2014	2,548	677	13,637	16,862
Translation adjustments	24	–	–	24
Amortisation for the year	–	–	6,007	6,007
Balance at 31 December 2015	2,572	677	19,644	22,893

Carrying amounts

At 1 January 2014	5,940	239	24,162	30,341
At 31 December 2014	5,940	239	46,435	52,614
At 31 December 2015	5,940	239	40,428	46,607

	Club memberships	
	2015	2014
Company	\$'000	\$'000
Cost		
Balance at 1 January and 31 December	652	652

Accumulated impairment losses		
Balance at 1 January and 31 December	168	168

Carrying amounts		
At 1 January and 31 December	184	184

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

11 INTANGIBLE ASSETS (CONT'D)

Amortisation

The amortisation of intangible assets amounting to \$6,007,000 (2014: \$4,240,000) is included in cost of sales.

Goodwill

Impairment testing for goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments. The aggregate carrying amounts of goodwill allocated to each segment are as follows:

	Group	
	2015	2014
	\$'000	\$'000
Ship and rig repair, building and conversion	4,917	4,917
Others	1,023	1,023
Total	5,940	5,940

For goodwill impairment testing, the recoverable amounts of cash-generating units of the Group are determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management for the next financial year. These cash flow projections cover a period of 5 years and are based on long-term secured contracts with customers, updated with new contracts over the financial year; and discounted at 6.7% (2014: 6.6%).

Intellectual property rights

Intellectual property rights relate to acquired patents for the Jurong Espadon Drillship and Satellite Services Platform offshore designs.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

12 DEFERRED TAX ASSETS AND LIABILITIES

Group	At 1 January 2014 \$'000	Recognised in profit or loss (Note 28) \$'000	Recognised in other comprehensive income (Note 29) \$'000	Translation adjustments \$'000	At 31 December 2014 \$'000	Recognised in profit or loss (Note 28) \$'000	Recognised in other comprehensive income (Note 29) \$'000	Translation adjustments \$'000	At 31 December 2015 \$'000
Deferred tax liabilities									
Property, plant and equipment	157,414	34,842	—	32	192,288	(37,707)	—	51	154,632
Interests in associates	9,955	575	—	—	10,530	(8,576)	—	—	1,954
Other financial assets	—	—	30	—	30	—	1,369	—	1,399
Trade and other receivables	558	761	—	—	1,319	(66)	—	—	1,253
Provisions	22	14	—	—	36	(36)	—	—	—
Intangible assets	1,825	571	—	—	2,396	1,772	—	—	4,168
	169,774	36,763	30	32	206,599	(44,613)	1,369	51	163,406
Deferred tax assets									
Property, plant and equipment	(658)	415	—	(148)	(391)	406	—	(16)	(1)
Trade and other receivables	(239)	71	—	—	(168)	41	—	—	(127)
Trade and other payables	(157)	(4,333)	—	—	(4,490)	(394)	—	—	(4,884)
Unutilised tax losses, capital and investment allowances	(36,094)	(23,320)	—	84	(59,330)	(63,742)	—	(70)	(123,142)
Provisions	(13,691)	3,040	—	82	(10,569)	6,111	—	(70)	(4,528)
Other financial liabilities	(2,627)	7	(6,222)	—	(8,842)	—	(2,024)	—	(10,866)
Other items	(350)	(194)	—	—	(544)	(91)	—	—	(635)
	(53,816)	(24,314)	(6,222)	18	(84,334)	(57,669)	(2,024)	(156)	(144,183)
Net deferred tax liabilities	115,958	12,449	(6,192)	50	122,265	(102,282)	(655)	(105)	19,223
Company									
Deferred tax liabilities									
Property, plant and equipment	13,212	674	—	—	13,886	804	—	—	14,690
Deferred tax assets									
Capital and investment allowances	—	(1,531)	—	—	(1,531)	(1,209)	—	—	(2,740)
Provisions	(1,148)	(138)	—	—	(1,286)	(123)	—	—	(1,409)
Net deferred tax liabilities	12,064	(1,669)	(995)	—	(2,817)	(1,332)	—	—	(4,149)
					11,069	(528)	—	—	10,541

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

12 DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

Deferred tax liabilities and assets are set off when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting included in the balance sheets are as follows:

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities	42,722	130,309	10,541	11,069
Deferred tax assets	(23,499)	(8,044)	—	—
	19,223	122,265	10,541	11,069

As at 31 December 2015, a deferred tax liability of \$7,073,000 (2014: \$4,534,000) for temporary differences of \$67,066,000 (2014: \$41,659,000) related to investments in subsidiaries were not recognised because the Group can control the timing of reversal of the taxable temporary differences for all subsidiaries and the temporary differences are not expected to reverse in the foreseeable future.

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2015	2014
	\$'000	\$'000
Deductible temporary differences	760	3,844
Tax losses	184,254	118,614
Capital allowances	859	1,154
	185,873	123,612

The deductible temporary differences, the remaining tax losses and the capital allowances do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of the above in accordance with Note 3.16 and under the following circumstances:

- (a) Where they qualify for offset against the tax liabilities of member companies within the Group under the Loss Transfer System of Group Relief but the terms of the transfer have not been ascertained as at year end; and
- (b) Where it is uncertain that future taxable profit will be available against which certain subsidiaries of the Group can utilise the benefits.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

13 INVENTORIES AND WORK-IN-PROGRESS

		Group	
	Note	2015 \$'000	2014 \$'000
Raw materials	(a)	19,555	14,222
Finished goods	(a)	1,011	2,202
Work-in-progress	(b)	3,812,500	2,988,995
		<u>3,833,066</u>	<u>3,005,419</u>

In 2015, raw materials and changes in finished goods included as cost of sales amounted to \$73,739,000 (2014: \$60,152,000).

(a) Materials and finished goods are stated after deducting \$4,126,000 (2014: \$4,258,000) of allowance for inventories obsolescence. In 2015, the write-down of materials and finished goods to net realisable value by the Group amounted to \$986,000 (2014: \$745,000). The reversal of write-downs by the Group in 2015 amounted to \$798,000 (2014: \$821,000). The write-down and reversal are included in cost of sales.

(b) Work-in-progress

		Group	
	Note	2015 \$'000	2014 \$'000
Costs and attributable profits		10,624,893	8,000,190
Less: Allowance for foreseeable losses		(277,961)	–
Progress billings		(6,822,499)	(6,016,548)
		<u>3,524,433</u>	<u>1,983,642</u>
Comprising:			
Due from customers on construction contracts	35	3,313,689	2,700,486
Work-in-progress		498,811	288,509
Excess of progress billings over work-in-progress		(288,067)	(1,005,353)
		<u>3,524,433</u>	<u>1,983,642</u>

During the financial year, the Group conducted a review of all of its long term construction contracts and concluded that certain contracts with a few customers were loss-making, resulting in an allowance of \$277,961,000 (2014: \$Nil). Such losses took into account of the expected contract price adjustments from modifications to the original contract terms and deterioration in credit risk assessment on these customers appraised by the Group. Other consideration includes the total costs to complete these construction contracts where the costs are expected to exceed the revised contract revenue.

The Group also conducted a review of all work-in-progress and considered a need to adjust the carrying value to reflect an expected lower net realisable value. Such adjustment amounted to \$85,330,000 (2014: \$Nil) and is included in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

14 CASH AND CASH EQUIVALENTS

	Note	Group		Company	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Fixed deposits	(a)	15,002	66,157	–	–
Cash and bank balances	(b)	614,303	1,012,619	10,908	22,402
Cash and cash equivalents in the balance sheets		629,305	1,078,776	10,908	22,402
Bank overdrafts	19	(2,023)	(1,993)	–	–
Cash and cash equivalents in the consolidated statement of cash flows		627,282	1,076,783	10,908	22,402

(a) Fixed deposits of the Group placed with financial institutions have maturity periods ranging from 21 to 173 days (2014: 6 to 153 days) from the financial year-end and interest rates ranging from 0.01% to 14.14% (2014: 0.02% to 11.59%) per annum, which are also the effective interest rates.

(b) Included in the Group's cash and bank balances at the balance sheet date are amounts of \$182,680,964 (2014: \$450,245,655) placed with a bank under the Group's cash pooling arrangement by the Company. During the year, the cash pooling balances earn interest rates ranging from 0.80% to 1.23% (2014: 0.61% to 0.77%) per annum, which are also the effective interest rates. The remaining bank balances during the year earn interest rates at floating rates based on daily bank deposit rates of up to 0.79% (2014: up to 0.75%) and up to 0.62% (2014: up to 0.18%) per annum, for the Group and the Company respectively, which are also the effective interest rates.

Included in the Group's cash and bank balances are amounts of \$154,505,000 (2014: \$280,763,000) placed with a related corporation.

The Company's cash and bank balances of \$8,461,000 (2014: \$17,978,000) are also placed with a related corporation.

15 TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(a) Current liabilities					
Trade and accrued payables		2,465,718	1,764,612	18,578	14,166
Amounts due to related parties	16	4,687	2,724	394	721
		2,470,405	1,767,336	18,972	14,887
Deposits received		3,097	3,450	26	26
GST payables		1,367	1,838	–	–
Interest payable*		27,904	13,328	–	–
Other creditors		11,339	8,893	87	118
Accrued capital expenditure		4,542	30,808	–	–
Amounts due to related parties	16	23	23	3,417	3,399
		48,272	58,340	3,530	3,543
Total		2,518,677	1,825,676	22,502	18,430
(b) Non-current liabilities					
Other long-term payables**		77,825	84,021	5,580	16,823

* Included in the Group's interest payable are amounts of \$3,551,000 (2014: \$1,482,000) payable to a related corporation.

** Other long-term payables include deferred grants, accrued rental and long-term employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

16 AMOUNTS DUE TO RELATED PARTIES

Group	Amounts due to:	Associates and joint ventures				Related companies				Total	
		Immediate holding company		2015 2014		2015 2014		2015 2014			
		Note	2015 2014	\$'000	\$'000	Note	2015 2014	\$'000	\$'000		
Amounts due to:											
- Trade	280	262	3,408	2,157	999	3,431	2,180	999	305	4,687	
- Non-trade	-	-	23	23	-	-	-	-	-	23	
15	280	262	3,431	2,180	999	3,431	2,180	999	305	4,710	
Amounts due to:											
- Trade	265	256	17	354	112	111	3,753	112	111	394	
- Non-trade	-	-	3,417	3,399	-	-	-	-	-	721	
15	265	256	3,434	3,399	-	-	3,753	112	111	3,811	
Amounts due to:											
- Trade	265	256	17	354	112	111	3,753	112	111	3,811	
- Non-trade	-	-	3,417	3,399	-	-	-	-	-	4,120	
15	265	256	3,434	3,399	-	-	3,753	112	111	4,120	

The trade and non-trade amounts due to related parties are unsecured, repayable on demand and interest-free.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

17 PROVISIONS

Group	2015	Retirement	Restoration	Total
		gratuities \$'000	Warranty \$'000	
Balance at 1 January		1,028	54,649	60,287
Translation adjustments		21	401	56
Provision made/(written-back) during the year, net		314	(37,464)	–
Provision utilised during the year		(190)	(329)	(3,246)
Balance at 31 December		1,173	17,257	57,097
Provisions due:				
- within 1 year		108	17,257	6,771
- after 1 year but within 5 years		678	–	1,812
- after 5 years		387	–	48,514
		1,173	17,257	75,527
2014				
Balance at 1 January		874	58,502	60,254
Translation adjustments		17	280	33
Provision made/(written-back) during the year, net		372	(4,039)	–
Provision utilised during the year		(235)	(94)	(329)
Balance at 31 December		1,028	54,649	60,287
Provisions due:				
- within 1 year		503	15,187	–
- after 1 year but within 5 years		380	39,462	11,615
- after 5 years		145	–	48,672
		1,028	54,649	60,287
Company				
Balance at 1 January			27,895	27,895
Provision utilised during the year			(3,088)	–
Balance at 31 December			24,807	27,895
Provisions due:				
- within 1 year			6,771	–
- after 1 year but within 5 years			–	9,859
- after 5 years			18,036	18,036
			24,807	27,895

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

17 PROVISIONS (CONT'D)

Warranty

Provision for warranties relate to contracts with contractual warranty terms. The provision for warranty is based on estimates made from historical warranty data associated with similar projects and adjusted by weighting all possible outcomes by their associated probabilities.

The non-current portion of the provision for warranty is for contracts with contractual warranty periods that will lapse within 2 to 3 years from the reporting date.

Restoration costs

Restoration costs relate to cost of dismantling and removing assets and restoring the premises to its original condition as stipulated in the operating lease agreements. The Group expects to incur the liability upon termination of the lease.

18 OTHER FINANCIAL LIABILITIES

	Group	
	2015	2014
	\$'000	\$'000
(a) Current liabilities		
Financial liabilities at fair value through profit or loss:		
- Forward foreign currency contracts		2,701
Cash flow hedges:		
- Forward foreign currency contracts	104,614	44,070
	<u>104,614</u>	<u>46,771</u>

(b) Non-current liabilities

Cash flow hedges:		
- Forward foreign currency contracts	2,363	35,203
- Interest rate swaps	272	470
	<u>2,635</u>	<u>35,673</u>

19 INTEREST-BEARING BORROWINGS

	Group	
Note	2015	2014
	\$'000	\$'000
Current liabilities		
Unsecured term loans	912,928	431,855
Bank overdrafts	14 2,023	1,993
	<u>914,951</u>	<u>433,848</u>
Non-current liabilities		
Unsecured term loans	(a) 2,465,224	1,307,519
Total interest-bearing borrowings	<u>3,380,175</u>	<u>1,741,367</u>

Of the Group's interest-bearing borrowings, \$762,344,000 (2014: \$300,000,000) were borrowed from a related corporation.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

19 INTEREST-BEARING BORROWINGS (CONT'D)

Effective interest rates and maturity of liabilities

	Group	
	2015	2014
	%	%
Floating rate loans	0.68 - 15.15	-
Fixed rate loans	1.10 - 14.90	0.72 - 11.28
Notes	2.95 - 3.85	2.95 - 3.85

	Group	
	2015	2014
	\$'000	\$'000
Within 1 year	914,951	433,848
After 1 year but within 5 years	1,865,224	707,519
After 5 years	600,000	600,000
Total borrowings	3,380,175	1,741,367

(a) Unsecured term loans

Included in the unsecured term loans are the following notes of the Group:

On 18 August 2014, the Company updated its \$2,000,000,000 Multicurrency Multi-issuer Debt Issuance Programme (the "Programme") to include perpetual securities as one of the debt instruments under the Programme.

Under the updated Programme, the Company, together with its subsidiaries - Jurong Shipyard Pte Ltd, Sembawang Shipyard Pte Ltd and SMOE Pte Ltd ("Issuing Subsidiaries"), may from time to time issue notes (the "Notes") and/or perpetual securities (the "Perpetual Securities", and together with the Notes, the "Securities") denominated in Singapore dollars and/or any other currency as the relevant Issuer and the relevant dealer may agree. The obligations in respect of Securities issued by the Issuing Subsidiaries will be unconditionally and irrevocably guaranteed by the Company.

