FORGING AHEAD

ADAPT · PREPARE · FOCUS

sembcorp marine

ANNUAL REPORT
2016

CONTENTS

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.

To drive future growth, Sembcorp Marine has revised its Mission, Vision and Core Values.

MISSION

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

VISION

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

CUSTOMER ALIGNMENT

Meeting customers' needs is fundamental to our success. We provide innovative solutions that are aligned with the changing requirements and expectations of our customers and build lasting relationships with them based on trust and shared purpose.

INTEGRITY

We perform our duties with honesty, dedication and respect for confidentiality. We value loyalty, trustworthiness and openness as essential personal attributes in our corporate culture.

INNOVATION

We believe innovation and creativity are essential for staying ahead of the competition. We achieve industry leadership through constant innovation in technology and engineering solutions.

HEALTH, SAFETY & ENVIRONMENT

We are committed to promoting a healthy and safe work environment for our customers, employees, contractors and the community. We take responsibility for our personal safety and accountability for the safety of others. We also take concrete steps to ensure environmental sustainability.

QUALITY

We are committed to achieving quality standards in fulfilling our customers' requirements. We uphold Quality as we do in Health, Safety and Environment.

TEAMWORK

We work together as one cohesive team, with mutual trust and respect, to achieve our collective goals. We embrace diversity, foster close relationships and develop team spirit through effective communication and caring for one another.

PEOPLE-CENTRIC

We respect and value every individual in our organisation. We provide our people with opportunities, rewards and recognition, as well as a conducive environment to enjoy their work and realise their potential.

COMMUNITY RESPONSIBILITY

We view our business as an integral part of society. We are committed to being a responsible corporate citizen, both locally and globally, by building a caring organisation and contributing to the community.

AMIDST THE CURRENT MARKET CHALLENGES, SEMBCORP MARINE **ADAPTS** BY **EXPANDING ITS CAPABILITIES** FURTHER INTO NON-DRILLING AND GAS SOLUTIONS.

LMG MARIN AND ARAGON ACQUISITIONS GIVE THE GROUP A LONG-TERM ADVANTAGE IN THE EXPECTED GROWTH OF NATURAL GAS DEMAND.

WITH A 56% CONTROLLING STAKE IN GRAVIFLOAT, SEMBCORP MARINE OFFERS COST-EFFECTIVE, MODULARISED AND REDEPLOYABLE NEAR-SHORE GAS PLATFORM SOLUTIONS AS A COMPELLING ALTERNATIVE TO EXISTING ONSHORE AND FLNG FACILITIES.

IN OCTOBER 2016, SEMBCORP MARINE SIGNED AN MOU WITH ENGIE TO DEVELOP ITS GRAVIFLOAT TECHNOLOGY FOR LNG-TO-POWER NEAR-SHORE TERMINALS.

2016 HIGHLIGHTS

$3.54B

TURNOVER

2.5CENTS

TOTAL DIVIDEND
PER ORDINARY SHARE

$79M

NET PROFIT

INVESTMENTS IN TECHNOLOGY COMPANIES

GRAVIFLOAT AS
56% EQUITY

ARAGON AS
(FORMERLY
KANFA ARAGON AS)
50% EQUITY

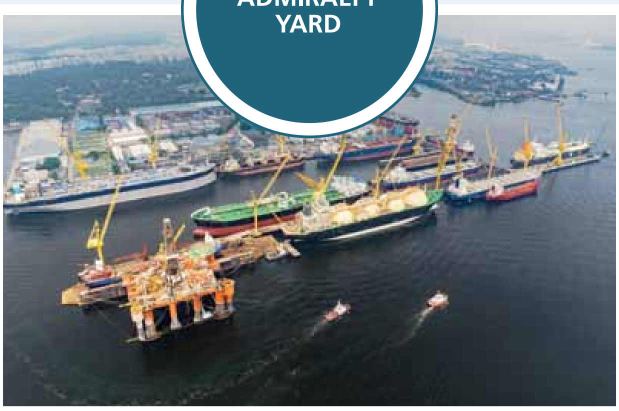
LMG MARIN AS
100% EQUITY

TUAS BOULEVARD YARD PHASE II DEVELOPMENT COMPLETED (JAN 2017)

OUR INTEGRATED GLOBAL PLATFORM

TUAS BOULEVARD YARD

ADMIRALTY YARD



TANJONG KLING YARD

PANDAN YARD

TUAS CRESCENT YARD

BENOI YARD

TUAS ROAD YARD

SIGNIFICANT EVENTS

JANUARY

Safe Zephyrus Delivery

JAN 18

Delivery of Safe Zephyrus, the second harsh-environment accommodation semi-submersible unit that Sembcorp Marine has built for Prosafe

JAN 23

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

JAN 26

Signing of a Favoured Customer Contract (FCC) with Norden AS of Denmark to make Sembcorp Marine the exclusive partner for all the repairs of Norden vessels in Singapore

FEBRUARY

Annual Green Wave Environmental Care Competition

FEB 26

Green Wave Environmental Care Competition sees growing maturity among students in tackling environmental challenges

SIGNIFICANT EVENTS

MARCH

Launch of Perisai Pacific 103

MAR 9
Sembcorp Marine acquires an additional 44% equity stake in Gravifloat AS, bringing the Company's stake to 56%

MAR 10
Sembcorp Marine successfully launches Perisai Pacific 103, the third jack-up rig built for Perisai (L) Inc. It is based on the Group's proprietary Pacific Class 400 design

MAR 12
Strike steel of Heerema Offshore Services' semi-submersible crane vessel (SSCV) Sleipnir, the largest SSCV in the world

MAR 13-16
Sembcorp Marine participates in Seatrade Cruise Global, a leading global cruise exhibition held in Fort Lauderdale, USA

MAR 22-25
Sembcorp Marine makes a strong presence at the biennial Offshore Technology Conference Asia (OTC Asia) held in Kuala Lumpur

MAR 24
Completed upgrading of Blue Marlin, a heavy-lift vessel, for Dockwise Shipping BV

APRIL

Culzean Topsides Strike Steel

APR 7
Sembcorp Marine celebrates the first steel cut of the Maersk Oil Culzean topsides

APR 18
All resolutions passed at the 53rd Annual General Meeting

SIGNIFICANT EVENTS

MAY

JUNE

Olympic Gemini

Posidonia 2016

MAY 2-5
Sembcorp Marine returns to Offshore Technology Conference (OTC) 2016. The exhibition in Houston, United States, drew more than 68,000 participants from 120 countries

MAY 12
Sembcorp Marine's Brazil subsidiary Estaleiro Jurong Aracruz (EJA) marks a key operational milestone with the successful completion of its first project – repair works on bulk carrier Olympic Gemini

MAY 19
PT SMOE Training and Learning Centre officially opens in Sembcorp Marine's Batam Yard

MAY 21
Sembcorp Marine delivers the Ivar Aasen process, drilling and quarters topsides to Det norske oljeselskap

MAY 30
Sembcorp Marine delivers high-specification jack-up rig Maersk Highlander to Maersk Highlander UK. The vessel will be deployed in the Culzean field development in the UK North Sea

JUN 2
Signing of a Favoured Customer Contract (FCC) with MOL LNG UK, making Sembcorp Marine the exclusive partner for the repairs of their fleet of LNG carriers

JUN 6-10
Sembcorp Marine showcases its key capabilities and yard facilities at Posidonia in Athens, Greece

JUN 10
Sembcorp Marine completes delivery of five Bumi Armada modules for Armada Madura EPC Limited

JUN 28
Sembcorp Marine acquires 50% equity stake in KANFA Aragon AS (now known as Aragon AS) from Sevan Marine ASA. Aragon is a process design and engineering group that delivers overall process solutions and services to the offshore and gas industry

SIGNIFICANT EVENTS

JULY

Delivery of Noble Lloyd Noble

JUL 15
Sembcorp Marine delivers the world's largest jack-up rig, Noble Lloyd Noble, to Noble Corporation. The ultra high-specification rig is also the first of its kind to fully comply with both Norwegian and UK regulatory standards

JUL 22
Strike steel of Maersk Culzean FSO, Sembcorp Marine's 24th project with customer MODEC

JUL 26-29
EJA exhibits at the Mec Show, the main exhibition for the metal mechanic, energy and automation sectors held in Espirito Santo, Brazil

AUGUST

Dudgeon Offshore Wind Farm Substation Platform

AUG 5
Sembmarine SLP successfully delivers a substation platform to the Dudgeon offshore wind farm following the delivery of the Dudgeon jacket on May 2

AUG 11
Sembcorp Marine commemorates Singapore's 51st year of independence at its National Day observance ceremony

AUG 17
Naming of Maersk Highlander in Scotland, following its delivery in May

AUG 26
Acquisition of 100% equity stake in LMG Marin AS, a naval architecture, ship design and engineering house in Norway

AUG 29
Sembcorp Marine completed the acquisition of the remaining 15% equity stake in PPL Shipyard, making PPLS a wholly-owned subsidiary of the Group

SIGNIFICANT EVENTS

SEPTEMBER

Launch of Hakuryu 14

SEP 6-9
Sembcorp Marine participates in Shipbuilding, Machinery & Marine Technology International Trade Fair (SMM) 2016, a leading maritime trade fair in Hamburg, Germany

SEP 17
Launch of Hakuryu 14, a proprietary Pacific Class 400 design jack-up rig built by Sembcorp Marine for BOT Lease Co. Ltd (BOTL)

SEP 19
Keel laying ceremony of Heerema SSCV Sleipnir, being built by Sembcorp Marine for Heerema Offshore Services

SEP 22
Sembcorp Marine delivers three process modules weighing a total of 8,000 tonnes for the Yamal LNG project

OCTOBER

Completion of FSO Caspian Sea Upgrading

OCT 3
Sembcorp Marine presents at the IE Singapore Gas Roundtable

OCT 10
Completion of the FSO Caspian Sea upgrading for Omni Offshore Terminals Singapore

OCT 21
Acquisition of remaining 30% equity stake in Sembmarine North Sea Limited (SNS), giving Sembcorp Marine full control of SNS's wholly-owned subsidiary Sembmarine SLP Limited and allowing the Group to expand its footprint in the United Kingdom

OCT 31
Sembcorp Marine and ENGIE sign an MOU to develop Gravifloat technology for LNG-to-Power near-shore terminal solutions

SIGNIFICANT EVENTS

NOVEMBER

SchoolBAG 2016

NOV 4
Sembcorp Marine School Book Assistance Grant: $235,000 in bursaries awarded to 1,154 students

DECEMBER

Sembcorp Marine Lab @ NTU

DEC 2
Naming ceremony of FPSO Pioneiro de Libra, a conversion project for Odebrecht Oil and Gas & Teekay Offshore (OOGTK) at Sembcorp Marine Tuas Boulevard Yard

DEC 7
Official opening of Sembcorp Marine Lab @ NTU, a maritime research laboratory focusing on the development of innovative eco-friendly technologies for Singapore's offshore and marine industry

DEC 21
Keel laying of Maersk Culzean FSO

AWARDS AND ACCOLADES

WSH SHARP Award winning teams from Pandan Yard and Tuas Crescent Yard

Benoi Yard received the WSH Performance Silver Award

WSH AWARDS 2016

WSH Performance Award (Silver)

1. Sembcorp Marine Benoi Yard
2. Sembcorp Marine Tuas Road Yard

Workplace Safety and Health Award Recognition for Projects (SHARP)

Eight projects from Sembcorp Marine Pandan Yard and Tuas Crescent Yard and four projects from Sembcorp Marine Admiralty Yard received the SHARP Awards in recognition of their good HSE performance.

Tuas Road Yard received the WSH Performance Silver Award

WSH Supervisor Award

AWARDS AND ACCOLADES

WSH SHARP Award winning teams from Admiralty Yard

WSH Innovation Award

WSH Supervisor Award

Sembcorp Marine Admiralty Yard
Mr Rengasamy Perumal (Mechanical Department)

WSH Innovation Award

1. Sembcorp Marine Admiralty Yard
   Fatigue-Free Hull Flat Bottom Hydroblaster
   El-Aqua (SPC Department)
2. Sembcorp Marine Tuas Road Yard
   Roller Pad (Team SeaPro)

Workplace Safety and Health bizSAFE Partner Award

WORKPLACE SAFETY AND HEALTH bizSAFE PARTNER AWARD

Awarded by the WSH Council to Sembcorp Marine for its commitment and initiative in encouraging its contractors, suppliers and vendors to be a part of the bizSAFE programme.

AWARDS AND ACCOLADES

Sembcorp Marine wins at the 19th ASMI WSH Innovations Convention

ASMI 19TH CONVENTION FOR WORKPLACE SAFETY AND HEALTH INNOVATIONS IN MARINE INDUSTRY

Gold Award

Awarded to Sembcorp Marine Tanjong Kling Yard's JE Dynamite Team in recognition of its outstanding WSH Innovation Project: Safe Grinding Work Station.

Silver Award

Awarded to Sembcorp Marine Tuas Road Yard's Team SeaPro for its WSH Innovation Project: Anode Trojan.

Awarded to Sembcorp Marine Admiralty Yard's Spectrum Chaser Team for its WSH Innovation Project: Nip C-Trimmer.

SHELL SHIPPING & MARITIME – OUTSTANDING HEALTH, SAFETY, SECURITY & ENVIRONMENT PERFORMANCE AWARD

Shell's "Best of the Best" award recognises Sembcorp Marine's Admiralty Yard for its excellent performance in HSSE practices while supporting Shell's shipping and maritime activities in the 2015-2016 period.

EJA President Altaf Hossain received award for business leadership

BRAZIL'S 2016 BUSINESS LEADER AWARD – LEADER IN NEW INVESTMENTS AWARD

Estaleiro Jurong Aracruz (EJA) President Altaf Hossain was conferred the award in recognition of his excellent business leadership in the Espirito Santo market.

COMMISSIONER OF POLICE AWARD 2016

Awarded by the Singapore Police Force to Sembcorp Marine security teams and staff in Tanjong Kling Yard and Tuas Boulevard Yard for their significant contributions towards crime prevention.

AWARDS AND ACCOLADES

SCDF Outstanding Company Emergency Response Team Award 2016

SCDF OUTSTANDING COMPANY EMERGENCY RESPONSE TEAM AWARD 2016

Sembcorp Marine Tanjong Kling Yard received the "SCDF Outstanding CERT Award 2016" from Mr Desmond Lee, Senior Minister of State for Home Affairs and National Development. This award recognises Sembcorp Marine Tanjong Kling Yard's high standards of emergency preparedness, readiness and capabilities.

SINGAPORE GLOBAL FIREFIGHTERS & PARAMEDICS CHALLENGE 2016

Sembcorp Marine Tuas Boulevard Yard and Sembcorp Marine Tanjong Kling Yard were placed 1st and 3rd runners-up respectively at the annual event, organised by the Singapore Civil Defence Force.

NTUC U SAFE SPARKS Award 2016

NTUC U SAFE AWARDS 2016

Awarded by NTUC and NTUC Learning Hub to Sembcorp Marine for its contributions to good workplace safety and health practices.

U SAFE SPARKS Award (Organisational Level)
PPL Shipyard

U SAFE STAR Award (Individual Level)
Mr Richard Low Keng Fatt (PPL Shipyard)

CHAIRMAN AND CEO'S REPORT

"NOTWITHSTANDING THE DIFFICULT BUSINESS CONDITIONS, WHICH LED TO A LOWER OVERALL TURNOVER IN 2016, WE ARE PLEASED TO REPORT THAT THE GROUP RETURNED TO PROFITABILITY AND GENERATED SIGNIFICANTLY POSITIVE OPERATING CASH FLOW LAST YEAR."

TAN SRI MOHD HASSAN MARICAN
Chairman

"BOLSTERED BY OUR STRATEGIC INVESTMENTS IN NEW CAPABILITIES AND FACILITIES, WE BELIEVE SEMBCORP MARINE IS WELL-EQUIPPED TO RIDE OUT THE CURRENT DOWN CYCLE AND BE SOLIDLY POSITIONED FOR THE UPTURN. WE REMAIN COMMITTED TO GENERATING ACCEPTABLE RISK-ADJUSTED AND SUSTAINABLE RETURNS FOR THE GROUP AND ITS SHAREHOLDERS."

WONG WENG SUN
President & CEO

Dear Shareholders,

In 2016, the worldwide oil and gas industry faced the brunt of a worsening downturn that impacted all companies in our sector.

Oil prices, heavily depressed by a persistent supply overhang, not only brought more cuts to upstream oil and gas capex but also forced down day rates and utilisation levels of existing rigs to current-cycle lows. Competition intensified as Sembcorp Marine and other players vied for significantly fewer and smaller orders, while lenders seeking to reduce their risk exposure made it even more challenging by withdrawing credit from the market.

We were also confronted with political outcomes in the US and the UK that stirred further uncertainties into an already unsettled business environment amid a slowing global economy. But as the oil and gas market limped towards the end of 2016, OPEC and major non-OPEC producers surprised the austere market with a late November announcement of their first agreement to cut production in eight years. This sent oil prices rebounding to above US$50 per barrel, from under US$30 in early 2016.

While it remains to be seen if current oil prices will improve further, we expect the demand for energy resources to grow. Coupled with the steady depletion of existing oil reserves, we are hopeful that oil prices in the medium to long term will eventually stabilise at a range that supports an industry-wide revival of offshore exploration and production projects.

As a leading offshore and marine engineering company, the Sembcorp Marine Group has prospered through several industry cycles with a solid track record over five decades. We have demonstrated a strong resolve to regroup, refocus and reinvent ourselves through difficult times and to grow exponentially during market upturns.

CHAIRMAN AND CEO'S REPORT

Prudent and proactive decision-making has helped us navigate the extremely challenging and volatile conditions of 2016. Although the short-term market is not likely to be easier, we believe Sembcorp Marine has both strength and spirit to press forth.

The Group's strategy remains focused on enhancing and optimising our talent pool; investing in new products and technological innovation to enable continuous growth; pursuing operational excellence in project execution; and careful management of our financial resources to ensure long-term business sustainability.

We will actively monitor the external developments and respond strategically to the challenges and opportunities ahead.

FINANCIAL PERFORMANCE

Notwithstanding the difficult business conditions, which led to a lower overall turnover in FY2016, we are pleased to report that the Group returned to profitability and generated significantly positive operating cash flow last year.

Group revenue was $3.54 billion for the year ended 31 December 2016, down 29% from $4.97 billion the year before. Turnover for Rigs & Floaters declined 43% to $1.89 billion, compared with $3.32 billion in FY2015, which reflected the depressed conditions for rig building. Offshore Platforms revenue rose 10% year-on-year, from $1.02 billion to $1.12 billion, on higher recognition of projects; while revenue from Repairs & Upgrades fell 18%, from $557 million to $460 million, with ship owners deferring major repairs and tougher competition pressing down the average turnover per vessel.

GROUP REVENUE
$3.54 BILLION

Through prudent management and improved efficiencies, Group net profit in FY2016 improved 127% to $79 million, against $290 million net loss in FY2015. We also generated operating cash flow of $669 million last year to support our operations and investments. In FY2015, our operating cash flow was a negative $867 million.

In FY2016, Rigs & Floaters continued to account for the largest share of revenue at 53%. Offshore Platforms contributed 32%; Repairs & Upgrades 13%; and other activities the remaining 2%.

Dividend

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

For the year under review, the Sembcorp Marine Board has proposed a final ordinary one-tier tax-exempt cash dividend of 1.0 cent ($0.01) per share. Including the interim tax-exempt cash dividend of 1.5 cents ($0.015), the Group will be paying a total dividend of 2.5 cents ($0.025) per share for FY2016.

OPERATING CASH FLOW
$669 MILLION

The proposed final cash dividend, if approved at the 54th Annual General Meeting on 18 April 2017, will be paid on 12 May 2017.

Sete Brasil drillships

In 2012, Sembcorp Marine secured seven drillship contracts from Sete Brasil. The Group had provided regular updates on these projects during our quarterly result announcements in 2016. To summarise, we received some $2.70 billion in progressive payments for the work performed on these projects, up until November 2014 when Sete Brasil was unable to continue with the payments. We have since initiated arbitration proceedings against various Sete Brasil subsidiaries to safe-guard our interests under the Sete Brasil contracts. The proceedings are ongoing.

With the payment stoppage, we have also ceased construction work on all the drillship units and focused instead on preserving the value of the works-in-progress.

On 29 April 2016, Sete Brasil filed for judicial restructuring and accordingly submitted its restructuring plan to the Brazilian court.

We continue to engage with Sete Brasil as necessary to better understand its restructuring plan. We are monitoring the situation actively and will be well prepared to respond to the developments, as appropriate.

Meanwhile, we believe the $329 million provisions the Group made in FY2015 for the Sete Brasil contracts remain adequate under the present circumstances.

CHAIRMAN AND CEO'S REPORT

Delivery delays and possible cancellation of rigs

In FY2016, the Group deferred the delivery of several completed and technically accepted rigs to a few customers with difficulties chartering out their new-build rigs. We took care to protect our commercial interests in these deferment arrangements. To date, none of these rig orders have been cancelled. We also believe the $280 million provisions set aside in FY2015 for prolonged deferment or possible rig cancellation are still sufficient for the present.

Divestment of 30% stake in Cosco Shipyard Group

On 15 November 2016, the Group announced a sale and purchase agreement with China Ocean Shipping Group to divest our 30% equity interest in Cosco Shipyard Group Co., Ltd (CSG), for an aggregate consideration of approximately $220.68 million. The 30% CSG stake was acquired in 2004 for strategic reasons and we received the necessary regulatory approvals for the divestment transaction in January 2017.

After deducting capital gains tax and realisation of foreign currency translation reserves, the net proceeds from this divestment yielded a gain of about $48.32 million, over the carrying value of the CSG investment in our books, which will be recognised in FY2017. We expect to receive the payment in the first quarter of 2017 and will use the realised proceeds to support business growth in other areas.

Cash flow and liquidity management

The Group is mindful of the need for financial discipline and prudence, and remains committed to actively managing its balance sheet and maintaining a healthy financial position. We focus on safe, timely and effective execution of our order book to ensure smooth progress of our projects so as to improve our cash flow.

Sembcorp Marine's vastly better operating cash flow of $669 million in FY2016 came from successfully delivering key projects and meeting the scheduled milestones of projects under execution.

In 2016, the majority of our order book continued to be on progress payment terms. As such, besides lowering the overall credit risk profile, the need for fresh working capital to fulfil such orders has also decelerated, compared to previous years. We continue to focus on procuring new projects on progress payment terms.

With a large part of our new yard investment programme already completed, capital expenditure in 2016 was less than half of that for the previous year, and is likely to continue declining in the foreseeable years ahead. This would be positive to the Group's cash flow management. Moreover, we will only proceed with yard capex required for the execution of secured contracts or which will realise cost savings, while non-essential capex will be deferred. The Group will also explore potential for cost savings by further optimising the rate of development of its Tuas Boulevard Yard.

To enable the Group to take on a broader spread of projects across the oil, gas and energy value chain, we invested $227 million last year in technology companies and in acquiring full ownership of PPL Shipyard. These investments marginally increased our net gearing, from 1.03x in FY2015 to 1.13x as at 31 December 2016. Excluding the said investments, our net gearing would have been similar to that at end December 2015.

The Group will take a disciplined approach to cash flow and liquidity management. With sufficient debt headroom, and with existing facilities and continued support of our bankers and bondholders, we will be able to execute our secured orders.

REVIEW OF BUSINESS OPERATIONS

Reasonable order book despite weaker market

Against the dismal market conditions of 2016, the Group secured $320 million in new orders. Comprising non-drilling projects, the new orders reflected our modest but encouraging success in pursuing opportunities out of the drilling and exploration segments, which continue to be challenging.

As at 31 December 2016, our net order book backlog totals $7.84 billion. Excluding the Sete Brasil drillships, the order backlog remains reasonable at $4.71 billion.

Maersk Highlander – a Friede & Goldman JU 2000E jack-up for harsh-environment operations in the UK North Sea Culzean field development

CHAIRMAN AND CEO'S REPORT

NET ORDER BOOK

$7.84 BILLION

Rigs & Floaters

Despite the tough operating environment, Sembcorp Marine Rigs & Floaters delivered the **Maersk Highlander** (formerly known as Hercules Highlander) jack-up drilling rig to Maersk Highlander UK Limited in May 2016.

Based on the Friede & Goldman JU 2000E design and fully compliant with UK HSE standards, the Maersk Highlander is built for harsh-environment operations and now deployed in the Culzean field development, located in the UK North Sea.

As a heavy-duty offshore drilling asset, the Maersk Highlander can operate in water depths of up to 400 feet, with a maximum drilling depth of 30,000 feet. Its notable capabilities include a 2-million-pound drilling capacity, 6,000 barrels of mud capacity, 28,000-kip preload capacity for the legs, and a 150-person accommodation facility.

For deployment at Statoil's Mariner field development in the North Sea, Noble Lloyd Noble is the first offshore structure of its kind to fully comply with both Norwegian and UK regulatory standards

Construction of the jack-up rig started in September 2014 and was completed on schedule with an excellent safety record.

In July 2016, we announced the delivery of the **Noble Lloyd Noble,** the world's largest jack-up drilling rig, to Noble Corporation. This is the seventh ultra-high specification harsh-environment jack-up rig we have successfully completed for the customer.

Built to the Gusto MSC CJ70 design and Statoil's 'Category J' specifications, the Noble Lloyd Noble has an operational air gap of 69 metres and can perform in water depths of up to 492 feet. It boasts a maximum drilling depth of 33,000 feet.

The Noble Lloyd Noble project achieved 8 million man-hours worked without reportable incidents on board the rig. It also scored a low accident frequency rate (AFR) of 0.10 per million man-hours worked over a 31-month construction period.

Prof. John Evans Atta Mills, an FPSO conversion project completed by Sembcorp Marine and MODEC for Tullow Oil

Safe Zephyrus is the second accommodation semi-submersible unit Sembcorp Marine has built for Prosafe

CHAIRMAN AND CEO'S REPORT

Other deliveries from Rigs & Floaters included the FPSO (floating production, storage and offloading vessel) **Professor John Evans Atta Mills** to MODEC, for operation in Ghana's Tweneboa-Enyenra-Ntomme (TEN) field development; **Safe Zephyrus**, the second accommodation semi-submersible unit to Prosafe, in the first quarter of 2016; and five Bumi Armada modules to Armada Madura EPC Ltd, completed in June.

Rigs & Floaters also made good progress in executing its existing order book. Strike steel for the Sleipnir, Heerema Offshore Services' semi-submersible crane vessel (SSCV), commenced in March 2016, and followed by keel-laying in September. As the world's largest SSCV, this dual-fuel vessel is on track for delivery in the second quarter of 2019.

Rigs & Floaters commenced construction of Sembcorp Marine's first new-build FSO (floating storage and offloading) vessel in July 2016. Built for MODEC, this vessel will be deployed at Maersk Oil's Culzean field development when completed at the end of 2018.

We are also working towards the 1Q 2017 delivery of the FPSO Pioneiro de Libra for Odebrecht Oil & Gas and Teekay Offshore. Converted from the Navion Norvegia shuttle tanker, this FPSO is equipped with the capacity to produce 50,000 barrels of oil and four million cubic metres of gas per day. It will be deployed at the Libra field development in the Santos Basin, some 230 kilometres off the coast of Rio de Janeiro, Brazil. The Pioneiro de Libra is Sembcorp Marine's first full Engineering, Procurement and Construction (EPC) FPSO conversion vessel.

Sembcorp Marine delivered the Process, Drilling and Quarters (PDQ) platform topsides to Det norske oljeselskap ASA (now part of Aker BP ASA) for the Ivar Aasen field development in the North Sea

Repairs & Upgrades

Sembcorp Marine Repairs & Upgrades serviced 469 vessels in FY2016, including nine cruise ships and 18 LNG carriers. This compared with 453 ships repaired and upgraded the year before.

Major repair and upgrading projects in 2016 included Blue Marlin for Dockwise Shipping BV; FSO Caspian Sea for Omni Offshore Terminals Singapore; and retrofit works on seven Maersk Line ships.

We also signed Favoured Customer Contracts (FCC) with a number of customers, including Norden AS and MOL LNG UK. The FCCs make Sembcorp Marine the exclusive partner for all the repairs of Norden's vessels in Singapore, as well as MOL's fleet of LNG carriers.

Offshore Platforms

Sembcorp Marine Offshore Platforms delivered the **Ivar Aasen Process, Drilling and Quarters (PDQ) platform topsides** to Det norske oljeselskap ASA (now part of Aker BP ASA) in June 2016. Deployed at

The NW Shearwater, one of 18 LNG carriers Sembcorp Marine serviced in 2016

CHAIRMAN AND CEO'S REPORT

the Ivar Aasen field development in the Norwegian North Sea, the 13,900-tonne integrated topsides, with a 70-person living quarters-cum-helideck, are our biggest platform structures delivered to date.

Valued in excess of $1 billion, this project was executed in Singapore and drew on expertise from 23 countries, clocking more than 14 million man-hours of work with negligible safety incidents.

Other Offshore Platforms deliveries in 2016 included a substation platform to the Dudgeon offshore wind farm, for Siemens in August; and three process modules weighing a total of 8,000 tonnes for the Yamal LNG project in September.

In April 2016, Sembcorp Marine Offshore Platforms also commenced steel cutting for the Maersk Oil Culzean topsides. Valued at over US$1 billion, Sembcorp Marine won this EPC contract from Maersk Oil North Sea UK Limited in September 2015. The project scope includes a central processing facility, two connecting bridges, a wellhead platform, a utilities and living quarters platform and a power generation module; all destined for the Culzean field development in the UK North Sea.

A Gravifloat LNG liquefaction plant and export terminal, with capacity to handle 2 to 3 million tonnes of LNG per year

TRANSFORMATION FOR GROWTH: THE JOURNEY CONTINUES

In line with Sembcorp Marine's 'Transformation for Growth', which began in 2013, we continue to consolidate, renew and refresh the Group's strategic direction towards sustainable growth. All business units in the Group have been reorganised into 'One Sembcorp Marine' since July 2015, enabling us to harness the combined scale and expertise of our global operations to become more flexible, innovative and responsive. With our pooled resources, we are achieving the vital synergies to take on projects of any scale and complexity and in any location.

Strategic acquisitions, consolidation and divestments

As the offshore oil, gas and energy industries continue to evolve, the Sembcorp Marine Group must keep its capacities, capabilities and business strategies abreast of the changes.

In 2016, we made several strategic acquisitions to better position Sembcorp Marine for the future. These included acquiring full ownership of **PPL Shipyard** by purchasing the remaining 15% stake in the yard. Over the years, PPL has helped propel the Group into a global player in the design and construction of jack-up and semi-submersible rigs. Having full control of PPL Shipyard will enable us to fully align its business management and corporate strategies with the Group for sustainable returns.

A few years ago, we identified the market potential for offering innovative solutions to the gas value chain. This was validated by the 2016 signing of COP21 in Paris. Gas, as a cleaner fuel, is expected to be increasingly used for power generation and bunkering, amongst other applications.

Since 2014, the Group's 12% equity investment in **Gravifloat AS** has enabled us to offer a suite of cost-effective, modularised and redeployable near-shore platform solutions for gas. These solutions include import and export terminal infrastructure for treatment, storage, liquefaction, re-gasification and offloading of LNG and LPG. In March 2016, we purchased an additional 44% equity in Gravifloat, giving Sembcorp Marine a 56% controlling interest in the company with the right to fully acquire Gravifloat on agreed terms in the future.

As a floating platform fully constructed at Sembcorp Marine yards, the Gravifloat system is well suited for near-shore LNG production. Each module is fixed to the seabed and can be joined with rigid and cryogenic connections. The Gravifloat modular system provides the flexibility to support efficient and low-hazard plant configuration.

In October 2016, Sembcorp Marine and Paris-based ENGIE signed a Memorandum of Understanding (MOU) to cooperate in the development and deployment of the Gravifloat technology for LNG-to-Power near-shore terminals, focusing

CHAIRMAN AND CEO'S REPORT

on small LNG power businesses with 10 MW to 300 MW capacities. We look forward to announcing future LNG projects through this collaboration.

The Group also acquired 50% equity in **Aragon AS**, a process design and engineering group providing customised solutions for the FPSO market. This will enhance our ability to develop effective solutions for the production segment of the oil and gas sector.

Another important acquisition is **LMG Marin AS**, a Norway-based company now fully owned by Sembcorp Marine, with expertise in naval architectural design, engineering and technology development. LMG Marin brings to the Group a cache of design patents and has more than 70 years of experience in designing drillships, offshore production and storage floaters, OSVs, LNG carriers, LNG-powered ships, car ferries and cruise ships.

Sembcorp Marine's strategic investment in Gravifloat, Aragon and LMG Marin will broaden and deepen the Group's proprietary design and engineering capabilities. These enhanced capabilities, in turn, support our ongoing strategy of diversifying into new product segments and providing innovative solutions across the offshore and marine value chain – both within and outside the oil and gas sector.