In 2014, Jurong Shipyard Pte Ltd issued the following medium term notes under the Programme:

Nominal interest rate	Year of issue	Year of maturity	Principal amount \$'000
S\$ medium term notes	2.95%	2014	275,000
S\$ medium term notes	3.85%	2014	325,000
			<hr/> 600,000

As at 31 December 2015, an amount of \$167,500,000 (2014: \$167,500,000) for the medium term notes maturing in 2021 was subscribed by a related corporation.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

20 SHARE CAPITAL

	Group and Company	
	No. of ordinary shares	
	2015	2014
Issued and fully paid, with no par value:		
Balance at 1 January and 31 December	<u>2,089,760,107</u>	

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

The Company issued 3,482,920 (2014: 4,071,893) treasury shares during the year pursuant to its share based incentive plans (Note 33).

21 OTHER RESERVES

	Note	Group		Company	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Distributable					
Reserve for own shares	(a)	(3,149)	(1,715)	(3,149)	(1,715)
Non-distributable					
Currency translation reserve	(b)	50,903	(17,044)	–	–
Share-based payments reserve	(c)	(29,931)	(29,191)	(27,832)	(27,110)
Fair value reserve	(d)	12,988	(10,828)	22,033	11,132
Hedging reserve	(e)	(46,615)	(43,421)	–	–
Capital reserves	(f)	25,574	25,574	960	960
		<u>9,770</u>	<u>(76,625)</u>	<u>(7,988)</u>	<u>(16,733)</u>

- (a) Reserve for own shares comprises the cost of the Company's shares held by the Company. As at 31 December 2015, the Company holds 1,192,527 (2014: 416,247) of its own shares as treasury shares.
- (b) The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group.
- (c) Share-based payments reserve comprises the cumulative value of services received from employees recorded on grant of equity-settled share options, performance shares and performance based restricted shares. The expense for service received is recognised over the performance period and/or vesting period.
- (d) Fair value reserve includes the cumulative net change in fair value of available-for-sale investments until the investments are derecognised.
- (e) Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.
- (f) Capital reserves comprise:
 - (i) asset revaluation reserve of \$960,000 (2014: \$960,000) associated with the one-time revaluation conducted in 1973 (see Note 4) for both the Group and Company; and
 - (ii) reserves (transferred from revenue reserve) set aside to comply with the regulations of the foreign jurisdiction in which some of the Group's associates operate.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

22 TURNOVER

Turnover represents sales from the various activities described in Note 1 and Note 40, including the revenue recognised on contracts relating to rigs & floaters, repairs & upgrades and offshore platforms.

	Group	
	2015 \$'000	2014 \$'000
Contract revenue	4,897,185	5,759,737
Charter hire income	52,399	50,816
Services rendered	3,980	6,139
Sale of goods	14,568	15,903
	4,968,132	5,832,595

23 OPERATING (LOSS)/PROFIT

The following items have been included in arriving at operating (loss)/profit:

	Group	
Note	2015 \$'000	2014 \$'000
Amortisation of intangible assets	11	6,007
Audit fees paid/payable		4,240
- auditors of the Company	651	660
- overseas affiliates of the auditors of the Company	209	182
- other auditors	36	22
Non-audit fees paid/payable		
- auditors of the Company	395	253
- overseas affiliates of the auditors of the Company	44	–
- other auditors	103	166
Allowance for doubtful debts and bad debts, net	153,856	192
Depreciation of property, plant and equipment	4	125,731
Fair value adjustment on hedging instruments		110,893
Foreign currency exchange (gain)/loss, net		29,409
Gain on disposal of property, plant and equipment, net		12,169
Impairment losses on available-for-sale financial assets		(108)
Impairment losses on property, plant and equipment		5,913
Inventories written down/(written back), net		(426)
Operating lease expenses		(98)
Impairment losses on property, plant and equipment		17,055
Inventories written down/(written back), net		–
Operating lease expenses		1,400
Property, plant and equipment written off		–
Provision for foreseeable losses on contracts work-in-progress		85,518
Staff costs	(a)	(76)
		36,656
		14
		232
		277,961
		–
		527,159
		556,436

(a) Staff costs

Salaries and bonus	448,044	466,592
Defined contribution plan	26,041	24,982
Equity-settled share-based payments	8,369	12,279
Cash-settled share-based payments	(1,358)	3,719
Directors' fee	3,341	2,032
Other employee benefits	42,722	46,832
	527,159	556,436

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

24 FINANCE INCOME AND FINANCE COSTS

	Group	
	2015	2014
	\$'000	\$'000
Finance income		
Interest income from:		
- Trade receivables and contracts work-in-progress	533	84
- Fixed deposits and bank balances	9,951	9,529
- Joint venture	329	98
	<u>10,813</u>	<u>9,711</u>
Finance costs		
Interest paid and payable to:		
- Bank and others	44,400	18,618
- Commitment and facility fee	2,375	2,342
	<u>46,775</u>	<u>20,960</u>

25 INVESTMENT INCOME

	Group	
	2015	2014
	\$'000	\$'000
Net dividend from:		
- Quoted equity shares	557	1,114
- Unquoted equity shares	-	78
	<u>557</u>	<u>1,192</u>

26 NON-OPERATING INCOME AND NON-OPERATING EXPENSES

	Group	
	2015	2014
	\$'000	\$'000
Non-operating income:		
- Net change in fair value of financial assets measured through profit or loss	-	179
	<u>-</u>	<u>179</u>
Non-operating expenses:		
- Net change in fair value of financial assets measured through profit or loss	(1,653)	(2)
- Impairment losses on available-for-sale financial assets	(17,055)	-
	<u>(18,708)</u>	<u>(2)</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

27 SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

		Group	
	Note	2015 \$'000	2014 \$'000
Share of (loss)/profit before tax for the year		(170,881)	8,295
Share of tax for the year		(2,618)	1,564
	28	(173,499)	9,859

28 TAX (CREDIT)/EXPENSE

		Group	
	Note	2015 \$'000	2014 \$'000
Current tax expense			
Current year		40,462	95,579
Over provided in prior years		(15,817)	(2,299)
		24,645	93,280
Deferred tax expense			
Movements in temporary differences		(96,825)	21,106
Over provided in prior years		(5,457)	(8,657)
		(102,282)	12,449
Tax (credit)/expense		(77,637)	105,729

Reconciliation of effective tax rate

(Loss)/profit for the year		(299,966)	601,275
Tax (credit)/expense		(77,637)	105,729
Share of results of associates and joint ventures	27	173,499	(9,859)
(Loss)/profit before share of results of associates and joint ventures, and tax expense		(204,104)	697,145
Tax calculated using Singapore tax rate of 17% (2014: 17%)		(34,698)	118,515
Exempt income, capital gains and tax incentives/concessions		(30,336)	(18,571)
Effect of different tax rates in foreign jurisdictions		(8,088)	(5,662)
Tax adjustment on changes in undistributed profits from foreign entities		(8,576)	575
Effect on utilisation of deferred tax assets not previously recognised		(1,553)	(1,092)
Non-deductible expenses		11,863	7,470
Over provision in respect of prior years		(21,274)	(10,956)
Deferred tax assets not recognised		15,199	19,811
Others		(174)	(4,361)
Tax (credit)/expense		(77,637)	105,729

As at 31 December 2015, certain subsidiaries have unutilised tax losses and capital and investment allowances of \$185,113,000 (2014: \$119,768,000) and other deductible temporary differences of \$760,000 (2014: \$3,844,000) available for set-off against future taxable income subject to the tax provisions and agreement by the relevant tax authorities of the various jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

29 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income are set out below:

Group	2015			2014		
	Before tax \$'000	Tax expense \$'000	Net of tax \$'000	Before tax \$'000	Tax expense \$'000	Net of tax \$'000
Foreign currency translation differences for foreign operations	78,807	–	78,807	57,047	–	57,047
Net change in fair value of cash flow hedges	(18,524)	3,149	(15,375)	(51,078)	8,683	(42,395)
Net change in fair value of cash flow hedges transferred to profit or loss	14,675	(2,494)	12,181	14,650	(2,491)	12,159
Net change in fair value of available-for-sale financial assets	6,761	–	6,761	(22,008)	–	(22,008)
Change in fair value of available-for-sale financial assets transferred to profit or loss	17,055	–	17,055	–	–	–
Other comprehensive income	98,774	655	99,429	(1,389)	6,192	4,803

30 NON-CONTROLLING INTERESTS

The following subsidiary has material non-controlling interests:

Name of company	Country of incorporation	Operating segment	Ownership interests held by non-controlling interests	
			2015	2014
			%	%
PPL Shipyard Pte Ltd and its subsidiaries	Singapore	Rigs & floaters, Repairs and upgrades, Offshore platforms and Specialised shipbuilding	15	15

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

30 NON-CONTROLLING INTERESTS (CONT'D)

The following summarises the financial information of each of the Group's subsidiaries with material non-controlling interest, based on their respective (consolidated) financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

	PPL Shipyard	Other individually immaterial subsidiaries	Intra-group elimination	Total
	\$'000	\$'000	\$'000	\$'000
2015				
Revenue	32,803			
Loss for the year	(32,944)			
Other comprehensive income	73,364			
Total comprehensive income	40,420			
Attributable to non-controlling interests:				
Loss for the year	(4,943)	(5,420)	69	(10,294)
Other comprehensive income	11,004	(144)	–	10,860
Total comprehensive income	6,061	(5,564)	69	566
Non-current assets	31,751			
Current assets	1,645,361			
Non-current liabilities	(127,227)			
Current liabilities	(509,100)			
Net assets	1,040,785			
Net assets attributable to non-controlling interests	156,116	(3,114)	72	153,074
Cash flows from operating activities	(286,985)			
Cash flows from investing activities	(1,454)			
Cash flows from financing activities (dividends to non-controlling interests: \$13,945,000)	243,057			
Net decrease in cash and cash equivalents	(45,382)			

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

30 NON-CONTROLLING INTERESTS (CONT'D)

	PPL Shipyard Pte Ltd and its subsidiaries \$'000	Other individually immateriel subsidiaries \$'000	Intra-group elimination \$'000	Total \$'000
2014				
Revenue	1,193,361			
Profit for the year	290,020			
Other comprehensive income	44,250			
Total comprehensive income	334,270			
Attributable to non-controlling interests:				
Profit/(loss) for the year	43,503	(2,425)	69	41,147
Other comprehensive income	6,637	48	–	6,685
Total comprehensive income	50,140	(2,377)	69	47,832
Non-current assets	24,143			
Current assets	1,490,206			
Non-current liabilities	(784)			
Current liabilities	(420,371)			
Net assets	1,093,194			
Net assets attributable to non-controlling interests	163,979	2,907	23	166,909
Cash flows from operating activities	(304,381)			
Cash flows from investing activities	(5,397)			
Cash flows from financing activities (dividends to non-controlling interests: \$12,897,000)	(86,358)			
Net decrease in cash and cash equivalents	(396,136)			

31 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the loss attributable to owners of the Company of \$289,672,000 (2014: profit attributable to owners of the Company of \$560,128,000) by the weighted average number of ordinary shares outstanding of 2,088,686,000 (2014: 2,088,054,000) as follows:

	Group	
	2015 \$'000	2014 \$'000
(Loss)/profit attributable to owners of the Company	(289,672)	560,128
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	2,089,760	2,089,760
Effect of share options exercised, performance shares and restricted shares released	1,813	2,225
Effect of own shares held	(2,887)	(3,931)
Weighted average number of ordinary shares during the year	2,088,686	2,088,054

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

31 EARNINGS PER SHARE (CONT'D)

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the loss attributable to owners of the Company of \$289,672,000 (2014: profit attributable to owners of the Company of \$560,128,000) by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 2,088,794,000 (2014: 2,088,720,000) as follows:

	Group	
	2015	2014
	\$'000	\$'000
(Loss)/profit attributable to owners of the Company	(289,672)	560,128
<hr/>		
Weighted average number of ordinary shares (diluted)	No. of shares	No. of shares
	'000	'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	2,088,686	2,088,054
Effect of dilutive share options	108	666
Weighted average number of ordinary shares during the year	2,088,794	2,088,720

For the purpose of calculating diluted earnings per ordinary share, the weighted average number of ordinary shares outstanding is adjusted for the effects of dilutive potential ordinary shares, which comprise awards of share options granted to employees.

For share options, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than the fair value (average share price during the year). The difference between the weighted average number of shares to be issued at the exercise prices under the options and the weighted average number of shares that would have been issued at the fair value based on assumed proceeds from the issue of these shares are treated as ordinary shares issued for no consideration. The number of such shares issued for no consideration is added to the number of ordinary shares outstanding in the computation of diluted earnings per share. No adjustment is made to the profit attributable to owners of the Company. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

32 DIVIDENDS

Subject to the approval by the shareholders at the next Annual General Meeting, the directors have proposed a final ordinary one-tier tax-exempt dividend of 2.0 cents per share (2014: final ordinary one-tier tax-exempt dividend of 8.0 cents per share) amounting to an estimated net dividend of \$41,771,000 (2014: \$167,148,000) in respect of the year ended 31 December 2015, based on the number of issued shares as at 31 December 2015.

The proposed dividend of 2.0 (2014: 8.0) cents per share has not been included as a liability in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

32 DIVIDENDS (CONT'D)

	Group and Company	
	2015	2014
	\$'000	\$'000
Dividends paid		
Interim one-tier tax-exempt dividend of 4.0 cents per share in respect of year 2015 (2014: 5.0 cents per share in respect of year 2014)	83,563	104,459
Final one-tier tax-exempt dividend of 8.0 cents per share in respect of year 2014 (2014: 6.0 cents per share in respect of year 2013)	167,102	125,359
Special one-tier tax-exempt dividend of nil in respect of year 2014 (2014: 2.0 cents per share in respect of year 2013)	–	41,787
	<hr/>	<hr/>
	250,665	271,605

33 SHARE-BASED INCENTIVE PLANS

The Company's Performance Share Plan ("SCM PSP 2010") and Restricted Share Plan ("SCM RSP 2010") (collectively, the "2010 Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 20 April 2010. The 2010 Share Plans replaced the Share Plans which were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 31 May 2000 and expired in 2010.

The Executive Resource and Compensation Committee (the "Committee") of the Company has been designated as the Committee responsible for the administration of the Share Plans. The Committee comprises the following members, all of whom are directors:

Tan Sri Mohd Hassan Marican	Chairman
Tang Kin Fei	
Ajaib Haridass	
Eric Ang Teik Lim	(appointed on 1 January 2016)

The SCM RSP 2010 is the incentive scheme for directors and employees of the Company and its subsidiaries (the "Group") whereas the SCM PSP 2010 is aimed primarily at key executives of the Group.