Finally, and as mentioned earlier, we have divested our 30% stake in Cosco Shipyard Group because this investment is no longer strategic to Sembcorp Marine's long-term growth.

Transforming expertise into new innovative solutions through R&D

In tandem with Sembcorp Marine's expanding capabilities, we are increasing our Research and Development (R&D) efforts in order to synergise and transform our collective expertise into new and proven innovative solutions.

The Group achieved several R&D milestones in 2016. Notably, the Semb-Eco LUV became the first IMO type-approved ballast water treatment system to be researched, developed, manufactured and factory-tested in Singapore. This environmentally-friendly system utilises ultra-violet technology for chemical-free treatment of ballast water and has the lowest power consumption among similar products in the market. The US Coast Guard is currently verifying the Semb-Eco LUV system for use in US waters.

In September 2016, Sembcorp Marine subsidiary Sembmarine SSP completed tank-testing of the SSP12000 Driller's wave basin, bringing this deepwater platform concept a critical step closer to commercialisation. Sembmarine SSP is now working alongside Sembcorp Marine Rigs & Floaters to complete the product's detailed design.

The opening of Sembcorp Marine Lab @ NTU in December 2016 capped our R&D highlights for the year. This marine research facility is an important collaboration with the Nanyang Technological University. It aims to develop eco-friendly technologies to help the offshore and marine industry meet increasingly stringent international fuel emission regulations. Sembcorp Marine Lab @ NTU is now studying engine retrofit alternatives that will enable ships to achieve lower emissions by consuming clean and renewable fuel, including biofuel and LNG. We are confident this research will bring to fruition cost-effective solutions for ships to fulfil the much stricter IMO fuel regulations applicable from 2020.

The environmentally-friendly, energy-efficient Semb-Eco LUV is the first IMO type-approved ballast water treatment system in Singapore

Sembcorp Marine President & CEO Wong Weng Sun (third from left) with Nanyang Technological University representatives at the official opening of the Sembcorp Marine Lab @ NTU in December 2016

CHAIRMAN AND CEO'S REPORT


Sembcorp Marine Tuas Boulevard Yard Phase II development was completed in January 2017

Tuas Boulevard Yard – a vital part of Sembcorp Marine's value proposition

The Phase II development of Sembcorp Marine Tuas Boulevard Yard was completed in January 2017, adding two new 150,000 dwt dry docks and a dedicated offshore dry-docking facility to the existing four docks in the Phase I development.

Along with an extensively automated steel structure fabrication facility – in operation since November 2015 – Tuas Boulevard Yard strengthens the Group's value proposition as a one-stop solutions provider offering optimal production efficiency, cost-effective execution and shorter project delivery times.

Tuas Boulevard Yard was a decisive factor that helped us secure the Heerema SSCV and Maersk Culzean FSO projects in 2015, against intense international competition. These projects are now being executed on schedule at the yard.

The Tuas Boulevard Yard investment was made during the up-cycle years, with most of the required capex already incurred. This facility is expected to meet our production needs for the next 50 years.

With the completion of the Tuas Boulevard Yard Phase II development and the additional operational efficiencies it will bring, we plan to return our Shipyard Road Yard and Tuas Road Yard to the Singapore Government in 2017.

Sustainability as the touchstone of survival and growth

The Group's sustainability goals focus on value creation for our customers, employees, contractors, suppliers, partners and other key stakeholders. Our efforts are centred on good corporate governance, upholding of health and safety standards, reduction of environmental impact, efficient resource utilisation as well as community care and engagement.

Customer satisfaction is key

Sembcorp Marine's strong delivery track record over the past 50 years has encouraged many satisfied customers to return to us for repair and upgrade work, new-build construction and other innovative turnkey solutions customised to their needs. Many of these customers have become our long-term partners.

We will continue to strengthen our ability to deliver the best and most competitive products and services, by continuously enhancing our expertise, knowledge and capabilities.

Human Resource

In the current down cycle, the Group has been carefully optimising our headcount according to business activity levels. We have taken various measures to achieve manpower cost-savings, including adjusting the number of subcontractors in our yards according to work volumes and reallocating excess headcount from yards focused on new-build rigs to yards undertaking non-drilling solutions. We have also allowed natural attrition of employees.

At our Estaleiro Jurong Aracruz (EJA) yard in Brazil, we have ensured that the manning level is commensurate with the yard's level of activities, which is significantly lower than our planned headcount numbers.

Our overall strategy is geared towards preserving long-term workforce sustainability. We seek to achieve this by maintaining and strengthening capabilities through training and selective talent recruitment, particularly in support of new business segments such as near-shore gas infrastructural solutions.

In 2016, the Group invested $6 million in training and development programmes. Our manpower strategy will allow Sembcorp Marine to continue improving; to develop and execute projects in a safe, efficient and effective manner; and to be well-positioned for the eventual market recovery.

Supporting the Community

Growing with the community has always been Sembcorp Marine's credo. Although market conditions were far from favourable in 2016, we continued to fulfil our corporate social responsibility (CSR) with the awareness that the community needed our support, especially in difficult times.

CHAIRMAN AND CEO'S REPORT

In total, we contributed 3,000 hours of employee time and an estimate of $2.95 million towards CSR initiatives last year.

The Green Wave Environmental Care Competition and School Book Assistance Grant (SchoolBAG) are two long-standing corporate events that showcase Sembcorp Marine's firm commitment to environmental sustainability and education.

Held yearly since 2003, the year-long Green Wave competition in 2015 attracted over 2,300 projects from 850 primary, secondary and tertiary-level students, culminating in an award presentation and exhibition of winning entries in February 2016. Demonstrating increasing maturity in sustainability knowledge with each successive competition, the participating students tackled environmental challenges ranging from water conservation and waste management, to the protection of various ecosystems. We are heartened by the strong impact of Green Wave in raising environmental consciousness among the young.

Since 2001, Sembcorp Marine has contributed a total of $3.8 million to needy students through the annual SchoolBAG event. In 2016 alone, the Group gave out $235,000 worth of bursaries to 1,154 students. We are constantly encouraged by the feedback received from school principals and teachers – that our contributions have made a big difference in helping young people focus on their studies, discover their passions and achieve their fullest potential.

Minister for the Environment and Water Resources Masagos Zulkifli bin Masagos Mohamad and Sembcorp Marine President & CEO Wong Weng Sun at the Green Wave Award Presentation Ceremony in February 2016

Sembcorp Marine's global yards and offices have also kept up their CSR efforts in 2016.

Among its community initiatives, Sembmarine SLP in Lowestoft, UK, donated £11,500 to nine local charities last year.

EJA in Brazil organised a Christmas celebration for children and youths from the Recanto Feliz Shelter. In early 2016, EJA employees also launched a donation drive, collecting and distributing some 500 articles of clothing to the poor.

Across diverse geographies and cultures, the caring and generous spirit of Sembcorp Marine employees unites the Group in doing good around the world. We are immensely proud of their efforts and contributions.

Minister for National Development and Second Minister for Finance Lawrence Wong presented bursary awards to 1,154 students at the SchoolBAG event in November 2016

EJA staff at the Recanto Feliz Shelter Christmas celebration in December 2016

CHAIRMAN AND CEO'S REPORT

OUTLOOK & PROSPECTS

Although upstream capex is projected to trend slightly upwards in 2017, the oil and gas sector will likely remain challenging in the short to medium term. The offshore drilling segment, for one, will continue to be weighed down by low rig utilisation rates and new-build supply overhang in the market.

In the longer term, we believe the growth prospects are positive for the offshore and marine industry, particularly in the non-drilling segment and the gas value chain.

A promising new business could develop from the new IMO Ballast Water Management Convention coming into effect on 8 September 2017. This regulation bodes well for our Repairs & Upgrades business as it will generate a significant demand for the installation of ballast water treatment systems on vessels and other related services over the next few years. The Ballast Water Management Convention will also create a global opportunity for our proprietary Semb-Eco LUV ballast water treatment system.

A rising global demand for gas as a clean fuel also augurs well for our broad-based LNG capabilities.

To meet the industry's present and future needs for cost-effective solutions, new yard facilities and capabilities are essential. In this regard, our flagship Tuas Boulevard Yard, with its automated steel fabrication facility, expansive dry docks and other integrated facilities, will enable us to take on a broader spectrum of offshore and marine projects. Our strategic acquisitions and R&D initiatives will also sharpen Sembcorp Marine's innovative edge and unlock new opportunities for the Group.

APPRECIATION

We thank the Board of Directors for their stewardship as well as our management team, employees, unions, government agency partners and subcontractor partners for their contributions and support last year.

We are especially grateful to Mr Tang Kin Fei, who will retire from his position as Sembcorp Industries Group President & CEO on 31 March 2017 and from the Sembcorp Marine Board on 18 April 2017. Mr Tang joined our Board in 2005 and has helped steer the Sembcorp Marine Group through many past challenges. His wealth of experience and sharp business acumen have been invaluable to us. We wish him an enjoyable retirement ahead.

Finally, we sincerely thank our valued shareholders for their continuous support, especially in the current downturn.

As we move forward, the Sembcorp Marine Group will focus on timely and effective execution of our current order book, as well as efficient cost and working capital management. We are confident of the longer term fundamentals of the offshore and marine industry. Bolstered by our strategic investments in new capabilities and facilities, we believe Sembcorp Marine is well-equipped to ride out the current down cycle and be solidly positioned for the upturn. We remain committed to generating acceptable risk-adjusted and sustainable returns for the Group and its shareholders.

TAN SRI MOHD HASSAN MARICAN
Chairman

WONG WENG SUN
President & CEO

22 February 2017

GROUP FINANCIAL REVIEW

TURNOVER

Group turnover for Sembcorp Marine declined 29% to $3.54 billion in 2016 from $4.97 billion in 2015, mainly attributable to the lower revenue recognition for rig building projects resulting from customers' delivery deferment requests and lower repair businesses. Turnover for offshore platforms projects was higher in 2016.

EARNINGS

Despite the increasingly challenging business conditions, the Group returned to profitability in 2016. Group operating profit was $225 million in 2016 as compared with the operating loss of $150 million in 2015. Group net profit increased to $79 million in 2016 mainly due to higher operating profit and share of lower losses from associates.

FINANCIAL POSITION

The Group's total assets of $9.41 billion in 2016 were 2.3% higher compared with $9.20 billion in 2015. The increase in property, plant and equipment was mainly due to expansion and operational capital expenditures for Phase II of Sembcorp Marine Tuas Boulevard Yard and Estaleiro Jurong Aracruz (Brazil). The increase was also due to acquisition of intellectual property rights of Gravifloat AS and LMG Marin AS in March 2016 and August 2016 respectively.

The Group's total liabilities of $6.81 billion in 2016 were 4.1% higher compared with $6.54 billion in 2015. The increase in interest-bearing borrowings was mainly due to borrowings for working capital and capital expenditures.

Total capital employed of $2.61 billion comprised shareholders' funds of $2.56 billion and non-controlling interests of $46 million.

CASH FLOW AND LIQUIDITY

The Group's total cash and cash equivalent stood at $1.22 billion as at 31 December 2016.

In 2016, the Group generated a positive $669 million of operating cash flow, compared with a negative $867 million in 2015. Such improvement was attributed to the successful deliveries of key projects and achievement of scheduled milestones for projects under execution.

The Group's net cash used in investing activities was $490 million in 2016. The Group spent $421 million on expansion and operational capital expenditures mainly for Phase II of Sembcorp Marine Tuas Boulevard Yard and Estaleiro Jurong Aracruz (Brazil); and $70 million on acquisition of subsidiaries and joint venture.

Net cash generated from financing activities was $534 million in 2016 which relates mainly to net proceeds from borrowings, offset by acquisition of non-controlling interests and dividends paid.

SHAREHOLDER RETURNS

The Group recorded a return on equity of 3% in 2016.

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 1.0 cent per share. Together with the interim one-tier tax exempt dividend of 1.5 cents per share, total dividend for the financial year ended 31 December 2016 would be 2.5 cents per share.

GROUP FINANCIAL REVIEW

GROUP FINANCIAL HIGHLIGHTS

	2016 $'000	2015 $'000	Change (%)
Group Income Statement			
Turnover	3,544,816	4,968,132	-29%
Profit / (Loss)			
Earnings before interest, tax, depreciation and amortisation (EBITDA)	384,251	(18,253)	n.m.
Operating profit / (loss)	225,306	(149,991)	n.m.
Profit / (Loss) before tax	90,520	(377,603)	n.m.
Net profit / (loss)	78,777	(289,672)	n.m.
Group Balance Sheet			
Total assets	9,414,833	9,201,122	2%
Total liabilities	6,807,212	6,536,843	4%
Net tangible assets	2,359,864	2,464,598	-4%
Equity attributable to owners of the Company	2,561,989	2,511,205	2%
Non-controlling interests	45,632	153,074	-70%
Total equity	2,607,621	2,664,279	-2%
Cash and cash equivalents	1,216,971	629,305	93%
Interest-bearing borrowings	4,154,975	3,380,175	23%
Net debt	2,938,004	2,750,870	7%
Economic Value Added (EVA)			
Net operating profit / (loss) after tax (NOPAT)	174,822	(396,628)	n.m.
Capital charge	498,931	412,172	21%
EVA	(324,109)	(808,800)	-60%
EVA attributable to owners of the Company	(302,651)	(782,401)	-61%
Financial Ratios			
Earnings per share (EPS)			
Basic (cents)	3.77	(13.87)	n.m.
Diluted (cents)	3.77	(13.87)	n.m.
Dividend per share			
One-tier tax-exempt (cents)	2.50	6.00	-58%
Net asset value per share (cents)	122.62	120.24	2%
Net tangible asset per share (cents)	112.95	118.00	-4%
Return on turnover (%)	2.22	(5.83)	n.m.
Return on total assets (%)	1.76	(2.90)	n.m.
Return on equity (%)	3.11	(10.58)	n.m.

n.m. - not meaningful

GROUP FINANCIAL REVIEW

GROUP QUARTERLY PERFORMANCE

	2016				
$'000	1Q	2Q	3Q	4Q	Total
Turnover	918,432	908,485	888,003	829,896	3,544,816
Operating profit	71,734	53,560	32,931	67,081	225,306
Earnings before interest, tax, depreciation and amortisation (EBITDA)	106,445	89,189	68,371	120,246	384,251
Profit / (Loss) before tax	68,294	19,244	(18,288)	21,270	90,520
Net profit / (loss)	54,826	11,452	(21,793)	34,292	78,777
Earnings per share (cents)					
Year-to-date	2.63	3.17	2.13	3.77	
In-quarter	2.63	0.55	(1.04)	1.64	

	2015				
$'000	1Q	2Q	3Q	4Q	Total
Turnover	1,303,687	1,207,566	1,129,877	1,327,002	4,968,132
Operating profit / (loss)	138,232	147,038	74,750	(510,011)	(149,991)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	169,049	178,420	106,648	(472,370)	(18,253)
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)	

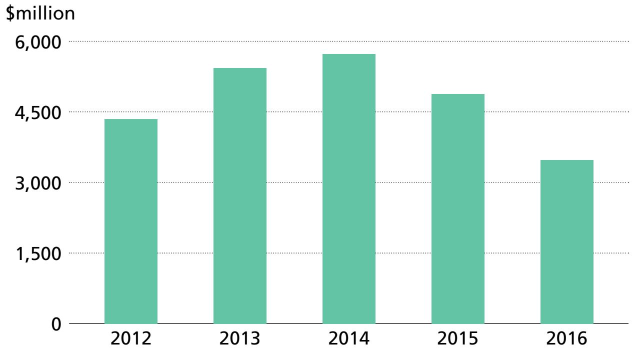
GROUP FINANCIAL REVIEW

GROUP FIVE-YEAR FINANCIAL SUMMARY

	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000
For the Year					
Turnover	4,430,123	5,525,882	5,832,595	4,968,132	3,544,816
Operating profit / (loss)	554,218	644,257	707,025	(149,991)	225,306
Profit / (Loss) before tax	617,378	660,537	707,004	(377,603)	90,520
Net profit / (loss)	538,453	555,747	560,128	(289,672)	78,777
Dividend - Interim	104,382	104,464	104,459	83,563	31,345
Dividend - Final	125,347	125,359	167,102	41,795	20,893
Dividend - Final Special	41,782	41,787	-	-	-
Dividend - Total	271,511	271,610	271,561	125,358	52,238
At Year End					
Property, plant and equipment	1,476,206	2,394,167	3,008,909	3,540,555	3,986,667
Associates and joint ventures	417,329	445,743	470,277	312,056	74,816
Other financial assets	154,332	107,166	90,443	107,263	67,783
Other non-current assets	97,715	81,931	101,673	124,212	267,262
Current assets	3,640,875	4,221,093	4,567,118	5,117,036	5,018,305
Current liabilities	(2,718,214)	(3,530,406)	(3,448,597)	(3,897,046)	(3,748,282)
Non-current liabilities	(521,218)	(910,182)	(1,657,796)	(2,639,797)	(3,058,930)
	2,547,025	2,809,512	3,132,027	2,664,279	2,607,621
Share capital	480,086	484,288	484,288	484,288	484,288
Capital, foreign currency translation and other reserves	(26,335)	(76,179)	(76,625)	9,770	54,905
Revenue reserve	1,984,773	2,268,927	2,557,455	2,017,147	2,022,796
Non-controlling interests	108,501	132,476	166,909	153,074	45,632
	2,547,025	2,809,512	3,132,027	2,664,279	2,607,621
Per Share					
EPS - basic (cents)	25.81	26.61	26.83	(13.87)	3.77
EPS - diluted (cents)	25.80	26.59	26.82	(13.87)	3.77
Net tangible assets (cents)	115.19	126.76	139.40	118.00	112.95
Net asset value (cents)	116.80	128.21	141.92	120.24	122.62
Financial Ratios					
Return on equity (%)	22.19	21.73	19.86	(10.58)	3.11
Return on total assets (%)	9.94	9.15	8.00	(2.90)	1.76
Operating profit (loss) / equity (%)	22.84	25.19	25.06	(5.48)	8.88
Current ratio (times)	1.34	1.20	1.32	1.31	1.34
Net gearing (times)	Net cash	Net cash	0.21	1.03	1.13
Dividend cover (times)	1.98	2.05	2.06	n.a.	1.51

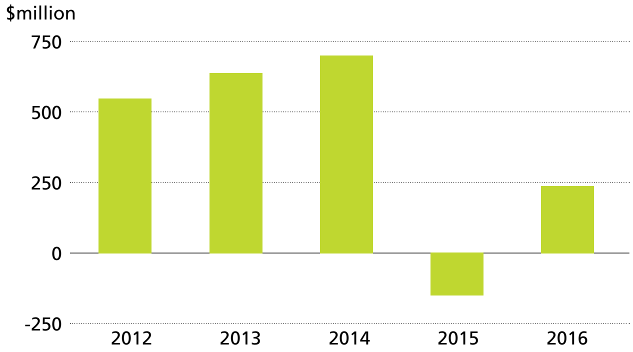
GROUP FINANCIAL REVIEW

Turnover



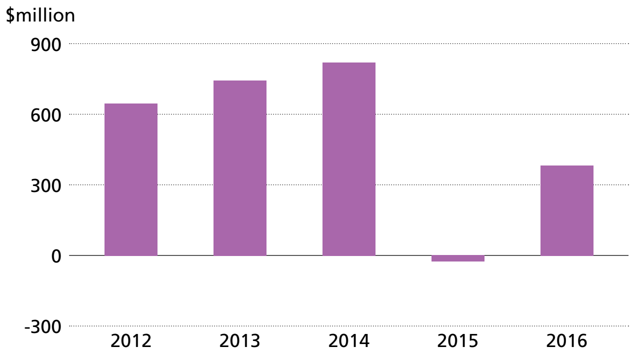
	2012	2013	2014	2015	2016
Turnover	4,430	5,526	5,833	4,968	3,545

Operating Profit



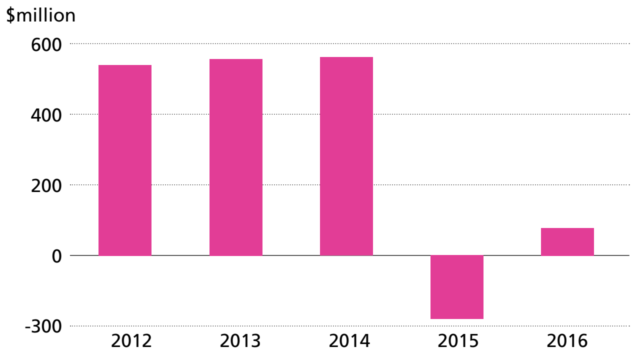
	2012	2013	2014	2015	2016
Operating profit / (loss)	554	644	707	(150)	225

EBITDA



	2012	2013	2014	2015	2016
EBITDA	648	745	822	(18)	384

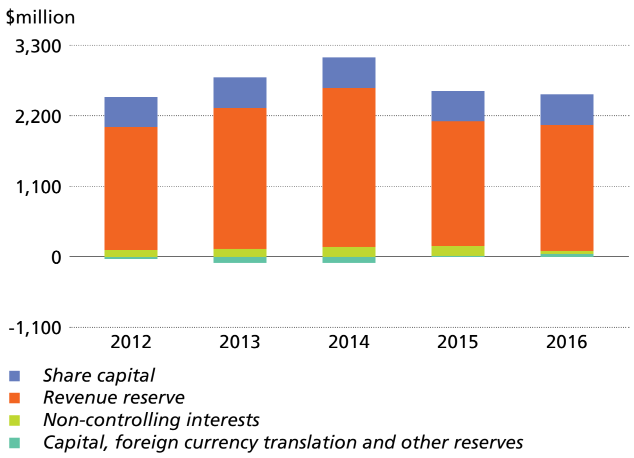
Net Profit



	2012	2013	2014	2015	2016
Net profit / (loss)	538	556	560	(290)	79

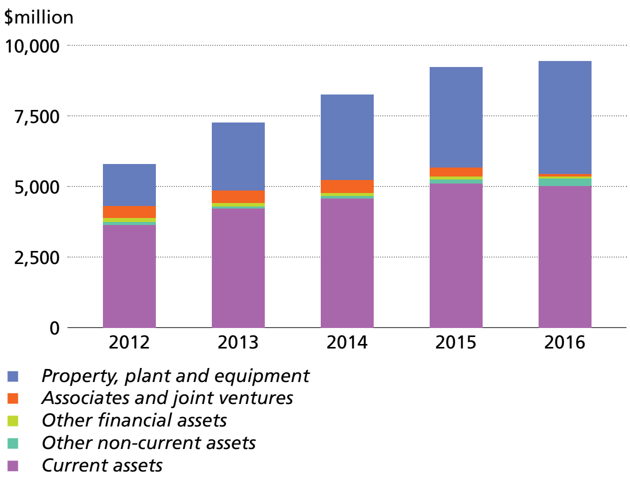
GROUP FINANCIAL REVIEW

Total Equity



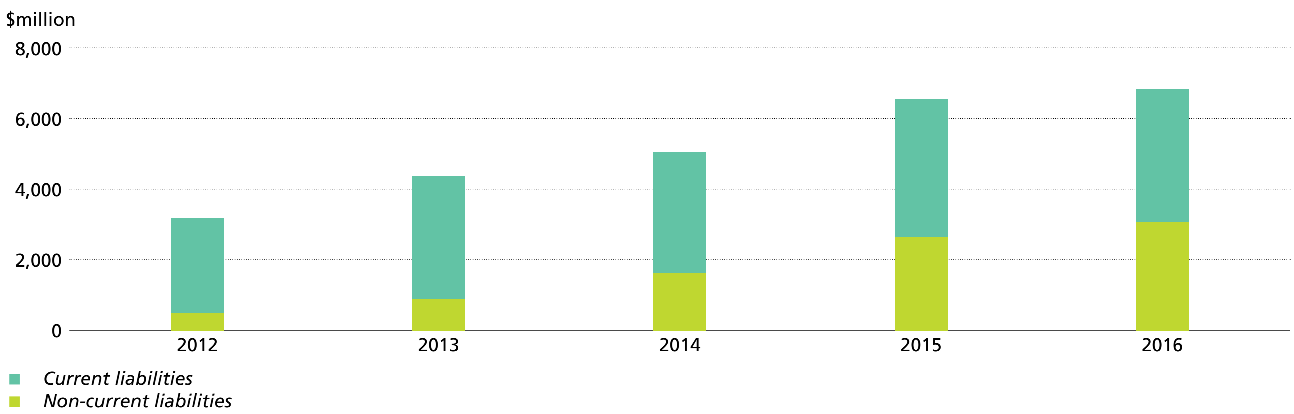
	2012	2013	2014	2015	2016
Share capital	480	484	484	484	484
Capital, foreign currency translation and other reserves	(26)	(76)	(77)	10	55
Revenue reserve	1,985	2,269	2,557	2,017	2,023
Non-controlling interests	109	132	167	153	46
Total	**2,547**	**2,810**	**3,132**	**2,664**	**2,608**

Assets



	2012	2013	2014	2015	2016
Property, plant and equipment	1,476	2,394	3,009	3,541	3,987
Associates and joint ventures	417	446	470	312	75
Other financial assets	154	107	90	107	68
Other non-current assets	98	82	102	124	267
Current assets	3,641	4,221	4,567	5,117	5,018
Total	**5,786**	**7,250**	**8,238**	**9,201**	**9,415**

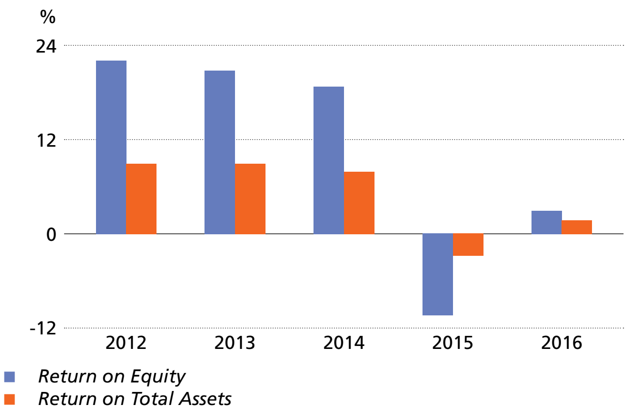
Liabilities



	2012	2013	2014	2015	2016
Current liabilities	2,718	3,530	3,449	3,897	3,748
Non-current liabilities	521	910	1,658	2,640	3,059
Total	**3,239**	**4,441**	**5,106**	**6,537**	**6,807**

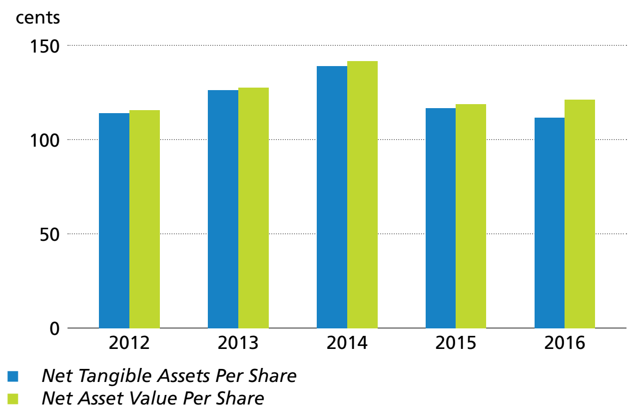
GROUP FINANCIAL REVIEW

Return on Equity and Return on Total Assets



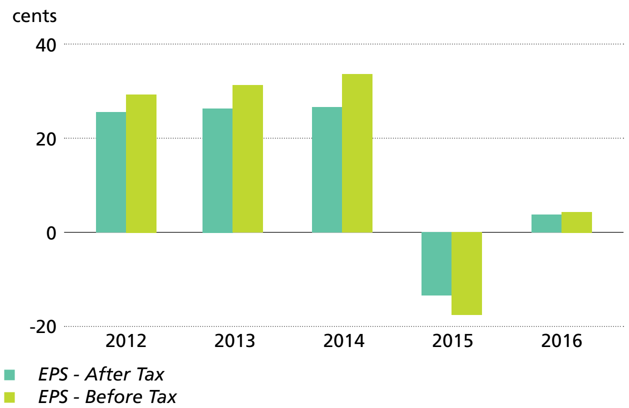
	2012	2013	2014	2015	2016
Return on Equity	22.2	21.7	19.9	(10.6)	3.1
Return on Total Assets	9.9	9.2	8.0	(2.9)	1.8

Net Tangible Assets and Net Asset Value Per Share



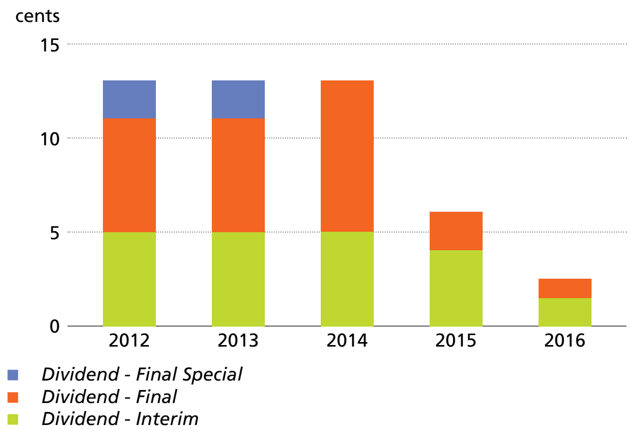
	2012	2013	2014	2015	2016
Net Tangible Assets Per Share	115	127	139	118	113
Net Asset Value Per Share	117	128	142	120	123

Earnings Per Share



	2012	2013	2014	2015	2016
EPS - After Tax	25.8	26.6	26.8	(13.9)	3.8
EPS - Before Tax	29.6	31.6	33.9	(18.1)	4.3

Dividend Per Share



	2012	2013	2014	2015	2016
Dividend - Interim	5.0	5.0	5.0	4.0	1.5
Dividend - Final	6.0	6.0	8.0	2.0	1.0
Dividend - Final Special	2.0	2.0	-	-	-
Total	**13.0**	**13.0**	**13.0**	**6.0**	**2.5**

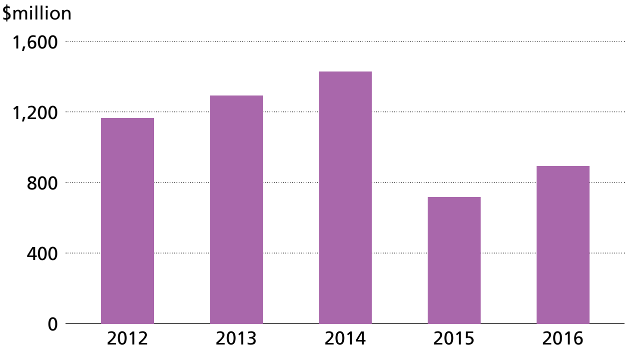
GROUP FINANCIAL REVIEW

VALUE ADDED STATEMENT

	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000
Value added from:					
Turnover	4,430,123	5,525,882	5,832,595	4,968,132	3,544,816
Less: Bought in materials and services	(3,264,571)	(4,231,874)	(4,402,863)	(4,251,510)	(2,650,304)
Gross value added	1,165,552	1,294,008	1,429,732	716,622	894,512
Investment, interest and other income	20,316	81,650	12,371	7,368	38,754
Share of results of associates and joint ventures, net of tax	44,001	11,166	9,859	(173,499)	(35,134)
Non-operating (expenses) / income, net	(2,439)	2,758	177	(18,708)	(18,923)
	1,227,430	**1,389,582**	**1,452,139**	**531,783**	**879,209**
Distribution					
To employees in wages, salaries and benefits	486,270	585,859	556,436	527,159	490,211
To government in income and other taxes	37,221	102,430	144,959	74,057	58,723
To providers of capital in:					
Interest on borrowings	3,262	8,072	20,960	46,775	88,651
Dividends to owners of the Company	522,036	271,593	271,600	250,636	73,128
Retained in business					
Depreciation, amortisation and R&D expenses	94,020	100,607	115,142	131,760	159,128
Deferred tax expense / (credit)	38,021	3,807	12,449	(102,282)	1,683
Revenue reserve	16,417	284,154	288,528	(540,308)	5,649
Non-controlling interests	28,985	32,513	41,147	(10,294)	(3,617)
Other expenses	1,198	547	918	154,280	5,653
Total distribution	**1,227,430**	**1,389,582**	**1,452,139**	**531,783**	**879,209**
Productivity data					
Average staff strength	10,395	12,313	12,938	14,106	13,222
Employment costs	486,270	585,859	556,436	527,159	490,211
Value added ($'000)	1,165,552	1,294,008	1,429,732	716,622	894,512
Value added per employee ($'000)	112	105	111	51	68
Value added per dollar employment costs ($)	2.40	2.21	2.57	1.36	1.82
Value added per dollar investment in property, plant and equipment ($)	0.79	0.54	0.48	0.20	0.22
Value added per dollar turnover ($)	0.26	0.23	0.25	0.14	0.25

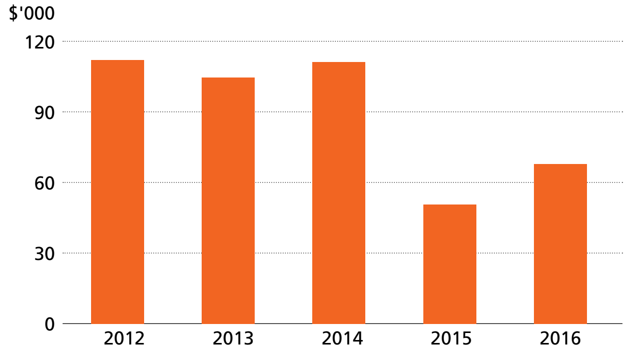
GROUP FINANCIAL REVIEW

Gross Value Added



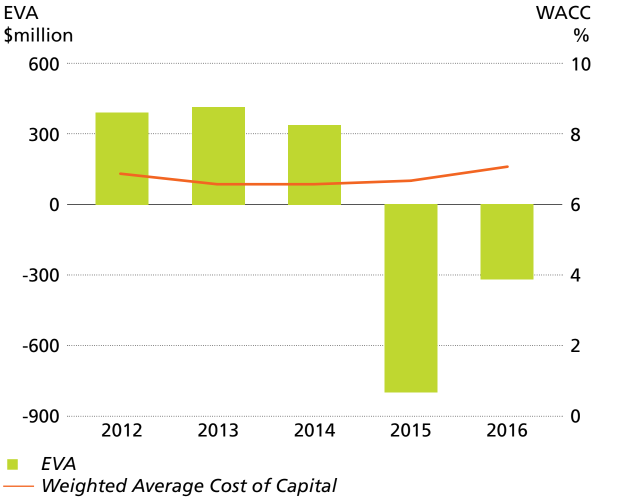
	2012	2013	2014	2015	2016
Gross Value Added	1,166	1,294	1,430	717	895

Value Added Per Employee



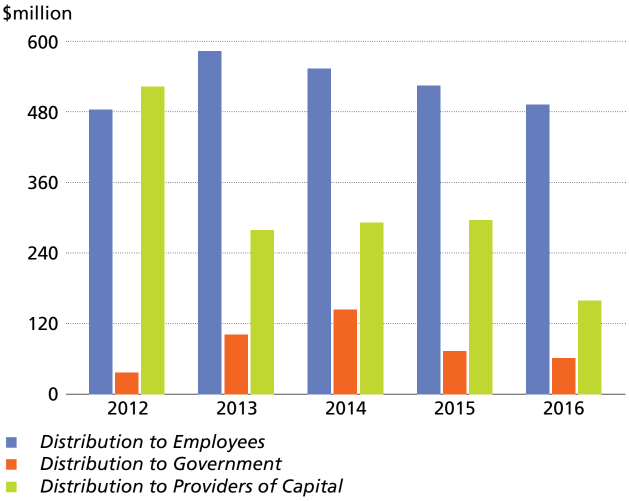
	2012	2013	2014	2015	2016
Value Added Per Employee	112	105	111	51	68

Economic Value Added (EVA)



	2012	2013	2014	2015	2016
EVA	384	406	331	(809)	(324)
Weighted Average Cost of Capital	6.9	6.6	6.6	6.7	7.1

Distribution of Value Added



	2012	2013	2014	2015	2016
Distribution to Employees	486	586	556	527	490
Distribution to Government	37	102	145	74	59
Distribution to Providers of Capital	525	280	293	297	162

GROUP FINANCIAL REVIEW

ECONOMIC VALUE ADDED STATEMENT

	2016 $'000	2015 $'000
Net operating profit / (loss) before tax	**125,654**	**(204,104)**
Adjusted for:		
Share of associates' and joint ventures' results	(41,748)	(170,881)
Interest expense	95,989	52,911
Others	18,308	(38,296)
Adjusted profit / (loss) before interest and tax	**198,203**	**(360,370)**
Cash operating taxes (Note 1)	(23,381)	(36,258)
Net operating profit / (loss) after tax (NOPAT)	**174,822**	**(396,628)**
Average capital employed (Note 2)	7,027,199	6,151,819
Weighted average cost of capital (Note 3)	7.1%	6.7%
Capital charge	**498,931**	**412,172**
Economic value added (EVA)	**(324,109)**	**(808,800)**
Non-controlling share of EVA	21,458	26,399
EVA attributable to owners of the Company	**(302,651)**	**(782,401)**

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/impaired and present value of operating leases.

Note 3:
The weighted average cost of capital is calculated in accordance with Sembcorp Marine Ltd Group EVA Policy as follows:
i) Cost of equity using Capital Asset Pricing Model with market risk premium at 5.0% (2015: 5.0%);
ii) Risk-free rate of 2.28% (2015: 2.26%) based on yield-to-maturity of Singapore Government 10-year Bonds;
iii) Ungeared beta 0.9 (2015: 0.9) based on Sembcorp Marine risk categorisation; and
iv) Cost of debt rate at 3.45% (2015: 2.65%).

ADAPT · PREPARE · FOCUS

SEMBCORP MARINE **PREPARES** FOR FUTURE GROWTH BY COMMITTING TO R&D AS A KEY STRATEGY FOR SHARPENING ITS **INNOVATIVE EDGE.**

THE SEMBCORP MARINE LAB @ NTU AIMS TO DEVELOP ECO-FRIENDLY TECHNOLOGIES TO HELP THE OFFSHORE AND MARINE INDUSTRY MEET INCREASINGLY STRINGENT FUEL EMISSION REGULATIONS.

THE ENVIRONMENTALLY-FRIENDLY, ENERGY-EFFICIENT SEMB-ECO LUV IS THE FIRST BALLAST WATER TREATMENT SYSTEM IN SINGAPORE TO RECEIVE IMO TYPE-APPROVAL.

OPERATIONS REVIEW

Group revenue totalled $3.54 billion for 2016, compared with $4.97 billion previously. Offshore Platforms reported robust revenue growth despite lower revenue from Rigs & Floaters and Repairs & Upgrades.

Still, Rigs & Floaters continued to account for the largest share of Group revenue at 53%, followed by Offshore Platforms at 32% and Repairs & Upgrades at 13%.

In 2015, the net loss of $290 million was largely due to $609 million in impairment and provisions for rigs, of which $329 million were for Sete Brasil drillship projects and $280 million for other drilling rig projects. Another $192 million was recorded for the Group's share of losses from associates and joint ventures.

Turnover for Rigs & Floaters was $1.89 billion for 2016, a 43% decline from the $3.32 billion booked in the previous year due to lower revenue from drillships and other rigs. This was largely the result of continued customer delivery deferment requests for the Group's rigbuilding projects.

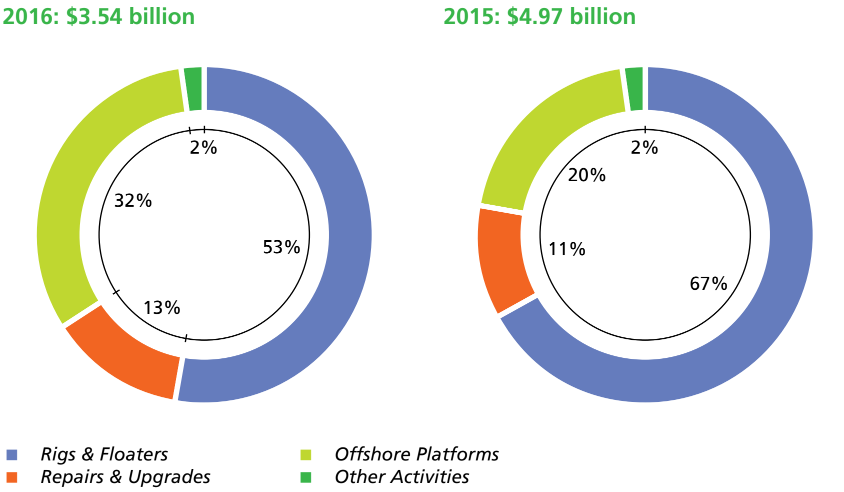
Despite the revenue decline, overall deliveries from the segment remained robust and included two jack-up rigs, one accommodation semi-submersible and a Floating Production, Storage and Offloading (FPSO) vessel conversion during the year.

Offshore Platforms revenue increased 10% year-on-year to $1.12 billion in 2016 from $1.02 billion in 2015 on higher recognition of offshore platform projects.

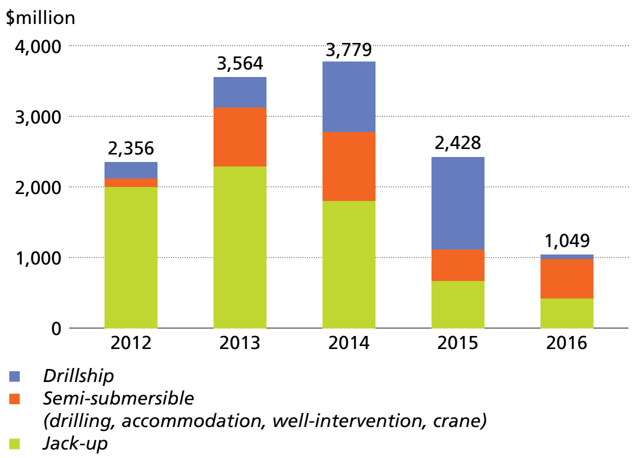
During the year, Offshore Platforms delivered the Ivar Aasen offshore platform project, comprising the engineering, procurement and construction of process, drilling and quarters platform topsides to Det norske oljeselskap for operations in the Ivar Aasen field in the North Sea.

SEMBCORP MARINE ACHIEVED AN EARNINGS TURNAROUND IN 2016 WITH NET PROFITS OF $79 MILLION, COMPARED WITH NET LOSS OF $290 MILLION IN 2015.

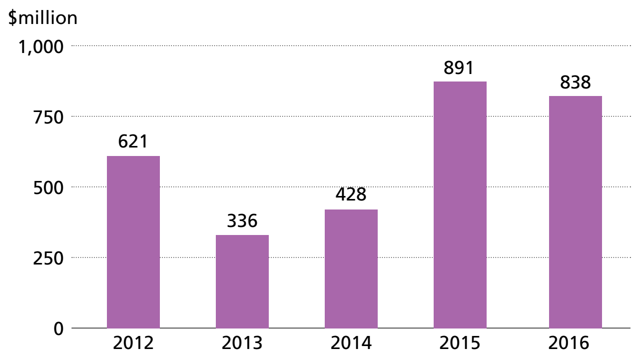
Turnover Contribution By Segments



Revenue - Rigs

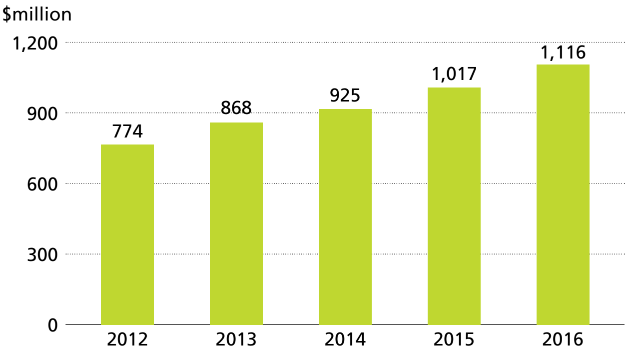


Revenue - Floaters

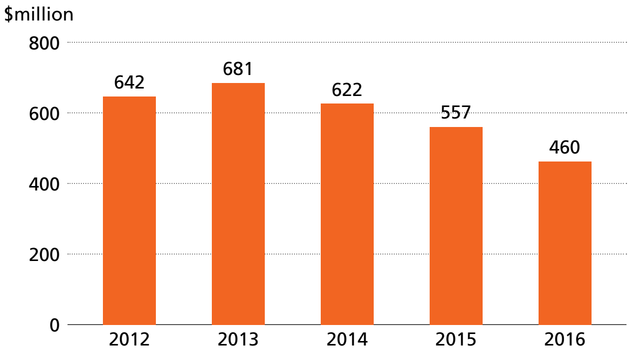


OPERATIONS REVIEW

Revenue - Offshore Platforms



Revenue - Repairs & Upgrades



Completion of Ivar Aasen process, drilling and quarters platform project

Successful conversion of FPSO Prof. John Evans Atta Mills

Delivery of modules for the Yamal LNG Project

Offshore substation platform deployed for the Dudgeon Offshore Wind Farm in the UK North Sea

OPERATIONS REVIEW

Sun Princess, a luxury cruise vessel from Favoured Customer Contract partner Princess Cruises

Containership and LNG carriers undergoing repair and overhaul work at the Sembcorp Marine Tuas Boulevard Yard

Repairs completed on cruise ship Celebrity Solstice

Other key deliveries include six LNG modules for the Wheatstone LNG project for Chevron, the offshore substation platform for the Dudgeon Offshore Wind Farm for Siemens and the Yamal LNG process modules for Yamgaz.

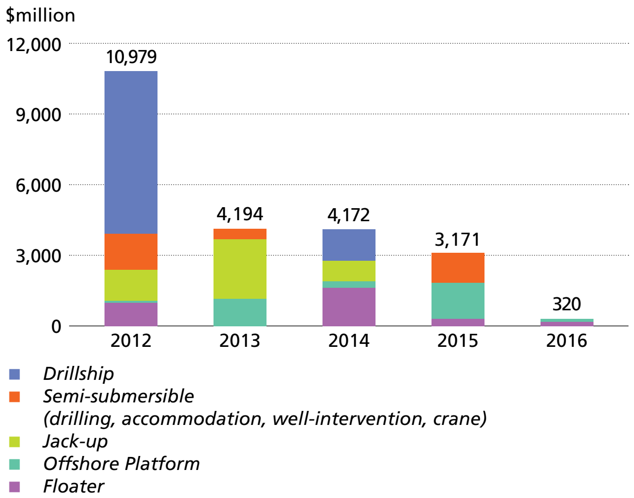
Despite an increase in the number of ships repaired, Repairs & Upgrades revenue declined 18% year-on-year from $557 million to $460 million due to lower average revenue per vessel. This reflects the ongoing tough competition in the segment.

During the year, the Group repaired a total of 469 vessels compared with 453 vessels in the previous year.

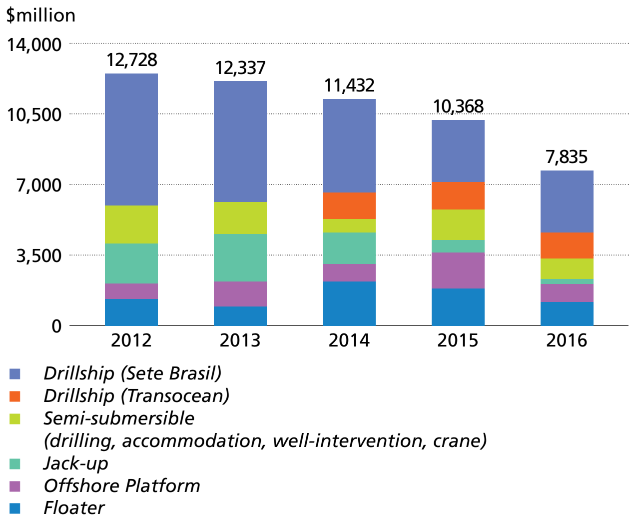
However, average revenue per vessel fell to $0.98 million for 2016 from $1.23 million in 2015 as vessel owners cut back on repair expenditure even as competition among the ship repair yards intensified. The Group continued to be the leading repair yard for LNG/LPG carriers as well as passenger ships.

OPERATIONS REVIEW

Contracts Secured In 2016 At $320 Million (Excluding Repairs)



Net Order Book By Product Type



Note:
2016 net order book is $4.7 billion excluding Sete Brasil drillship contracts valued at $3.1 billion.

WORKS IN PROGRESS

Sembcorp Marine continues to make good progress in the execution of its current order book. Key projects include:

- Engineering and construction of the world's largest semi-submersible crane vessel for Heerema Offshore Services;
- Design and construction of a new harsh-environment Floating Storage and Offloading (FSO) vessel for MODEC for deployment in the Culzean field in the UK North Sea;
- Engineering, procurement and construction of Maersk Oil's Central Processing Facility, Wellhead Platform, and Utilities & Living Quarters Platform topsides for harsh-environment operation in the Culzean field in the UK North Sea;
- Conversion of FPSO Pioneiro de Libra for offshore Brazil deployment;
- Conversion of FPSO Kaombo Norte and FPSO Kaombo Sul for Angola operations; and
- Conversion of FSO Gina Krog for North Sea operations.

At Sembcorp Marine's overseas yards, ongoing projects include:

- Topside modules construction and integration for the Petrobras P-68 and P-71 FPSOs at Estaleiro Jurong Aracruz in Brazil;
- Construction of a power generation module and other infrastructure as part of the EPC project with Maersk Oil at Sembmarine SLP yard in the UK; and
- LNG-related modules work at the Group's Indonesian yards.

Sembcorp Marine continues to see a constant flow of vessels coming through the yards for repairs and upgrades with the support of the Group's alliance and long-term partners, especially for LNG carriers and cruise ships.

The International Maritime Organization (IMO) recently announced that the Ballast Water Management Convention will come into effect in September 2017. This augurs well for the repairs and upgrades business and the Group is optimistic that demand for the installation of ballast water treatment systems in vessels and other related services will grow over the next few years.

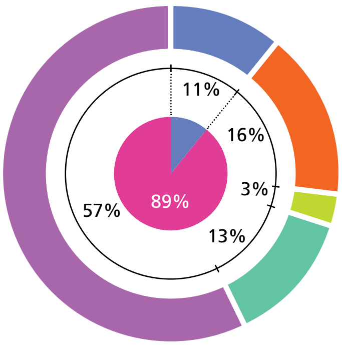
NET ORDER BOOK

Sembcorp Marine recorded a net order book of $7.84 billion, including $320 million in new contracts secured in 2016, with completion and deliveries stretching into 2020. This includes $4.4 billion of orders for drillships; $1.05 billion for non-drilling semi-submersible vessels mainly for well-intervention and crane semi-submersibles; $1.21 billion for floaters; $887 million for offshore platforms; and $260 million for jack-up rigs.

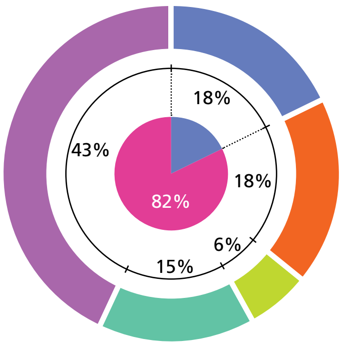
OPERATIONS REVIEW

Net Order Backlog by Division and Product Type

2016 - Total $7.84 billion



2015 - Total $10.37 billion



- *Offshore Platforms*
- *Rigs & Floaters*

- *Floater*
- *Jack-up*
- *Semi-submersible (drilling, accommodation, well-intervention, crane)*
- *Drillship*

Sembcorp Marine successfully delivered two high-specification jack-up rigs in 2016: the Noble Lloyd Noble (left) and Maersk Highlander (right)

BOARD OF DIRECTORS

TAN SRI MOHD HASSAN MARICAN, 65

Chairman
Date of appointment as Chairman: 22 April 2014
Non-Executive/Independent Director
Date of appointment as a director: 1 October 2011
Date of last re-election: 17 April 2015
Length of service as a director: 5 years 6 months
Chairman, Executive Committee
Chairman, Executive Resource & Compensation Committee
Member, Nominating Committee
Member, Special Committee

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

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

Present Directorships
Lambert Energy Advisory Limited
Lan Ting Holdings Pte Ltd
mh Marican Advisory Sdn Bhd
Pavilion Energy Pte Ltd
Pavilion Gas Pte Ltd
Regional Economic Development Authority (RECODA) Sarawak
Sarawak Energy Berhad
Sembcorp Industries Ltd
Singapore Power Limited

Past Directorships
ConocoPhillips

Principal Commitments
Senior International Advisor
Temasek International Advisors

BOARD OF DIRECTORS

MR WONG WENG SUN, 55

Executive/Non-Independent Director
Date of appointment as a director: 1 May 2009
Date of last re-election: 22 April 2014
Length of service as a director: 7 years 11 months
Member, Executive 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.

Present Directorships
Sembcorp Marine's Group of Companies

Past Directorships
Nil

Principal Commitments
Chairman
Singapore Maritime Institute's Board & Governing Council
Board Member
Maritime and Port Authority of Singapore.
Member
Workplace Safety and Health Council
Marine Sectoral Tripartite Committee
Industry Advisory Panel, School of Mechanical and Aerospace Engineering, Nanyang Technological University

MR AJAIB HARIDASS, 68

Non-Executive/Independent Director
Date of appointment as a director: 31 October 2003
Date of last re-election: 18 April 2016
Length of service as a director: 13 years 5 months
Chairman, Nominating Committee
Member, Executive Resource & Compensation Committee
Member, Special Committee

With 40 years of legal experience, Mr Haridass specialises in maritime law and deals with commercial and banking litigation. He is currently a consultant with Haridass Ho & Partners, a legal firm he founded in 1985.

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.

Present Directorships
Nam Cheong Limited
Sembcorp Industries Ltd

Past Directorships
Nil

Principal Commitments
Panel Member
Singapore International Arbitration Centre
Singapore Chamber of Maritime Arbitration
Kuala Lumpur Regional Centre for Arbitration
Accredited Mediator
Singapore Mediation Centre
Referee
Small Claims Tribunal of the State Courts of Singapore
Others
Commissioner for Oaths
Notary Public
Justice of the Peace

BOARD OF DIRECTORS

MR TANG KIN FEI, 66

Non-Executive/Non-Independent Director
Date of appointment as a director: 1 May 2005
Date of last re-election: 17 April 2015
Length of service as a director: 11 years 11 months
Member, Executive Committee
Member, Executive Resource & Compensation Committee
Member, Nominating Committee
Member, Special Committee

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

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

Present Directorships
Sembcorp Industries' Group of Companies

Past Directorships
Nil

Principal Commitments
Council Member
Singapore Chinese Chamber of Commerce & Industry
China-Singapore Business Councils
Board Member
Defence Science and Technology Agency of Singapore
Council Chairman
Ngee Ann Polytechnic
Vice Chairman and Trustee
Kwong Wai Shiu Hospital

MR RON FOO SIANG GUAN, 69

Non-Executive/Independent Director
Date of appointment as a director: 30 June 2006
Date of last re-election: 15 April 2015
Length of service as a director: 10 years 9 months
Chairman, Audit Committee
Member, Board Risk Committee

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

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

Present Directorships
Nil

Past Directorships
SIA Engineering Company Limited

Principal Commitments
Fellow
The Institute of Chartered Public Accountants, Singapore
Member
The Canadian Institute of Chartered Accountants

BOARD OF DIRECTORS

MR LIM AH DOO, 67

Non-Executive/Independent Director
Date of appointment as a director: 7 November 2008
Date of last re-election: 18 April 2016
Length of service as a director: 8 years 5 months
Chairman, Board Risk Committee
Chairman, Special Committee
Member, Audit Committee

Mr Lim brings with him vast experience and wide knowledge as a former senior banker and corporate executive. During his 18-year distinguished banking career in Morgan Grenfell, he held several key positions including chairing Morgan Grenfell (Asia). He also chaired the Singapore Investment Banking Association in 1994.

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

Present Directorships
ARA-CWT Trust Management (Cache) Limited
GDS Holdings Limited
GP Industries Limited
Olam International Limited (Chairman)
Singapore Technologies Marine Ltd (Chairman)
Singapore Technologies Engineering Ltd
SM Investments Corporation
STT GDC Pte. Ltd.
U Mobile Sdn Bhd
Tata Communications Data Centers Private Limited

Past Directorships
Linc Energy Limited
Bracell Limited

Principal Commitments
Member
Ethics Sub-Committee, Public Accountants Oversight Committee, Singapore

MR KOH CHIAP KHIONG, 50

Non-Executive/Non-Independent Director
Date of appointment as a director: 6 May 2011
Date of last re-election: 22 April 2014
Length of service as a director: 5 years 11 months
Member, Audit Committee
Member, Board Risk Committee

Mr Koh is Group CFO of Sembcorp industries, with over 20 years' extensive expertise in financial reporting, tax, corporate finance, mergers and acquisitions, treasury, risk management and audit. He has more than a decade's experience in managing infrastructure businesses and a strong knowledge of the energy and water sectors. He rejoined Sembcorp Industries in 2008 after a three-year stint with Power Seraya as its CFO. Prior to that, he spent seven years in Sembcorp Industries 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.

Present Directorships
Sembcorp Industries' Group of Companies

Past Directorships
Nil

Principal Commitments
Nil

BOARD OF DIRECTORS

MR ERIC ANG TEIK LIM, 64

Non-Executive/Independent Director
Date of appointment as a director: 30 April 2013
Date of last re-election: 22 April 2014
Length of service as a director: 3 years 11 months
Member, Board Risk Committee
Member, Executive Resource & Compensation Committee
Member, Nominating Committee

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

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

Present Directorships
Changi Airport Group (Singapore) Pte Ltd
DBS Foundation Ltd
Raffles Medical Group Ltd
Surbana Jurong Private Limited
Hwang Capital (Malaysia) Bhd

Past Directorships
The Islamic Bank of Asia

Principal Commitments
Co-Chairman
SGX Listings Disciplinary Committee
Vice-Chairman
Community Chest

MRS GINA LEE-WAN, 60

Non-Executive/Independent Director
Date of appointment as a director: 20 April 2015
Date of last re-election: 18 April 2016
Length of service as a director: 1 year 11 months
Member, Board Risk Committee

Mrs Lee-Wan brings a wealth of experience in the area of Maritime law and is currently the co-head of Allen & Gledhill's Maritime & Aviation practice. Besides being awarded the Maritime Lawyer of the Year at the Lloyd's List Asia Awards 2013 and the PS21 Star Customer Award at the Excellence in Public Service Awards 2016, she is consistently ranked in the top tier of leading individuals in Shipping by Chambers Global, Chambers Asia-Pacific and The Legal 500 Asia Pacific.

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

Present Directorships
Edge Group Pte. Ltd.
Edge Insurance Brokers (Singapore) Pte. Ltd.
John Swire & Sons (S.E. Asia) Pte. Limited
Singapore Maritime Foundation
Tanglin Trust School Limited
Sea Asia Singapore Pte. Ltd.

Past Directorships
Nil

Principal Commitments
Governor
Tanglin Trust School
Member
General Committee of the Singapore Chamber of Maritime Arbitration
Council Member and Chairperson
Singapore Shipping Association's Legal and Insurance Committee
Committee Member
Singapore War Risks Mutual Class of Standard Asia

BOARD OF DIRECTORS

MR BOB TAN BENG HAI, 65

Non-Executive/Independent Director
Date of appointment as a director: 20 April 2015
Date of last re-election: 18 April 2016
Length of service as a director: 1 year 11 months
Member, Audit Committee
Member, Executive Committee

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

Present Directorships
Ascott Residence Trust Management Limited
Jurong Engineering Limited
Ong Teng Cheong Labour Leadership Institute
Singapore LNG Corporation Pte Ltd
Singapore Post Limited
Singex Holdings Pte Ltd
SMRT Corporation Ltd
SMRT Trains Ltd

Past Directorships
CapitaMalls Asia Ltd

Principal Commitments
Member
Board of Governors of the Institute of Technical Education
Board of Governors of the Singapore Manufacturing Federation
Inland Revenue Authority of Singapore
Council Member
NTUC Club Management Council

SENIOR MANAGEMENT

MR WONG WENG SUN

President & Chief Executive Officer

Please refer to page 43.

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 Workplace Safety and Health Council Marine Industries 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.

SENIOR MANAGEMENT

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.

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.

A veteran HR practitioner, Mr Chua is a member of the Workplace Safety and Health Council's Industry Capability Building Committee, Marine & Offshore Technology Advisory Committee, and Skills Council. He also serves as Vice President of the Association of Singapore Marine Industries (ASMI), chairing the ASMI Manpower Committee.

Mr Chua's past appointments included Director of Philips People Services at Philips Electronics (S) Pte Ltd and Director (Human Resources & 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 included 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).

SENIOR MANAGEMENT

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 30 years 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.

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; as well as jumboisation and dejumboisation works.

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

A veteran in the marine industry, Ms Wong 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 plays a key role in establishing long-term partnerships with offshore vessel and rig owners. He is 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.

SENIOR MANAGEMENT

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 and Marketing & Sales. He holds a Diploma in Mechanical Engineering from the Singapore Polytechnic.

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 (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 merger and acquisition projects.

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 the 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.

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

MR JOSEPH SEWI CHUAN EN
Head of Internal Audit

Mr Sewi reports to the 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 the Professional Practice of Internal Auditing (ISPPIA) set by the Institute of Internal Auditors.

A Member of the Institute of Chartered Accountants in Australia (ICAA) and Institute of Singapore Chartered Accountants (ISCA), Mr Sewi has over 18 years of experience in both external and internal auditing. His career stints with major public accounting firms and multinational corporations have provided him with opportunities to work on various challenging assignments and in many countries across Asia and Australasia.

Mr Sewi holds a Bachelor of Commerce in Accounting and Business Law from Curtin University, Perth, Australia.

SENIOR MANAGEMENT

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, offshore and marine sectors.

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, Australia.

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 sectors. 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 yards.

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

CORPORATE STRUCTURE

SINGAPORE COMPANIES

- 100% Sembcorp Marine Integrated Yard Pte. Ltd.
- 100% Sembcorp Marine Rigs & Floaters Pte. Ltd.
- 100% Sembcorp Marine Repairs & Upgrades Pte. Ltd.
- 100% Sembcorp Marine Offshore Platforms Pte. Ltd.
- 100% Sembcorp Marine Specialised Shipbuilding Pte. Ltd.
- 100% Jurong Shipyard Pte Ltd
- 100% PPL Shipyard Pte Ltd

OVERSEAS SHIPYARDS

- 100% Estaleiro Jurong Aracruz Ltda (Brazil)
- 100% PT Karimun Sembawang Shipyard (Indonesia)
- 100% Sembcorp-Sabine Industries Inc. (USA)
- 100% Sembmarine SLP Limited (United Kingdom)
- 90% PT SMOE Indonesia (Indonesia)
- 40% Sembmarine Kakinada Ltd. (India)

SUPPORTING COMPANIES

- 100% Jurong do Brasil Prestacao de Servicos Ltda (Brazil)
- 100% Sembcorp Marine Contractors Pte. Ltd.
- 100% Bulk Trade Pte Ltd
- 100% Jurong Marine Services Pte Ltd
- 100% Sembmarine SSP Inc. (USA)
- 100% LMG Marin AS (Norway)
- 100% JPL Industries Pte Ltd
- 56% Gravifloat AS (Norway)
- 50% Aragon AS (Norway)
- 35% Shenzhen Chiwan Offshore Petroleum Equipment Repair & Manufacture Co. Ltd (People's Republic of China)

RESEARCH & DEVELOPMENT

- 100% Sembcorp Marine Technology Pte Ltd
- 100% Baker Marine Pte Ltd
- 55% Semb-Eco R&D Pte. Ltd.