The 2010 Share Plans are intended to increase the Company's flexibility and effectiveness in its continuing efforts to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of the Group. The 2010 Share Plans will strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives.

The Company designates Sembcorp Industries Ltd as the Parent Group.

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

33 SHARE-BASED INCENTIVE PLANS (CONT'D)

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

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

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

Other information regarding the 2010 Share Plans and expired Share Plans is as follows:

(a) Share Option Plan

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

Other information regarding the Share Option Plan is as follows:

- (i) The exercise price of the options can be set at market price or a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. Market price is the volume-weighted average price for the shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the three consecutive trading days prior to grant date of that option. For all options granted to date, the exercise prices are set at market price.
- (ii) After the first 12 months of lock-out period, the Group imposed a further vesting of 4 years for managers and above for retention purposes.
- (iii) In 2015 and 2014, all options were settled by the issuance of treasury shares.
- (iv) The options granted expire after 5 years for non-executive directors and employees of the Company's associates, and 10 years for the employees of Group and Parent Group. There are no outstanding share options for non-executive directors.

(a) Share Option Plan (cont'd)

(v) Share Option Plan

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

Date of grant of options	Exercise price per share	Options outstanding at 1 January	Options exercised	Options cancelled/ lapsed/not accepted	Options outstanding at 31 December	Numbers of options holders (including directors) at 31 December	Options exercisable at 1 January	Options exercisable at 31 December	Proceeds on options exercised during the year credited to share capital \$'000	
									12/08/2005 to 11/08/2015	03/10/2007 to 02/10/2016
2015										
11/08/2005	\$2.11	667,190	(392,000)	(275,190)	—	—	667,190	—	827	11/08/2015
02/10/2006	\$2.38	<u>1,009,312</u>	<u>(22,000)</u>	<u>(14,000)</u>	<u>973,312</u>	160	<u>1,009,312</u>	<u>973,312</u>	<u>52</u>	<u>03/10/2007 to 02/10/2016</u>
		<u><u>1,676,502</u></u>	<u><u>(414,000)</u></u>	<u><u>(289,190)</u></u>	<u><u>973,312</u></u>		<u><u>1,676,502</u></u>	<u><u>973,312</u></u>	<u><u>879</u></u>	
2014										
10/08/2004	\$0.74	168,710	(129,760)	(38,950)	—	—	168,710	—	96	10/08/2014
11/08/2005	\$2.11	857,140	(173,500)	(16,450)	667,190	70	857,140	667,190	366	12/08/2006 to 11/08/2015
02/10/2006	\$2.38	<u>1,134,329</u>	<u>(109,617)</u>	<u>(15,400)</u>	<u>1,009,312</u>	165	<u>1,134,329</u>	<u>1,009,312</u>	<u>261</u>	<u>03/10/2007 to 02/10/2016</u>
		<u><u>2,160,179</u></u>	<u><u>(412,877)</u></u>	<u><u>(70,800)</u></u>	<u><u>1,676,502</u></u>		<u><u>2,160,179</u></u>	<u><u>1,676,502</u></u>	<u><u>723</u></u>	

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

33 SHARE-BASED INCENTIVE PLANS (CONT'D)

(a) Share Option Plan (cont'd)

The options of the Company exercised in 2015 resulted in 414,000 (2014: 412,877) ordinary shares being issued at a weighted average price of \$3.09 (2014: \$4.20). The options were exercised on a regular basis throughout the year. The weighted average share price during the year was \$2.68 (2014: \$3.77).

Fair value of share options

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

(b) Performance Share Plan

Under the Performance Share Plan ("SCM PSP 2010"), the awards granted conditional on performance targets are set based on medium-term corporate objectives at the start of each rolling three-year performance qualifying period. A specific number of performance shares shall be awarded at the end of the three-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset.

The performance levels were calibrated based on Wealth Added and Total Shareholder Return. For awards granted from 2014 onwards, both market-based and non-market-based performance conditions are taken into account. A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Performance shares to be delivered will range between 0% to 150% of the conditional performance shares awarded.

To create alignment between senior management and other employees at the time of vesting, SCM PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2015 to 2017 will be vested to the senior management participants only if the restricted shares for the performance period 2016 to 2017 are vested, subject to the achievement of the performance conditions for the respective performance periods.

Senior management participants are required to hold a minimum percentage of the shares released to them under the Performance Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

The details of the movement of the performance shares of the Company awarded during the year are as follows:

	2015	2014
At 1 January	2,810,000	1,915,000
Conditional performance shares awarded	1,215,000	1,480,000
Performance shares lapsed arising from targets not met	(675,000)	(360,715)
Conditional performance shares released	–	(162,060)
Conditional performance shares lapsed	(150,000)	(62,225)
At 31 December	<u>3,200,000</u>	<u>2,810,000</u>

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2012 to 2014 (2014: performance period 2011 to 2013), there were no (2014: 162,060) performance shares released via the issuance of treasury shares.

In 2015, there were 675,000 (2014: 360,715) performance shares that lapsed for under-achievement of the performance targets for the performance period 2012 to 2014 (2014: 2011 to 2013).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

33 SHARE-BASED INCENTIVE PLANS (CONT'D)

(b) Performance Share Plan (cont'd)

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at 31 December 2015, was 3,200,000 (2014: 2,810,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 4,800,000 (2014: 4,215,000) performance shares.

Fair value of Performance Shares

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

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

Date of grant	27 May 2015	15 June 2014
Fair value at measurement date	\$1.40	\$1.35
Assumptions under the Monte Carlo model		
Share price	\$2.99	\$4.04
Expected volatility:		
Sembcorp Marine Ltd	18.3%	26.1%
Morgan Stanley Capital International ("MSCI") AC Asia Pacific excluding Japan Industrials Index	11.6%	17.0%
Correlation with MSCI	39.5%	60.6%
Risk-free interest rate	1.2%	0.6%
Expected dividend	4.3%	4.2%

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

During the year, the Group charged \$1,738,000 (2014: \$2,016,000) to profit or loss based on the fair value of the performance shares at the grant date being expensed over the vesting period.

(c) Restricted Share Plan

Under the Restricted Share Plan ("SCM RSP 2010"), the awards granted conditional on performance targets are set based on corporate objectives at the start of each rolling two-year performance qualifying period. The performance criteria for the restricted shares are calibrated based on Return on Capital Employed and Earnings Before Interest and Taxes for awards granted in 2015 and 2014.

A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Based on the criteria, restricted shares to be delivered will range from 0% to 150% of the conditional restricted shares awarded.

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

A specific number of restricted shares shall be awarded at the end of the two-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset. There is a further vesting of three years after the performance period, during which one-third of the awarded shares are released each year to managerial participants. Non-managerial participants will receive the equivalent in cash at the end of the two-year performance cycle, with no further vesting conditions.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

33 SHARE-BASED INCENTIVE PLANS (CONT'D)

(c) Restricted Share Plan (cont'd)

Senior management participants are required to hold a minimum percentage of the shares released to them under the Restricted Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

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

From 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Mr Wong Weng Sun, who is the President & CEO, and who does not receive any directors' fees). In 2015 and 2014, the awards granted consisted of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the Annual General Meeting ("AGM") (or, if the resolution to approve the final dividend is not approved, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

The details of the movement of the restricted shares of the Company awarded during the year are as follows:

	2015	2014
At 1 January	8,262,801	8,545,150
Conditional restricted shares awarded	5,130,501	3,049,980
Additional restricted shares awarded arising from targets met	198,159	508,977
Conditional restricted shares released	(3,068,920)	(3,557,578)
Conditional restricted shares lapsed	(420,956)	(283,728)
At 31 December	<u>10,101,585</u>	<u>8,262,801</u>

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2013 to 2014, a total of 1,013,899 (2014: Nil) restricted shares were released. For awards in relation to the performance period 2012 to 2013, a total of 950,779 (2014: 1,154,566) restricted shares were released. For awards in relation to the performance period 2011 to 2012, a total of 945,042 (2014: 1,074,512) restricted shares were released. In 2014, 1,232,100 restricted shares were released for awards in relation to the performance period 2010 to 2011. In 2015, there were 159,200 (2014: 96,400) restricted shares released to non-executive directors. The restricted shares were released via the issuance of treasury shares.

In 2015, additional 198,159 (2014: 508,977) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2013 to 2014 (2014: performance period 2012 to 2013).

The total number of restricted shares outstanding, including awards achieved but not released, as at 31 December 2015, was 10,101,585 (2014: 8,262,801). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 7,623,701 (2014: 5,450,570). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 11,435,552 (2014: 8,175,855) restricted shares.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

33 SHARE-BASED INCENTIVE PLANS (CONT'D)

(c) Restricted Share Plan (cont'd)

Sembcorp Marine Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2013 to 2014 (2014: performance period 2012 to 2013), a total of \$2,849,108 (2014: \$4,122,758), equivalent to 942,290 (2014: 1,010,480) notional restricted shares, were paid.

A total of 2,140,509 (2014: 1,223,280) notional restricted shares were awarded on 27 May 2015 (2014: 15 June 2014) for the Sembcorp Marine Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Marine Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at 31 December 2015, was 3,070,668 (2014: 2,066,240). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 4,606,002 (2014: 3,099,360).

Fair value of Restricted Shares

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

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

Date of grant	27 May 2015	15 June 2014
Fair value at measurement date	\$2.65	\$3.56
Assumptions under the Monte Carlo model		
Share price	\$2.99	\$4.04
Expected volatility:		
Sembcorp Marine Ltd	18.3%	26.1%
Risk-free interest rate	1.0% - 1.4%	0.4% - 0.9%
Expected dividend	4.3%	4.2%

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

During the year, the Group charged \$6,631,000 (2014: \$10,263,000) to profit or loss based on the fair value of restricted shares at the grant date being expensed over the vesting period.

Fair value of Sembcorp Marine Challenge Bonus

During the year, the Group wrote-back charges of \$1,358,000 (2014: charged \$3,719,000) to profit or loss based on the market values of the shares at the balance sheet date. The fair value of the compensation cost is based on the notional number of restricted shares awarded for the Sembcorp Marine Challenge Bonus and the market price at the vesting date.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

34 RELATED PARTIES

(a) Related party transactions

The Group had the following outstanding balances and significant transactions with related parties during the year:

	Outstanding balances		Significant transactions	
	Group		Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Immediate holding company				
Management fee payable	(250)	(250)	(250)	(250)
Others	(30)	(12)	(15)	(37)
Related corporations				
Sales	1,061	830	23,470	685,495
Purchases	(999)	(305)	(40,636)	(63,035)
Payment on behalf	–	–	(13)	(15)
Rental income	–	–	80	95
Finance income	–	–	1,274	2,695
Finance costs	(3,551)	(1,482)	(15,382)	(6,687)
Associates and joint ventures				
Sales	3,735	3,426	109	159
Purchases	(3,408)	(2,157)	(18,345)	(19,792)
Finance income	–	–	329	–
Payment on behalf	–	–	–	(408)
Loans and advances	37,260	40,961	–	–
Others	836	824	(1,475)	–

(b) Compensation of key management personnel

During the year, the Group considers the directors of the Company (including the President & Chief Executive Officer of the Company), the Chief Operating Officer of the Company, the Chief Financial Officer of the Company, the Executive Vice President & Head of Singapore Yard Operations, the Executive Vice President & Head of Repairs & Upgrades and the Executive Vice President & Head of Offshore Platforms to be key management personnel in accordance with FRS 24 *Related Party Disclosures*.

In 2014, the Group considers the directors of the Company (including the President & Chief Executive Officer of the Company/Managing Director of Jurong Shipyard Pte Ltd), Deputy President of the Company/Managing Director of Sembcorp Marine Repairs & Upgrades Pte. Ltd., Chief Financial Officer of the Company, Managing Director of PPL Shipyard Pte Ltd, Managing Director of SMOE Pte Ltd and Executive Director of Sembcorp Marine Specialised Shipbuilding Pte. Ltd. to be key management personnel in accordance with FRS 24 *Related Party Disclosures*.

These persons have the authority and responsibility for planning, directing and controlling the activities of the Group.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

34 RELATED PARTIES (CONT'D)

(b) Compensation of key management personnel (cont'd)

The key management personnel compensation is as follows:

	Group	
	2015 \$'000	2014 \$'000
Directors' fees and remuneration	7,398	6,901
Other key management personnel remuneration	5,353	5,608
	<hr/>	<hr/>
	12,751	12,509
	<hr/>	<hr/>
Fair value of share-based compensation	1,556	1,721
	<hr/>	<hr/>

Remuneration includes salary (which includes allowances, fees and other emoluments) and bonuses (which includes AWS, discretionary bonus and performance targets bonus).

In addition to the above, the Company provides medical benefits to all employees including key management personnel.

The Group adopts an incentive compensation plan, which is tied to the creation of Economic Value Added ("EVA"), as well as to attainment of individual and Group performance goals for its key executives. A "bonus bank" is used to hold incentive compensation credited in any year. Typically, one-third of the available balance is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank in future will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the bonus bank.

The fair value of share-based compensation relates to performance shares and restricted shares granted that were charged to profit or loss.

35 FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's activities expose it to market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk.

As part of the Group's Enterprise Risk Management framework, the Group treasury policies and financial authority limits are documented and reviewed periodically. The policies set out the parameters for management of Group liquidity, counterparty risk, foreign exchange and derivative transactions and financing.

The Group utilises foreign exchange contracts, interest rate swaps and various financial instruments to manage exposures to interest rate and foreign exchange risks arising from operating, financing and investment activities. Exposures to foreign currency risks are also hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount where possible. All such transactions must involve underlying assets or liabilities and no speculative transactions are allowed.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

35 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and reduce market risk exposures within acceptable parameters.

(i) *Interest rate risk*

The Group's exposure to market risk for changes in interest rate environment relates mainly to its debt obligations.

The Group's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts and long-term and short-term borrowings.

The Group enters into interest rate swaps to reduce its exposure to interest rate volatility. In accordance with the Group's policy, the duration of such interest rate swaps must not exceed the tenor of the underlying debt.

At 31 December 2015, the Group had interest rate swaps with an aggregate notional amount of \$1,015,153,000 (2014: \$723,253,000). The Group receives a variable interest rate and pays a fixed rate interest ranging from 1.53% to 3.10% (2014: 1.53% to 2.38%) per annum on the notional amount. Interest rate swaps with notional amounts of \$300,000,000 (2014: \$300,000,000) were entered with a related corporation.