CORPORATE DIRECTORY

REGISTERED OFFICE

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

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

BOARD RISK COMMITTEE

Lim Ah Doo
Chairman

Ron Foo Siang Guan
Koh Chiap Khiong
Eric Ang Teik Lim
Gina Lee-Wan

EXECUTIVE COMMITTEE

Tan Sri Mohd Hassan Marican
Chairman

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

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

SPECIAL COMMITTEE

Lim Ah Doo
Chairman

Tan Sri Mohd Hassan Marican
Ajaib Haridass
Tang Kin Fei

JOINT COMPANY SECRETARIES

Tan Yah Sze
Chay Suet Yee

REGISTRAR

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

PRINCIPAL BANKERS

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

Audit Partner: Kenny Tan Choon Wah
(Appointed during the financial year ended 31 December 2013)

SHAREHOLDERS' INFORMATION

STATISTICS OF SHAREHOLDINGS AS AT 3 MARCH 2017

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	: 437,029
Number of shareholders	: 38,800
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 2017, approximately 38.40% 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	60.99	-	-	1,274,270,764	60.99
Temasek Holdings (Private) Limited ("Temasek")###	-	-	1,274,341,155	60.99	1,274,341,155	60.99

Top 20 Shareholders

Name	No. of Shares	% of Shares
Sembcorp Industries Ltd	1,274,270,764	60.99
DBS Nominees Pte Ltd	93,319,635	4.47
Citibank Noms S'pore Pte Ltd	74,134,259	3.55
DBSN Services Pte Ltd	69,656,560	3.33
United Overseas Bank Nominees	46,746,278	2.24
Raffles Nominees (Pte) Ltd	46,497,233	2.23
HSBC (Singapore) Noms Pte Ltd	19,490,492	0.93
OCBC Nominees Singapore	10,512,676	0.50
Tan Kwi Kin	10,293,210	0.49
OCBC Securities Private Ltd	5,508,551	0.26
Phillip Securities Pte Ltd	5,472,061	0.26
IMC Co., Ltd.	4,100,000	0.20
UOB Kay Hian Pte Ltd	3,920,000	0.19
Wong Weng Sun	3,559,534	0.17
Maybank Kim Eng Secs Pte Ltd	2,933,029	0.14
BNP Paribas Securities Svcs	2,904,781	0.14
DBS Vickers Secs (S) Pte Ltd	2,825,500	0.14
HL Bank Nominees (S) Pte Ltd	2,399,600	0.11
BNP Paribas Noms S'pore PL	2,261,664	0.11
DB Nominees (S) Pte Ltd	2,118,934	0.10
Total	**1,682,924,761**	**80.55**

Location of Shareholders

Location of Shareholders	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Singapore	37,695	97.15	2,068,947,447	99.02
Malaysia	708	1.82	7,482,935	0.36
Hong Kong	43	0.11	477,332	0.02
Japan	8	0.02	6,256,000	0.30
US	27	0.07	219,800	0.01
UK	25	0.06	308,100	0.01
Europe	11	0.03	55,600	0.00
Australia/ New Zealand	92	0.24	896,600	0.04
Others	191	0.49	4,679,264	0.22
Grand Total	**38,800**	**100.00**	**2,089,323,078**	**100.00**

Shareholding Distribution

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
1 - 99	101	0.26	3,360	0.00
100 - 1,000	5,297	13.65	4,787,188	0.23
1,001 - 10,000	25,631	66.06	119,802,767	5.73
10,001 - 1,000,000	7,744	19.96	270,475,505	12.95
1,000,001 and above	27	0.07	1,694,254,258	81.09
Grand Total	**38,800**	**100.00**	**2,089,323,078**	**100.00**

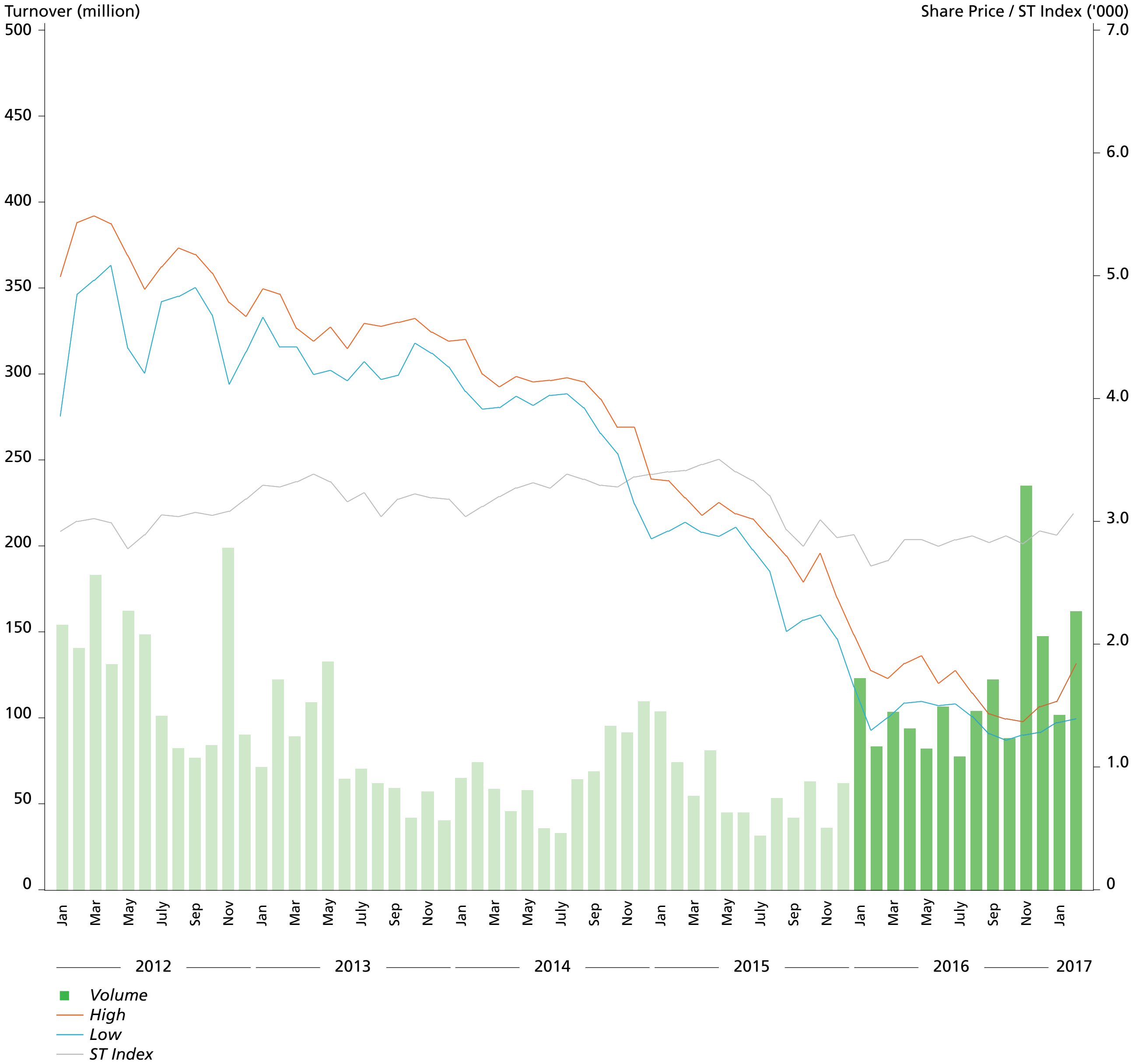
Note:
Total number of shares in issue is 2,089,760,107. Total number of shares in above computation is 2,089,323,078 based on total number of shares in issue and disregarding 437,029 shares held in treasury.

\# *Ordinary shares purchased and held as treasury shares by the Company will have no voting rights.*
\## *Based on 2,089,760,107 shares in issue (and disregarding 437,029 shares held in treasury) as at 3 March 2017.*
\### *Temasek is deemed to be interested in the 1,274,270,764 shares held by SCI and the 70,391 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 and Monthly Volumes

Investor Data	2012	2013	2014	2015	2016
Earnings Per Share (cents)	25.81	26.61	26.83	-13.87	3.77
Total Dividend Per Share (cents)	13	13	13	6	2.5
Share Price ($)					
High	5.28	4.87	4.45	3.32	1.90
Low	3.8	4.13	2.89	1.65	1.22
Close	4.6	4.45	3.26	1.75	1.38
Turnover					
Volume (million shares)	1,558	923	807	696	1,366
Value ($'million)	5,671	4,086	3,048	1,890	2,024
Net Tangible Assets Per Share (cents)	115.19	126.76	139.40	118.00	112.95



INVESTOR RELATIONS

SEMBCORP MARINE IS COMMITTED TO PROVIDING CAPITAL MARKET INVESTORS AND STAKEHOLDERS WITH TIMELY, ACCURATE AND BALANCED DISCLOSURES ACCORDING TO HIGH STANDARDS OF CORPORATE GOVERNANCE AND TRANSPARENCY, IN COMPLIANCE WITH EVOLVING REGULATORY REQUIREMENTS.

Insightful yard tours for institutional investors

As part of its proactive investor relations (IR) programme, the Group engages with the investment community via multiple channels to deepen their understanding of the company's strategy, performance and developments.

OPEN COMMUNICATION AND DYNAMIC ENGAGEMENT

The IR team and management leverage a range of communication platforms to keep the investment community up to date on the Group's growth strategy and business operations. These engagement channels provide investors with opportunities to interact with management and acquire insights to make informed investment decisions.

In 2016, the IR team and management stayed in touch with buy-side and sell-side analysts, fund managers and other members of the investment community through more than 200 teleconference calls and meetings, including one-on-one sessions, investor conferences and non-deal roadshows. The overseas investment community was actively engaged through more than 55 individual and group sessions as well as investor conferences in Asia, Europe and the United States.

The IR team additionally organises yard visits for investment analysts and fund managers from financial institutions which regularly publish investment reports and updates on the Group. These events were well attended and provided the participants with an in-depth understanding of Sembcorp Marine's business.

Sharing of company developments during yard visits

INVESTOR RELATIONS

Sembcorp Marine continues to value two-way communication with external stakeholders. These interactions provide management with insightful feedback for corporate strategic planning.

Research from buy- and sell-side analysts, views from fund managers, and news on industry trends continue to be channelled to the management and the Board to provide up-to-date information on market intelligence and investor sentiments.

At quarterly results reporting, statements from the President & CEO and presentation slides are now released along with the financial reports. These modes of communication enable management to share their views about developments within the industry and the macro-economic environment as well as the company's strategic direction.

Combined briefings are organised for analysts and media for the half-year and full-year results announcements, where stakeholders can interact with the Group's management. Post-results teleconferences, briefings, meetings and luncheons are also held.

Management interacting with the financial community

Sembcorp Marine drew a record attendance of over 700 shareholders at its 53rd Annual General Meeting (AGM) on 18 April 2016. Held for the first time at NTUC Centre, the large capacity venue saw a bigger turnout of shareholders compared to previous years. The AGM provided an interactive platform for stakeholders to share feedback and raise questions to the Board and management.

The Sembcorp Marine corporate website *www.sembmarine.com* is another key communication channel for real-time updates to shareholders and the investment community. The IR section has been further enhanced to include event highlights, stock information and analyst coverage, in addition to prompt uploads of SGX announcements, financial results and news releases.

As part of the Group's online communications, an email alert service is available to deliver news and announcements to investors in a timely manner. Investors who would like to connect with the IR department may write to *investor.relations@sembmarine.com.*

Briefing visitors on the advanced capabilities of Sembcorp Marine's new integrated steel structure fabrication facility

INVESTOR RELATIONS

Combined results briefings are held for analysts and media on a half-yearly basis

CORPORATE GOVERNANCE AND TRANSPARENCY

As a testament of Sembcorp Marine's commitment to corporate governance, the Group was ranked 18th among 631 companies in the 2016 Singapore Governance and Transparency Index (SGTI). The SGTI succeeded the Governance and Transparency Index (GTI™) in 2016. A leading index for assessing corporate governance practices of Singapore-listed companies, the SGTI is a collaboration between CPA Australia, NUS Business School's Centre for Governance, Institutions and Organisations (CGIO), and Singapore Institute of Directors (SID).

Shareholder Diversity

Sembcorp Marine had 38,800 registered shareholders as at 3 March 2017. This figure does not include holders of shares through nominees, investment funds and other share schemes. The shareholding consists of 60.99% shares held by Sembcorp Industries and approximately 38.40% by public shareholders which include institutional investors and retail shareholders.

Sembcorp Marine maintains a well-diversified shareholder base spanning the United States, Canada, Europe, the United Kingdom, Australia, Japan, Hong Kong, and Malaysia. This promotes a healthy spread of shareholders which translates to greater market liquidity and minimises concentration risk.

Share Performance

Amidst challenging industry conditions, persistently low oil prices and a difficult operating environment, Sembcorp Marine's shares averaged at a daily value of $8.03 million, ranging from $1.90 at its highest to about $1.22 at its lowest in 2016. The Group has a market capitalisation of $4.24 billion based on the closing share price of $2.03, on 3 March 2017.

Board and management responding to shareholders' queries during the 2016 AGM

INVESTOR RELATIONS

A record turnout at Sembcorp Marine's 53rd AGM, held for the first time at NTUC Auditorium

EVENT HIGHLIGHTS

1Q 2016	2Q 2016	3Q 2016	4Q 2016
• FY2015 Results Briefing for Analysts and Media • Post Results Investors' Lunch / Corporate Investors' Day • Participated in Nomura Non-deal Roadshow, Hong Kong	• 1Q 2016 Results Analysts Teleconference • Post Results Investors' Lunch / Corporate Investors' Day • 53rd Annual General Meeting 2016 • Participated in Nomura Investment Forum Asia 2016, Singapore • Participated in Bank of America Merrill Lynch 2016 Conference, USA • Site visit / yard tour organised for Credit Suisse Oil and Gas Conference	• 2Q and 1H 2016 Results Briefing for Analysts and Media • Post Results Investors' Lunch / Corporate Investors' Day • Participated in Macquarie ASEAN Conference 2016, Singapore • Participated in Deutsche Bank Non-deal Roadshow, UK and Europe	• 3Q and 9M 2016 Results Analysts Teleconference • Site visit / yard tour organised for Morgan Stanley Asia Energy field trip • Participated in HSBC 8th Annual Asia Investor Forum, USA • Participated in Morgan Stanley 15th Annual Asia Pacific Summit, Singapore • Participated in Credit Suisse Non-deal Roadshow, Hong Kong • Participated in Goldman Sachs 3rd Annual ASEAN IR Forum, Singapore

FINANCIAL CALENDAR

Announcement of Results and Dividends	2017	2016
Full year	February 22	February 15
Quarter 1	April 27*	April 27
Quarter 2	July 27*	July 28
Quarter 3	October 25*	October 25
Final Dividend Payment	May 12*	May 13
Delivery of Annual Report and Notice of Meeting	March 31	March 23
Annual General Meeting / Extraordinary General Meeting	April 18	April 18

** Updates will be posted on www.sembmarine.com*

ADAPT · PREPARE · FOCUS

WITH ITS GLOBAL NETWORK OF FACILITIES, SEMBCORP MARINE **FOCUSES** ON ACHIEVING VITAL SYNERGIES FOR SUSTAINABLE GROWTH.

PHASE II DEVELOPMENT OF THE GROUP'S FLAGSHIP TUAS BOULEVARD YARD WAS COMPLETED IN JANUARY 2017, ADDING THREE NEW DRY DOCKS TO THE EXISTING FOUR DOCKS IN PHASE I; INCLUDING ONE SPECIALLY FOR BUILDING AND REPAIRING OFFSHORE STRUCTURES.

TUAS BOULEVARD YARD STRENGTHENS THE GROUP'S VALUE PROPOSITION AS A **ONE-STOP SOLUTIONS PROVIDER** OFFERING OPTIMAL PRODUCTION EFFICIENCY, COST-EFFECTIVE EXECUTION AND SHORTER PROJECT DELIVERY TIMES.

PHASE II DEVELOPMENT WELCOMED ITS FIRST VESSEL ON 12 FEBRUARY 2017. THE BULK CARRIER NUEVA ESPERANZA (RIGHT), OWNED BY FAFALIOS SHIPPING S.A., WAS BROUGHT INTO DRY DOCK 5 FOR REPAIR AND RENEWAL WORKS.

APPROACH TO SUSTAINABILITY

SEMBCORP MARINE'S COMMITMENT TO SUSTAINABILITY IS REFLECTED IN ITS VISION, MISSION AND VALUES. BEYOND FOCUSING ON BUSINESS GOALS, THE GROUP ALSO EMBRACES SOCIAL RESPONSIBILITY AND STRIVES TO CREATE SUSTAINABLE VALUE FOR ITS STAKEHOLDERS, THE ENVIRONMENT AND THE COMMUNITY.

CORPORATE RESPONSIBILITY

Good corporate governance, environmental sustainability and social growth are integral to the Group's business strategy. Sustainability and social responsibility principles form the foundation of Sembcorp Marine's corporate values.

The Group's Code of Business Conduct and core values set guiding principles for management and employees with regard to ethical actions and professional behaviour.

In addition to guiding corporate governance activities, the Group's risk management also anticipates commercial opportunities and mitigates risks to preserve value over the long term. Strategic, operational and commercial risks are evaluated through a precautionary approach.

Sembcorp Marine's commitment to corporate governance is attested by the Group's 18th ranking among 631 Singapore-listed companies in the 2016 Singapore Governance and Transparency Index. The ranking study was jointly undertaken by CPA Australia, NUS Business School's Centre for Governance, Institutions and Organisations (CGIO), and Singapore Institute of Directors (SID).

Alongside the Group's policies, codes and risk management work, Sembcorp Marine is also a member of the Global Compact Network Singapore, a non-profit organisation that champions responsible business practices advocated by the United Nations Global Compact (UNGC) on human rights, labour, environment and anti-corruption.

In addition, the Group is a member of the World Ocean Council, an international non-profit organisation that advocates responsible stewardship of the seas and environmental sustainability.

SUSTAINABILITY COUNCIL

The Sembcorp Marine Sustainability Council is led by President & CEO Mr Wong Weng Sun. The Council's mandate is to drive value creation for the Group's stakeholders by integrating economic, social, governance and environmental standards and responsibilities into Sembcorp Marine's approach to business.

The objective of Sembcorp Marine's management approach is to mitigate or remediate negative impacts and enhance positive opportunities through the Group's policies and programmes.

Sustainability Management at Sembcorp Marine

SEMBCORP MARINE
SENIOR MANAGEMENT COMMITTEE

SUSTAINABILITY COUNCIL

Economic | *Governance* | *Environment* | *Social*

SECRETARIAT

SUSTAINABILITY WORKING GROUPS

Corporate Governance | *Economic* | *Environment* | *People* | *Safety & Health* | *Community Engagement*

ALL STAFF

APPROACH TO SUSTAINABILITY

The Council's cross-functional decision-making team is responsible for formulating corporate sustainability development strategies, frameworks, policies and mitigation actions.

Working teams which cut across the Group's operational units focus on implementing strategies and plans; monitoring and identifying emerging issues; and engaging different stakeholder groups.

MATERIALITY AND STAKEHOLDER ENGAGEMENT

The materiality principle is applied to define the content for the sustainability section of this Annual Report (referred to as the Sustainability Report). Inputs were drawn from work performed in 2015 which corroborated Sembcorp Marine's foundation set of material topics. This process aligns with the requirements of GRI Standard 102-46 on defining content and boundaries.

In line with GRI Standard 101 clause 1.3, the 2016 Sustainability Report covers topics that reflect Sembcorp Marine's significant economic, environmental, social and governance impacts, or other factors that substantively influence the assessments and decisions of stakeholders.

As part of Sembcorp Marine's materiality process, the Group reviewed comments and feedback from stakeholders on sustainability impacts and the Sembcorp Marine 2015 Sustainability Report content.

An internal strategy review and a sustainability workshop moderated by an external consultant were organised during the year. During these sessions, the Group reviewed its vision, mission and core values, strategic direction, sustainability impacts and material topics.

As a result, some 35 material topics were assessed and grouped into seven categories. In line with GRI Standard 102-44, no further significant topics or concerns were raised as a result of these interactions in 2016.

Benchmarking studies, research, global best practices and feedback from interviews with management, employees and customers contributed to the materiality review process. The Group also took into consideration other external feedback, including formal reviews from external consultants relating to enterprise risk management and sustainability as well as inputs from the investment community.

The materiality assessment process aligns with AccountAbility's five-part Materiality Test and is guided by the Global Reporting Initiative G4 framework and GRI's Sustainability Reporting Standards 2016. With reference to the requirements of GRI Standard 102-47, the resulting list of topics in the following section was ratified by the Sustainability Council.

Material Issues

CORPORATE GOVERNANCE

BUSINESS INTEGRITY Corporate Governance (pg 74); Risk Management (pg 95)

Business integrity through good corporate governance and sound risk management processes is vital to safeguarding the long-term interests of shareholders and the Group's assets. Upholding Sembcorp Marine's reputation as a well-governed and socially responsible company continually enables the Group to 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.

Approach:
Sembcorp Marine has comprehensive corporate governance procedures and systems in place to promote business integrity in line with its core values and Code of Business Conduct. This corporate governance framework covers the Group's Singapore and global operations and includes fraud risk management, anti-bribery and anti-corruption. The Board-level Committees monitor the Group's effectiveness through stringent internal and external audits, reviews and evaluations 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 by the Monetary Authority of Singapore in 2012. Sound decision-making processes are also in place across the organisation to ensure that decisions follow defined guidelines that take into account the hierarchy of considerations, risk management and potential impacts.

Material Impact:
Customers, Employees, Financial Community, Regulators

APPROACH TO SUSTAINABILITY

ECONOMIC

INNOVATION & SOLUTIONS DEVELOPMENT

Sustaining Competitiveness (pg 102)

Sembcorp Marine invests in innovation to develop sustainable and cost-competitive solutions that add value for stakeholders, generate new income streams and create opportunities for future growth. A key thrust 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, which helps 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 in researching, developing and collaborating on innovation and solutions development. Through in-house expertise and an extensive network of partners, the Group expands and accelerates the discovery and creation of emerging technologies and new opportunities. The Group works actively to initiate, evaluate and manage the development and deployment of new products, technologies, systems and processes. These range from identifying emerging technologies to designing, prototyping, test-bedding and commercialisation.

Material Impact:

Customers, Business Partners, Technology Partners, Financial Community, Regulators

CUSTOMER FOCUS

Sustaining Competitiveness (pg 111)

Growing a strong customer base, creating brand loyalty and building trust are vital to Sembcorp Marine’s profitability and growth. It is crucial to have a keen understanding of the market environment to develop products and solutions that fulfill the needs and requirements of customers. Sustainability impacts are taken into account during the conceptualisation and development of the Group’s products and solutions.

Approach:

Regular engagement via multiple platforms at different levels of operations and management enables Sembcorp Marine to build a varied approach to engaging customers. Customer retention and satisfaction levels are tracked as key indicators for economic performance and business resilience. Structured systems, such as a customer relationship management framework, ISO 9001-certified processes and audit systems, are employed to ensure effective collaboration, timely response to feedback, as well as high standards of quality, safety, environment and operational performance. These processes undergo regular reviews and are adapted by various yard facilities based on the nature of business, project timeline and type of customers.

Material Impact:

Customers, Employees, Business Partners, Financial Community

APPROACH TO SUSTAINABILITY

ENVIRONMENTAL

ENVIRONMENTAL SUSTAINABILITY

Environmental Sustainability (pg 114)

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

Approach:

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

The assessment includes climate change, waste and recycling, air quality, and resource consumption. Regular audits for compliance with local regulations and international standards are undertaken as part of ISO 9001 and ISO 14001 certification requirements. Reviewed annually, Sembcorp Marine's environmental policy and practices encompass all employees, contractors and customers.

Material Impact:

Customers, Employees, Business Partners, Community, Regulators

SOCIAL

HUMAN CAPITAL

Human Capital (pg 120)

Human capital is a key lever for Sembcorp Marine's growth and success. The management approach focuses on enhancing workforce competencies and capabilities, talent management and leadership development as well as employee engagement and well-being. Preparing the next generation of leaders as part of succession planning is important to Sembcorp Marine's growth and long-term competitiveness.

Approach:

Sembcorp Marine complies with the labour laws in its various countries of operation, including fair employment guidelines in accordance with the Ministry of Manpower Employment Act of Singapore, which is a member country of the International Labour Organization. Aligned with the principles advocated by the national Tripartite Alliance for Fair and 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 workforce development and retention; competencies building and skills enhancement; organisational development; as well as cultivation of a strong company culture and identity. The Group seeks to offer a compelling employment experience, competitive compensation and benefits, opportunities for personal and professional development, as well as an enriching environment that promotes merit-based progression.

The Group gears its people development systems towards business excellence to support the attainment of recognised accreditations; such as 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 gather employee feedback in order to achieve continuous improvement.

Material Impact:

Customers, Employees, Business Partners, Community, Regulators

APPROACH TO SUSTAINABILITY

TOTAL WORKPLACE SAFETY AND HEALTH	Total Workplace Safety and Health (pg 130)

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

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

Material Impact:
Customers, Employees, Business Partners, Community, Regulators

COMMUNITY ENGAGEMENT	Community Engagement (pg 135)

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 involvement', 'environmental care', 'arts and cultural promotion', 'sports, health and active lifestyle' and 'industry outreach'. The Group contributes to society through various activities that support capability development, education outreach, employment creation, community building and social improvement. Regular reviews are conducted to evaluate the scope of Sembcorp Marine's social outreach efforts and the effectiveness of its community initiatives.

Material Impact:
Customers, Employees, Business Partners, Community

STAKEHOLDERS

Sembcorp Marine employs a variety of ways to engage its stakeholders and act upon the feedback received. These stakeholder engagements contribute towards continuous improvement, strong accountability, informed decision-making and proactive management of sustainability risks and opportunities.

As part of the business transformation process, the Group reviewed inputs from management, employees, independent consultants, comparative studies in the sector and region as well as feedback from the investment community to identify and map stakeholders who influence, or are influenced by, Sembcorp Marine and its operations. The process additionally established the objective of engagement, channels of communication and methods to cultivate relationships that create mutual value and shared trust.

Most of Sembcorp Marine's stakeholders (see Stakeholder & Engagement Platforms table) are located worldwide. These include customers, media, fund managers, specialist vendors, technology partners, contractors, classification societies and regulatory bodies. In general, government ministries are local to the Group's countries of operation.

APPROACH TO SUSTAINABILITY

Stakeholder and Engagement Platforms

Stakeholders	Stakeholders' Expectations/Concerns	Activities in 2016	Engagement Platforms
Customers	• Ability to offer competitive and cost-efficient solutions which are safe and environmentally responsible • Flexibility to work together • Solutions to fulfill new international environmental expectations • Clear channels of bilateral communication • Compliance with customers' codes of conduct • Timely delivery within budget • Accurate and timely information	• Delivery of seven projects (please refer to page 37 for more details) • 469 vessels repaired • Secured two new Favoured Customer Contracts with MOL LNG Transport (Europe) Limited and Dampskibsselskabet NORDEN A/S • Development and marketing of green solutions for ballast water and exhaust gas management • Expansion of new products and solutions through equity acquisitions of Gravifloat, LMG Marin and Aragon • Safety recognition awards by: o Shell Shipping & Maritime o BOT Lease/Japan Drilling Company o Yamgaz • Active participation in tenders and introductory meetings • Mid- and post-project customer surveys to gather feedback • Participation in six exhibitions across USA, Greece, Germany, Brazil and Malaysia to meet customers and industry partners • Networking platforms organised for customers and other stakeholders in Singapore, Greece, Japan and USA	• Cross-function project kick-off meetings with customers • Daily, weekly, quarterly and annual project coordination meetings and customer engagement • Platforms to network and build relationships • HSSE programmes • Surveys • Tenders • Naming and delivery events for completed projects • Participation in exhibitions, conferences and networking events • Corporate website, email and newsletters • Social and community improvement programmes led by Sembcorp Marine • Joint QAQC, HSSE onsite checks and emergency-response drills with customers, contractors, vendors and stakeholders
Business Partners	• Compliance with: – Code of Business Conduct – HSSEQ policies and protocols – Terms and conditions of purchasing policies and agreements • Training support • Clear two-way communication channels • Opportunities for growth and collaboration	• Implementation of sustainability criteria for reviewing and qualifying vendors in the Approved Vendor List • Evaluation and declaration by vendors • 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 • HSSEQ training by Sembcorp Marine • Safety risk audits by Sembcorp Marine • 168 HSSE drills • Daily work briefings • bizSAFE certification • Ongoing tenders and projects	• 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 • Social and community improvement programmes • Joint HSSE emergency-response drills

APPROACH TO SUSTAINABILITY

Stakeholders	Stakeholders' Expectations/Concerns	Activities in 2016	Engagement Platforms
Employees	• Conducive workplace • Nurturing environment • Fair labour practices and compensation • Career growth/ personal development opportunities • Dynamic two-way communication platforms	• Provided 675,084 hours of training to develop and upgrade employees' skills and competencies • Invested $2.92 million in employee training and development programmes • Global Leadership Development Programme in collaboration with Singapore Management University • Training on anti-bribery policies and whistle-blowing channels • 620 long-service awards presented • Employee bonding and festive events • Conducted employee engagement surveys • Organised health programmes with medical institutes • Regular engagement with unions • Regular updates through intranet portals/emails/memos	• 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 and recognition awards • Long service awards • Social events including festive celebrations • Newsletters, posters and memos
Financial Community and Opinion Leaders	• Business resilience and financial performance • Timely information • Transparent, open and effective communication • Responsible management • Corporate governance and compliance	• Publicly available results reports, CEO speeches, press releases, annual reports via corporate website, SGX and emails • Annual General Meeting for shareholders • Bi-annual financial results briefings for analysts, bankers and media • Over 200 teleconferences, meetings and conferences • 55 overseas sessions with international financial community • Media engagement events • Communication channels accessible to all via website, email and telephone	• Results announcements and news releases • Regular reporting and communication platforms for shareholders • Briefings for analysts and media • Meetings, conference calls and site visits for analysts and fund managers • Roadshows and investor conferences • Corporate website and email • Ratings and rankings
Local Communities	• Promoting community care and welfare • Support for social and community causes • Active corporate citizenry	• Contributions of more than $2.95 million to community and industry causes, e.g. SchoolBAG grants of $235,000 • About 3,000 hours of community service and volunteer hours by employees • Various scholarships offered with 17 accepted by tertiary students • Academic awards and bursaries of $53,450 disbursed to children of employees • Annual Green Wave Environmental Care Competition: 279 project entries received from 930 students • Festive activities for the less privileged • Staff involvement in National Day celebrations • Website and publications	• Timely news releases • Multi-tiered financial assistance programmes • Corporate websites and email feedback channels • Educational programmes • Organisation of events • Sponsorship of events • Collaborations with educational institutions • Newsletters

APPROACH TO SUSTAINABILITY

Stakeholders	Stakeholders' Expectations/Concerns	Activities in 2016	Engagement Platforms
Government & Industry Partners	• Compliance with regulations • Collaborative efforts to share knowledge • Joint development and deployment of best practices • Joint management of resources and expertise	• Site visits and discussions with government representatives • Participation in local events to promote the industry and enhance strategic relations e.g. IE Singapore's Gas Roundtable • Opening of Sembcorp Marine Lab @ NTU • Commitment to A*STAR's Technology Centre for Offshore and Marine, Singapore • Continued research programmes • 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 • Active contribution to national associations such as ASMI, SMI and SMF	• Formal and informal dialogue sessions with government authorities and trade associations on safety, health, manpower, security and environment issues • National- and industry-level events • R&D collaborations

SCOPE OF SUSTAINABILITY REPORT

Sustainability reporting is performed annually by Sembcorp Marine to detail the Group's approach to and progress in integrating sustainability into the company's strategies, management, structure and operations.

This is the sixth Sustainability Report published by Sembcorp Marine since the report for the financial year 2011. The scope of this report continues to focus on the Group's Singapore operations and facilities as these have the largest impact on economic, environmental, social and governance indicators. The data reported relate to the financial year from 1 January to 31 December 2016, unless otherwise stated.

The Sembcorp Marine Sustainability Report 2016 is prepared in accordance with GRI Standards: Core option and is informed by ISO 26000 Guidance on Social Responsibility.

In 2016, Sembcorp Marine's new steel structure fabrication workshop at the Tuas Boulevard Yard Phase II development became fully operational. Phase II was completed in early 2017 and is on track to come on stream in the first quarter.

Earlier in 2015, Sembcorp Marine evolved from a multi-business unit organisation into a single brand focusing on four key capabilities – Repairs & Upgrades, Rigs & Floaters, Offshore Platforms, and Specialised Shipbuilding.

In line with the transformation growth strategy, a new legal entity, Sembcorp Marine Integrated Yard (SMIY), became operational from 1 May 2016. SMIY was formed to centrally manage all resources for projects secured by the Group across its yard locations, including Tuas Boulevard, Admiralty, Tanjong Kling, Tuas Crescent, Tuas Road, Benoi and Pandan Road.

ACCESSIBILITY

Sembcorp Marine continues to incorporate the Sustainability Report into the Annual Report to provide readers with a consolidated view of the Group's business operations and sustainability performance. To reduce the impact on the environment, limited printed copies are produced.

This report is meant to be read in conjunction with online sustainability material available at *www.sembmarine.com/sustainability.*

The website also archives reports from previous years. For details on the GRI Standards disclosures, please refer to pages 140 to 144 of this publication. For queries and feedback on the Sustainability Report, please email *sustainability@sembmarine.com.*

CORPORATE GOVERNANCE

EFFECTIVE LEADERSHIP + ROBUST INTERNAL CONTROLS + VALUES-LED CULTURE = PUSHING AHEAD IN OUR CORPORATE GOVERNANCE JOURNEY

Sembcorp Marine Ltd ("Sembcorp Marine" or the "Company") believes that corporate governance principles should be embedded in its corporate culture. The Company's corporate culture is anchored on (i) effective leadership, (ii) robust internal controls and (iii) a set of core values.

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.

PRINCIPLE 1
BOARD'S CONDUCT OF ITS AFFAIRS

The Board is responsible for overseeing the business affairs of the Company and its subsidiaries (collectively the "Group") and is accountable to shareholders for the long-term financial performance of the Group. The Board works with Management to achieve these goals set for the Group.

The key responsibilities of the Board include the following:

- Set strategic direction and review business plans;
- Approve policies, strategies and procedures;
- Approve budgets, major funding proposals, investment and divestment proposals;
- Approve the risk appetite statements;
- Approve the appointment of the Chief Executive Officer and Directors, appointment on Board committees and Board succession plan;
- Review Management's performance towards achieving the Group's goals; and
- Consider sustainability issues including environmental and social factors as material to the business.

ROLE OF THE BOARD

ROLE OF THE BOARD	DIRECTS THE GROUP IN CONDUCT OF ITS AFFAIRS	Ensure that corporate responsibility and core values underpin the conduct of the Group's business
	PROVIDES LEADERSHIP OVERSIGHT TO CEO AND MANAGEMENT	Set strategic direction and long term goals of the Group
	BEARS ULTIMATE RESPONSIBILITY FOR THE GROUP'S:	• Governance • Strategy • Risk Management • Financial Performance

Seven (7) committees have been established to help the Board discharge its stewardship and fiduciary obligations based on clearly defined terms of reference. These terms of reference are reviewed by the Board on a regular basis and any changes require the Board's approval.

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

CORPORATE GOVERNANCE

Board Composition and Committees

Board Members	Audit Committee	Board Risk Committee	Executive Committee	Executive Resource & Compensation Committee	Nominating Committee	Special Committee	Transformation Committee
Tan Sri Mohd Hassan Marican			**Chairman**	**Chairman**	Member	Member	**Chairman**
Wong Weng Sun			Member				
Ajaib Haridass			Member	Member	**Chairman**	Member	
Tang Kin Fei			Member	Member	Member	Member	
Ron Foo Siang Guan	**Chairman**	Member					Member
Lim Ah Doo	Member	**Chairman**				**Chairman**	Member
Koh Chiap Khiong	Member	Member					Member
Eric Ang Teik Lim		Member		Member	Member		
Gina Lee-Wan		Member					
Bob Tan Beng Hai	Member		Member				
	3 of 4 are IDs	4 of 5 are IDs	3 of 5 are IDs	3 of 4 are IDs	3 of 4 are IDs	3 of 4 are IDs	3 of 4 are IDs

Note: IDs – Independent Directors

Other than the Audit Committee, Board Risk Committee, Executive Resource & Compensation Committee and Nominating Committee which were constituted in accordance with the Code, the Executive Committee ("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 key responsibilities of the Exco include:

- Reviewing and providing recommendations on matters that would require Board's approval, such as
  - Financial performance of subsidiaries;
  - Major projects' progress;
  - Yard development;
  - Marketing reports;
  - Workplace Safety and Health performance; and

Board Committees

BOARD COMMITTEES

TERMS OF REFERENCE SET OUT:

- Responsibilities of the committees
- Conduct of meetings including quorum
- Voting requirements
- Qualifications of committees' memberships

CORPORATE GOVERNANCE

- Approving certain matters specifically delegated by the Board such as investments, capital expenditure and expenses that exceed the limits that can be authorised by the President & CEO.

The Transformation Committee ("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. It was dissolved on 11 November 2016.

The Special Committee ("SC") conducts internal investigation into allegations of improper payments in Brazil and deals with issues arising in connection with the matter.

Key Features of Board Processes

The schedules of all Board and committee meetings and the Annual General Meeting ("AGM") are planned one year in advance. The Board meets at least four (4) times a year at regular intervals. Besides the scheduled meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. The Board holds an annual off-site strategy meeting to interact with senior management and have in-depth discussions on the Group's strategic direction. The Board also sets aside time at each quarterly scheduled meeting to meet without the presence of Management. In 2016, they met 5 times without the presence of Management.

A record of the Directors' attendance at Board and committee meetings during the financial year ended 31 December 2016 ("FY2016") is disclosed below.

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

1 Mr Wong Weng Sun did not attend one of the Board meetings, which was convened for Non-Executive Directors only.
2 Mr Ajaib Haridass stepped down as a member of the Board Risk Committee on 18 April 2016.
3 Mr Tang Kin Fei was absent for one of the Board meetings as he was overseas.
4 Mr Eric Ang Teik Lim was appointed a member of Nominating Committee and Executive Resource & Compensation Committee on 1 January 2016.
5 Mr Bob Tan Beng Hai was appointed a member of the Executive Committee on 1 January 2016.
6 Transformation Committee was dissolved on 11 November 2016.

CORPORATE GOVERNANCE

Board Approval

The Company has documented a set of policies for matters that require Board's approval. Matters reserved for Board's approval are:

- Inter-company loans, investments and divestments, issuance of corporate guarantees, budgeted and unbudgeted capital and operating expenses exceeding certain thresholds;
- Corporate restructuring;
- Share issuances; and
- Interim dividends.

Induction for New Directors

Upon appointment, a new Director receives a letter of appointment setting out Director's duties, responsibilities and time commitment required of a 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.

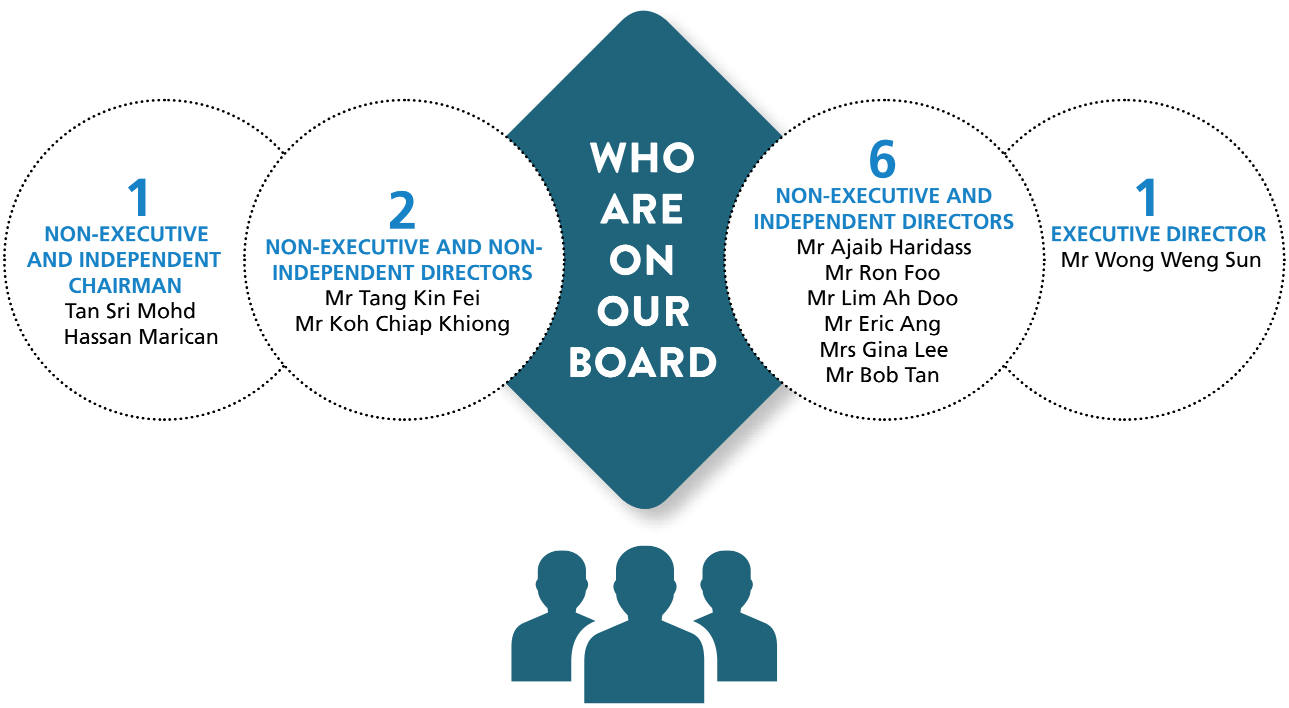
A comprehensive orientation programme, including facility visits to the Group's various premises, is provided to all newly-appointed Directors. They are briefed on the Group's business activities, financial performance, governance and sustainability policies and practices, enterprise risk management, regulatory regime and their duties as directors to enable them to assimilate into their new roles. The programme also allows the new Director to get acquainted with senior management, thereby facilitating board interaction and independent access to senior management.

Continuous Development Programme for Directors

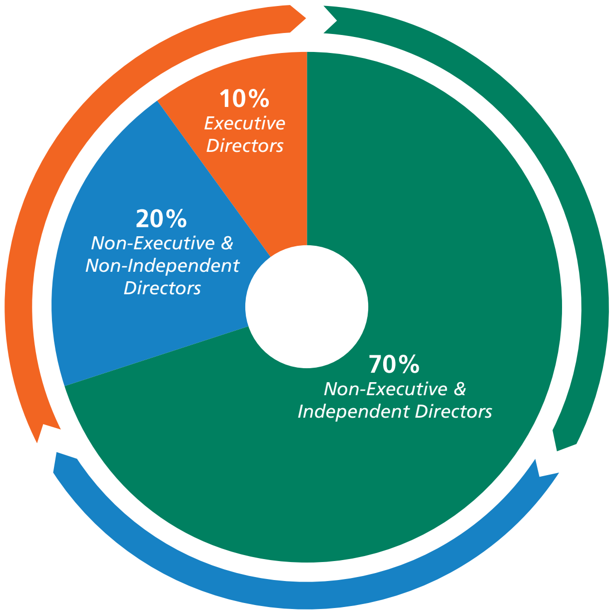
Directors are updated regularly on industry trends and development, relevant laws and regulations and changing business risks during Board meetings or at specially-convened sessions. In the year under review, several of the Directors have also attended seminars such as Directors-in-Dialogue Forum organised by Temasek Management Services Pte Ltd.

PRINCIPLE 2
BOARD'S COMPOSITION AND GUIDANCE

The Code provides that an Independent Director is one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment in the best interests of the Company. 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.



CORPORATE GOVERNANCE



The Directors have a broad range of experience and deep industry expertise. The tenure of the Directors demonstrates a good balance between continuity and fresh perspectives. The size and composition of the Board are appropriate given the current size and geographic footprint of the Group's operations. The proportion of Independent and Non-Executive Directors on the Board (7 out of 10) is high.

The profile of each Director is set out on pages 42 to 47 of this Annual Report.

PRINCIPLE 3
CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)

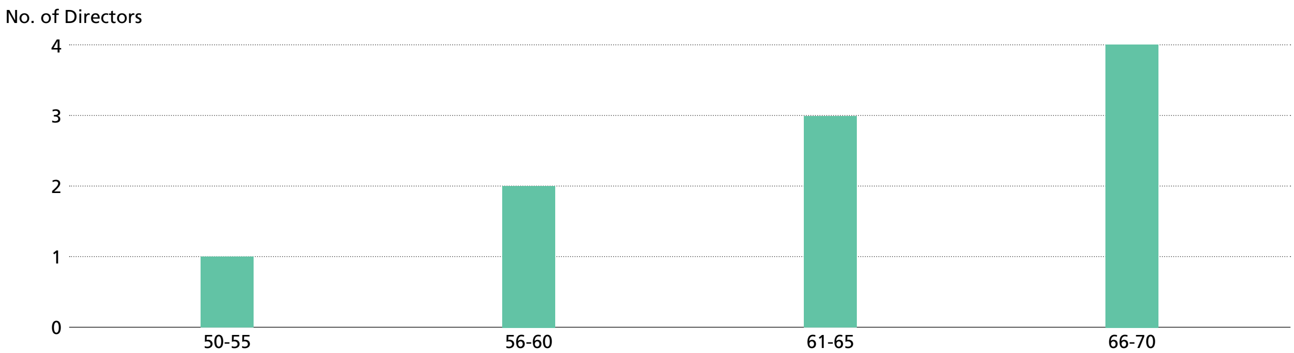
The Chairman of the Board and President & CEO are separate persons. This is to ensure a clear division of responsibilities, increased accountability and greater capacity for the Board to make independent decisions. The President & CEO is not related to the Chairman.

The Chairman is responsible for the leadership of the Board and ensures its effectiveness in all aspects of the Board's role. He monitors the translation of the Board's decisions and directions into executive action. He approves the agendas for the Board meetings and ensures sufficient time is allocated for thorough discussion of each agenda item. He promotes an open environment for debate, and ensures that the Independent Directors are able to speak freely and contribute effectively. He exercises control over the quality and quantity of information between the Board and Management. In addition, he provides close oversight, guidance, advice and leadership to the President & CEO and Management.

At AGMs / Extraordinary General Meetings ("EGMs"), the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management.

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

Directors' Age Group



CORPORATE GOVERNANCE

PRINCIPLE 4
BOARD MEMBERSHIP

The Nominating Committee ("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 key responsibilities of the NC include the following:

- Review the composition of the Board and its committees;
- Identify, review and recommend Board appointments for approval by the Board, taking into account the experience, expertise, knowledge and skills of the candidate and the needs of the Board;
- Conduct an evaluation of the performance of the Board, its committees and Directors on an annual basis;
- Determine independence of proposed and existing Directors, and assess if each proposed and/or existing Director is a fit and proper person and is qualified for the office of Director;
- Review and recommend to the Board the re-appointment of any Non-Executive Director having regard to their performance, commitment and ability to contribute to the Board as well as their skill-set;
- Conduct an annual assessment of whether each Director has sufficient time to discharge their responsibilities, taking into consideration multiple board representations and other principal commitments; and
- Review the Board's succession plans for Directors, in particular, the Chairman and the President & CEO.

Rotation and Re-Election of Directors

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

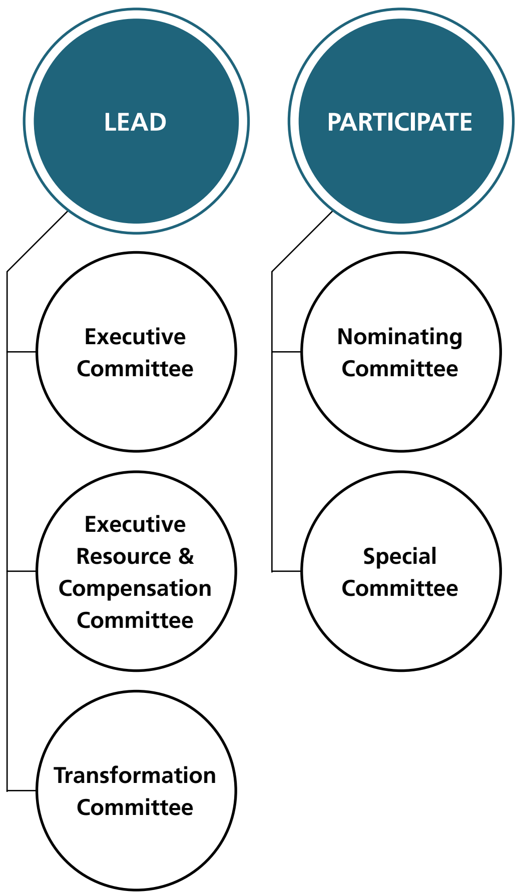
One-third of Directors who are longest-serving are required to retire from office every year at the AGM. Based on this rotation process, each Director is required to submit themselves for re-election by shareholders at least once every 3 years.

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

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 Ron Foo Siang Guan, Mr Koh Chiap Khiong and Mr Eric Ang Teik Lim will retire at the forthcoming AGM on 18 April 2017 pursuant to Article 94 of the Company's Constitution, and have offered themselves for re-election.

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

Chairman's Role in Committees



CORPORATE GOVERNANCE

Annual Review of Directors' Independence

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 business relationships with the Group, relationships with members of Management, relationships with the Company's substantial shareholder as well as the Director's length of service.

Tan Sri Mohd Hassan Marican is an Independent Director of Sembcorp Industries Ltd ("SCI"), a controlling shareholder of the Company. He is also a Senior International Advisor of Temasek International Advisors, a subsidiary of Temasek Holdings Ltd ("Temasek"). His appointments in both SCI and Temasek are non-executive in nature. SCM's transactions with SCI and Temasek were safe guarded by the IPT mandate. During FY2016, SCI provided consultancy services to SCM. The aggregate value of the transactions was not significant compared to the revenues of SCI and SCM. Tan Sri Mohd Hassan Marican was not involved in the decision makings of the transactions between SCI and SCM. The Board considers Tan Sri Mohd Hassan Marican to be an Independent Director of the Company as he has shown that he is able to exercise strong independent judgment in his deliberations and act in the best interests of the Company.

Mr Ajaib Haridass is an Independent Director of SCI. The Company's transactions with SCI were safeguarded by the IPT mandate. During FY2016, SCI provided consultancy services to the Company. The aggregate value of the transactions was not significant compared to the revenues of SCI and the Company. Mr Haridass was not involved in the decision makings of the transactions between SCI and the Company. Mr Haridass' more than 13 years of service on the Company's Board has not affected his objectivity. He 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 Company, Mr Haridass provides the Company with much needed experience and knowledge of the industry. His contributions have been valuable to the Company. The Board considers Mr Haridass to be an Independent Director of the Company.

Mr Eric Ang Teik Lim is a Senior Executive Advisor of DBS Bank Ltd ("DBS") which provides banking services to the Company. His appointment at DBS has not affected his independence as the services provided by DBS in FY2016 were standard services which were in the ordinary course of business of the Company and DBS. The aggregate amount paid was not significant compared to the revenues of the Company and DBS. The Board considers Mr Ang to be an Independent Director of the Company.

Mrs Gina Lee-Wan is a partner of Allen & Gledhill ("A&G") which has rendered services to the Company during FY2016. Mrs Lee does not have an interest of more than 10% in A&G. The services were provided to the Company by other partners. Her independence has not been compromised as the aggregate value of the transactions during FY2016 was not significant compared to the revenues of the Company and A&G. The Board considers Mrs Lee to be an Independent Director of the Company.

The 2012 Code states that the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In this regard, the Board noted that Mr Ajaib Haridass was first appointed to the Board on 31 October 2003. However, the Board considered that Mr Haridass has demonstrated strong independence at Board, and board committee meetings, and is of the view that he has exercised independent judgment in the best interests of the Company in the discharge of his Director's duties. The Board therefore continued to consider Mr Haridass as an Independent Director.

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

Directors' Time Commitment

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

The Board has adopted guidelines for addressing competing time commitments that are faced when Directors serve on multiple boards and have other principal commitments. The Company has determined that the maximum number of directorships in listed companies to be held by a Director on the Board be fixed at 6 to ensure that a Director will have sufficient time and attention for the affairs of the Company. For the year 2016, all Directors have met the guideline set by the Company on the number of directorships in listed companies. The Board is satisfied that each Director has committed sufficient time to the Company and has contributed meaningfully to the Group.

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

Selection Criteria and Nomination Process for Directors

The Board has a process for the selection, appointment and re-appointment of Directors. The NC leads in putting in place a formal and transparent process for the appointment and re-appointment of Directors to the Board. The NC recognises the importance of having an appropriate balance of industry knowledge, skills, background, experience, professional qualifications and gender in building an effective and cohesive Board.

The NC oversees a process for the appointment of Directors. Directors are selected for their experience and competencies and their ability to contribute to the Group. The NC regularly reviews the composition of the Board and Board committees. Before a new Director is appointed, suitable candidates are identified from various sources. Thereafter, it conducts an assessment to:

- Review the candidate (including qualifications, attributes, capabilities, skills, age, past experience); and
- Ascertain whether the candidate is independent from any substantial shareholders of the Group and/or from Management and business relationships with the Group.

The NC then interviews the shortlisted candidates and makes its recommendations to the Board. The successful candidate is then appointed as a Director of the Company in accordance with the Company's constitution. Upon the appointment of a new Director, the NC will recommend to the Board their appointment to the appropriate Board committee(s) after matching the Director's skill-set to the needs of each Board committee.

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

PRINCIPLE 5
BOARD PERFORMANCE

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

The NC reviews the performance of each individual Director based on factors such as the Director's attendance, preparedness, participation and contribution at Board meetings, and industry and business knowledge. The Chairman 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.

Board Evaluation Process

The NC uses a Board evaluation framework to track and analyse Board performance, which includes an annual evaluation of Board performance and appraisal of Directors. The Board evaluation process is vital in helping the Board, committees and each individual Director improve and perform to their maximum capability.

Board Evaluation for 2016

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

Every Director participated and gave feedback on issues such as the Board's size and composition, quality of information provided to the Board, the Board's processes and accountability, risk and crisis management, effectiveness of committees and Directors' development.

The Board discussed the findings of the evaluation and implemented changes in response to the feedback given by the Directors, if necessary. Based on the overall assessment for 2016, the Board was effective as a whole.

PRINCIPLE 6
ACCESS TO INFORMATION

All Directors have access to complete and adequate information and resources. Directors are provided with electronic tablets to enable them to access Board and Board committee papers three (3) days prior to and during meetings. Management 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 most Board and committee meetings and are responsible for ensuring that meeting procedures are followed and applicable rules and regulations are complied with. The Company Secretaries ensure that good information flows within the Board and its committees, and between Senior 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 by the Board, appoint a professional adviser to render such services. The cost of such services will be borne by the Company.

PRINCIPLE 7
PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

The key responsibilities of the ERCC include:

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

On an annual basis, a comprehensive talent management programme and succession plans are presented to the ERCC for review. The ERCC 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 Director is involved in deliberations on their own remuneration, compensation or any form of benefits. Hence, the Board believes in the ability of the ERCC to exercise considered judgment in its deliberations and act in the best interests of the Company.

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

PRINCIPLE 8
LEVEL AND MIX OF REMUNERATION

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 a Director's fee. As a lead member of senior management, his compensation consists of his salary, allowances, bonuses and share-based incentives conditional upon meeting certain performance targets. Details on the share-based incentives and performance targets are available on pages 157 to 164 and pages 280 to 281 of this Annual Report.

Remuneration of Non-Executive Directors

The ERCC reviews and recommends a framework to the Board for determining the remuneration of Non-Executive Directors, including the Chairman.

The framework on the right 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:

There is no change to the annual fee structure for the Board for 2016 from the fee structure in 2015.

The Director's fees payable to Non-Executive Directors comprise a cash component and a share component. The ERCC has determined that up to 30% of the aggregate Director's 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 Director's 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 Director's fees 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 fees (currently S$75,000); any excess may be disposed of as desired. A Non-Executive Director may only dispose of all of his shares one year after leaving the Board.

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

	Director's Fees Framework	$
(i)	Board of Directors	
	- Basic	75,000
	- All-in Chairman's fees	600,000
(ii)	Audit Committee Executive Committee Transformation Committee 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 fees.
(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 does not receive the annual basic retainer fees for Directors, any further fees or allowances for his services as Chairman or member of any Board committees.

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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 FY2016 is intended to be paid after the 2017 AGM has been held.

The shareholders of the Company had approved the payment of Directors' fees of up to S$2,600,000 for FY2016 at the last AGM held on 18 April 2016. The total amount of Directors' fees paid to the Directors in FY2016 was S$2,509,500, full details of which can be found on page 280 of this Annual Report. The Company will also be seeking shareholders' approval at the forthcoming AGM for the payment of Director's fees of S$2,500,000 for year FY2017. Subject to shareholders' approval, the cash component of the Directors' fees for FY2017 is intended to be paid half-yearly in arrears. The share component of the Directors' fees for year FY2017 is intended to be paid after the 2018 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 2016 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.

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PRINCIPLE 9
DISCLOSURE OF REMUNERATION

Information regarding remuneration of each individual Director (including the President & CEO), and the top five (5) key is set out on pages 280 to 281 of this Annual Report.

Key management personnel include the President & CEO, Chief Operating Officer, Chief Financial Officer, Head of Singapore Yard Operations, Head of Repairs & Upgrades and Head of Offshore Platforms.

There were no employees who were immediate family members of a Director or the President & CEO, and whose remuneration exceeded S$50,000, during FY2016.

PRINCIPLE 10
ACCOUNTABILITY

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 comply with the applicable legislative and regulatory requirements by establishing written policies, where appropriate.

The Company recognises the importance of providing the Board with accurate and relevant information on a timely basis. Hence, Management provides the Board with management accounts and foreign exchange hedging executive summary on a monthly basis, enabling the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

PRINCIPLE 11
RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has in place a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets. Oversight responsibility of risk management and internal controls is delegated by the Board to the Board Risk Committee ("BRC") and Audit Committee ("AC"). 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, 4 of whom (including the Chairman) are Independent Directors and all of whom are Non-Executive Directors:

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

The key responsibilities of the BRC include:

- Assess the adequacy and effectiveness of the Group's risk management framework (including policies, procedures and processes);
- Review the Group's risk appetite and recommend to the Board the risk appetite tolerance limits or changes thereof;
- 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.

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 has received assurance from 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 2016 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 and statutory audits conducted by the external auditors as well as documentation of risk governance assurance framework.

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

The Risk Management Report is found on pages 95 - 101 of this Annual Report.

PRINCIPLE 12
AUDIT COMMITTEE

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 Bob Tan Beng Hai
Mr Koh Chiap Khiong

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

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

Financial Reporting

- Review the financial reporting process and ensure the integrity of the Group's consolidated financial statements;
- Review the Group's consolidated financial statements and any announcements relating to the Company's financial performance;
- Review the significant financial reporting issues and judgments so as to ensure the integrity of the consolidated financial statements of the Group; and
- Ensure that the consolidated financial statements of the Group are prepared in accordance with Singapore Financial Reporting Standards.

Internal Controls

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

Internal Audit

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

- Review, at least annually, the adequacy and effectiveness of the internal audit function.

External Audit
- Review the audit plans of the external auditors;
- Review with the external auditors their statutory audit report on the annual account of the Group and other reports relating to internal controls and Management's response and actions to address any noted weaknesses;
- Review and assess annually that the external auditors' independence or objectivity is not impaired;
- Review and approve (prior to engagement) the non-audit services provided by the external auditors, and provide a confirmation in Sembcorp Marine's annual report that it had undertaken a review of these non-audit services and that such services, if any, would not affect the independence of the external auditors;
- Recommend the appointment or re-appointment of the external auditors and their audit fees to the Board; and
- Meet with the external auditors at least once a year in the absence of Management to review the assistance given by the Group's officers to the external auditors, to determine that no restrictions are placed on them by Management.

IPTs
- Review and approve, if so required, IPTs in accordance with the requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX").

Oversight of financial reporting and other key matters
- Review the quarterly, half-yearly and yearly consolidated financial statements of the Group, including announcements to shareholders prior to their submission to the Board; and
- Review Management's representation on financial matters and internal controls presented in the quarterly "Governance Assurance Certification" submissions.

In the year under review, the AC had met two (2) times with the external auditors and three (3) times with the internal auditors without the presence of Management.

The AC had reviewed all the non-audit services provided to the Group by KPMG LLP, 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 KPMG LLP for FY2016 are found on page 223 of this Annual Report.

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

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 in FY2016.

AC's commentary on key financial reporting matters
The AC had discussed the key audit matters for FY2016 with Management and the external auditors. The AC concurs with the basis and conclusions included in the Independent Auditors' Report with respect to the key audit matters.

For more information on the key audit matters, please refer to page 166 to 172 of this Annual Report.

PRINCIPLE 13
INTERNAL AUDIT

Head of Internal Audit ("HIA") reports functionally to the AC and administratively to the President & CEO. The AC has empowered the Internal Audit Department ("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.

The key responsibilities of IAD include:

- Perform risk-based assurance reviews across the Group and provide opinion on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems except assurance and compliance reviews relating to Workplace Safety, Security and Environment which are mandatory and for which specialist licensed firms are engaged by the respective commercial entities;
- Assist in the deterrence of fraud through its internal audit activities by examining and evaluating the adequacy and effectiveness of the system of internal controls;
- Review IPTs and advise the AC whether the transactions are at arm's length;

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- Advise the AC on non-audit services ("NAS") provided by the external auditors;
- Provide administrative support to the AC through the review of draft minutes of the AC meetings;
- To the extent that there is no conflict with its mission and independence of IAD, IAD will, within its expertise and upon request, perform consulting work to add value and improve the Group's adequacy and effectiveness in risk management, control and governance;
- Facilitate the sharing of matters in order to better control practices and governance across the Group to promote awareness;
- IAD shall, upon instruction of the AC, conduct investigations into and report on incidents and allegations of possible improprieties in matters of financial reporting or other matters in accordance with the Whistle Blowing Policy and Procedure; and
- Where practically possible, IAD will extend its scope of work to include the associated companies and joint ventures of the Group.

IAD plans internal audit reviews and resource requirements in consultation with the AC. 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. IAD conducts audit reviews to provide assurance that the internal controls are adequate and effective to meet the Group's requirements. The assessment also covers risks arising from new lines of business or new products. Audit projects are planned based on the results of the assessment, with priority given to auditing higher risk areas.

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

IAD employees are expected to observe, apply and uphold the Institute of Internal Auditors Code of Ethics and adhere to the conduct of integrity, objectivity and confidentiality at all times.

Quality assurance and key developments

In line with leading practices, 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. This exercise will be conducted once every 5 years. The upcoming review is in 2017.

Whistle-Blowing Policy

The Group has put in place a whistle-blowing policy and procedure, for which the AC shall have oversight. Through this avenue, employees of the Group or any other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The policy establishes various confidential channels of communication to report concerns about possible improprieties to the AC Chairman, HIA and Chief Risk Officer (CRO). This is to ensure independent investigation and appropriate follow-up actions are taken. The Group treats all information received as confidential and protects the identity of all whistleblowers. Anonymous report is accepted. Employees who acted in good faith will be protected from reprisals. Reports can be made by:

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

Sembcorp Marine believes that effective safeguards against undesired business conduct have to go beyond a "tick-the-box" mentality. It is the objective of the Group to instil and enhance strong corporate governance practices across its group of companies.

SCM SPEAK-UP SERVICE

A whistle blow complaint can be submitted to the AC Chairman or Head of Internal Audit and/or Chief Risk Officer through one of the following channels:

- email to *whistleblow@sembmarine.com* (any email to this address is re-routed to AC Chairman, SCM HIA and SCM CRO); specifically for EJA Brazil, the email is *denuncia@jurong.com.br* or
- hard copy complaint letter post to Sembcorp Marine Ltd, 29 Tanjong Kling Road, Singapore 628054, addressed to AC Chairman, Head of Internal Audit or Chief Risk Officer; or
- telephone or meeting

Head of Internal Audit (DID: +65 6262 7818)
Chief Risk Officer (DID: +65 6262 7391)

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

- From the top: The tone set by the Board and senior management is vital; it is akin to the moral compass of the organisation. The Group has in place a suite of comprehensive policies and Management Committees are formed to monitor compliance with these policies. The Group also conducts self-assessment on its key processes;
- Aligning employees' performance and incentives via key performance indicators or balanced scorecard;
- Respecting the voice of control functions: The Group believes that respect for the voice of control functions such as the risk management department is one of the key safeguards;
- Risk ownership: please refer to pages 95 - 101 of this Annual Report on Risk Management Report; and
- Requirement of Sembcorp Marine employees to abide by the Company's Code of Conduct, Conflict of Interests Policy, Code of Ethics, Anti-Bribery Compliance Policy, Fraud Risk Management Policy, etc.

All employees of the Group are required to read and acknowledge Sembcorp Marine's Code of Conduct.

PRINCIPLE 14
SHAREHOLDERS' RIGHTS

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

The Company ensures the release of timely, adequate and relevant information to shareholders. The Company believes this practice is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in Sembcorp Marine Ltd. It does not practise selective disclosure of price-sensitive information.

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. Pursuant to the introduction of the new multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold Sembcorp Marine shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at the AGM or EGM.

PRINCIPLE 15
COMMUNICATION WITH SHAREHOLDERS

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

The Company discloses accurate and timely information that is material or that may influence the price of Sembcorp Marine's shares on the SGXNet to all shareholders.

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

The quarterly and full-year results announcements provide financial and other performance information of the Company as a whole as well as by business segments. This allows shareholders to gain better insight into the earning drivers within Sembcorp Marine. The earnings results are first released via SGXNet and posted on the SGX-ST website. Management then holds a face-to-face briefing to address media and analyst queries for the full-year and half-yearly financial results. For the first and third quarter results, Management holds a teleconference meeting with the analysts. Materials used at the briefing are made available on SGXNet and on the Company's website at *www.sembmarine.com*. In addition, investor relations and corporate communications personnel are available by email or telephone to answer questions from shareholders, media and analysts at any time as long as the information requested does not conflict with the SGX-ST's rules of fair disclosure.

Apart from regular meetings, email communications and teleconferences with investors and analysts, the CFO and the Head of Investor Relations also travel regularly to overseas road shows and conferences to reach out to foreign institutional investors.

The Company aims to balance returns to shareholders with the need for long-term sustainable growth. It strives to provide shareholders annually with a consistent and sustainable dividend based on cash position, working capital, capital expenditure plans, acquisition opportunities and market environment. The Board has

CORPORATE GOVERNANCE

recommended a final dividend of 1 Singapore cent ($0.01) per share, bringing the total ordinary dividend for FY2016 to 2.5 Singapore cents ($0.025), if the proposed dividend is approved by shareholders at the forthcoming AGM.