Sensitivity analysis

It is estimated that 50 basis points ("bp") change in interest rate at the reporting date would increase/(decrease) equity and profit before tax by the following amounts. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit before tax		Equity	
	50 bp	50 bp	50 bp	50 bp
	Increase	Decrease	Increase	Decrease
Group				
	\$'000	\$'000	\$'000	\$'000
31 December 2015				
Variable rate financial instruments	476	(476)	12,913	(13,205)
31 December 2014				
Variable rate financial instruments	4,533	(4,533)	10,538	(10,782)
Company				
31 December 2015				
Variable rate financial instruments	53	(53)	–	–
31 December 2014				
Variable rate financial instruments	109	(109)	–	–

(ii) *Foreign currency risk*

The Group operates globally and is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company and its subsidiaries. The currencies in which these transactions are primarily denominated are Singapore dollars ("SGD"), United States dollars ("USD"), Euros ("EUR"), Pounds sterling ("GBP") and Brazilian Real ("BRL"). Such risks are hedged either by forward foreign exchange contracts in respect of actual or forecasted currency exposures which are reasonably certain or hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount. Forward foreign exchange contracts with notional amounts of \$199,901,000 (2014: \$434,797,000) were entered with a related corporation.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

35 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

The summary of quantitative data about the Group's exposure to foreign currency risk as provided to the management of the Group based on its risk management policy is as follows:

Group 2015	SGD \$'000	USD \$'000	EUR \$'000	GBP \$'000	BRL \$'000	Others \$'000	Total \$'000
Financial assets							
Cash and cash equivalents	6,058	114,726	23,083	87,582	—	7,231	238,680
Trade and other receivables	4,825	709,936	18,507	88,778	—	8,531	830,577
Due from customers on construction contracts	118	2,025,446	8,546	—	156,030	41,068	2,231,208
Other financial assets	—	—	—	—	—	32,725	32,725
	11,001	2,850,108	50,136	176,360	156,030	89,555	3,333,190
Financial liabilities							
Trade and other payables	(150,827)	(468,426)	(106,579)	(28,622)	(51,284)	(37,385)	(843,123)
Interest-bearing borrowings	—	(847,319)	—	—	—	—	(847,319)
	(150,827)	(1,315,745)	(106,579)	(28,622)	(51,284)	(37,385)	(1,690,442)
Net financial assets	(139,826)	1,534,363	(56,443)	147,738	104,746	52,170	1,642,748
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(5,980)	143,060	(75,328)	213,944	(26,897)	(67,908)	180,891
Less: Foreign currency forward contracts	4,738	(712,400)	78,362	(341,318)	—	8,232	(962,386)
Net currency exposure	(141,068)	965,023	(53,409)	20,364	77,849	(7,506)	861,253
2014							
Financial assets							
Cash and cash equivalents	32,696	182,252	43,190	11,009	—	18,637	287,784
Trade and other receivables	7,814	681,228	23,231	33,344	38,436	15,577	799,630
Due from customers on construction contracts	1,024	1,380,402	—	—	—	—	1,381,426
Other financial assets	—	—	—	—	—	14,876	14,876
	41,534	2,243,882	66,421	44,353	38,436	49,090	2,483,716
Financial liabilities							
Trade and other payables	(119,633)	(367,710)	(111,067)	(20,957)	(45,004)	(27,827)	(692,198)
Interest-bearing borrowings	—	(462,451)	—	—	—	—	(462,451)
	(119,633)	(830,161)	(111,067)	(20,957)	(45,004)	(27,827)	(1,154,649)
Net financial assets	(78,099)	1,413,721	(44,646)	23,396	(6,568)	21,263	1,329,067
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(9,901)	1,601,454	(64,194)	17,254	—	(55,315)	1,489,298
Less: Foreign currency forward contracts	38,000	(1,548,593)	40,220	(1,354)	—	(1,806)	(1,473,533)
Net currency exposure	(50,000)	1,466,582	(68,620)	39,296	(6,568)	(35,858)	1,344,832

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

35 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

The Company's gross exposure to foreign currencies is as follows:

Company	USD \$'000	Others \$'000	Total \$'000
2015			
Financial assets			
Cash and cash equivalents	494	—	494
Other financial assets	—	32,725	32,725
	494	32,725	33,219

2014

Financial assets

Cash and cash equivalents	302	—	302
Other financial assets	—	14,875	14,875
	302	14,875	15,177

Sensitivity analysis

A 10% strengthening of the following currencies against the functional currencies of the Company and its subsidiaries at the balance sheet date would have increased/(decreased) equity and profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of firm commitments and highly probable forecast transactions in foreign currencies. The analysis is performed on the same basis for 2014.

	Group		Company	
	Equity \$'000	Profit before tax \$'000	Equity \$'000	Profit before tax \$'000
2015				
SGD	—	(13,509)	—	—
USD	(79,069)	158,460	—	49
EUR	6,504	(5,644)	—	—
GBP	(19,591)	5,364	—	—
BRL	—	10,475	—	—
Others	3,762	2,178	3,273	—
	(88,394)	157,324	3,273	49
2014				
SGD	—	(4,041)	—	—
USD	(122,198)	125,812	—	30
EUR	—	(518)	—	—
GBP	(119)	2,339	—	—
BRL	—	(657)	—	—
Others	1,360	639	1,488	—
	(120,957)	123,574	1,488	30

A 10% weakening of the above currencies against the functional currencies of the Company and its subsidiaries at the balance sheet date would have equal but opposite effects on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

35 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(iii) Price risk

The Group is exposed to equity securities and unit trusts price risk because of the investments held by the Group which are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss.

Sensitivity analysis

If prices for equity securities and unit trusts increase by 10%, with all other variables being held constant, the equity and profit before tax would have increased by the amounts shown below:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Equity	8,447	7,771	6,543	5,452
Profit before tax	—	196	—	—

A 10% decrease in the underlying equity securities and unit trusts prices (assuming no impairment found on the equity securities and unit trusts) would have equal but opposite effects on the amounts shown above. The analysis is performed on the same basis for 2014 and assumes that all other variables remain constant.

(b) Credit risk

The Group monitors its exposure to credit risks arising from sales to trade customers on an on-going basis, and credit evaluations are done on customers that require credit. The credit quality of customers is assessed after taking into account its financial position and past experience with the customers.

The Group only deals with pre-approved customers and financial institutions with good credit rating. To minimise the Group's counterparty risk, the Group enters into derivative transactions only with creditworthy institutions. Cash and fixed deposits are placed in banks and financial institutions with good credit rating.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk is the carrying amount of each financial asset, including derivatives, in the balance sheets.

The Group's and the Company's maximum exposure to credit risk for loans and receivables at the balance sheet date is as follows:

	Note	Group		Company	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
By business activity					
Rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding		3,865,773	3,138,516	—	—
Ship chartering		4,992	4,872	—	—
Others		6,185	6,082	60,188	68,596
		3,876,950	3,149,470	60,188	68,596
Loans and receivables					
Non-current trade and other receivables		34	54	14,916	28,584
Current trade and other receivables	9	563,227	448,930	45,272	40,012
Due from customers on construction contracts	13	3,313,689	2,700,486	—	—
		3,876,950	3,149,470	60,188	68,596

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

35 FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

The age analysis of loans and receivables for the Group is as follows:

Group	Gross	Impairment	Gross	Impairment
	2015	2015	2014	2014
	\$'000	\$'000	\$'000	\$'000
Not past due	3,767,606	–	3,022,199	–
Past due 0 to 3 months	98,216	1	120,956	1
Past due 3 to 6 months	5,935	–	3,203	–
Past due 6 to 12 months	85,424	82,111	2,343	120
More than 1 year	78,084	76,203	1,772	882
	4,035,265	158,315	3,150,473	1,003

Company	Gross	Impairment	Gross	Impairment
	2015	2015	2014	2014
	\$'000	\$'000	\$'000	\$'000
Not past due	60,188	–	68,596	–

Movements in the allowance for impairment of loans and receivables are as follows:

Group	2015	2014
	\$'000	\$'000
Balance at beginning of the year	1,003	858
Currency translation difference	3,456	8
Allowance made	153,987	366
Allowance utilised	–	(55)
Allowance written back	(131)	(174)
Balance at end of the year	158,315	1,003

The allowance account in respect of loans and receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

During the financial year, the impairment allowance made of \$153,987,000 originates mainly from one customer whose creditworthiness has deteriorated and is currently undergoing financial restructuring. On this basis, the outstanding past due receivables owing from this customer have been fully provided for and recorded in general and administrative expenses in the consolidated income statement.

(c) Liquidity risk

The Group manages its liquidity risk with the view to maintaining a healthy level of cash and cash equivalents appropriate to the operating environment and expected cash flows of the Group. Liquidity requirements are maintained within the credit facilities established and are adequate and available to the Group to meet its obligations.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

35 FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (cont'd)

The table below analyses the maturity profile of the Group's and Company's financial instruments (including derivatives) based on contractual undiscounted cash inflows/(outflows), including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount \$'000	Cash flows			
		Contractual cash flows \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
Group					
2015					
Derivative financial liabilities					
Interest rate swaps	(272)	(1,991)	(1,230)	(761)	–
Forward foreign currency contracts	(106,977)				
- Inflow		1,204,976	1,182,550	22,426	–
- Outflow		(1,311,953)	(1,287,165)	(24,788)	–
Derivative financial assets					
Interest rate swaps	12,839	14,117	1,441	12,676	–
Forward foreign currency contracts	63,370				
- Inflow		903,530	852,011	51,519	–
- Outflow		(840,160)	(790,950)	(49,210)	–
Non-derivative financial liabilities					
Trade and other payables*#	(2,486,309)	(2,486,309)	(2,486,309)	–	–
Interest-bearing borrowings#	(3,408,079)	(3,763,306)	(1,011,436)	(2,037,292)	(714,578)
	<u>(5,925,428)</u>	<u>(6,281,096)</u>	<u>(3,541,088)</u>	<u>(2,025,430)</u>	<u>(714,578)</u>
2014					
Derivative financial liabilities					
Interest rate swaps	(470)	(2,506)	(3,541)	1,035	–
Forward foreign currency contracts	(81,974)				
- Inflow		1,802,511	872,317	930,194	–
- Outflow		(1,884,485)	(919,088)	(965,397)	–
Derivative financial assets					
Interest rate swaps	3,123	4,724	(1,985)	6,709	–
Forward foreign currency contracts	14,196				
- Inflow		192,891	192,830	61	–
- Outflow		(178,695)	(178,642)	(53)	–
Non-derivative financial liabilities					
Trade and other payables*#	(1,806,400)	(1,806,400)	(1,806,400)	–	–
Interest-bearing borrowings#	(1,754,695)	(2,047,974)	(477,188)	(835,583)	(735,203)
	<u>(3,626,220)</u>	<u>(3,919,934)</u>	<u>(2,321,697)</u>	<u>(863,034)</u>	<u>(735,203)</u>

* Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grants, accrued rental and long-term employee benefits.

The carrying amount of trade and other payables exclude finance costs payable while the interest-bearing borrowings include finance costs payable, for the purposes of presentation of this liquidity table.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

35 FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (cont'd)

	Carrying amount \$'000	Cash flows			
		Contractual cash flows \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000	
Company					
2015					
Non-derivative financial liabilities					
Trade and other payables*	(22,476)	(22,476)	(22,476)	–	
2014					
Non-derivative financial liabilities					
Trade and other payables*	(18,404)	(18,404)	(18,404)	–	

* Excludes deposits received and long-term employee benefits.

The following table indicates the periods in which the cash flow associated with derivatives that are cash flow hedges are expected to impact profit or loss and the fair value of the related hedging instruments:

	Carrying amount \$'000	Cash flows			
		Contractual cash flows \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000	
Group					
2015					
Derivative financial liabilities					
Interest rate swaps	(272)	(1,991)	(1,230)	(761)	
Forward foreign currency contracts	(106,977)				
- Inflow		1,204,976	1,182,550	22,426	
- Outflow		(1,311,953)	(1,287,165)	(24,788)	
Derivative financial assets					
Interest rate swaps	12,839	14,117	1,441	12,676	
Forward foreign currency contracts	7,015				
- Inflow		267,719	216,200	51,519	
- Outflow		(260,704)	(211,494)	(49,210)	
	(87,395)	(87,836)	(99,698)	11,862	
2014					
Derivative financial liabilities					
Interest rate swaps	(470)	(2,506)	(3,541)	1,035	
Forward foreign currency contracts	(79,273)				
- Inflow		1,724,302	794,108	930,194	
- Outflow		(1,803,575)	(838,178)	(965,397)	
Derivative financial assets					
Interest rate swaps	3,123	4,724	(1,985)	6,709	
Forward foreign currency contracts	174				
- Inflow		3,160	3,099	61	
- Outflow		(2,986)	(2,933)	(53)	
	(76,446)	(76,881)	(49,430)	(27,451)	

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

35 FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimation of fair values

FRS 107 establishes a fair value hierarchy that prioritises the inputs used to measure fair value. The three levels of the fair value input hierarchy defined by FRS 107 are as follows:

- Level 1 – Fair values are measured based on quoted prices (unadjusted) from active markets for identical financial instruments.
- Level 2 – Fair values are measured using inputs, other than those used for Level 1, that are observable for the financial instruments either directly (prices) or indirectly (derived from prices).
- Level 3 – Fair values are measured using inputs which are not based on observable market data (unobservable input).

Securities

The fair value of financial assets at fair value through profit or loss, and available-for-sale financial assets, is based on quoted market prices (bid price) in an active market at the balance sheet date without any deduction for transaction costs. If the market for a quoted financial asset is not active, and for unquoted financial assets, the Group establishes fair value by using other valuation techniques.

Derivatives

The fair value of forward exchange contracts is accounted for based on the difference between the contractual price and the current market price.

The fair value of interest rate swaps is the indicative amount that the Group is expected to receive or pay to terminate the swap with the swap counterparties at the balance sheet date.

Non-derivative non-current financial assets and liabilities

Fair values determined for non-derivative non-current financial assets and liabilities are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date. This includes determination for fair value disclosure purpose as well.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

For financial instruments that are not actively traded in the market, the fair value is determined by independent third party or using valuation techniques where applicable. The Group may use a variety of methods and make assumptions that are based on existing market conditions at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used to estimate the fair value for medium term notes for disclosure purpose. Other techniques, such as estimated discounted cash flows, are used to determine the fair value for the remaining financial instruments. Where discounted cash flow techniques are used, the management will estimate the future cash flows and use relevant market rate as the discount rate at the balance sheet date.

Non-current amount due from related parties

Fair values are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

35 FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimation of fair values (cont'd)

Fair value hierarchy

The following table sets forth by level within the fair value hierarchy of the financial assets and liabilities that were accounted for at fair value on a recurring basis as of 31 December 2015. These financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgement, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Financial assets and liabilities carried at fair value

	Fair value measurement using:			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group				
At 31 December 2015				
Available-for-sale financial assets	83,969	500	–	84,469
Derivative financial assets	–	76,209	–	76,209
	83,969	76,709	–	160,678
Derivative financial liabilities	–	(107,249)	–	(107,249)
Total	83,969	(30,540)	–	53,429
At 31 December 2014				
Available-for-sale financial assets	77,259	449	–	77,708
Financial assets at fair value through profit or loss	1	1,957	–	1,958
Derivative financial assets	–	17,319	–	17,319
	77,260	19,725	–	96,985
Derivative financial liabilities	–	(82,444)	–	(82,444)
Total	77,260	(62,719)	–	14,541
Company				
At 31 December 2015				
Available-for-sale financial assets	64,925	500	–	65,425
At 31 December 2014				
Available-for-sale financial assets	54,075	449	–	54,524

In 2015 and 2014, there were no transfers between the different levels of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

35 FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimation of fair values (cont'd)

Fair value hierarchy (cont'd)

*Assets and liabilities not carried at fair value but for which fair values are disclosed**

Group	Fair value measurement using:			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2015				
Trade and other receivables	–	34	–	34
Due from customers on construction contracts	–	3,308,740	–	3,308,740
Interest-bearing borrowings	–	(2,434,425)	–	(2,434,425)
At 31 December 2014				
Trade and other receivables	–	54	–	54
Due from customers on construction contracts	–	2,688,682	–	2,688,682
Interest-bearing borrowings	–	(1,302,262)	–	(1,302,262)
Company				
At 31 December 2015				
Trade and other receivables	–	14,916	–	14,916
At 31 December 2014				
Trade and other receivables	–	28,584	–	28,584

* Excludes financial assets and liabilities whose carrying amounts measured on the amortised cost basis that approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

(e) Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheets are as follows:

Group	At 31 December 2015	Note	Designated at fair value \$'000	Fair value – hedging instruments \$'000	Available-for-sale \$'000	Loans and receivables \$'000	Other financial liabilities within the scope of FRS 39 \$'000		Total carrying amount \$'000	Fair value \$'000
							Other financial liabilities within the scope of FRS 39 \$'000	Total carrying amount \$'000		
Cash and cash equivalents	14	–	–	–	–	629,305	–	629,305	629,305	
Trade and other receivables	9	–	–	–	–	563,261	–	563,261	563,261	
Due from customers on construction contracts	13	–	–	–	–	3,313,689	–	3,313,689	3,308,740	
Available-for-sale financial assets										
- Equity shares	8(a)	–	–	83,969	–	–	–	83,969	83,969	
- Unit trusts	8(a)	–	–	500	–	–	–	500	500	
Financial assets at fair value through profit or loss										
- Forward foreign currency contracts	8(b)	–	56,355	–	–	–	–	56,355	56,355	
Cash flow hedges										
- Forward foreign currency contracts	8(a)&(b)	–	7,015	–	–	–	–	7,015	7,015	
- Interest rate swaps	8(a)	–	12,839	–	–	–	–	12,839	12,839	
	–	76,209	84,469	4,506,255	–	–	–	4,666,933	4,666,984	
Trade and other payables*										
Cash flow hedges										
- Forward foreign currency contracts	18(a)&(b)	–	106,977	–	–	–	–	106,977	106,977	
- Interest rate swaps	18(b)	–	272	–	–	–	–	272	272	
Interest-bearing borrowings										
- Short-term borrowings	19	–	–	–	–	–	914,951	914,951	914,951	
- Long-term borrowings	19	–	–	–	–	–	2,465,224	2,465,224	2,434,425	
	–	107,249	–	–	–	–	5,894,388	6,001,637	5,970,838	

* Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grants, accrued rental and long-term employee benefits.

(e) Fair value versus carrying amounts (cont'd)

Group	Note	Designated at fair value \$'000	Fair value - hedging instruments \$'000	Available-for-sale \$'000	Loans and receivables \$'000	Other financial liabilities within the scope of FRS 39 \$'000	Total carrying amount \$'000	Fair value \$'000
At 31 December 2014								
Cash and cash equivalents	14	—	—	—	1,078,776	—	1,078,776	1,078,776
Trade and other receivables	9	—	—	—	448,984	—	448,984	448,984
Due from customers on construction contracts	13	—	—	—	2,700,486	—	2,700,486	2,688,682
Available-for-sale financial assets								
- Equity shares	8(a)	—	—	77,259	—	—	77,259	77,259
- Unit trusts	8(a)	—	—	449	—	—	449	449
Financial assets at fair value through profit or loss								
- Equity shares	8(a)	1	—	—	—	—	1	1
- Unit trusts	8(a)	1,957	—	—	—	—	1,957	1,957
- Forward foreign currency contracts	8(b)	—	14,022	—	—	—	14,022	14,022
Cash flow hedges								
- Forward foreign currency contracts	8(a)&(b)	—	174	—	—	—	174	174
- Interest rate swaps	8(a)	—	3,123	—	—	—	3,123	3,123
		1,958	17,319	77,708	4,228,246	—	4,326,231	4,313,427
Trade and other payables*								
Financial liabilities at fair value through profit or loss								
- Forward foreign currency contracts	18(a)	2,701	—	—	—	—	2,701	2,701
Cash flow hedges								
- Forward foreign currency contracts	18(a)&(b)	—	79,273	—	—	—	79,273	79,273
- Interest rate swaps	18(b)	—	470	—	—	—	470	470
Interest-bearing borrowings								
- Short-term borrowings	19	—	—	—	—	433,848	433,848	433,848
- Long-term borrowings	19	—	—	—	—	1,307,519	1,307,519	1,302,262
		2,701	79,743	—	—	3,561,095	3,643,539	3,638,282

* Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grants, accrued rental and long-term employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

35 FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair value versus carrying amounts (cont'd)

Company	Note	Available-for-	Loans and	Other financial liabilities within the scope of FRS 39	Total carrying amount	Fair value				
		sale \$'000	receivables \$'000							
At 31 December 2015										
Cash and cash equivalents										
Cash and cash equivalents	14	—	10,908	—	10,908	10,908				
Trade and other receivables	9	—	60,188	—	60,188	57,862				
Available-for-sale financial assets										
- Equity shares	8(a)	64,925	—	—	64,925	64,925				
- Unit trusts	8(a)	500	—	—	500	500				
		65,425	71,096	—	136,521	134,195				
Trade and other payables*		—	—	22,476	22,476	22,476				
At 31 December 2014										
Cash and cash equivalents										
Cash and cash equivalents	14	—	22,402	—	22,402	22,402				
Trade and other receivables	9	—	68,596	—	68,596	65,912				
Available-for-sale financial assets										
- Equity shares	8(a)	54,075	—	—	54,075	54,075				
- Unit trusts	8(a)	449	—	—	449	449				
		54,524	90,998	—	145,522	142,838				
Trade and other payables*		—	—	18,404	18,404	18,404				

* Excludes deposits received and long-term employee benefits.

(f) Capital management

The Group aims to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders. The Group monitors Economic Value Added attributable to shareholders, which the Group defines as net operating profit after tax less capital charge excluding non-controlling interests. Management also monitors the level of dividends paid to ordinary shareholders.

The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Capital is defined as equity attributable to the equity holders. The Group's debt to capitalisation ratio as at the balance sheet date was as follows:

	Group	
	2015 \$'000	2014 \$'000
Debt	3,380,175	1,741,367
Total equity	2,664,279	3,132,027
Total debt and equity	6,044,454	4,873,394
Debt-to-capitalisation ratio	0.56	0.36

There were no changes in the Group's approach to capital management during the year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

35 FINANCIAL INSTRUMENTS (CONT'D)

(f) Capital management (cont'd)

The Group is required to maintain consolidated net borrowings to consolidated net assets (less dividends, goodwill and other intangible assets) ratio of not more than 1.75. This externally imposed capital requirement has been complied with at each quarter in the financial year ended 31 December 2015.

36 CONTINGENT ASSET AND LIABILITIES

(i) Group – *Claims and contingencies*

During the year, a customer, Marco Polo Drilling (I) Pte. Ltd. ("MPD"), alleged that a subsidiary of the Group has not complied with certain of its material contractual obligations and purported to terminate the contract and consequently sought refund of 50% of the initial instalment being the sum of S\$30,094,000 (US\$21,430,000) from the subsidiary and related interest charges. The subsidiary disagrees with MPD's allegations and right to terminate the contract, and has not recognised a provision for refund, as claimed by MPD. The subsidiary strongly believes that it has the contractual entitlement to retain the 50% of the initial instalment.

Subsequently, the subsidiary terminated the contract after MPD failed to make payment of the balance 50% of the initial instalment being the sum of S\$30,094,000 (US\$21,430,000) which was due since February 2014. Accordingly, the contract revenue and related cost of sales, previously recognised according to the stage of completion, were reversed up to the cash collected upon termination of the contract.

The subsidiary continues to seek payment of S\$30,094,000 (US\$21,430,000) from MPD since the subsidiary's contractual right of payment extends to the full initial instalment received and receivable from MPD. Based on the prevailing facts and circumstances surrounding the contract termination with MPD, the contingent asset of S\$30,094,000 (US\$21,430,000) has not been recognised as at the balance sheet date.

The disputes with MPD may in due course be referred to arbitration. The subsidiary has also commenced an action against MPD's parent company in the Singapore High Court on 1 December 2015 to recover among others the balance 50% of the initial instalment.

(ii) Company – *Corporate guarantees*

	Company	
	2015 \$'000	2014 \$'000
Unsecured corporate guarantees granted in respect of:		
- Performance of subsidiaries	6,111,819	2,465,596
- Unsecured term loan by a subsidiary	300,000	300,000
- Unsecured short term loans by a subsidiary	435,873	–
- Unsecured revolving credit facilities by subsidiaries	840,535	–
- Unsecured bonds issued by a subsidiary	600,000	600,000

The Company has provided guarantees to banks to secure banking facilities provided to a wholly-owned subsidiary, Jurong Shipyard Pte Ltd. These financial guarantee contracts are accounted for as insurance contracts.

The principal risk to which the Company is exposed is credit risk in connection with guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

Estimates of the Company's obligation arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions made may well vary from actual experience so that the actual liability may vary considerably from the best estimates. As of balance sheet date, there is no provision made in respect of the obligations as the Company believes it is remote that these corporate guarantees will be called upon.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

37 COMMITMENTS

Commitments not provided for in the financial statements are as follows:

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<i>(a) Approved capital commitment:</i>				
- Approved capital expenditure commitment	247,463	540,957	-	-
<i>(b) Minimum lease rental payable in respect of land and buildings:</i>				
- Within 1 year	19,594	19,151	10,547	10,913
- After 1 year but within 5 years	61,343	68,757	38,095	39,994
- After 5 years	360,892	382,212	47,060	50,729
	441,829	470,120	95,702	101,636
<i>(c) Share of joint ventures' approved and contracted capital commitments</i>				
	11,278	7,205	-	-

The leases do not provide for contingent rents and lease terms do not contain restrictions on the Group activities concerning dividends, additional debt or further leasing. Certain leases contain escalation clauses to reflect market rentals.

Certain leases include renewal options for additional lease period of 10 to 30 years and at rental rates based on prevailing market rates.

The Group leases out its marine vessel. The initial lease term is 5 years, with an option to extend for another 5 years. The lease agreement provides for additional lease payments annually based on changes to a price index. The future minimum lease receivable under non-cancellable leases is as follows:

	Group	
	2015	2014
	\$'000	\$'000
Within 1 year	67,375	61,957
After 1 year but within 5 years	106,296	165,285
	173,671	227,242

38 OPERATING SEGMENTS

(a) Business segments

The Group has two reportable segments, which are the Group's strategic business units. The strategic business units are managed separately because of their different business activities. The two reportable segments are: (i) rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding; and (ii) ship chartering.

The accounting policies are described in Note 3. Inter-segment sales and transfers are carried out on an arm's length basis. Segment assets consist primarily of property, plant and equipment, current assets and exclude inter-segment balances. Segment liabilities comprise mainly operating liabilities and exclude inter-segment balances. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Other operations include bulk trading in marine engineering related products; provision of harbour tug services to port users; collection and treatment of used copper slag, and the processing and distribution of copper slag for blast cleaning purposes.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

38 OPERATING SEGMENTS (CONT'D)

(a) Business segments (cont'd)

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
2015					
Turnover					
Sales to external parties	4,897,185	52,399	18,548	–	4,968,132
Inter-segment sales	–	–	178,016	(178,016)	–
Total	4,897,185	52,399	196,564	(178,016)	4,968,132
Results					
Segment results	(174,235)	10,501	13,743	–	(149,991)
Finance income	10,628	–	185	–	10,813
Finance costs	(43,933)	(2,842)	–	–	(46,775)
Investment income	–	–	557	–	557
Non-operating expenses	(1,653)	–	(17,055)	–	(18,708)
Share of results of associates and joint ventures, net of tax	(177,357)	2,364	1,494	–	(173,499)
(Loss)/profit before tax	(386,550)	10,023	(1,076)	–	(377,603)
Tax credit/(expense)	79,804	–	(2,167)	–	77,637
(Loss)/profit for the year	(306,746)	10,023	(3,243)	–	(299,966)
Assets					
Segment assets	8,472,359	257,107	132,208	–	8,861,674
Investments in associates and joint ventures	241,961	62,537	7,558	–	312,056
Deferred tax assets	23,499	–	–	–	23,499
Tax recoverable	3,893	–	–	–	3,893
Total assets	8,741,712	319,644	139,766	–	9,201,122
Liabilities					
Segment liabilities	6,304,941	118,233	24,346	–	6,447,520
Deferred tax liabilities	42,372	–	350	–	42,722
Current tax payable	44,496	–	2,105	–	46,601
Total liabilities	6,391,809	118,233	26,801	–	6,536,843
Capital expenditure	903,978	–	913	–	904,891
Significant non-cash items					
Depreciation and amortisation	120,333	10,477	928	–	131,738
Fair value adjustment on hedging instruments	29,409	–	–	–	29,409
Impairment losses on available- for-sale financial assets	–	–	17,055	–	17,055
Impairment losses on property, plant and equipment	–	1,400	–	–	1,400
Property, plant and equipment written off	14	–	–	–	14
Inventories written down, net	85,518	–	–	–	85,518
Provision for foreseeable losses on contracts work-in-progress	277,961	–	–	–	277,961
Allowance for doubtful debts and bad debts, net	153,856	–	–	–	153,856

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

38 OPERATING SEGMENTS (CONT'D)

(a) Business segments (cont'd)