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

PRINCIPLE 16
CONDUCT OF SHAREHOLDERS' 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.

All members of the Board as well as the CFO, Company Secretaries and the external auditors are required to attend all shareholders' meetings. The external auditors are 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 to registered shareholders on request.

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 Company 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. Corporate Secretariat informs all Directors and relevant employees in advance of each blackout period.

IPTs

The Company has embedded procedures to comply with all regulations governing IPTs. Shareholders have approved the renewal of a general mandate for IPTs at the AGM on 18 April 2016. The mandate sets out the levels and procedures for obtaining approval for each type of IPTs covered under the mandate. Information regarding the mandate can be found on the Company's website at *www.sembmarine.com.*

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

Detailed information on IPTs for FY2016 is found on page 281 of this Annual Report.

Material contracts

Since the end of the previous financial year, no material contracts involving the interest of any Director or controlling shareholder of Sembcorp Marine have been entered into by the Company or any of its subsidiary companies, and no such contract subsisted as at 31 December 2016, save as disclosed via SGXNet.

CORPORATE GOVERNANCE

Governance Disclosure Guide

Questions	How the Company has complied
General	
Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code. In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	The Company has complied in all material aspects with the principles and guidelines set out in the Code.
Board's 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.
Directors' Training	
Guideline 1.6: Are new Directors given formal training? If not, please explain why.	A comprehensive orientation programme, including facility visits to the Group's various premises, is provided to all newly-appointed directors.
What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	New Directors are briefed on the Group's business activities, financial performance, governance and sustainability policies and practices, enterprise risk management, regulatory regime and their duties as directors to enable them to assimilate into their new roles. Existing Directors are updated regularly on industry trends and development, relevant laws and regulations and changing business risks during Board meetings or at specially-convened sessions.
Directors' Independence	
Guideline 2.1: Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	The current Board comprises 10 Directors, 7 of whom are Independent Directors.
Guideline 2.3: Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. What are the reasons for considering him independent? Please provide a detailed explanation.	Tan Sri Mohd Hassan Marican is an Independent Director of Sembcorp Industries Ltd ("SCI"), a controlling shareholder of the Company. He is also a Senior International Advisor of Temasek International Advisors, a subsidiary of Temasek Holdings Ltd. Mr Ajaib Haridass is an Independent Director of SCI. Mr Eric Ang Teik Lim is a Senior Executive Advisor of DBS Bank Ltd ("DBS") which provides banking services to the Company. Mrs Gina Lee-Wan is a partner of Allen & Gledhill ("A&G") which had rendered services to the Company during FY2016. Please refer to pages 79 to 80 of this Annual Report.

CORPORATE GOVERNANCE

Questions	How the Company has complied
Directors' Independence	
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.	Mr Ajaib Haridass was first appointed to the Board on 31 October 2003. The Board considered that Mr Haridass has demonstrated independence at Board, and board committee meetings, and is of the view that he has exercised independent judgment in the best interests of the Company in the discharge of his director's duties. The Board therefore continued to consider Mr Haridass as an independent director. Mr Ron Foo was appointed to the Board on 30 June 2006. He has served more than nine years on the Board. Although Mr Foo has served on the Board beyond nine years, he has continued to demonstrate strong independence in character and judgment in the discharge of his responsibilities as a Director of the Company. Accordingly, the Board has, on the recommendation of the Nominating Committee, continued to consider Mr Foo as an independent non-executive Director of the Company.
Board Membership	
Guideline 2.6: What is the Board's policy with regard to diversity in identifying director nominees? Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	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. Current Directors include business leaders, bankers and professionals with financial and legal backgrounds. 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.
Guideline 4.6: Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	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. 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.

CORPORATE GOVERNANCE

Questions	How the Company has complied
Guideline 4.4: What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? If a maximum number has not been determined, what are the reasons? What are the specific considerations in deciding on the capacity of directors?	The Company has determined that the maximum number of directorship in listed companies to be held by a Director on the Board be fixed at 6 to ensure that a Director will have sufficient time and attention for the affairs of the Company.
Board Evaluation	
Guideline 5.1: What was the process upon which the Board reached the conclusion on its performance for the financial year? Has the Board met its performance objectives?	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. Based on the overall assessment for 2016, the Board was effective as a whole.
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 280 to 281 of this Annual Report.
Guideline 9.3: Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	Yes. This information can be found on pages 280 to 281 of this Annual Report.
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.	The Company does not have any employees who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 in FY2016.
Guideline 9.6: Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? Were all of these performance conditions met? If not, what were the reasons?	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 280 to 281 of this Annual Report.

CORPORATE GOVERNANCE

Questions	How the Company has complied
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?	Management provides the Board with management accounts and foreign exchange hedging executive summary on a monthly basis enabling the Board to make a balanced and informed assessment of the Company's performance, position and prospects.
Risk Management and Internal Controls	
Guideline 11.3: In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. In respect of the past 12 months, has the Board received assurance from the CEO and 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?	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. Yes, the Board has 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.
Guideline 12.6: Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	The breakdown of the fees paid in total to the external auditors for audit and non-audit services for FY2016 can be found on page 223 of this Annual Report. The amount of non-audit fees compared to the total annual audit fees is 10%. 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.
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.
Communication with Shareholders	
Guideline 15.4: Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Yes. Details are available in the Investor Relations chapter, pages 60 to 63 of this Annual Report.
Guideline 15.5: If the Company is not paying any dividends for the financial year, please explain why.	The Board has recommended a final dividend of 1 Singapore cent ($0.01) per share, bringing the total ordinary dividend for FY2016 to 2.5 Singapore cents ($0.025), if the proposed dividend is approved by shareholders at the forthcoming AGM.

RISK MANAGEMENT

The oil & gas industry grappled with a severe downturn in 2016, with key players scaling back capital expenditure, renegotiating contractual terms and deferring deliveries. While the November 2016 agreement by OPEC & major non-OPEC countries to cut production generated positive market sentiment, a sustained and robust recovery may take a longer time.

Following through the agenda of Sembcorp Marine's Transformation for Growth strategy launched in 2015 to build resilience in an uncertain risk environment, the Group refined existing processes and governance structures across three lines of defence, namely:

- 1st Line of Defence (LOD): Commercial Units, Centralised Functions and Yards
- 2nd LOD: Risk Management; and
- 3rd LOD: Internal Audit.

There is now a clearer definition of roles, responsibilities and accountability. Metrics, trigger limits and controls were also developed to better identify and manage risks, and to assess the effectiveness of processes.

	1st LOD	2nd LOD	3rd LOD
Description of Role	**Commercial Units, Centralised Functions, Yards**	**Risk Management**	**Internal Audit**
	• *Conduct business within risk limits to meet Group objectives* • *Make prudent use of resources, including risk-bearing capacity* • *Seek best available risk/return trade-offs*	• *Define mandates, guidelines and limits to manage business within risk appetite* • *Identify potential for breaches of risk appetite* • *Maintain an organisation-wide view of risk profile and exposures*	• *Independent review of adherence to standards, mandates and guidelines* • *Identify operational weaknesses and defects*

After reviewing its existing risk registers, the Group revised risk categories by organising them according to 'risk type' to better reflect the risk landscape and enable clearer assignment of risk ownership. Enterprise Risk Management (ERM) subcommittees were re-organised into risk categories to enable Group-wide view of risks. Yard-based chief risk officers were replaced by Risk Champions (within the 1st LOD) in the business to align with the One Sembcorp Marine structure and to be responsible for risk management activities. In a dual reporting line model, the Risk Champions have a solid reporting line to the respective Commercial, Centralised Function and Yard Heads and a dotted reporting line to the Group Chief Risk Officer.

RISK GOVERNANCE STRUCTURE

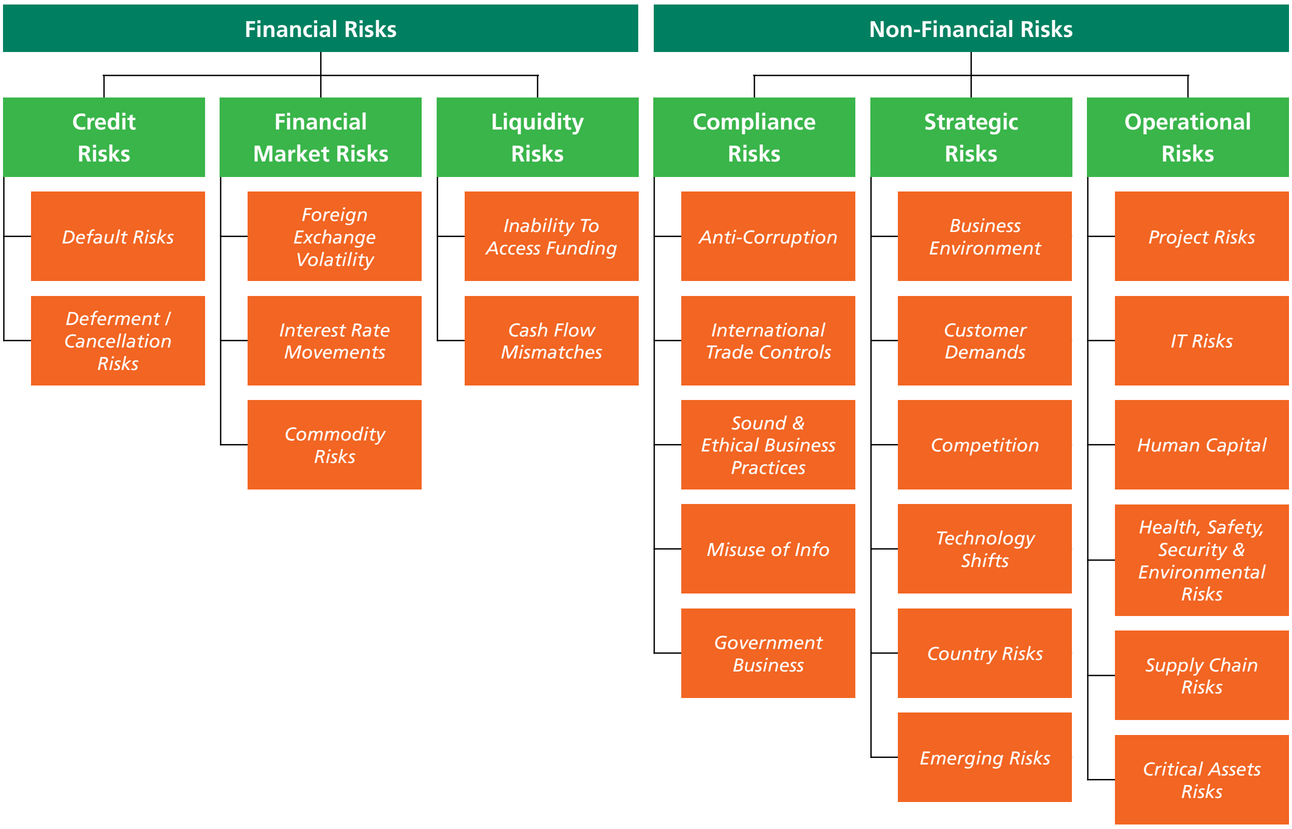
The responsibility for risk management and internal controls lies with the ERM Committee (ERMC). Chaired by the President & CEO, the ERMC drives key risk initiatives and reviews risk issues across the Group. The other members of the ERMC comprise the Heads of Commercial Units, Heads of Centralised Functions

Previous: 11 Risk Categories	
Strategy & Growth	HSSE
External Environment	IT
Project Management	Regulatory Compliance
HR	Critical Assets
Finance	Fraud & Corruption
Brand & Reputation	

Revised: 6 Risk Categories	
Credit	Compliance
Financial Market	Strategic
Liquidity	Operational

RISK MANAGEMENT

Re-Categorisation to Facilitate Clearer Assignment of Risk Ownership



and Head of Singapore yards, who report on risk issues under their charge and champion their respective key risk areas.

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

The ultimate responsibility for risk governance lies with the Board of Directors who sets an appropriate tone from the top, which is cascaded across the Group through policies and procedures. The Board Risk Committee (BRC) supports and assists the Board by assessing and ensuring the adequacy and effectiveness of the Group's risk management systems, framework, policies, procedures and processes; reviewing and endorsing the Group's risk appetite and risk tolerance limits for approval by the Board; reviewing risk reports from Management which include the Group's risk profile, major risk exposures and material risk issues; as well as Management's response and actions taken to monitor and control such exposures or issues.

Risk Oversight & Governance Structure

RISK MANAGEMENT

Appointment of Risk Champions

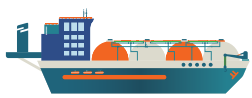
Centralised Functions

- Finance
- Human Capital
- Information Technology
- Supply Chain

Commercial Units

Rigs & Floaters

Repairs & Upgrades



Offshore Platforms

Specialised Shipbuilding

Yards

Sembcorp Marine Tuas Boulevard Yard

- *Tanjong Kling*
- *Admiralty*
- *Tuas Road*
- *Pandan*
- *Kakinada*
- *PT SMOE*

Estaleiro Jurong Aracruz

- *Benoi*
- *Tuas Crescent*
- *PT Karimun*
- *Sembmarine SLP*

KEY RISK MANAGEMENT INITIATIVES

Key risk management initiatives undertaken in FY2016 included:

RACI Rule Book

Previously defined RACI (i.e. Responsible, Accountable, Consulted, Informed) matrices for each of the six Risk Dimensions (i.e. Credit, Financial Market, Liquidity, Compliance, Strategic and Operational Risks) were mapped into process flowcharts to provide more clarity on assigned risk responsibilities. The flowcharts document the step-by-step activities to be performed by stakeholders across the three lines of defence for policy and framework development; risk identification and assessment; risk mitigation; and risk monitoring and reporting. There is more clarity on what the various R, A, C, I assignments mean in terms of day-to-day responsibilities. The flow of information from one stakeholder to the next is shown schematically.

Risk Appetite Statements

The Risk Appetite Statements, metrics and tolerance limits were recalibrated to ensure an appropriate balance between Board oversight and engagement in the light of changes in the Group's operating environment, and to provide Management with a clear mandate for risk-taking. The corresponding Dashboard was reviewed by ERMC and BRC regularly and (where applicable) specific control measures and corrective actions were discussed and executed.

RISK MANAGEMENT

Training and Communication

Road shows were conducted in Singapore and overseas yards to reinforce staff awareness of Corporate Governance, Risk Management and Internal Controls.

Roundtables were held with stakeholders to discuss survey results of their awareness and perception of ERM. Strengths and improvement areas were identified. Required actions and ownership of next steps were agreed upon. The objective was to create greater awareness and understanding of the Risk mindset and tools.

Templates and Tools

An approval paper template (for projects, joint ventures and mergers & acquisitions) was launched to compel rigorous analysis of all relevant aspects of the proposed transaction, and organise evaluations and supporting details in a reader-friendly manner. Concise and coherent writing was emphasised. Approvers were able to focus on critical deal points.

The customer credit rating model was enhanced. It weighed salient quantitative and qualitative grading parameters so as to holistically assess the obligor's financial health, franchise and market reputation and determine probability of customer payment default. The tool has the flexibility to include an expert's opinion. It also incorporates a ratings outlook.

To reinforce the Sembcorp Marine Code of Conduct as well as enhance the Group's compliance culture, an interactive learning experience with global reach was rolled out. The scalable Anti-Bribery & Corruption (ABC) eLearning tool delivers training in a consistent manner to the Group's employees worldwide, gives staff flexibility on training time and provides administrative ease in respect of training and other summary records.

A credit ratings map (showing respective customers' credit ratings and exposures) was introduced for proactively tracking changes in customers' ratings, with additional focus given to contract termination and failure to take delivery after technical acceptance.

A transparent framework was launched to regularly monitor customer payment delays and corresponding remedial measures. The customers were grouped according to different watch categories: Insolvency; Legal Action Accounts; Deferment (due to deferral of payment terms or project delivery date deferment); and Delinquency.

Process Enhancements

The compliance screening process for third-party representatives was mapped. The Group subscribed to a tool which screens names for adverse media, politically exposed persons, sanctions, as well as regulatory and other enforcements.

Vendor on-boarding process was enhanced with improved ABC due diligence, sanctions screening and financial health checks; supplemented by periodic reviews.

Sembcorp Marine's core list of third-party representatives in various countries for the Group's Repairs & Upgrades business was re-screened. Besides ensuring that ABC due diligence was satisfactorily completed, absolute caps and stipulated corresponding approving authority for remuneration rates of marketing agents were stipulated.

Project tender procedures and cost estimation processes of Commercial Units were vetted to ensure that CTQs (Critical to Quality) are satisfied, including checks and balances.

KEY RISKS AND MITIGANTS

The Group's risk profile is updated regularly, factoring in external drivers that impact its business and operating environment as well as internal control measures so as to ascertain the resultant risk level.

Credit Risks

The Group updates credit ratings of customers regularly. Customers are tiered based on their credit grades and tracked accordingly. Where credits are weak, the Group requests for security and other credit enhancements. It monitors exposure to avoid concentration in weaker credit tiers as far as possible.

Limits are set for contracts with backend loaded payment terms. The Group prefers the customer to make progressive payments instead of giving the customer backend loaded payment terms. It aims to run down contracts with backend-loaded payment terms.

Where there are deferment requests, the Group strives to achieve win-win solutions, including slowing down construction and sale to other parties. The Group protects its position by securing technical acceptance and class certification.

RISK MANAGEMENT

Financial Market Risks

Sembcorp Marine monitors Foreign Exchange (FX) transactions compliance with its FX hedging policy via monthly FX exception reports to BRC and discussions at Finance Committee, Management and Board meetings. Treasury operations and transactions are audited annually.

The Group's exposure to financial market risks from changes in the interest rate environment is due mainly to its debt obligations. The Group's policy is to maintain an optimal interest cost structure using a combination of fixed and variable rates for the long-term and short-term borrowings. The Group uses interest rate swaps to reduce its exposure to interest rate volatility.

Liquidity Risks

Sembcorp Marine strives to monetise completed projects and discuss with customers about possible earlier payment milestones for existing contracts. Liquidity position is monitored regularly at Finance Committee, Management and Board meetings.

The Group controls costs to achieve better project margins and expand market reach to new customers and oil companies. It tracks all loan covenants and ensures that there will be no defaults. It monitors debt maturity profiles, tracks short-term loans which are used to finance long-term assets and closes any mismatch between short-term financing and long-term assets as much as possible.

The Group establishes good relationships and communication channels with financial institutions and banks to ensure that sufficient credit lines are available to meet liquidity needs. It negotiates milestone payments for existing contracts. It focuses on delivery and on achievement of billing milestones to expedite collection of payments from existing projects. The Group also accelerates settlement and collection of project variation orders.

Compliance Risks

Sembcorp Marine identifies compliance risks, tailors processes to address respective risk areas and ensures these processes are communicated and implemented. Its employees and third-party representatives are educated on Group policies and Code of Business Conduct, as well as applicable laws.

Control measures (e.g. dashboards and scorecards) are implemented to detect heightened compliance risks and/or violations.

The Group requires employees and third-party representatives to acknowledge regularly that they are compliant with the Sembcorp Marine compliance policies and Code of Business Conduct. Employees and third-party representatives are reminded to raise concerns about possible violations of law or policy through the Sembcorp Marine whistle-blowing channel.

The Group takes prompt corrective action to fix identified compliance weaknesses. It takes disciplinary action of up to and including termination of employment or termination of contract with third-party representatives, in the event that the employee or third-party representative fails to abide by Sembcorp Marine's compliance policies.

The Group makes appropriate disclosures to regulators and law enforcement authorities.

Strategic Risks

Sembcorp Marine scans the horizon for evolving global trends, industry opportunities and risks; discusses these issues with Management periodically; and presents them at the Board Strategy Retreat. It conducts rigorous due diligence for all investments and projects, and benchmarks them against criteria and related considerations stipulated in its internal Hurdle Rate methodology.

The Group engages external due-diligence advisers to augment its knowledge bank, where appropriate. It conducts rigorous post-investment performance reviews for all merger & acquisition deals regularly.

Operational Risks

- **Project Risks**
  To minimise project delivery delays and negative variances between latest estimated and originally approved project contribution quantum, Sembcorp Marine makes sure that work processes are well understood at the outset so as to pre-empt working with incomplete, ambiguous or inaccurate requirements. The Group does periodic reviews to ensure that each project's work progress adhere to its planned schedule. Training is conducted to improve operation efficiency. Investments are made in modern equipment and technology. Under-utilised resources are redeployed. Resource allocation is prioritised for key deliveries. Actual project costs are controlled in order to achieve target contribution.

RISK MANAGEMENT

- **IT Risks**
  IT policies, procedures and controls are in place to prevent the Group's IT assets and information from malicious attacks and hackings.

  In order to achieve target Recovery Time Objective and Recovery Point Objective for critical system failures, the Group has put up disaster recovery plans for critical systems, which are tested and reviewed annually. The Group backs up data periodically. Backup data are stored at alternate and offshore data centres. Fire alarms and temperature sensors are installed, along with environmental security controls (e.g. fire suppression system, smoke detection system, water detection system, raised concrete floor) at the server room.

- **Human Capital**
  In order not to exceed the target turnover rate for management staff and to achieve the desired succession index, Sembcorp Marine enhances its flexible benefits plan to improve staff welfare, allows job rotations among staff, and harmonises HR and employee welfare practices across the Group where possible. The Group continuously improves its on-boarding process, as well as reviews and, where possible, takes corrective actions based on constructive feedback from exit interviews. It identifies key personnel and grooms high-potential employees for leadership succession.

- **Health, Safety, Security & Environment Risks**
  With zero tolerance for fatalities and so as not to exceed the target Workplace Injury Rate, Accident Severity Rate and Accident Frequency Rate, the Group implemented the following Sembcorp Marine Workplace Safety & Health (WSH) strategic thrusts (which are aligned with WSH 2018 and WSH 2018 Plus strategies):

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

  The Group investigates incidents thoroughly with collective efforts from all subject matter experts. It analyses all possible root causes and establishes corrective actions to prevent recurrence of similar incidents.

  HSSE KPIs are reviewed with Management. Various HSE programmes are organised to instil HSE awareness in the workforce, along with risk intervention programmes for identified key risks.

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

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

  Competitive prices are solicited from various bidders with defined information to facilitate accurate technical and commercial evaluations.

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

  Purchase orders and procurement contracts are structured to promote effective and efficient administration during execution. Purchase orders or purchase contracts are issued in a timely manner in order to secure timely delivery of goods. To safeguard its interests, the Group has adequate terms and conditions in its purchase orders and

RISK MANAGEMENT

contracts. There are also effective controls to ensure that purchase terms and conditions are negotiated in conformity with the Company's procurement policy and procedures.

- **Critical Assets Risks**
  Sembcorp Marine ensures that current systems, processes and controls in place are adequate and effective in procurement, construction, installation, operation, maintenance and certification of the Group's critical assets. It identifies, establishes and implements best practices and guidelines for the management of these critical assets.

  Sembcorp Marine promotes Group-wide sharing of information and discussion concerning the quality, reliability and other material issues of equipment and machinery commonly used in the industry, including case studies of critical asset failures and near misses.

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 and lapses. In addition to providing assurance that key controls are adequate and effective, the CSA programme instils ownership among the process and control 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.

SUSTAINING COMPETITIVENESS

INNOVATION AND SOLUTIONS DEVELOPMENT

Innovation and solutions development continue to underpin the business sustainability and growth of Sembcorp Marine.

Emerging technology and next-generation product streams form the Group's foundation for future growth and resilience amidst challenging market conditions. A diversified product portfolio enables Sembcorp Marine to actively manage its assets, leverage opportunities to build competitive advantages, and secure business growth through innovative high-value solutions for new or expanding markets.

Sembcorp Marine's approach to innovation and solutions development encompasses three aspects – research of emerging technologies and new opportunities; development of talent, products, systems and processes; and collaboration with innovators, institutions and the industry.

SEMBCORP MARINE'S STRATEGY FOR SUSTAINABLE GROWTH AND COMPETITIVENESS FOCUSES ON UNLOCKING OPPORTUNITIES, ENHANCING SYNERGY AND CREATING SHARED VALUE FOR THE GROUP, CUSTOMERS AND STAKEHOLDERS ACROSS THE VALUE CHAIN.

Sembcorp Marine's Gas Value Chain Solutions

To stay ahead of the competition, Sembcorp Marine has invested in technology and expanded beyond drilling solutions to non-drilling solutions and other product segments in the gas value chain.

Gas Exploration and Production

HARSH-ENVIRONMENT JACK-UP RIG

Customer: Maersk Drilling

As a high-specification offshore drilling asset, the Maersk Highlander will be deployed in the high-pressure, high-temperature Culzean field development in the UK sector of the North Sea.

SUPERIOR FLOATER SOLUTION

Proprietary design

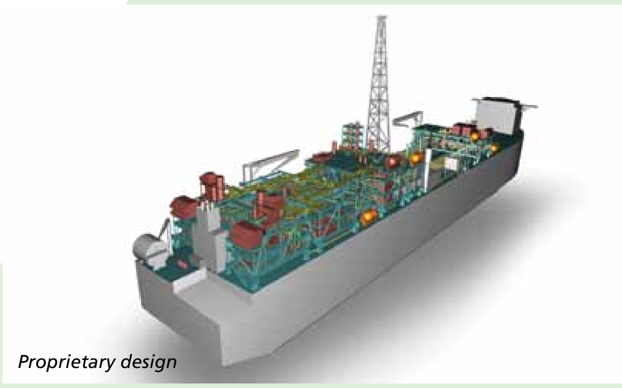
The SSP Plus is a circular FPSO/FLNG solution for production and storage in harsh environment. The exceptional heave motions and the inherent stability of the SSP Plus are unique in the offshore floating market.

OFFSHORE PLATFORMS NEWBUILDING

Customer: Maersk Oil North Sea UK

An Engineering, Procurement and Construction (EPC) project for the ultra high-pressure, high-temperature gas and condensate development in the North Sea.

GAS PROCESSING TECHNOLOGY



Proprietary design

Aragon's optimised dual N2 expander cycle is a patented liquefaction technology that is marinised for small to medium scale FLNG.

SUSTAINING COMPETITIVENESS

Research & Development (R&D) and innovation management at Sembcorp Marine are guided by corporate strategy and a policy to ensure quick product realisation and optimised business returns.

A structured framework is deployed to capture emerging technology trends as well as identify both opportunities and threats from potentially disruptive technologies. A systematic control process governs the initiation of innovative ideas and the translation of novel technologies.

Robust relationships with industry leaders and partners in academia provide cross-disciplinary platforms to test-bed new technologies, propagate talent and accelerate competitive advantages.

Emerging Technologies and Opportunities

In 2016, the Group secured a host of design patents and expertise in gas processing technology, naval architectural design, engineering and technology development through the acquisition of equity in Gravifloat, LMG Marin and Aragon. Sembcorp Marine's expanded non-drilling technological assets and solutions will enhance its ability to diversify and expand into future growth areas. Some examples include its superior floater solutions and suite of environmentally sustainable products.

Growing Natural Gas Solutions

As a cleaner alternative to fossil fuels, natural gas is an increasingly important part of the global energy mix. Liquefied Natural Gas (LNG) and Liquefied Petroleum Gas (LPG)

Gas Infrastructure, Transportation, Construction and Repair

INTEGRATED NEAR-SHORE TERMINAL SOLUTION

Proprietary design

Gravifloat offers modularised, scalable and re-deployable LNG and LPG terminal solutions for storage, regas, redistribution/bunkering, LNG export and power generation.

DUAL-FUEL SEMI-SUBMERSIBLE CRANE VESSEL (SSCV)

Customer: Heerema Offshore Services

Constructed by the Group, the world's largest crane vessel SSCV Sleipnir will be powered by LNG and feature a low-pressure LNG fuel system.

LNG CARRIER DESIGN

Proprietary design

LMG Marin's acquisition brings into the company a cache of design patents and expertise. The 7500-LNG is a 7,500m³ short-sea LNG carrier with LNG-propulsion.

LNG VESSEL REPAIRS AND UPGRADES

Customer: North West Shelf Shipping Services

Sembcorp Marine is a world leader in LNG vessel repairs and upgrades.

SUSTAINING COMPETITIVENESS

continue to gain increasing regulatory support internationally. Sembcorp Marine is supporting the growth of this energy industry with an expanding range of solutions. The Group's expertise and technological assets encompass a complete package for offshore gas solutions.

The Gravifloat design is an innovative gas solution that features modularised terminals for gas. This concept is more cost-competitive, safer and more versatile than current solutions in the market, such as land-based terminals and Floating Storage and Regasification Units (FSRU). In 2016, Sembcorp Marine and ENGIE, a leader in natural gas services, announced a memorandum of understanding to cooperate in the development and deployment of Gravifloat technology for LNG-to-Power near-shore terminals. Combining ENGIE's expertise in power generation and LNG with Sembcorp Marine's versatile Gravifloat technology, a 3-in-1 solution for near-shore LNG receiving, storage and regasification, as well as power generation will be developed to meet the needs of emerging markets.

Sembcorp Marine's proven expertise in offshore fixed platforms complements the expanding needs of the gas industry. Its recent contract with Maersk Oil UK will see the engineering, procurement, construction and onshore pre-commissioning of three fixed platforms for the Culzean gas condensate field development in the North Sea. Built to withstand the harsh marine environment and the ultra high-pressure, high-temperature demands of the field, the project will feature a wellhead platform, living quarters and a central gas-processing facility. When completed, the Culzean field is expected to provide for approximately five per cent of the UK's gas demand.

During the reporting year, Sembcorp Marine acquired LMG Marin, bringing the latter's extensive design and engineering expertise into the Group's overall capabilities. In addition to more efficient and cost-competitive solutions for natural gas platforms, the acquisition accelerated Sembcorp Marine's ownership of proven designs in a range of FPSOs, FSOs and other offshore structures.

To expand the Group's expertise in gas processing technology, a 50% equity stake in Aragon AS was acquired in 2016. This provides Sembcorp Marine with a strategic advantage in preparing for the expected growth of natural gas demand.

Sembcorp Marine has grown its capacity to build gas-powered, next-generation vessels. One such example is the world's largest semi-submersible crane vessel currently under construction. A result of close partnership with customer Heerema Offshore Services and international specialists, the platform will feature a unique dual-fuel engine capable of running on low sulphur marine gas oil as well as LNG.

Already a world leader in the repair and retrofit of gas carriers, Sembcorp Marine yards are globally recognised for their expertise in a highly specialised sector that is governed by strict international safety and environmental regulations for the transport of gas. Two of the Group's largest yards – Tuas Boulevard and Admiralty – feature technically sophisticated facilities tailored for this industry, such as cryogenic-equipment clean rooms.

Superior Floater Solutions

The Sembmarine SSP innovative frustoconical hull form can be utilised for a complete range of deepwater applications. With over two dozen patented features and applications, this hydrodynamic design offers improved motion characteristics, compared with conventional platforms.

One Concept, Multiple Solutions

The SSP Floater system offers a versatile range of possibilities for multiple industries

SUSTAINING COMPETITIVENESS

Since acquiring the SSP technology, the Group has developed several applications for the offshore market, including:

- SSP320 Base – a patented design with exceptional pitch/roll motion that is light as well as cost- and time-efficient to build;
- SSP Plus – a harsh-environment extension of the SSP Base well-suited for FPSO and FSO applications;
- SSP12000 – created for deepwater and ultra-deepwater drilling in water depths of up to 12,000ft; and
- SSP Hub – designed with several proprietary arrangements for the integrated delivery of logistic support services and offshore supply base services.

In 2016, Sembmarine SSP successfully showcased the superior motion characteristics of an advanced version of the SSP12000 Driller when it invited oil and gas industry players to observe the wave basin and wind tunnel tests conducted on the prototype.

Supporting Sustainable Industrialisation

Sembcorp Marine's pipeline of strategic R&D and solutions development programmes has led to a suite of products that are cleaner, safer and smarter. In line with the United Nation's Sustainable Development Goal to upgrade and retrofit industries to make them more sustainable, these products provide more environmentally-friendly solutions to customers, industry and community, while helping the Group gain a foothold on future market opportunities.

In 2016, Sembcorp Marine Repairs & Upgrades established a unit to provide customers with one-stop environmentally-friendly retrofit solutions. This will allow customers to better understand and adopt green technology products.

Mitigating bio-invasions at sea

Shipping is a major contributor of cross-boundary introduction of invasive species that threaten marine ecosystems. To protect the marine environment, the International Maritime Organization (IMO) will enforce the Ballast Water Management Convention on 8 September 2017 requiring ships sailing in international waters to manage their ballast water.