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding	Ship chartering	Others	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2014					
Turnover					
Sales to external parties	5,759,737	50,816	22,042	–	5,832,595
Inter-segment sales	–	–	220,236	(220,236)	–
Total	5,759,737	50,816	242,278	(220,236)	5,832,595
Results					
Segment results	680,455	12,907	13,663	–	707,025
Finance income	9,596	–	115	–	9,711
Finance costs	(19,318)	(1,642)	–	–	(20,960)
Investment income	78	–	1,114	–	1,192
Non-operating income	179	–	–	–	179
Non-operating expenses	(2)	–	–	–	(2)
Share of results of associates and joint ventures, net of tax	3,290	4,909	1,660	–	9,859
Profit before tax	674,278	16,174	16,552	–	707,004
Tax expense	(103,838)	–	(1,891)	–	(105,729)
Profit for the year	570,440	16,174	14,661	–	601,275
Assets					
Segment assets	7,389,588	238,219	132,089	–	7,759,896
Investments in associates and joint ventures	408,061	56,152	6,064	–	470,277
Deferred tax assets	8,044	–	–	–	8,044
Tax recoverable	203	–	–	–	203
Total assets	7,805,896	294,371	138,153	–	8,238,420
Liabilities					
Segment liabilities	4,692,124	123,853	38,848	–	4,854,825
Deferred tax liabilities	129,897	–	412	–	130,309
Current tax payable	118,460	–	2,799	–	121,259
Total liabilities	4,940,481	123,853	42,059	–	5,106,393
Capital expenditure	798,283	–	216	–	798,499
Significant non-cash items					
Depreciation and amortisation	105,895	8,366	872	–	115,133
Fair value adjustment on hedging instruments	12,169	–	–	–	12,169
Property, plant and equipment written off	232	–	–	–	232
Inventories written back, net	(76)	–	–	–	(76)
Allowance for doubtful debts and bad debts, net	192	–	–	–	192

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

38 OPERATING SEGMENTS (CONT'D)

(b) Geographical segments

The Group operates in 10 (2014: 10) countries and principally in the Republic of Singapore. Pricing of inter-segment sales and transfers are carried out on an arm's length basis.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Turnover from external customers	Non-current assets ⁽¹⁾	Total assets	Capital expenditure
	\$'000	\$'000	\$'000	\$'000
2015				
Singapore	289,098	2,291,782	7,256,113	439,161
China	2	237,287	237,326	–
Rest of ASEAN, Australia & India	382,078	169,145	351,293	15,193
Middle East & Africa	10,541	–	–	–
Norway	858,820	–	–	–
The Netherlands	1,044,512	234,013	257,064	–
Austria	533,846	–	–	–
Rest of Europe	336,636	6,642	16,428	733
Brazil	89,466	1,010,165	1,076,549	449,692
U.S.A.	1,403,150	4,256	6,349	112
Mexico	19,283	–	–	–
Other countries	700	–	–	–
Total	4,968,132	3,953,290	9,201,122	904,891
2014				
Singapore	775,566	1,949,864	6,504,070	265,978
China	5,225	397,938	398,176	25
Rest of ASEAN, Australia & India	696,627	148,132	178,147	16,973
Middle East & Africa	24,222	–	–	–
Norway	924,097	–	–	–
The Netherlands	1,069,909	228,473	243,795	–
Rest of Europe	205,130	6,809	29,278	709
Brazil	127,511	837,612	878,772	514,785
U.S.A.	1,327,426	3,933	6,182	29
Mexico	676,882	–	–	–
Total	5,832,595	3,572,761	8,238,420	798,499

⁽¹⁾ Non-current assets presented consist property, plant and equipment, investments in associates and joint ventures, trade and other receivables (other than financial instruments) and intangible assets.

(c) Major customers

In 2015, turnover from two (2014: one) customers of the Group's ship & rig repair, building, conversion and offshore segment represents approximately 26 per cent (2014: 11 per cent) of the Group's total turnover.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

39 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Information on other significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Information about the assumptions and their risk factors relating to goodwill impairment are disclosed in Note 11.

(b) Taxes

Current tax

The Group is subject to taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for taxes. In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due.

There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. The Group believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the taxes and deferred tax provisions in the period in which such determination is made. The tax expense is disclosed in Note 28.

Deferred tax assets

Certain subsidiaries of the Group have tax benefits arising from unutilised tax losses, tax credits and deductible temporary differences, which are available for set-off against future taxable profits. Of these, the utilisation of these tax benefits, for which deferred tax asset was recognised, is presumed on the Group's ability to generate taxable profits in the foreseeable future. This is, however, highly dependent on macroeconomic conditions impacting the offshore and marine sector, expected movements and recovery of oil prices, and financial strength of the Group's customers, which would then significantly affect the realisability of these deferred tax assets.

(c) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 60 years. The carrying amounts of the Group's property, plant and equipment are set out in Note 4. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets; therefore future depreciation charges could be revised.

During the year, there were no revisions to the useful lives and residual values found on the Group's property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

39 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key sources of estimation uncertainty (cont'd)

(d) Impairment assessment of property, plant and equipment

The carrying value of property, plant and equipment is tested for impairment whenever there is any objective evidence or indication that the property, plant and equipment may be impaired. Estimating the recoverable amounts of property, plant and equipment requires the Group to make estimates of expected future cash flows.

Impairment assessment of the Group's shipyards

Owing to the current year's losses and adverse macroeconomic conditions impacting the offshore and marine sector, there was an indication that the Group's shipyards (the "cash generating units" ("CGU")) might be impaired. Under the Group's formal impairment assessment of the individual CGUs in: (i) Singapore (together with its sub-contracting shipyards in Indonesia and the United Kingdom); and (ii) Brazil, the recoverable amounts for the Group's individual CGUs were determined using the value in use calculations.

The value in use calculation for the Group's CGUs used discounted cash flow projections which took into account management's assessment of the forecasted order book over a period of 5 years and 10 years for Singapore and Brazil (the "projection periods"), respectively, with applicable growth rates for Singapore and Brazil beyond the projection periods. The forecasted order book and the related project margins are the key drivers supporting the recoverable amounts. The projected cash flows are supported by the Group's historical experience, market observable data surrounding the oil majors' capital commitment in oil and gas production and exploration activities, market expectations and developments for contract order prices, and other external sources. These cash flows are then discounted using the applicable discount rates based on their weighted average cost of capital for the Singapore individual CGUs and for Brazil; and the Group assessed that no impairment loss is required for all these individual CGUs.

The forecasted order book assumed in the value in use calculation is, however, subject to estimation uncertainties that may have a significant risk of resulting in a material adjustment in any future periods affected.

The estimation uncertainties of the forecasted order book of the Singapore CGU is, however, reduced by a certain level of firm committed order books already secured by the Group. Nevertheless, there are remaining estimation uncertainties surrounding the remaining uncommitted order book, and forecast project margins, that may result in significant adjustments in the future periods.

The Brazil CGU is presently undergoing yard construction in Brazil, and completion of yard facilities that is key to production is projected to be the end of 2016; and the yard will gradually ramp up to its full operational capacity. The Group has prepared a 10 year projection period and changes in the recoverable amount are sensitive to impairment losses if the forecast order book beyond the near term were to deviate significantly from the original forecast. The recoverable amount of the Brazil CGU will be subject to review at regular intervals.

Impairment assessment of the Group's marine vessel

In estimating the recoverable amount of the marine accommodation vessel, the Group assumed a post-contractual renewal rate, determined to be at 10% discount from the existing contractual rate and operating at 95% utilisation rate throughout the cash flow periods. The assumed renewal rates, after the contract expires in 2018, as well as the expected utilisation rate, however, continue to be subject to estimation uncertainties that may result in material adjustments on the vessel's recoverable amounts in future periods.

(e) Provisions and contingent liabilities

Estimates of the Group's obligations arising from contracts that exist as at balance sheet date may be affected by future events, which cannot be predicted with any certainty. The assumptions and estimates are made based on the management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

39 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key sources of estimation uncertainty (cont'd)

(e) Provisions and contingent liabilities (cont'd)

Warranty

The provision for warranty is based on estimates from known and expected warranty work and contractual obligation for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made. Movements in provision for warranty are detailed in Note 17.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Disclosure of contingent liabilities is detailed in Note 36.

(f) Determination of net realisable value of inventories

The net realisable value of certain inventories is estimated by reference to latest quotations and independent brokers' valuation. However, such net realisable value estimated where a reasonably possible range is provided by the independent brokers, may not be the actual realisable value. Such uncertainties may significantly affect the net realisable value of inventories and there is a significant risk of resulting in a material adjustment to the carrying amounts of inventories in future periods.

Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

(a) Revenue recognition and assessment of risk of foreseeable losses on long term construction contracts

The Group has recognised revenue on construction contract, rigs & floaters, repairs & upgrades and offshore platforms based on the percentage of completion method in proportion to the stage of completion. The percentage of completion is assessed by reference to surveys of work performed. Significant judgement is required in determining the appropriate stage of completion and estimating a reasonable contribution margin for revenue and costs recognition; and likewise, judgement is required in determining the triggering point of suspension of revenue recognition when it is no longer probable that inflow of economic benefits associated with the contracts will occur. Such considerations include the Group's assessment of the credit-worthiness of customers and an evaluation of the contract performance obligations discharged by the customers.

The Group conducts critical review of all its long term construction contracts regularly. Allowance is made where necessary to account for foreseeable losses where total costs to complete the construction contracts exceed the contract revenue. To determine the total costs, the Group monitors and reviews constantly the progress of all long term construction contracts taking into consideration all inputs from both internal project managers and external customers. The review includes evaluating any potential risks and factors which may affect the contract price and timely completion of the construction contracts. The review also encompasses the cost analysis process whereby both actual costs incurred and future costs to complete are critically examined.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

39 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical accounting judgements in applying the Group's accounting policies (cont'd)

(b) Impairment of investments and financial assets

The Group follows the guidance of FRS 39 *Financial Instruments: Recognition and Measurement* in determining whether there is any objective evidence that an investment or financial asset is impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment and financial asset is less than its cost; and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The carrying amounts of investments and financial assets are disclosed in the following notes:

- Note 8 – Other Financial Assets
- Note 9 – Trade and Other Receivables

In assessing whether there is any objective evidence that its investment in available-for-sale financial assets is impaired, the Group takes into consideration whether there is a significant or prolonged decline in the fair value of its investment, alongside with other considerations such as volatility of the share price relative to general stock indices, analysts' reports on outlook of the underlying security, recovery in share price shortly after the year end provided that it was not concluded that the investment was impaired in the past, and other qualitative factors such as the financial performance of the investment.

In assessing the level of impairment allowance required on the Group's trade and other receivables, the Group considers the credit-worthiness and financial health of its customers whose conditions are subject to changes, which may then require changes in the level of impairment allowance in future periods.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

40 GROUP ENTITIES

Details of the Group's subsidiaries, associates and joint ventures are as follows:

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group	
			2015	2014
Subsidiaries				
Bulk Trade Pte Ltd ⁽¹⁾	Singapore	Bulk trading	100	100
Dolphin Shipping Company Private Limited ⁽¹⁾	Singapore	Ship owning and chartering	100	100
JPL Industries Pte Ltd ⁽¹⁾	Singapore	Processing and distribution of copper slag	85.8	85.8
Jurong Integrated Services Pte Ltd ⁽¹⁾	Singapore	Steel fabrication work	100	100
Jurong Marine Services Pte Ltd ⁽¹⁾	Singapore	Provision of tugging and sea transportation services	100	100
Jurong Shipbuilders Private Limited ⁽¹⁾	Singapore	Investment holding	100	100
Jurong Shipyard Pte Ltd ⁽¹⁾	Singapore	Ship and rig repair, building, conversion and related services	100	100
Karimun Shiprepair and Engineering Pte Ltd ⁽¹⁾	Singapore	Investment holding	100	100
PPL Shipyard Pte Ltd ⁽¹⁾	Singapore	Rig building, repair and related services	85	85
SCM Investment Holdings Pte Ltd ⁽¹⁾	Singapore	Investment holding	100	100
Sembcorp Holdings, LLC ⁽⁴⁾	United States of America	Investment holding	100	100
Sembcorp Marine Integrated Yard Pte. Ltd. ⁽¹⁾	Singapore	Ship and rig repair, building, conversion, offshore engineering and related services	100	–
Sembcorp Marine Repairs & Upgrades Pte. Ltd. (formerly known as Sembawang Shipyard Pte Ltd) ⁽¹⁾	Singapore	Ship repair and related services	100	100
Sembcorp Marine Specialised Shipbuilding Pte. Ltd (formerly known as Jurong SML Pte Ltd) ⁽¹⁾	Singapore	Shipbuilding, ship repair and related services	100	100
Sembcorp Marine Technology Pte Ltd ⁽¹⁾	Singapore	Research & development in offshore and marine technology	100	100
SembMarine Investment Pte Ltd ⁽¹⁾	Singapore	Investment holding	100	100
SML Shipyard Pte Ltd ⁽¹⁾	Singapore	Ship repair and related services	100	100
SMOE Pte Ltd ⁽¹⁾	Singapore	Engineering, construction and fabrication of offshore structures	100	100
Associates				
Cosco Shipyard Group Co., Ltd ⁽³⁾	People's Republic of China	Provision of services for repairs of vessels; repairs, construction and conversion of offshore platforms and offshore engineering facilities; and related services	30	30
Joint Shipyard Management Services Pte Ltd ⁽¹⁾	Singapore	Managing dormitories	32	32
Joint ventures of Dolphin Shipping Company Private Limited				
Dolphin Workboats Pte Ltd ⁽¹⁾	Singapore	Ship owning and charter	50	50
Pacific Workboats Pte Ltd ⁽³⁾	Singapore	Ship leasing and marine surveying services	50	50
Subsidiary of JPL Industries Pte Ltd				
JPL Concrete Products Pte Ltd ⁽¹⁾	Singapore	Production of concrete products	85.8	85.8

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

40 GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group	
			2015	2014
Subsidiaries and joint venture of Jurong Shipyard Pte Ltd				
Dolphin Rig 1 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 2 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 3 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 4 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 5 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 6 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 7 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Estaleiro Jurong Aracruz Ltda ⁽²⁾	Brazil	Ship and rig repair, building, conversion and related services	100	100
JED Centre Sdn. Bhd. ⁽²⁾	Malaysia	Render services for engineering	100	100
Jurong Autoblast Services Pte. Ltd. ⁽¹⁾	Singapore	Surface preparation of steel plates, structures and marine engineering services	100	100
Jurong do Brasil Prestacao de Servicos Ltda ⁽²⁾	Brazil	Ship and rig repair, building, conversion and related services	100	100
Jurong Marine Contractors Private Limited ⁽¹⁾	Singapore	Provision of contract services	100	100
Jurong Netherlands B.V. ⁽⁴⁾	Netherlands	Investment holding	100	100
Jurong Offshore Pte. Ltd. ⁽¹⁾	Singapore	Investment holding	100	100
Marine Housing Services Pte. Ltd. ⁽³⁾	Singapore	Provision of dormitory housing services	50	50
Sembcorp Marine Solutions Pte. Ltd. (formerly known as Jurong Solutions Pte. Ltd.) ⁽¹⁾	Singapore	Provision of management and technical services	100	100
Sembmarine SSP Inc ⁽⁴⁾	United States of America	In the business of engineering design, research and development, marketing and client services support centre	100	100
Shanghai Guofeng Marine Engineering & Technology Co. Ltd. (formerly known as Shanghai Jurong Marine Engineering & Technology Co. Ltd.) ⁽³⁾	People's Republic of China	Research and development of technologies for civil ships and equipment for oceanics industries and provision of related technical consultation services	70	70
Subsidiary of Karimun Shiprepair and Engineering Pte Ltd				
P.T. Karimun Sembawang Shipyard ⁽³⁾	Indonesia	Ship repair and related services	100	100
Subsidiaries of PPL Shipyard Pte Ltd				
Baker Marine Pte Ltd ⁽¹⁾	Singapore	Rig enhancement and upgrading services, engineering consultancy and project management, and supply of rig equipment and parts	85	85
Baker Marine Services (HK) Limited ⁽²⁾	Hong Kong	Provision of rig designs	85	85
Baker Marine Technology Inc. ⁽⁴⁾	United States of America	Engineering design, research and development, marketing and client services support centre	85	85

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

40 GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group	
			2015	2014
Subsidiaries of Sembcorp Holdings, LLC				
Sabine Offshore Services Inc ⁽⁴⁾	United States of America	Inactive	100	100
Sembcorp-Sabine Industries Inc ⁽⁴⁾	United States of America	Investment holding	100	100
Sembcorp-Sabine Shipyard Inc ⁽⁴⁾	United States of America	Rig and vessel enhancement and upgrading services	100	100
Subsidiary of Sembcorp Marine Integrated Yard Pte. Ltd				
Sembcorp Marine Rigs & Floaters Pte. Ltd. ⁽¹⁾	Singapore	Ship and rig building, conversion and related services	100	–
Subsidiaries, associate and joint venture of Sembcorp Marine Repairs & Upgrades Pte. Ltd. (formerly known as Sembawang Shipyard Pte Ltd)				
Ecospec Global Technology Pte. Ltd. ⁽¹⁾	Singapore	Provision of environmental engineering services	20	20
Equinox Offshore ARV3 B.V. ⁽²⁾	Netherlands	Shipowner	100	100
Semb-Eco Pte. Ltd. ⁽¹⁾	Singapore	Investment holding	55	55
Semb-Eco R&D Pte. Ltd. ⁽¹⁾	Singapore	Research and development, holding of patents	55	55
Semb-Eco Technology Pte. Ltd. ⁽¹⁾	Singapore	Manufacturing and commercialisation of patents	55	55
Pegasus Marine & Offshore Pte. Ltd. (formerly known as Sembawang Shipyard Project Services Pte. Ltd.) ⁽¹⁾	Singapore	Marine services and rental of premises	100	100
Sembawang Shipyard (S) Pte Ltd ⁽¹⁾	Singapore	Investment holding	100	100
Sembawang Shipyard Services Pte Ltd ⁽¹⁾	Singapore	Marine services	100	100
Sembmarine Kakinada Limited ⁽³⁾	India	Ship repair, conversion, building and related activities	40	40
SES Engineering (M) Sdn Bhd ⁽²⁾	Malaysia	Fabrication of metal structures	100	100
SES Marine Services (Pte) Ltd ⁽¹⁾	Singapore	Marine services	100	100
Subsidiaries and associates of SMOE Pte Ltd				
PT SMOE Indonesia ⁽²⁾	Indonesia	Engineering, construction and fabrication of offshore structures	90	90
PT SMOE Singgar Mulia Engineering ⁽²⁾	Indonesia	Engineering and construction consultation services	55	55
Sembmarine North Sea Limited ⁽²⁾	United Kingdom	Investment holding	70	70
Sembmarine SLP Limited ⁽²⁾	United Kingdom	Design, engineering, fabrication and installation of offshore platforms, modules and structures for the oil, gas and renewable energy industry	70	70
Shenzhen Chiwan Offshore Petroleum Engineering Company Ltd ⁽³⁾	People's Republic of China	Equipment inspection, repair and maintenance services for oil reconnoiter and exploitation in South China Sea	35	35
Straits Offshore Pte. Ltd. ⁽¹⁾	Singapore	Hook-up, commissioning and maintenance of offshore oil and gas production facilities	100	100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

40 GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group	
			2015	2014
Subsidiaries and associates of SMOE Pte Ltd				
Straits Overseas Pte. Ltd. ⁽¹⁾	Singapore	Investment holding and engineering, construction and fabrication of offshore marine structures	100	100

(1) Audited by KPMG LLP, Singapore

(2) Audited by overseas affiliates of KPMG International

(3) Audited by other firms

(4) These companies are not required to be audited under the laws of their country of incorporation

41 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. The Group is currently assessing the potential impact of adopting these new standards and interpretations, on the financial statements of the Group and the Company.

These new standards include, among others, FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* which are mandatory for adoption by the Group on 1 January 2018.

FRS 115 Revenue from Contracts with Customers. It establishes a comprehensive framework for determining whether, how much and costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

FRS 109 Financial Instruments. It replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

Management is currently evaluating the impact of the implementation of these standards, in view of the complexities and the potential wide-ranging implications.

The Accounting Standards Council announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange (“SGX”) will apply a new financial reporting framework identical to the International Financial Reporting Standards (“IFRS”) for financial year ending 31 December 2018. Singapore-incorporated companies listed in SGX will have to assess the impact of IFRS 1 *First-time adoption of IFRS* when transitioning to the new reporting framework. The Group is currently evaluating the impact of transitioning to the new reporting framework on its financial statements.

SUPPLEMENTARY INFORMATION

(UNDER SGX-ST LISTING MANUAL REQUIREMENTS)

A. Directors' and Key Executives' Remuneration Earned for the Year

Summary compensation table for the year ended 31 December 2015

Name of Director	Salary ¹ \$'000	Bonus Earned \$'000	Fair value of share-based compensation granted for the year ² \$'000	Directors' Fees		Brought Forward Bonus Bank ⁵ \$'000
				Cash- based ³ \$'000	Share- based ⁴ \$'000	
Payable by the Company:						
Tan Sri Mohd Hassan Marican	-	-	-	420	180	-
Wong Weng Sun	926	(2,699)	863	-	-	6,820
Ajaib Haridass	-	-	-	247	106	-
Tang Kin Fei ³	-	-	-	205	88	-
Ron Foo Siang Guan	-	-	-	188	80	-
Lim Ah Doo	-	-	-	538	231	-
Koh Chiap Khiong ³	-	-	-	166	71	-
Eric Ang Teik Lim ³	-	-	-	170	-	-
Gina Lee-Wan	-	-	-	85	37	-
Bob Tan Beng Hai	-	-	-	91	39	-
	926	(2,699)	863	2,110	832	6,820

Name of Key Executive	Salary ¹ \$'000	Bonus Earned \$'000	Fair value of share-based compensation granted for the year ² \$'000	Directors' Fees		Brought Forward Bonus Bank ⁵ \$'000
				Cash- based ³ \$'000	Share- based ⁴ \$'000	
Payable by the Company:						
Ong Poh Kwee	492	(989)	293	-	-	2,286
Wang Zijian	378	(756)	181	-	-	1,147
Ho Nee Sin	389	(635)	181	-	-	1,074
Wong Lee Lin	404	(472)	181	-	-	1,250
Tan Cheng Tat	389	(637)	181	-	-	849
	2,052	(3,489)	1,017	-	-	6,606

Notes:

1. The amount shown is inclusive of basic salary, fixed allowances, AWS and other emoluments.
2. The fair value of the share plans granted for the year is disclosed. The shares granted to key executives are contingent upon meeting performance measures. If these performance measures are not met, the key executive will not be vested with any shares.
3. Mr Eric Ang Teik Lim's Director's fee will be paid entirely in cash to his employer, DBS Bank Ltd. Cash portion of the Directors' fees for Mr Tang Kin Fei and Mr Koh Chiap Khiong, nominee Directors from Sembcorp Industries Ltd ("SCI"), will be paid to SCI.
4. To align the interests of the non-executive Directors with the interests of shareholders, up to 30% of the aggregate Directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010.

SUPPLEMENTARY INFORMATION

(UNDER SGX-ST LISTING MANUAL REQUIREMENTS)

For year 2015, the awards granted under the Sembcorp Marine Restricted Share Plan 2010 to all Directors as part of their Directors' fees (except for (i) Mr Wong Weng Sun, who is the President & CEO, and who does not receive any Directors' fees, and (ii) Mr Eric Ang Teik Lim) will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. These non-executive Directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer (currently S\$75,000), any excess may be sold as desired. These non-executive Directors can dispose of all of the shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive Director, (other than Mr Eric Ang Teik Lim) will be determined by reference to the volume-weighted average price of a share on the Singapore Exchange Securities Trading Limited (SGX-ST) over the 14 trading days immediately following the date of the Annual General Meeting. The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

5. The Brought Forward Bonus Bank is the outstanding balance of bonus as at 31 December 2015 (incorporating any adjustment made to the bank balance but excluding the bonus earned during the financial year). Typically, one-third of the accumulated bonus comprising Bonus Earned in the financial year and the Brought Forward Bonus is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the Bonus Bank.

Details on the share options, performance shares and restricted shares granted to the directors are set out in the Share-based Incentive Plans of the Directors' Report.

(UNDER SGX-ST LISTING MANUAL REQUIREMENTS)

B. Interested Person Transactions

	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual	
	2015 \$'000	2014 \$'000
Transaction for the Sales of Goods and Services		
PSA International Pte Ltd and its associates	5,091	5,840
Sembcorp Industries Limited and its associates	-	108
Transaction for the Purchase of Goods and Services		
Sembcorp Industries Limited and its associates	350	1,811
Singapore Technologies Engineering Ltd and its associates	179	16,117
Management and Support Services		
Sembcorp Industries Limited	250	250
Total Interested Person Transactions	5,870	24,126

MAJOR PROPERTIES

Location	Description & Approximate Land Area	Tenure	Usage
Singapore Yards			
• Tanjong Kling Road	Land area: 491,056 m ² Buildings, workshops, drydocks and quays	10 years leasehold 10 years renewal (JTC Land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydock, berthage and workshops
• Admiralty Road East/ Admiralty Road West	Land area: 860,716 m ² Buildings, workshops, drydocks and quays	12 years leasehold	Ship repairs, ship conversion, offshore engineering and rig building including docks, berthage and workshops
• Pandan Road	Land area: 141,791 m ²	15 years leasehold (JTC Land)	Rig building, repairs, upgrading and fabrication including berthage and workshops
• Pandan Road	Land area: 9,182 m ²	30 years leasehold (JTC Land)	Steel fabrication and precision machining of components for offshore jack-up oil rigs
• Tuas Crescent	Land area: 58,226 m ²	9.5 years leasehold (JTC Land)	Fabrication of jack-up oil rigs and associated sub-structure modules
• Shipyard Road	Land area: 63,300 m ² Buildings, workshops and drydocks	6 years leasehold (JTC Land)	Ship repairs and shipbuilding including drydocks, berthage and workshops
• Tuas Road	Land area: 59,942 m ² Buildings, workshops, docks and quays	14 years leasehold (JTC Land)	Shipbuilding and fabrication including berthage and workshops
• Tuas South Boulevard Phase I	Land area: 733,104 m ² Docks, quays, workshops, buildings and berthage	30 plus 30 years leasehold (JTC land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydock, berthage and workshops
• Tuas South Boulevard Phase II (under development)	Land area: 345,600 m ²	30 plus 30 years leasehold (JTC land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydock, berthage and workshops
Overseas Yards			
P.T. Karimun Sembawang Shipyard			
• Karimun Island, Indonesia	Land area: 307,650 m ² Buildings, workshops and wharves	30 years leasehold with option for 20 years plus another option for 30 years	Ship repair and fabrication including berthage and workshop
Estaleiro Jurong Aracruz			
• Municipal of Aracruz, State of Espirito Santo, Brazil	Land area: 825,000 m ² Slipways, berthing quays, drydock, ancillary steel and piping facilities	Freehold	Drillships construction, building of semi-submersible rigs, FPSO integration, fabrication of topside modules, PSVs construction, drilling rig repairs and modification works
P.T. SMOE Indonesia			
• Batam Island, Indonesia	Land area: 685,300 m ² Workshops, office buildings and 547 metres of jetty for modules load out	30 years leasehold	Workshops and fabrication facilities
Property Holdings			
JPL Industries			
• Jurong Pier Road	Land area: 27,783 m ²	20 years leasehold (JTC Land)	Copper slag recycling

MAJOR PROPERTIES

Location	Description & Approximate Land Area	Tenure	Usage
SES Engineering Sdn Bhd			
• Perindustrian Taman Johor, Johor Bahru	Land area: 5,235 m ² Workshop and a 3-storey office building	Freehold	Metal fabrication workshop
Sembmarine SLP Ltd			
• Lowestoft, Suffolk, UK	Land area: 55,000 m ² Workshops and office building	Freehold and leasehold land ranges from 22 to 99 years	Workshops and fabrication facilities
Mendon Spring			
• Pasir Panjang	9 units of 3-room apartment with built-in area of 99 m ² per unit	Freehold	Residential properties

SEMCORP MARINE LTD

NOTICE OF ANNUAL GENERAL MEETING

Company Registration No. 196300098Z
(Incorporated in Singapore)

NOTICE IS HEREBY GIVEN THAT the 53rd Annual General Meeting of Sembcorp Marine Ltd (the "Company") will be held at *The Auditorium, NTUC Centre, Level 7, One Marina Boulevard, Singapore 018989* on Monday, 18 April 2016 at 11.00 am to transact the following businesses:

ROUTINE BUSINESS

1	To receive and adopt the directors' statement and audited financial statements for the year ended 31 December 2015 and the auditor's report thereon.	Resolution 1
2	To declare a final one-tier tax exempt dividend of 2 cents per ordinary share for the year ended 31 December 2015.	Resolution 2
3	To re-elect the following directors, each of whom will retire by rotation pursuant to Article 91 of the Company's Constitution and who, being eligible, have offered themselves for re-election:	
(a)	Mr Ajaib Haridass	Resolution 3
(b)	Mr Lim Ah Doo	Resolution 4
(c)	Mr Wong Weng Sun	Resolution 5
4	To re-elect the following directors, each of whom will cease to hold office pursuant to Article 97 of the Company's Constitution and who, being eligible, have offered themselves for re-election:	
(a)	Mrs Gina Lee-Wan	Resolution 6
(b)	Mr Bob Tan Beng Hai	Resolution 7
5	To approve additional directors' fees of S\$904,792 for the year ended 31 December 2015. (See explanatory note.)	Resolution 8
6	To approve directors' fees of up to S\$2,600,000 for the year ending 31 December 2016 (2015: up to S\$2,037,000). (See explanatory note.)	Resolution 9
7	To re-appoint KPMG LLP as the auditor of the Company and authorise the directors to fix their remuneration.	Resolution 10

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following resolutions, of which Resolutions 11, 12, 13 and 14 will be proposed as Ordinary Resolutions and Resolution 15 will be proposed as a Special Resolution:

8	Renewal of Share Issue Mandate	Resolution 11
---	---------------------------------------	---------------

That authority be and is hereby given to the directors to:

- (a) (i) issue shares of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the directors may, in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the directors while this Resolution was in force,

SEMCORP MARINE LTD
NOTICE OF ANNUAL GENERAL MEETING

Company Registration No. 196300098Z
 (Incorporated in Singapore)

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares excluding treasury shares (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 5% of the total number of issued shares excluding treasury shares (as calculated in accordance with paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue or consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

9 Renewal of Share Plan Mandate

Resolution 12

That approval be and is hereby given to the directors to:

- (a) grant awards in accordance with the provisions of the Sembcorp Marine Performance Share Plan 2010 (the "Performance Share Plan") and/or the Sembcorp Marine Restricted Share Plan 2010 (the "Restricted Share Plan") (the Performance Share Plan and the Restricted Share Plan, together the "Share Plans"); and
- (b) allot and issue from time to time such number of ordinary shares of the Company as may be required to be delivered pursuant to the vesting of awards under the Share Plans,

provided that:

- (i) the aggregate number of (i) new ordinary shares allotted and issued and/or to be allotted and issued, (ii) existing ordinary shares (including shares held in treasury) delivered and/or to be delivered, and (iii) ordinary shares released and/or to be released in the form of cash in lieu of shares, pursuant to the Share Plans, shall not exceed 7% of the total number of issued shares of the Company (excluding treasury shares) from time to time; and

SEMCORP MARINE LTD

NOTICE OF ANNUAL GENERAL MEETING

Company Registration No. 196300098Z
(Incorporated in Singapore)

- (ii) the aggregate number of ordinary shares under awards to be granted pursuant to the Share Plans during the period commencing from this annual general meeting and ending on the date of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 1% of the total number of issued shares of the Company (excluding treasury shares) from time to time.