To help customers meet the new requirement, Sembcorp Marine has developed the Semb-Eco LUV Ballast Water Treatment System, equipped with ultra-violet (UV) and patented bio-fouling technology that mitigates the risk of invasive aquatic species even in turbid or highly challenging tropical waters. The G8-compliant Semb-Eco LUV is the first ballast water system to be approved by the flag Administration for Singapore-registered ships. As a UV-based non-chemical solution, the Semb-Eco LUV has the lowest power requirement among systems in the same category.

Reducing climate change impact

Another environmentally-friendly solution developed for the shipping industry is the Ecospec cSOx Exhaust Gas Cleaning System. The system applies proprietary ultra-low frequency (ULF) technology to control sulphur emissions, enabling customer vessels to adhere to the IMO MARPOL Annex VI requirements when sailing in the Emission Control Areas (ECA).

Non-chemical corrosion control

The ElMag system is a non-chemical corrosion control solution, based on a proprietary ULF treatment that replaces conventional industrial substances to form a protective magnetite film around steel structures or parts. As an innovative solution that mitigates the environmental impact of biofouling without the use of chemicals, the energy-efficient ElMag system has been installed and proven effective on vessels plying hyper-sensitive areas, such as the Northwest Arctic and Alaska.

Solutions for offshore renewable energy

In 2016, Sembcorp Marine's UK facility delivered an offshore substation platform for the Dudgeon Offshore Wind Farm located along the North Norfolk coastline. Working closely with consultants and the customer, the Group developed and applied suction bucket technology to the installation process – a first for an offshore substation in UK waters. This new installation method is considered to have less environmental impact and is a safer process. In total, the Statoil-operated wind farm will supply renewable energy to over 410,000 UK homes.

Technology Partnerships

Sembcorp Marine cultivates platforms which provide opportunities for the growth of local talent while accelerating the realisation of opportunities in academic research into industry competitive advantages. These technology partners encompass institutes of higher learning, government agencies, industry partners and customers.

SUSTAINING COMPETITIVENESS

Working with Agencies and Institutions

The Group contributed to the development of the national Technology Centre for Offshore and Marine, Singapore (TCOMS) in collaboration with other partners. Together with A*STAR and NUS, the research centre was launched to develop and validate innovative harsh-sea and ultra-deepwater concepts. To advance environmentally-friendly R&D and technological development in the gas industry, the Group set up a $10 million endowment fund with Nanyang Technological University (NTU). The opening of the Sembcorp Marine Lab @ NTU in 2016 reflects the joint aspiration of the two organisations to support the progress of Singapore's offshore and marine sectors.

Sembcorp Marine's collaboration with A*STAR's Institute of High Performance Computing, University of Glasgow and University of Glasgow Singapore continues to create new opportunities in green shipping technologies. With the successful completion of the first stage of improvement in shipboard systems for better fuel efficiency, enhanced performance, lower exhaust emissions and cleaner discharges, other areas will be identified for further development.

Sembcorp Marine partners the newly launched Technology Centre for Offshore and Marine, Singapore to further industry study on harsh-sea environment and deepwater technology

Partnering with Customers

Sembcorp Marine collaborates with NYK Line to develop a total exhaust gas cleaning system for ready installation on NYK dry cargo carriers. The Group is working closely with other partners in the industry's value chain such as NTU, Singapore Maritime Institute, Class NK and the Monohakobi Technology Institute, to develop a system compliant with IMO's new regulations on sulphur emissions.

Following the installation of the Group's ElMag system on two tanker vessels, Sembcorp Marine is collecting and processing performance data, which will enable the customer's engineering team to improve the vessels' operations.

Product Excellence

As a global leader in offshore and marine engineering solutions, the Group integrates enhanced safety and environmental sustainability features in its product integrity and product life cycle management. Sembcorp Marine adopts a risk-based approach to product development and ensures its delivered products are fully compliant with rules and standards from IMO, International Organization for Standardization (ISO) and marine classification societies.

Sembcorp Marine delivers vessels and platforms which are compliant with stringent international standards of safety, health, security, environment and quality applicable to the location and scope of operation. These include IMO's International Convention for the Safety of Life at Sea (SOLAS), Code for Construction and Equipment of Mobile Offshore Drilling Units (MODU Code) as well as the International Convention for the Prevention of Pollution from Ships (MARPOL). The vessels and platforms also comply with relevant strict coastal state requirements, such as US Coast Guard Regulations, Brazilian Regulatory Standards, UK HSE requirements, Norwegian Maritime Authority Regulations, as well as regulations from Petroleum Safety Authority Norway and the Norwegian NORSOK standards.

All products designed and built by the Group undergo strict risk and safety assessments during the design and building processes, and are developed in consultation with customers as well as industry specialists. This process employs a variety of globally-developed instruments, including Hazard Identification (HAZID) and Hazard & Operability (HAZOP) studies to identify, manage and eliminate safety, environmental and operational risks at the earliest practicable stage.

Product-related technical and operational safety materials are audited and approved by an independent classification society. These include health and environment signage, safety data sheets as well as the Vessel Operation Manual.

SUSTAINING COMPETITIVENESS

VALUE CHAIN MANAGEMENT

Effective and sustainable value chain management is vital to Sembcorp Marine's competitiveness in meeting and exceeding customers' expectations of quality, safety, environment and performance. As a socially responsible organisation, the Group integrates sustainability practices in its value chain and operations.

Detailed planning and careful coordination are required to manage all aspects of the Group's value-chain – from design and engineering through to procurement, materials management and construction. The effective management of these project phases is key to achieving timely project deliveries that are within budget and in conformance to customers' specifications. This includes mitigating risks and managing the environmental, social and economic impacts across the life-cycle stages of the Group's products and solutions.

As part of Sembcorp Marine's value chain management, active risk assessment and mitigation are undertaken during procurement of materials, equipment, components and services. Deliverables from suppliers are tracked to ensure compliance with project timelines, operating requirements as well as quality, safety and environmental standards.

Key suppliers providing critical materials, equipment and parts are identified early and closely monitored throughout the various project stages to mitigate potential risks that may impact delivery schedules.

The table on pages 108 and 109 maps out where the material topic impacts occur to the most significant extent in the value chain and Sembcorp Marine's level of influence in managing the impacts and affecting performance outcomes.

Responsible Procurement

Responsible procurement is part of Sembcorp Marine's sustainability commitment, and in this regard, the Group complies with environmental protection legislation applicable to the industry. The legislation includes the IMO conventions prohibiting the installation of equipment and systems containing ozone-depleting substances, such as chlorofluorocarbons (CFCs) and halon on vessels; and the Montreal Protocol provisions for the phasing out of hydrochlorofluorocarbons (HCFCs) by 1 January 2020. The company also abides by Singapore's Environmental Protection and Management Act, Environmental Protection and Management (Ozone Depleting Substances) Regulations, and laws on the non-use of asbestos by the National Environment Agency.

Sembcorp Marine does not purchase materials, parts, equipment or products that are not permissible under such environmental and public health regulations.

The Group is also opposed to the use of conflict minerals. These are classified as tin, tantalum, tungsten and gold extracted from conflict zones by armed groups propagating violence and human rights violations, who sell these substances to fund unethical causes.

Sembcorp Marine's vendors are required to abide by the Group's sustainable procurement practices. Suppliers and contractor partners are to be socially responsible in their production operations and supply chain management. As part of their contractual obligations, vendors are expected to declare that prohibited substances and conflict minerals are not used by them or by other partners in their supply chain.

Effective and Sustainable Supply Chain

Sembcorp Marine's Procurement and Outsourcing Resources Committee (SPORC), led by the Head of Supply Chain, focuses on further enhancing competitiveness and value creation through economies of scale, supply chain synergies and innovation.

Sembcorp Marine shares new technology insights into Singapore's growing LNG sector at the IE Singapore Gas Roundtable

SUSTAINING COMPETITIVENESS

SEMBCORP MARINE VALUE CHAIN

AS PART OF ITS SUSTAINABILITY FRAMEWORK, SEMBCORP MARINE ADVOCATES SOCIALLY RESPONSIBLE AND ENVIRONMENTALLY FRIENDLY PROCUREMENT, PROCESSES AND SOLUTIONS ACROSS ITS VALUE CHAIN.

DESIGN & ENGINEERING

AREAS

- Products & Solutions Development
- Operations & Processes

MATERIAL TOPICS

- Business Integrity
- Innovation & Solutions Development
- Customer Focus
- Total Workplace Safety & Health
- Environmental Sustainability
- Human Capital

PROCUREMENT

AREAS

- Raw Materials
- Equipment & Parts
- Services & Manpower

MATERIAL TOPICS

- Business Integrity
- Innovation & Solutions Development
- Customer Focus
- Total Workplace Safety & Health
- Environmental Sustainability
- Human Capital

ABILITY TO INFLUENCE (Design & Engineering and Procurement)

Within Sembcorp Marine, there is a high level of influence on the material impacts during this phase. There are various management systems and risk mitigation practices in place during design, engineering and procurement to ensure quality, safety, environment and performance standards.

PRODUCTION

AREAS

- Rigs & Floaters
- Repairs & Upgrades
- Offshore Platforms
- Specialised Shipbuilding

MATERIAL TOPICS

- Business Integrity
- Innovation & Solutions Development
- Customer Focus
- Total Workplace Safety & Health
- Environmental Sustainability
- Human Capital
- Community Engagement

ABILITY TO INFLUENCE

There is a high level of involvement by the Group to manage impacts relating to quality, workplace safety and health, environmental sustainability as well as compliance with customers' location-specific operating requirements.

SUSTAINING COMPETITIVENESS

QUALITY & SAFETY VALIDATION	TRANSPORTATION DELIVERY	PRODUCT IN USE
AREAS • Quality Assurance & Compliance Checks	**AREAS** • Towing Solutions	**AREAS** • Product Training & Documentation
MATERIAL TOPICS • Business Integrity • Innovation & Solutions Development • Customer Focus • Total Workplace Safety & Health • Environmental Sustainability • Human Capital • Community Engagement	**MATERIAL TOPICS** • Business Integrity • Innovation & Solutions Development • Customer Focus • Total Workplace Safety & Health • Environmental Sustainability • Human Capital	**MATERIAL TOPICS** • Innovation & Solutions Development • Customer Focus • Total Workplace Safety & Health • Environmental Sustainability • Human Capital

Risk mitigation measures ensure projects are completed on time and within budget. Some external impacts are managed at this stage, for example, labour market and community engagement.

ABILITY TO INFLUENCE

There continues to be a strong focus in managing customer relationships and fulfilling their delivery requirements. Influence of the Group is reasonably high regarding material topic impacts. Management systems and risk mitigation measures are in place to control product-related impacts, such as safety and emissions.

For more details about Sembcorp Marine's value chain management, please refer to www.sembmarine.com/sustainability/value-chain-management

SUSTAINING COMPETITIVENESS

An LNG vessel leaving the yard after significant repair and upgrading works

Active engagement of customers at all levels to foster resilient partnerships

Due diligence measures and internal controls are in place to ensure that vendors deliver on time and fulfill standards of quality, safety and reliability. Vendors are also expected to be socially responsible and abide by ethical codes of conduct and sustainability criteria required by the Group.

Several new measures were implemented by SPORC in 2016 to further integrate sustainability into the Group's procurement and supply chain management processes. These new measures include:

- Establishment of a supply chain vendor sustainability process for the screening and qualification of vendors covering environmental, social and governance criteria;
- Integration of sustainability-related clauses into the terms and conditions for contracting vendors;
- Update of vendor evaluation process to include sustainability criteria; and
- Declaration by approved vendors to affirm commitment to sustainability and socially responsible operations.

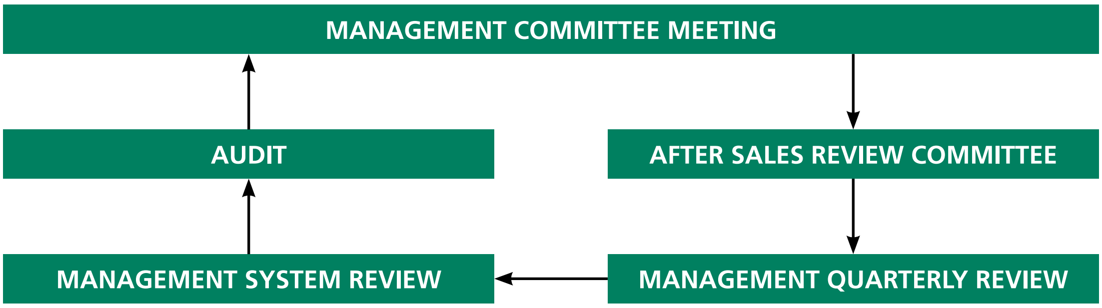
Sustainability is incorporated into Sembcorp Marine's supply chain vendor management framework. When qualifying and selecting vendors for the Approved Vendors List, the screening criteria have been broadened to include sustainability aspects, such as respect for human rights, fair employment practices, environmental responsibility and sustainable supply chain.

Potential vendors and existing suppliers are required to declare and provide supporting documentation that demonstrates compliance with the Group's standards of quality, safety and sustainability as well as codes of ethical conduct. Relevant documentation reviews, verification checks and on-site audits are performed when required. Vendors are also periodically assessed by a review committee as part of the vendor management process.

The Group recently updated its vendor evaluation procedure to incorporate metrics on areas such as health, safety, environment performance, product packaging, waste management and risk mitigation measures.

SUSTAINING COMPETITIVENESS

Customer Relationship Management Framework



Vendors are given equal treatment during the bidding process and are evaluated based on merit and objective criteria. Companies are expected to abide by Sembcorp Marine's tender regulations and codes of conduct for fair competition during the vendor selection and approval process. Suppliers who do not comply or fail to meet the required standards will be warned or excluded from the Approved Vendor List.

Contractors supplying manpower to Sembcorp Marine's yards are required to have at least bizSAFE Level 4 certification and externally audited safety risk management systems to demonstrate high standards of workplace safety and health.

Sembcorp Marine regularly engages with suppliers and contractors to promote occupational safety and health excellence at the workplace. Additionally, briefings are held to educate business partners on the Group's corporate governance policies to ensure high standards of integrity and compliance among suppliers.

CUSTOMER FOCUS

Sembcorp Marine embraces a customer-centric culture to build sustainable partnerships. By developing long-term relationships which maximise value for customers,

Teamwork in jobs performed on two Gaslog LNG carriers

SUSTAINING COMPETITIVENESS

Reaching out to customers and other partners through international trade exhibitions

the Group creates a firm foundation for its business growth and success.

Customer Engagement

The Group reaches out to customers through a number of robust platforms to nurture and reinforce relationships.

A proactive approach is taken to engage customers throughout the entire span of a project. It begins with understanding a customer's full requirements and progresses through subsequent project execution stages of engineering, procurement, construction or repair, product certification, and delivery or installation of the unit.

To ensure customers' safety, health and well-being, Sembcorp Marine has stringent policies and practices in place across the Group's yard facilities. All personnel conducting business within the yards, including customers and visitors, are required to undergo mandatory training on health, safety, and environmental (HSE) procedures under the Group's policies. Facility signage and site labels are prominently displayed to heighten WSH awareness within the yards. These are highlighted to stakeholders and visitors through WSH briefings, training and information handouts.

To ensure emergency preparedness at the yard facilities, a range of health, safety, security and environment drills are jointly conducted with customers under the supervision of trained emergency response teams, occupational first aiders, medical practitioners and security staff.

The Group's robust risk-management safety programmes extended to customers have received positive response. These include a hazard observation system as well as the Personal Safety Involvement and the Stop Work Authority programmes, which involve empowering onsite personnel to report and mitigate HSE risks at the workplace.

Customer feedback and satisfaction levels are key measures of the Group's performance. Established quality management systems set out the processes for customer feedback. Qualitative and quantitative data are regularly collected, reviewed and reported via formal survey channels. This structured process enables Sembcorp Marine to better understand customer needs and refine its business strategies.

Customer service, production, quality and HSE teams utilise a range of channels to augment customer communication during projects. These include daily, weekly and monthly discussions that identify and address customer concerns or track project progress. Open communication channels ensure customers have 24/7 access to service representatives.

The Group also partners with customers to organise joint events such as the Green Wave Environmental Care Competition, Workplace Safety Health Innovation Carnival as well as networking dinners to strengthen a shared culture of collaboration.

Customer-focused Improvement and Innovation

A structured customer relationship management framework guides the collection of information, feedback, expectations and recommendations. These are evaluated on a regular basis and translated into action plans for the organisation.

Read more about how customer health and safety is integrated into product stewardship on page 102 and Sembcorp Marine's approach to workplace health and safety on page 130.

SUSTAINING COMPETITIVENESS

Celebrating with customers the naming of the Safe Zephyrus accommodation semi-submersible unit

Comprehensive feedback processes and communication channels further capture opportunities to innovate and improve the Group's products, services and processes.

Customer-related policies and practices are reviewed regularly to ensure that they continue to meet the needs of the Group and its customers.

Customer Retention and Growth

The Group's philosophy of cultivating long-term relationships has resulted in close partnerships with customers across the marine and offshore value chain.

Favoured Customer Contracts (FCC) are strategic agreements with select customers who commit the maintenance and refit of vessels plying the region exclusively to Sembcorp Marine yards. These FCC partnerships provide the Group with a stable base load of repair and upgrade jobs, boosting its business resilience. Comprising customers from sectors ranging from cruise lines to LNG shipping, the FCC partnerships are a result of customers' trust in Sembcorp Marine, built upon a strong track record of quality and on-time deliveries.

In 2016, FCCs accounted for over 85% of repair and upgrading projects, including 18 LNG carriers and nine cruise vessels. Two additional FCCs – signed with MOL LNG Transport (Europe) Limited and Dampskibsselskabet NORDEN A/S – were secured in the year.

Half of the Group's newbuild and conversion deliveries in 2016 were from repeat customers. These deliveries – which included the world's largest jack-up drilling rig and projects built to stringent NORSOK requirements for harsh environment in the North Sea – are a testament of customers' confidence in Sembcorp Marine and its capabilities.

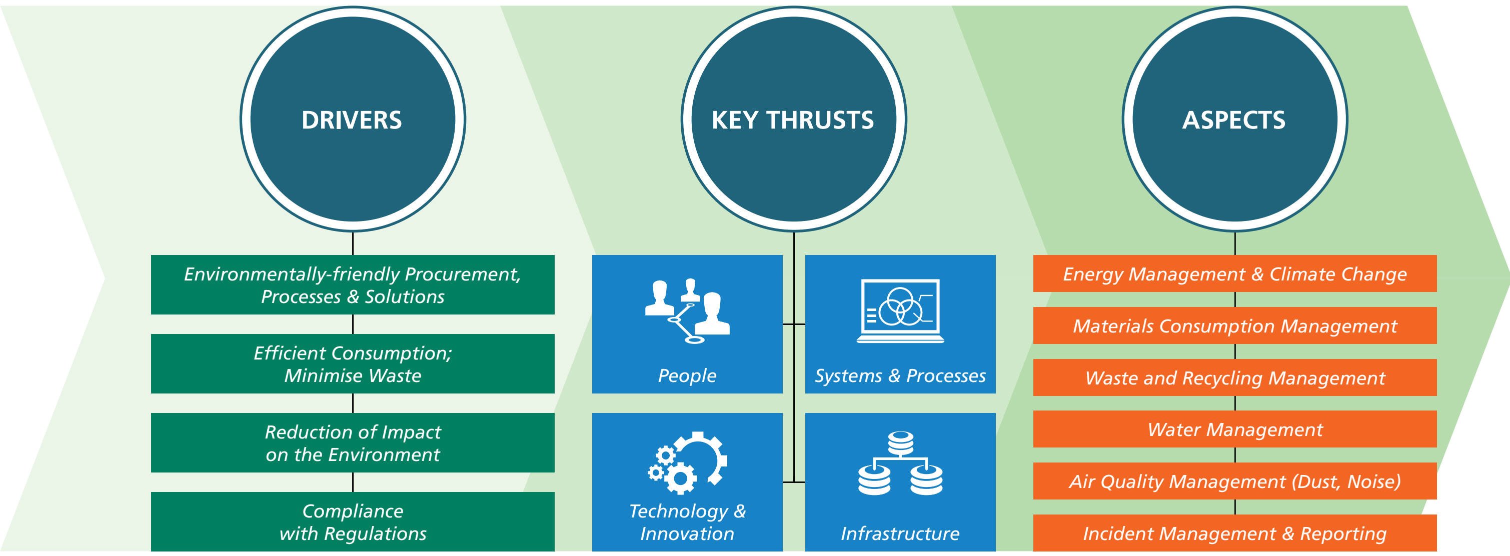
Organisational growth is driven through the expansion of product range and business markets which Sembcorp Marine actively identifies. The Group nurtures competitive advantages and develops innovative solutions which create optimised value for customers. To find out more, please see pages 102 to 107.

Active participation in key trade exhibitions and marketing road shows enables Sembcorp Marine to build relationships with existing and potential customers, enhance brand awareness, as well as promote its products and services.

ENVIRONMENTAL SUSTAINABILITY

SEMBCORP MARINE RECOGNISES THE IMPACT IT HAS ON THE COMMUNITY, ENVIRONMENT AND RESOURCES. THE GROUP AIMS TO INTEGRATE ENVIRONMENTAL RISKS AND OPPORTUNITIES INTO STRATEGIC AND BUSINESS DECISIONS TO MITIGATE ITS OPERATIONAL FOOTPRINT IN THE ENVIRONMENT AND IN LOCAL COMMUNITIES.

Environmental Framework



Group operations are guided by Sembcorp Marine's Environmental Policy, which encompasses management leadership and accountability, communication, legislative and regulatory documentation, risk management, management of change, and performance review. The working group managing operational environmental impact comprises representatives from facilities management, Health, Safety and Environment (HSE) as well as Business Excellence to ensure robust formulation of strategy and practices.

Departments and committees responsible for the application and implementation of the environmental management frameworks include HSE, security, procurement, operations and production, business excellence and contractor representatives.

Sembcorp Marine yards comply with local regulations such as the national Environmental Protection and Management Act (EPMA); Environmental Public Health Act (EPHA); 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 facilities – Tuas Boulevard Yard and Admiralty Yard – have obtained ISO 14001 Environmental Management Systems certification. All Sembcorp Marine yards undertake regular external and internal audits as part of their commitment to ISO 14001, ISO 9001 Quality Management or OHSAS 18001 Occupational Health and Safety Management Systems.

Environmental sustainability is integrated into different aspects of Sembcorp Marine's business. For more information, please refer to:

***Products and solutions** – Innovation and Solutions Development, page 102*
***Responsible procurement practices** – Value Chain Management, page 107*
Operational innovation – www.sembmarine.com/sustainability/case-study-features

ENVIRONMENTAL SUSTAINABILITY

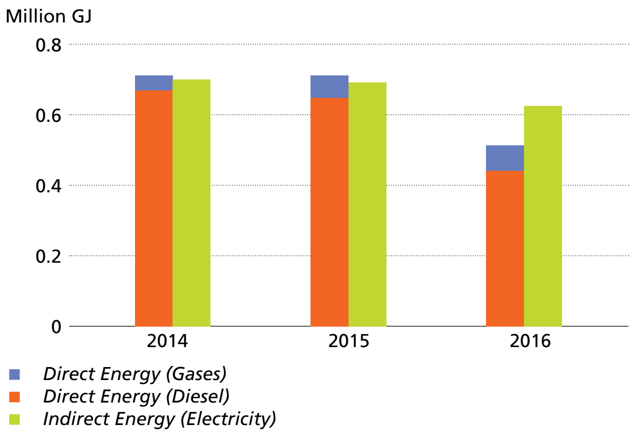
The Group continues to review and upgrade its infrastructure and facilities as part of its ongoing business transformation. This will result in more efficient operations and deployment of resources.

ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS

Gas fuels are used in cutting and welding processes and include Liquefied Petroleum Gas (LPG), Natural Gas (NG) and acetylene. The Group has continued its practice of using cleaner gases where feasible. Since 2014, the yards have proactively replaced acetylene with natural gas where practicable.

Platforms such as the E4Rs (Eliminate, Reduce, Reuse, Recycle, Recover) exhibition enhance and reinforce environmental policies, practices and information

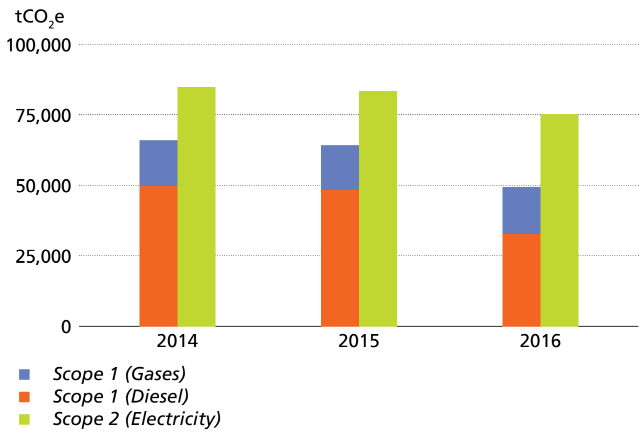
Energy Consumption



	2014	2015	2016
Direct Energy (Gases)	0.042	0.062	0.072
Direct Energy (Diesel)	0.668	0.646	0.440
Indirect Energy (Electricity)	0.698	0.689	0.622
Total energy consumed	**1.407**	**1.398**	**1.133**

Notes:
- *Scope 1 figures have been restated to enhance alignment with global calculation methodologies (details in Data and Reporting section, page 119).*

Greenhouse Gas Emissions



	2014	2015	2016
Scope 1 (Gases)	15,933	15,649	16,446
Scope 1 (Diesel)	49,491	47,896	32,589
Scope 2 (Electricity)	83,934	82,594	74,497
Total emissions	**149,357**	**146,139**	**123,533**

Notes:
- *2015 Scope 1 data has been revised to enhance accuracy on the impact of carbon dioxide to emissions (details in Data and Reporting section, page 119).*
- *2015 Scope 2 figure has been updated to reflect new grid emission factor from the Energy Market Authority.*

ENVIRONMENTAL SUSTAINABILITY

Sky lights and ceiling louvres in workshops significantly reduce the need for lighting and mechanical ventilation

Diesel is the primary fuel for portable power generators and air compressors operating in locations that have no access to electrical power. The Group continued its efforts to decrease reliance on diesel by phasing out several portable power generators.

Operations in the yards are powered primarily by electricity from the national energy grid. The electricity is generated from 95.5% natural gas, 1.1% coal, 0.2% petroleum products (mainly diesel and fuel oil) and 3.2% from other sources such as solar and biomass[1].

Power usage in the Tuas Boulevard Yard is monitored and managed with a Land-based Energy Management System

Sembcorp Marine has trained energy managers to track and monitor the consumption of electricity and fuels. During the reporting year, its yards continued to deploy a range of initiatives to reduce electricity usage.

These initiatives included an ongoing LED installation programme in its facilities, the fitting of auto-timers on equipment, and the appointment of zone managers to monitor and account for energy consumption in their respective sections. In 2016, such programmes led to an approximate power saving of 8,352 GJ per year.

1 *Latest figures at time of print from "Singapore Energy Statistics 2016", page 23, Chart: Electricity Generation Fuel Mix, Research and Statistics Unit, Energy Market Authority, Republic of Singapore.*

ENVIRONMENTAL SUSTAINABILITY

The Group's new-generation Tuas Boulevard Yard is designed to maximise energy efficiency. Facilities in this yard are arranged to minimise the need for diesel and are fitted with environmentally-friendly lighting, utilities and power systems. A land-based energy management system further enables the optimisation of energy management and conservation.

AIR QUALITY

To mitigate the impact of shipyard activities such as grit blasting and painting which can result in the dispersion of particles, these operations are carried out where practicable in enclosed chambers fitted with filtration systems.

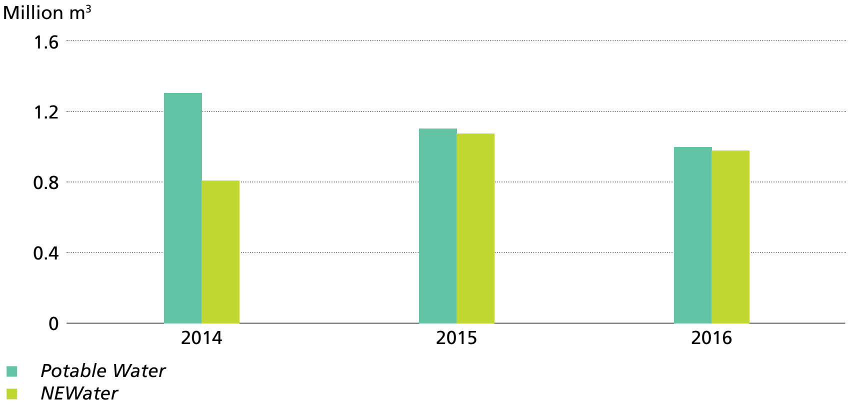
Sembcorp Marine champions methods which mitigate impact on air quality, such as replacing traditional copper grit with hydro-jets or steel grit. In line with monitoring standards adopted by the National Environment Agency, particulate matter is monitored daily at PM2.5 concentration levels.

WATER

The Group draws its water from the national water grid managed by the country's Public Utilities Board. Singapore's water is derived from four main sources – local catchment water, imported water, desalinated water and reclaimed NEWater.

Sembcorp Marine continues to strictly manage its water consumption and appoints water managers who are trained to enforce and audit water efficiency management plans as well as spread awareness of water conservation. A significant percentage of water is used for hydro-blasting and washing activities, which decreased slightly in 2016.

Water Consumption



	2014	2015	2016
Potable Water	1.319	1.114	1.008
NEWater	0.818	1.087	0.989
Total	**2.137**	**2.201**	**1.997**

An awareness campaign aligned with the national water conservation campaign was initiated to promote responsible water use. As part of outreach efforts, posters were placed at strategic locations within the yard facilities to encourage personnel to report water leaks.

A water conservation campaign was also launched at Sembcorp Marine's dormitories, reaching over 7,000 occupants. Visual and verbal materials were used to educate non-local employees and contractors on the importance of water conservation in water-scarce Singapore. Practical tips tailored to their lifestyle were disseminated in conjunction with a water-saving competition to encourage positive behaviour-based changes. Top performers of the competition recorded approximately 42% reduction per person in water consumption.

In 2016, the Group's water consumption decreased by approximately 10%. Reclaimed water constituted 49% of the Group's total water withdrawal.

MATERIALS MANAGEMENT

Steel is the industry's most significant raw material. The Group practises responsible procurement guidelines detailed in the Code of Business Conduct and procurement policies.

In 2016, Sembcorp Marine yards consumed 132,884 MT of raw steel. The 15% increase over the previous year is attributable to two large newbuild projects entering the production phase in 2016.

Shipyard operations also utilise a large amount of copper grit, which is a byproduct of the copper smelting process. Grit blasting is used to strip and prime steel surfaces for painting and other work activities.

ENVIRONMENTAL SUSTAINABILITY

In 2016, copper grit consumption decreased 43% to 75,029 MT, largely due to a decrease in blasting activity as well as the trial usage of a hardier steel grit in blasting chambers.

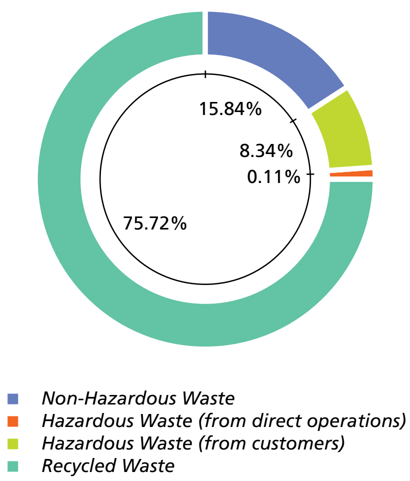
WASTE MANAGEMENT

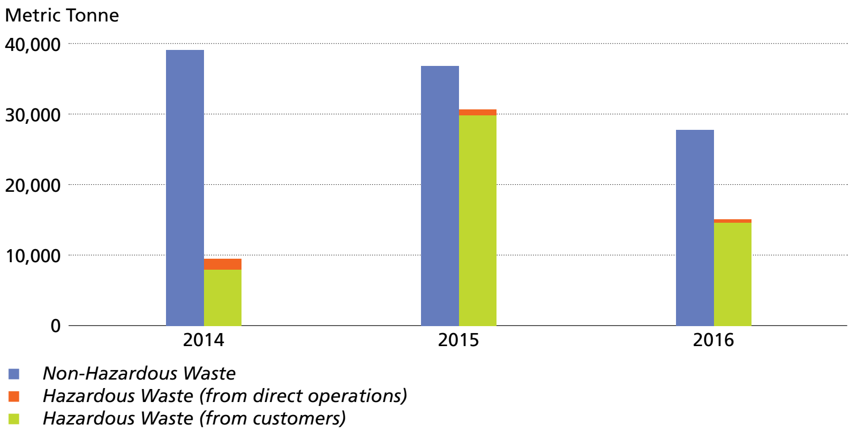
Sembcorp Marine is committed to managing and reducing its waste and discharge responsibly. A Group-wide system governs the management of hazardous waste, non-hazardous waste as well as materials sent for recycling. Company policy and regulations set out detailed procurement, classification, handling, training, emergency response and disposal practices which all employees, contractors, vendors, customers and other onsite personnel must follow.