10 **Renewal of IPT mandate**

Resolution 13

That:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("Chapter 9") of the Singapore Exchange Securities Trading Limited, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in Appendix 1 to the Company's Letter to Shareholders dated 23 March 2016 (the "Letter") with any party who is of the class of interested persons described in Appendix 1 to the Letter, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;
- (b) the approval given in paragraph (1) above (the "IPT Mandate") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next annual general meeting of the Company; and
- (c) the directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

11 **Renewal of Share Purchase Mandate**

Resolution 14

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the "Companies Act"), the exercise by the directors of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company ("Shares") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) market purchase(s) on the Singapore Exchange Securities Trading Limited (the "SGX-ST") and/or any other securities exchange on which the Shares may for the time being be listed and quoted ("Other Exchange"); and/or
 - (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, the Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange, as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

SEMCORP MARINE LTD
NOTICE OF ANNUAL GENERAL MEETING

Company Registration No. 196300098Z
 (Incorporated in Singapore)

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the directors pursuant to the Share Purchase Mandate may be exercised by the directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
 - (i) the date on which the next annual general meeting of the Company is held;
 - (ii) the date by which the next annual general meeting of the Company is required by law to be held; and
 - (iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;
- (c) in this Resolution:

“Average Closing Price” means the average of the last dealt prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST or, as the case may be, the Other Exchange, immediately preceding the date of market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five day period;

“date of the making of the offer” means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the off-market purchase;

“Maximum Limit” means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date); and

“Maximum Price”, in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (i) in the case of a market purchase of a Share, 105% of the Average Closing Price of the Shares; and
- (ii) in the case of an off-market purchase of a Share pursuant to an equal access scheme, 110% of the Average Closing Price of the Shares; and

- (d) the directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

12 **Adoption of New Constitution**

Resolution 15

That the regulations contained in the new Constitution submitted to this meeting and, for the purpose of identification, subscribed to by the Chairman thereof, be approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution.

By Order of the Board

Tan Yah Sze
 Company Secretary

23 March 2016

SEMCORP MARINE LTD

NOTICE OF ANNUAL GENERAL MEETING

Company Registration No. 196300098Z
(Incorporated in Singapore)

Explanatory Notes:

Resolutions 3 to 7 – Detailed information on these directors can be found under the Board of Directors and Corporate Governance Report sections in the Annual Report 2015.

Resolutions 4 and 7 – If re-elected, both Mr Lim Ah Doo and Mr Bob Tan Beng Hai, each an independent director, will remain as members of the Audit Committee.

Resolution 8 – This resolution is to approve the payment of S\$904,792 as additional directors' fees (comprising a cash component and a share component) to meet the shortfall in the amount payable for the year ended 31 December 2015. The amount of S\$2,037,000 which was proposed and approved at the last annual general meeting held on 17 April 2015 ("2015 AGM") was insufficient due to (i) the appointment of two additional directors in 2015, (ii) the establishment of the Special Committee, and (iii) increased attendance fees attributed to the increase of the number of meetings of the Board and its committees held in 2015. The amount of S\$904,792 proposed as additional directors' fees for year 2015 includes a special fee of S\$500,000 payable to Mr Lim Ah Doo as Chairman of the Special Committee for his active oversight role in spearheading and guiding the Special Committee, which was established in February 2015 to conduct an internal investigation into an allegation of improper payments in Brazil and to deal with issues arising in connection with the matter. If approved, the aggregate amount of directors' fees payable for the year ended 31 December 2015 will be S\$2,941,792 (2014: S\$1,930,231). As stated in the notice of the 2015 AGM, up to 30% of the directors' fees for year 2015 may be paid out in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010. Detailed information can be found in pages 159 to 166 and 258 to 259 of the Annual Report 2015. Directors and their associates will abstain from voting on Resolution 8.

Resolution 9 – This resolution, if passed, will facilitate the payment of directors' fees during the financial year in which the fees are incurred, that is during the financial year ending 31 December 2016. The amount of directors' fees is computed based on the anticipated number of board and committee meetings for year 2016, assuming full attendance by all of the non-executive directors. In the event that the amount proposed is insufficient, approval will be sought at the next annual general meeting in year 2017 ("2017 AGM") before payments are made to directors for the shortfall. Directors and their associates will abstain from voting on Resolution 9.

The current intention is that the directors' fees for the non-executive directors for year 2016 will comprise a cash component and a share component, with up to 30% being paid out in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010. Any such award would typically consist of the grant of fully paid shares outright with no performance or vesting conditions attached, but with a selling moratorium. Under the directors' fee framework (which is set out on page 86 of the Annual Report 2015), non-executive directors are required to hold shares (including shares obtained by other means) worth S\$75,000; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The cash component of the directors' fees for year 2016 is intended to be paid half-yearly in arrears. The share component of the directors' fees for year 2016 is intended to be paid after the 2017 AGM has been held. The actual number of shares to be awarded to each non-executive director holding office at the time of the payment is intended to be determined by reference to the volume-weighted average price of a share on the Singapore Exchange Securities Trading Limited (the "SGX-ST") over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the 2017 AGM (or, if no final dividend is proposed at the 2017 AGM, or the resolution to approve any such final dividend is not approved at the 2017 AGM, over the 14 trading days immediately following the date of the 2017 AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. A non-executive director who steps down before the payment of the share component will receive all of his directors' fees for year 2016 (calculated on a pro-rated basis, where applicable) in cash.

Resolution 11 – This resolution is to empower the directors to issue shares of the Company and to make or grant Instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such Instruments, up to a number not exceeding 50% of the total number of issued shares of the Company excluding treasury shares, of which up to 5% may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of issued shares of the Company excluding treasury shares at the time that Resolution 11 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 11 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

SEMCORP MARINE LTD

NOTICE OF ANNUAL GENERAL MEETING

Company Registration No. 196300098Z
(Incorporated in Singapore)

Resolution 12 – This resolution is to empower the directors to offer and grant awards pursuant to the Sembcorp Marine Performance Share Plan 2010 and the Sembcorp Marine Restricted Share Plan 2010 (collectively, the “Share Plans”) and to issue ordinary shares of the Company pursuant to the vesting of awards granted pursuant to the Share Plans provided that: (a) the aggregate number of (i) new ordinary shares allotted and issued and/or to be allotted and issued, (ii) existing ordinary shares (including shares held in treasury) delivered and/or to be delivered, and (iii) ordinary shares released and/or to be released in the form of cash in lieu of shares, pursuant to the Share Plans, shall not exceed 7% of the total number of issued shares of the Company (excluding treasury shares) from time to time; and (b) the aggregate number of ordinary shares under awards to be granted pursuant to the Share Plans during the period commencing from this annual general meeting and ending on the date of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 1% of the total number of issued shares of the Company (excluding treasury shares) from time to time. Approval for the adoption of the Share Plans was given by shareholders at an extraordinary general meeting of the Company held on 20 April 2010. The grant of awards under the Share Plans will be made in accordance with their respective provisions.

Resolution 13 – This resolution is to renew the mandate to enable the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual), or any of them, to enter into certain interested person transactions with specified classes of interested persons, as described in the Letter to Shareholders dated 23 March 2016 (the “Letter”). Please refer to the Letter for more details.

Resolution 14 – This resolution is to renew the mandate to enable the Company to purchase or otherwise acquire issued ordinary shares of the Company, on the terms and subject to the conditions set out in the resolution.

The Company intends to use internal and/or external sources of funds to finance the purchase or acquisition of its ordinary shares. The amount of financing required for the Company to purchase or acquire its ordinary shares, and the impact on the Company’s financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of ordinary shares purchased or acquired, the price at which such ordinary shares were purchased or acquired and whether the ordinary shares purchased or acquired are held in treasury or cancelled.

Based on the existing issued Shares as at 3 March 2016 (the “Latest Practicable Date”) and excluding any Shares held in treasury, the purchase by the Company of 10% of its issued Shares (and disregarding the 1,287,731 Shares held in treasury) will result in the purchase or acquisition of 208,847,237 Shares.

In the case of market purchases by the Company and assuming that the Company purchases or acquires the 208,847,237 ordinary shares at the Maximum Price of S\$1.62 for one ordinary share (being the price equivalent to 105% of the average of the last dealt prices of the ordinary shares for the five consecutive market days on which the ordinary shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 208,847,237 ordinary shares is S\$338,332,524.

In the case of off-market purchases by the Company and assuming that the Company purchases or acquires the 208,847,237 ordinary shares at the Maximum Price of S\$1.69 for one ordinary share (being the price equivalent to 110% of the average of the last dealt prices of the ordinary shares for the five consecutive market days on which the ordinary shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 208,847,237 ordinary shares is S\$352,951,831.

The financial effects of the purchase or acquisition of such ordinary shares by the Company pursuant to the proposed Share Purchase Mandate on the audited financial statements of the Group and the Company for the financial year ended 31 December 2015 based on these assumptions are set out in paragraph 3.7 of the Letter. Please refer to the Letter for more details.

Resolution 15 – This resolution is to adopt a new Constitution following the wide-ranging changes to the Companies Act, Chapter 50 (the “Companies Act”) introduced pursuant to the Companies (Amendment) Act 2014 (the “Amendment Act”). The new Constitution will consist of the memorandum and articles of association of the Company which were in force immediately before 3 January 2016 and incorporate amendments to (*inter alia*) take into account the changes to the Companies Act introduced pursuant to the Amendment Act. Resolution 15 will be proposed as a Special Resolution. Please refer to the Letter for more details.

SEMCORP MARINE LTD

NOTICE OF ANNUAL GENERAL MEETING

Company Registration No. 196300098Z
(Incorporated in Singapore)

Notes:

1. (a) *A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.*
(b) *A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.*

“Relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. *A proxy need not be a member of the Company.*
3. *The instrument appointing a proxy or proxies must be lodged at the office of the Company's Share Registrar, KCK Corpserve Pte Ltd, at 333 North Bridge Road #08-00 KH Kea Building, Singapore 188721 not later than 48 hours before the time of the annual general meeting.*

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the annual general meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the annual general meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the annual general meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the “Purposes”), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Register of Members and Share Transfer Books of the Company will be closed on 29 April 2016 to determine the members' entitlements to the proposed dividend.

Duly completed transfers of shares received by the Company's Share Registrar, KCK Corpserve Pte Ltd, 333 North Bridge Road #08-00, KH KEA Building, Singapore 188721, up to 5.00 pm on 28 April 2016 (the “Book Closure Date”) will be registered to determine members' entitlements to the proposed dividend. Subject as aforesaid, shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares of the Company as at 5.00 pm on the Book Closure Date will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the 53rd Annual General Meeting, will be paid on 13 May 2016.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK



Sembcorp Marine Ltd
Company Registration No. 196300098Z
(Incorporated in Singapore)

PROXY FORM

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS moneys to buy shares in Sembcorp Marine Ltd, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of the Annual General Meeting dated 23 March 2016.

I/We _____ (Name) _____ (NRIC/Passport/Co Reg No.)

of _____ (Address)

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

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

as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the 53rd Annual General Meeting of the Company to be held at The Auditorium, NTUC Centre, Level 7, One Marina Boulevard, Singapore 018989 on Monday, 18 April 2016 at 11.00 am and at any adjournment thereof.

(Voting will be conducted by poll. Please indicate with a "J" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of Annual General Meeting (of which Resolutions 1 to 14 will be proposed as Ordinary Resolutions and Resolution 15 will be proposed as a Special Resolution). In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	For	Against
Routine Business			
1	To adopt the directors' statement and audited financial statements		
2	To declare a final dividend		
3	To re-elect Mr Ajaib Haridass		
4	To re-elect Mr Lim Ah Doo		
5	To re-elect Mr Wong Weng Sun		
6	To re-elect Mrs Gina Lee-Wan		
7	To re-elect Mr Bob Tan Beng Hai		
8	To approve additional directors' fees for financial year ended 31 December 2015		
9	To approve directors' fees for financial year ending 31 December 2016		
10	To re-appoint KPMG LLP as auditor and to authorise the directors to fix their remuneration		
Special Business			
11	To approve the proposed renewal of Share Issue Mandate		
12	To approve the proposed renewal of the Share Plan Mandate		
13	To approve the proposed renewal of the IPT Mandate		
14	To approve the proposed renewal of the Share Purchase Mandate		
15	Special Resolution To approve the proposed adoption of the new Constitution		

Total Number of Shares Held

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

Date

IMPORTANT: PLEASE READ NOTES OVERLEAF.

1st fold here

Notes:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be lodged at the office of the Company's Share Registrar, KCK Corpserve Pte Ltd, at 333 North Bridge Road #08-00 KH Kea Building, Singapore 188721 not less than 48 hours before the time appointed for the Annual General Meeting.
5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting in person at the Annual General Meeting if he finds that he is able to do so. In such event, the relevant instrument appointing a proxy or proxies will be deemed to be revoked.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment) appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

2nd fold here

Affix
Postage
Stamp

KCK Corpserve Pte Ltd
333 North Bridge Road
#08-00 KH Kea Building
Singapore 188721

3rd fold here

SEMCORP MARINE LTD

29 Tanjong Kling Road

Singapore 628054

Tel: (65) 6265 1766

Fax: (65) 6261 0738

[Website: www.sembmarine.com](http://www.sembmarine.com)

Company Reg. No: 196300098Z