All collection, treatment, disposal as well as recycling of wastes in Singapore are strictly governed by the EPMA, EPHA and national toxic industrial waste regulations. In addition, the country accedes to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their disposal.

Hazardous waste handled by the Group consists largely of sludge and oily water removed from customers' vessels when they arrive at the yards for repair, maintenance and upgrading works. Sembcorp Marine and its contractors work only with government-licensed waste collection vendors to ensure that disposal processes are in compliance with government regulation. Collected hazardous waste is treated and then incinerated. This reduces the impact on the country's limited landfill resources and facilitates the leveraging of waste-to-energy opportunities.

Types of Waste





	2014	2015	2016
Non-Hazardous Waste	38,958	36,713	27,657
Hazardous Waste	9,464	30,557	14,748
(from direct operations)	1,546	881	190
(from customers)	7,918	29,676	14,558
Recycled Waste	135,831	303,185	132,241

Waste water treatment plant at the Sembcorp Marine Tuas Boulevard Yard

ENVIRONMENTAL SUSTAINABILITY

In 2016, the Group set up a new waste water treatment plant in Tuas Boulevard Yard to manage trade effluent processed by the facilities. Oily sludge, a byproduct of performing maintenance work for customer vessels, is traditionally classified as hazardous waste and handled according to regulation. Tested by an accredited external agency, the plant utilises a four-step filtration system to extract and treat water for safe discharge. The remaining solid hazardous matter is compacted and disposed by certified disposal agencies. The new system will have the capacity to decrease the hazardous waste volume by an estimated 5,400 tonnes per year.

Recycling is an important aspect of Sembcorp Marine's waste management practices. All retrieved copper grit and steel scraps are sent for recycling and upcycling. In 2016, this amounted to 74,861 MT of copper grit and 52,971 MT of steel scraps – over 97% of Sembcorp Marine's total recycled waste volume.

DATA AND REPORTING

Environmental data disclosed in this report is consolidated from the Group's yards within operational control in Singapore (see pages 4 - 5).

In 2016, the Group's calculation methodologies were updated based on a review of global benchmarks. The adopted changes are:

- Energy consumption conversion methodologies are applied from the Carbon Disclosure Project's 2016 publication of Technical Note: Conversion of fuel data to MWH.

  Calorific values of fuels are sourced from Greenhouse Gas (GHG) Protocol's Emission Factors from Cross-Sector Tools (April 2014); except for acetylene which is provided by suppliers.

- Emission factors for acetylene and carbon dioxide (used as shielding gas) are sourced from the US EPA Shipbuilding Inventory Tool (version 2.1); carbon dioxide (CO_2) is the only greenhouse gas included in this calculation. Gas fuels included in this calculation consist of acetylene, liquefied petroleum gas and natural gas which are used for welding and cutting.

  Emission factors for all other Scope 1 emissions are sourced from the World Resources Institute's GHG Protocol tools for stationary combustion (version 4.1) and for transport or mobile sources (version 2.6). The greenhouse gases included in this calculation are CO_2, methane (CH_4) and nitrous oxide (N_2O).

- Emission factor for Scope 2 is guided by the Energy Market Authority in Singapore. Electricity emission for the current reporting year is an estimate as it applies the latest available factor at the time of report preparation, which is often the previous year's emission factor. The only greenhouse gas included in this calculation is CO_2.

HUMAN CAPITAL

SEMBCORP MARINE CONTINUES TO NURTURE AND EMPOWER PEOPLE TO DRIVE ITS GROWTH AND SUCCESS. BY HARNESSING TALENT AND BUILDING COMPETENCIES, THE GROUP FOCUSES ON DEVELOPING A COMPETITIVE AND FUTURE-READY WORKFORCE THAT WILL PROPEL THE COMPANY TOWARDS ITS MISSION AND VISION.

Growing strong teams and a capable workforce for sustainable growth

WORKFORCE PROFILE

Sembcorp Marine employed 12,952 people globally as at end December 2016. The workforce is made up of 91% males and 9% females, reflecting the gender profile of companies within the offshore and marine industry. About 58% of the workforce are production staff while management and support function employees represent the remaining 42%. A significant portion of production operations is carried out by subcontract workers who supplement the regular workforce.

Singaporeans and permanent residents account for 66% of the management and local workers in the Singapore workforce. Sembcorp Marine's senior management based at the Group's headquarters in Singapore include 19 Singaporeans and one permanent resident. Among them, 15 are men and five are women. Of these, five are in the 40-49 years age group category and 15 in age group 50 and above. Further information can be found in the Senior Management section of the annual report and the corporate website.

HUMAN CAPITAL STRATEGY

Sembcorp Marine's human resource (HR) strategy is driven by the Group's mission, vision and growth objectives. Core to the strategy is attracting, developing and growing a competitive workforce and a strong talent pool for sustainable growth. By creating a compelling employment experience and an enriching environment, the Group empowers employees to unleash their full potential and achieve peak performance.

The Group conducts regular reviews to continuously enhance its HR management systems, standards and protocols at various levels to ensure alignment with best practices among its peers and within the industry.

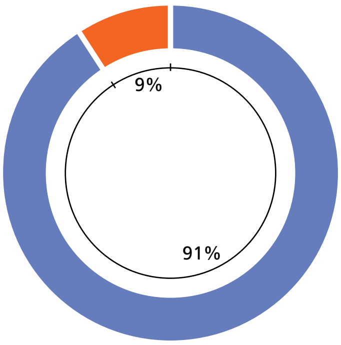
PROVIDING FAIR EMPLOYMENT AND EQUAL OPPORTUNITIES

Sembcorp Marine adopts employment practices that are aligned with internationally recognised human and labour rights standards. Guided by the principles set out by Singapore's Tripartite Alliance for

HUMAN CAPITAL

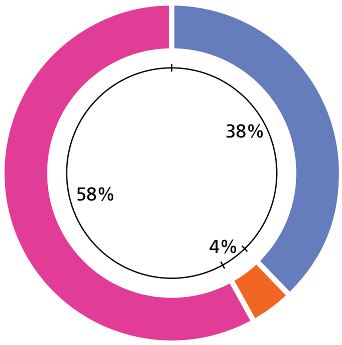
Global Workforce
Total: 12,952

Workforce Distribution: Gender



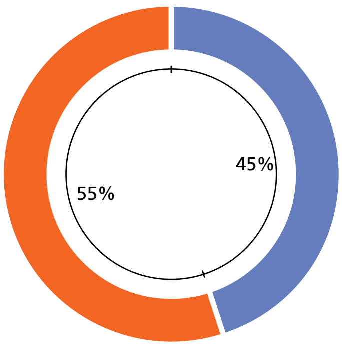
- *Male*
- *Female*

Workforce Distribution: Work Function



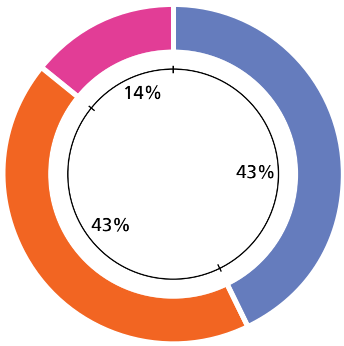
- *Management*
  Male: 81% Female: 19%
- *Support*
  Male: 67% Female: 33%
- *Operation*
  Male: >99% Female: <1%

Workforce Distribution: Employment Contract



- *Permanent*
  Male: 83% Female: 17%
- *Fixed Term Contract*
  Male: 98% Female: 2%

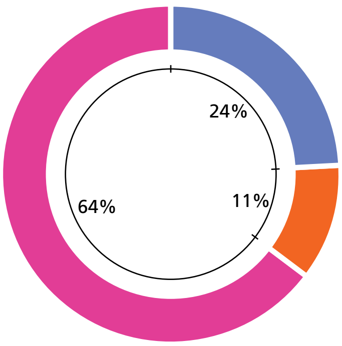
Workforce Distribution: Age Group



- *< 30*
  Male: 93% Female: 7%
- *30 - 49*
  Male: 90% Female: 10%
- *50 & Above*
  Male: 90% Female: 10%

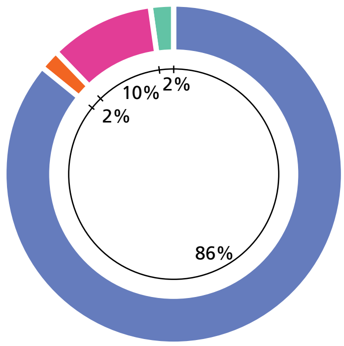
HUMAN CAPITAL

Workforce Distribution: Level of Education



- Degree and Above
  Male: 82% Female: 18%
- Diploma
  Male: 87% Female: 13%
- Others
  Male: 95% Female: 5%

Workforce Distribution: Region



- Singapore
  Male: 92% Female: 8%
  Local: 32% Non-Local: 68%
- Asia / Asia-Pacific
  Male: 76% Female: 24%
  Local: 95% Non-Local: 5%
- Americas
  Male: 90% Female: 10%
  Local: >99% Non-Local: <1%
- Europe
  Male: 89% Female: 11%
  Local: 95% Non-Local: 5%

Fair and Progressive Employment Practices, the Group is an equal opportunity employer that embraces employee diversity and promotes an inclusive work culture.

Discrimination by ethnicity, gender, religious beliefs, nationality, age or physical disability is not tolerated. The Group is also against unethical practices such as child labour, slavery, forced labour and human trafficking. At Sembcorp Marine, there are non-discriminatory and merit-based processes for recruiting, training and development, compensation and evaluation. In 2016, the company did not receive any reports of discrimination or exploitative labour practices.

The Group communicates these values to employees, associates and partners via its Code of Business Conduct, which is published on the intranet portal and corporate website. Workshops on business ethics, anti-bribery compliance and enterprise risk management are also held to educate employees and stakeholders on good corporate governance.

FREEDOM OF ASSOCIATION AND LABOUR RELATIONS

Sembcorp Marine's employees have the right to freedom of association with relevant trade unions. The Group's Singapore operations are guided by the Industrial Relations Act which provides for grievance resolution and dispute settlement by conciliation, arbitration and tripartite mediation.

The Group's union and management work together in the area of staff welfare and development. Collective agreements, that specify the terms and conditions of employment, benefits, training as well as workplace safety and health, are developed with close union-management consultation. In Singapore, unionised employees who are covered by collective agreements account for 26% of the workforce.

There are structured dispute resolution processes in place for employees to seek recourse for their grievances. Under the Group's Employee Grievance Handling Policy, staff can raise issues of concern to their immediate supervisor and then to their respective department heads. Should further intervention be required, the matter can be escalated to the HR Department for mediation.

TALENT ATTRACTION AND OUTREACH

To ensure Sembcorp Marine's continued success, it is vital to draw the best people onboard. Towards this end, the Group seeks out promising talent through multiple platforms. The company's outreach and industry promotion efforts in 2016 included more than 20 job fairs and recruitment talks in tertiary institutions as well as 16 yard tours for 673 students.

HUMAN CAPITAL

A structured merit-based framework is utilised to shortlist and select candidates. New hires are chosen after assessing their competencies, experience, attitude and disposition to ensure that they are a suitable fit within the organisation.

Scholarships are offered to promising students from institutes of technical education, polytechnics and universities, as part of Sembcorp Marine's talent grooming programme. In 2016, 17 students were awarded scholarships and 15 scholars started their careers with the Group after their graduation.

The Group also provides youths with opportunities to gain practical work experience through internships and industrial attachments. During the year, some 203 interns benefited from these learning stints.

STRENGTHENING COMPETENCIES AND COMPETITIVENESS

Sembcorp Marine continues to place strong emphasis on training and development. In 2016, the Group invested $2.92 million to provide 675,084 hours of structured training for employees at its Singapore yards. Staff underwent an average of 60 training hours to enhance their skills and competencies. Out of the 40,254 training places utilised, 53% was attributed to workplace health, safety and environment courses, while the remainder focused on competency building as well as employees' development and growth.

Sembcorp Marine's Global Leadership Development Programme aims to equip management staff with leadership competencies for higher performance

With Sembcorp Marine's Global Leadership Development Programme moving into the second year, a total of 1,540 management staff have undergone various leadership training modules. Developed by the Group in collaboration with Singapore Management University, the programme aims to empower all levels of management staff with global leadership competencies to excel and inspire their teams towards higher performance.

Besides its employees, Sembcorp Marine believes that it is equally important to work in close partnership with its sub-contractors and local education institutions to improve the overall workforce capability in the industry. In 2016, the Group conducted 310,494 hours of training for its sub-contractors, with more than 75% covering workplace safety and health training for specialised trades.

Workforce optimisation efforts continue to be implemented to ensure a scalable and versatile talent pool that can be flexibly deployed to meet evolving business requirements and seize new opportunities. During the year, training was provided to employees to equip them with new skill sets for growth.

The Group is also a strong supporter of the Singapore government's SkillsFuture initiative. The first batch of five employees recently completed the one-year part-time Specialist Diploma in Marine Production with Ngee Ann Polytechnic under the Earn-and-Learn Programme. The Group also took in 129 students

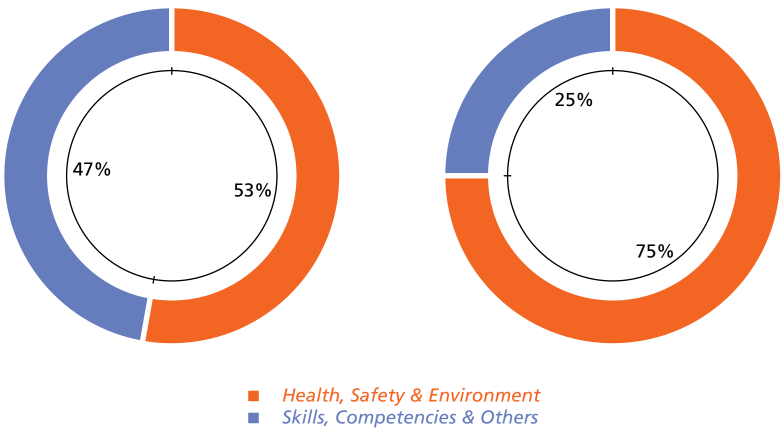
Strengthening workforce competitiveness through continuous skills training and upgrading

HUMAN CAPITAL

Employee and Contractor Training in Singapore

Employees
40,254 Training Places
(675,084 Training Hours)

Contractors
21,158 Training Places
(310,494 Training Hours)



from the polytechnics and institutes of technical education under the Enhanced Internship Programme, where they were attached to various departments in the yard for a period of six months.

The Group also focuses on the holistic development and growth of employees. Courses in communication, team building, customer service, change management and personal effectiveness are provided to employees depending on their work functions to enhance their professional competencies.

External learning opportunities, such as participation in local and overseas seminars, conferences and workshops, are also provided to employees to broaden their knowledge and exposure.

Personal development courses to enhance competencies

Beyond the company, Sembcorp Marine also contributes to raising standards of marine and offshore engineering education and training through knowledge sharing with government ministries, educational institutions, industry associations and certified training providers.

DEVELOPING TALENT GLOBALLY

Beyond Singapore, Sembcorp Marine continues to invest in training infrastructure and capabilities to further enhance the competitiveness of its global workforce.

Brazil
In Brazil, Sembcorp Marine's wholly owned subsidiary yard Estaleiro Jurong Aracruz (EJA) invested more than $1 million to further enhance the technical skills and safety capabilities of its workforce.

To align with Sembcorp Marine's quality, safety and operational best practices, EJA staff have opportunities to undergo overseas immersion training in Singapore. Several Brazilian employees are currently on work attachments in Singapore to gain operational experience and deepen their project management expertise.

To develop the EJA workforce, Sembcorp Marine has in place a Joint Educational Programme in partnership with the Instituto Federal do Espirito Santo (IFES) and Singapore's Ngee Ann Polytechnic to nurture local talent from the neighbouring communities. In 2016, 17 IFES trainees were selected to undergo 12 to 15 months of training in Singapore. Trainees go through a three-month Technical English Course and a five-month Diploma (Conversion) in Marine and Offshore Technology course at Ngee Ann Polytechnic. Following that, trainees are posted to Sembcorp Marine for five months of work attachment

HUMAN CAPITAL

EJA trainees with Governor of Espirito Santo Mr Paulo Hartung during his visit to Singapore

before returning to commence work in EJA. To date, a total of 107 personnel have been trained under the Joint Educational Programme since its launch in 2012.

EJA also partners several educational institutions to offer vocational training and apprenticeship programmes in specialised trades, such as industrial painting, maintenance, welding, industrial automation, hydraulics, industrial mechanics, pipe fitting, scaffolding, fitting, grinding and electrical. Since 2012, EJA has trained more than 2,670 people from the local communities.

Indonesia

In 2016, Sembcorp Marine officially launched a new training and learning centre at its PT SMOE Indonesia yard in Batam. This training facility, which serves as an epicentre for knowledge sharing and a hub for skills development, reflects the Group's continuous efforts to sustain its competitive advantage through the retention and upgrading of human capital.

NURTURING LEADERS

Sembcorp Marine has a talent management and succession planning framework in place to identify and nurture future leaders and successors for business continuity. The Board-level Executive Resource and Compensation Committee has oversight on leadership renewal and management development processes within the Group, including approval of senior management appointments, review of succession plans and grooming of talent for key executive roles.

As part of the talent development process, a structured performance management framework is used to trace the progress and contributions of promising staff. By identifying these future leaders and monitoring their growth, plans can be mapped out for their career advancement, competencies training and leadership development.

Launch of the new training and learning centre at Sembcorp Marine's PT SMOE Indonesia yard

HUMAN CAPITAL

EMPLOYEE RECOGNITION AND RETENTION

Outstanding employees that have contributed to Sembcorp Marine's success are recognised and rewarded for their achievements and contributions.

Career progression is based on merit and equal opportunities are provided to staff to excel and grow with the company. To objectively measure employees' performance, all employees in the workforce undergo annual appraisals to assess their suitability for career advancement or salary increments.

In Singapore, Sembcorp Marine recently introduced a new Performance Management System which uses a balanced scorecard approach to evaluate staff based on objective benchmarks and performance targets.

The collaborative and inclusive goal-setting process encourages two-way communication and active staff involvement in defining performance targets that are aligned with the company's strategic objectives.

This empowers employees to take personal ownership of their results and benchmark their performance against clear and structured goals.

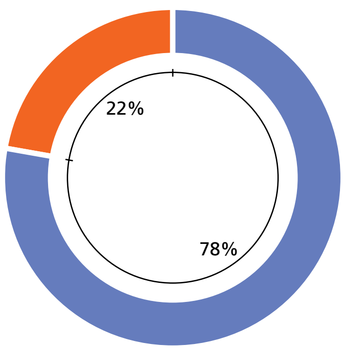
Through this integrated performance management approach, the Group can effectively monitor, evaluate and recognise staff achievements, build employee competencies and raise performance standards for enhanced competitiveness.

Career development opportunities, performance incentives and compensation are aligned with employees' contributions and accomplishments. Performance bonuses and equity-based incentives are also offered to spur staff on towards higher performance. Various benefits and incentives are offered as part of the compensation package to staff. Employees are entitled to annual leave, parental leave, group insurance coverage and company transportation benefits. In Singapore, the Group has a Flexible Benefits Programme where staff can customise a set of benefits that suit their lifestyle and needs in the areas of health care, self-improvement, travel, insurance, childcare and fitness. Medical screening benefits are provided to all staff. In addition, employees above 35 years old are given additional credits under the Flexible Benefits Programme to encourage them to go for comprehensive annual health checks.

Parental leave benefits are provided to employees in accordance with Singapore's legislation.

For employees who require flexible work arrangements due to health issues or special circumstances, requests for telecommuting or part-time work will be considered by the company on a case-by-case basis.

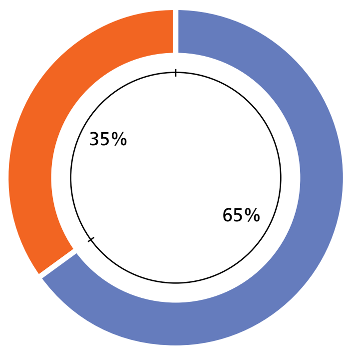
New Recruits
Total: 2,383



Singapore
Gender Male: 93% Female: 7%
Age < 30: 79% 30 - 49: 19% 50 & Above: 2%

Overseas
Gender Male: 90% Female: 10%
Age < 30: 37% 30 - 49: 40% 50 & Above: 23%

Employee Turnover
Total: 3,296*



Singapore
Gender Male: 90% Female: 10%
Age < 30: 48% 30 - 49: 41% 50 & Above: 11%

Overseas
Gender Male: 89% Female: 11%
Age < 30: 39% 30 - 49: 47% 50 & Above: 14%

* *Turnover figures include resignation, contract expiry and retirement of employees*

HUMAN CAPITAL

Sharing corporate governance best practices among management and staff

Sembcorp Marine also encourages the retention of older workers to tap on their skills and experience. In Singapore, the re-hiring of retiring staff beyond the statutory retirement age of 62 years has been a long-time practice even before the Retirement and Re-employment Act became effective in 2012. This law stipulates that companies are to offer re-employment to retiring employees till the age of 65.

In 2016, 612 staff of the retiring batch of employees opted to renew their contracts on an annual basis. Employees who continue to work beyond the re-employment age of 65 represent about 3% of the workforce. Staff who have chosen to leave employment are provided preparatory workshops to support and guide them on the transition from work to retirement.

To recognise the loyalty and commitment of staff, long service awards are given out annually. In 2016, a total of 620 employees received recognition for their dedication and contributions.

EMPLOYEE ENGAGEMENT

To communicate Sembcorp Marine's values, policies and strategies, a range of platforms are employed to engage employees, including induction programmes, intranet portals for internal communications, memos, briefings and workshops. Through these channels, staff are updated on the Group's stance on ethical business conduct, risk management, corporate governance, anti-corruption, whistle-blowing, workplace safety and health as well as quality and security management.

Sembcorp Marine leverages a variety of channels, including dialogue sessions, focus groups, staff retreats and surveys, to obtain feedback from personnel. To understand employees' views on the Group's ongoing transformation, a survey exercise involving about 2,860 staff in Singapore was conducted in mid 2016. The survey found that more than 95% of respondents understood the intent of the transformation, embraced the benefits of working as one team, and were ready for the changes. The quantitative findings and qualitative feedback enabled management to understand the perspectives and concerns of staff, and in turn enhance employee communication and engagement.

Inclusive and Supportive Workplace

Sembcorp Marine believes in fostering an inclusive and supportive work culture. Beyond the regular orientation programmes, additional support is provided to non-local workers, especially those not familiar with the English language, to adapt to the new work environment. Special immersion programmes are arranged for these employees to undergo English lessons, safety courses and skills training to ensure that they are well-adjusted and equipped to perform on the job.

Employees who are deployed overseas also undergo relevant language training to bridge the cultural gap. For staff seconded to Brazil, Portuguese lessons and preparatory courses are provided to enhance their language proficiency and ease the transition process.

Strong tripartite relations and union-management harmony

HUMAN CAPITAL

Subsidised lodgings located nearby or within the Group's yards are available to the non-local workforce. Within Sembcorp Marine's Tuas Boulevard Yard in Singapore, there is a purpose-built dormitory that can house 4,888 residents. By living close to the workplace, workers can reduce their commuting and have maximum rest for greater productivity and safety at work.

Personnel residing in the dormitory precinct and engineer quarters have convenient access to recreational and sporting facilities, living amenities, professional laundry services and a central kitchen meals service. To ensure that wholesome meals are served, a nutrition consultant was engaged by the Group to develop healthy menu options for residents.

Building Team Spirit

To foster team spirit and a sense of identity among employees within the Group, team building activities, sports competitions, recreational games, outdoor excursions and festive celebrations are organised at various levels. Department lunch gatherings are also held annually on New Year's Eve to strengthen connections and camaraderie among colleagues.

Programmes to enhance workforce competitiveness, occupational safety standards and employee care are also co-organised by the management and union. Joint events such as National Day functions, innovation carnivals and festive celebrations serve to reinforce union-management links and strengthen tripartite relations.

CARING FOR EMPLOYEES

Sembcorp Marine has in place medical facilities and various programmes to promote health and wellness among employees.

Team building activities for employee bonding

Medical and Healthcare

The Group's yards have in-house facilities and support services to provide timely emergency response, medical treatment and health care to the workforce. Partnerships have been established with Jurong Medical Centre, Ng Teng Fong General Hospital and Khoo Teck Puat Hospital to expedite emergency response, medical treatments, medical advice, specialist referrals and clinical tests for staff.

The Group provides annual health screenings and chronic disease intervention programmes for early detection and management of illnesses such as high cholesterol, high blood pressure, coronary heart disease, stroke, hypertension and diabetes.

A comprehensive Diabetes Programme @ Workplace initiative is in place to track the long-term progress of staff diagnosed with diabetes. Implemented since 2009, this diabetes intervention programme measures employees' key clinical indicators through quarterly blood tests, blood pressure readings and body mass index measurements as well as annual eye and foot screenings.

Educational workshops are held to create awareness of chronic disease prevention, including lung diseases, kidney ailments, osteoarthritis, as well

Providing annual health screening for chronic disease prevention

HUMAN CAPITAL

Recreational outings to strengthen camaraderie

as back and neck care. Employees are also educated on infectious diseases, such as dengue fever, Zika virus and tuberculosis.

The Group's yards also work closely with agencies such as the National Environment Agency and the Ministry of Health to conduct regular site checks to maintain a safe and healthy work environment for all.

Personal Wellness

Personal wellness is another key area of focus in Sembcorp Marine's health promotion programme. Employees are encouraged to lead a well-balanced lifestyle through workshops and talks that promote the benefits of healthy cooking, regular exercise, quality sleep, relaxation and stress management.

The Group cares for the mental well-being of its people. Counselling and anonymous helplines are available to provide support to staff who may be facing work, personal or family pressures.

Equipping employees with people skills to foster good relationships within and beyond the workplace is another focal point. Through talks on personal development and family bonding, staff gain insights into effective communication, anger management, strengthening marital relations and parenting skills.

Keeping Fit and Active

Sembcorp Marine promotes a healthy and active culture through daily morning exercises, ACTIVE (All Companies Together in Various Exercises) Day mass monthly workouts and various workplace fitness programmes. Fitness options available to employees at the workplace include gymnasium facilities, personal training sessions and exercise classes for pilates, yoga and zumba. Healthy snacks, fruits and beverages are also distributed to staff on a regular basis to create greater awareness of good dietary habits.

Beyond the workplace, there are also avenues for employees to stay active and fit through participation in industry tournaments, outdoor excursions, nature walks and sporting events. All these provide opportunities for employees to forge closer connections outside of work.

Sporting activities to promote healthy and active living

TOTAL WORKPLACE SAFETY AND HEALTH

SAFEGUARDING THE WORKPLACE SAFETY AND HEALTH OF EMPLOYEES AND STAKEHOLDERS IS A SEMBCORP MARINE CORE VALUE. THE COMPANY EMBRACES A ZERO-INCIDENT TARGET WHICH GUIDES ITS POLICIES, OPERATIONS, SYSTEMS, ACTIONS AND CULTURE.

Sembcorp Marine's workplace safety and health (WSH) strategic thrusts are aligned with the national vision for safety and health in the workplace. These thrusts guide the development of an annual workplan which ensures that a dynamic and robust system is in place for the safety and well-being of the Group's internal and external stakeholders.

All Sembcorp Marine yards are certified to OHSAS 18001 Occupational Health and Safety Systems and ISO 9001 Quality Management Systems, and are compliant with the Singapore Workplace Safety and Health Act. The Group requires all of its 209 residential contractors to attain a bizSAFE[1] level 4 standard which ensures that these contractors have robust WSH management systems and implementation plans assessed by a ministry-approved auditor.

The Group is committed to providing a working environment that minimises the risk of health, safety and environmental (HSE) hazards.

NATIONAL WSH 2018 VISION
Safe and Healthy Workplace for everyone and a country renowned for best practices in Workplace Safety and Health

NATIONAL WSH 2018				
	STRATEGIC OUTCOMES			
	Reduction in workplace fatalities and injury rates	WSH is an integral part of business	A progressive and pervasive WSH culture	Singapore is renowned as a centre of excellence of WSH
	STRATEGIES			
	STRATEGY 1 Build strong capabilities to manage WSH	**STRATEGY 2** Implement an effective regulatory framework	**STRATEGY 3** Promote the benefits of WSH and recognise best practices	**STRATEGY 4** Develop strong partnerships locally and internationally

SCM WSH STRATEGIC THRUSTS	THRUST 1	THRUST 2	THRUST 3	THRUST 4
	Continuous Enhancement in HSE Competencies & Capabilities	Improvement in Risk & Safety Management Systems	Building up Commitment & Leadership towards collective WSH Culture	Involvement & Support from Stakeholders

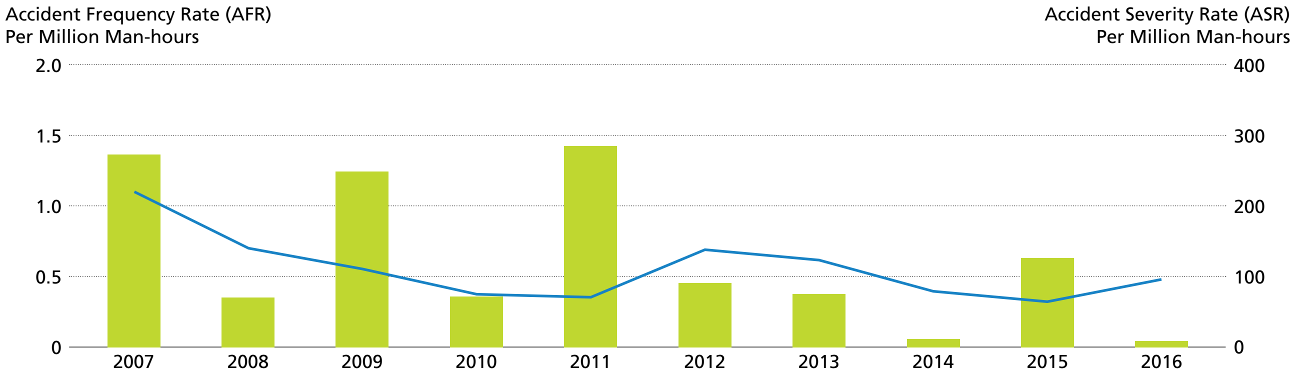
NATIONAL WSH 2018 PLUS	KEY PRIORITIES		
	1 Improving WSH performance in construction industry	**2** Strengthening WSH competency	**3** Building collective WSH ownership

Adapted from "Factsheet on WSH 2018 Plus", page 4, Figure 1: WSH 2018 Plus, WSH Council

1 *A national risk-management programme developed by the WSH Council*

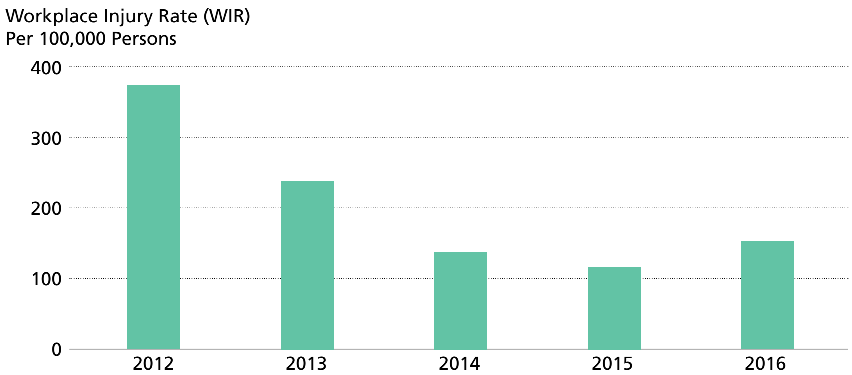
TOTAL WORKPLACE SAFETY AND HEALTH

Sembcorp Marine's Safety Performance



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Accident Frequency Rate	1.09	0.71	0.57	0.40	0.38	0.70	0.63	0.42	0.35	0.50
Accident Severity Rate	260.1	67.01	237.12	68.34	271.42	86.75	72.15	11.37	120.30	8.11

Workplace Injury Rate



	2012	2013	2014	2015	2016
Workplace Injury Rate	378.81	214.81	139.86	118.69	155.32

Notes for the above charts:
- *The data represents Sembcorp Marine's employee and contractor statistics from the Group's Singapore yards within operational control (see pages 4 - 5).*
- *Definitions of terms and calculation methodologies are set out by the Singapore Ministry of Manpower's reporting protocols, available in the latest national statistics report at www.mom.gov.sg.*

Sembcorp Marine's Health, Safety, Security, Environment & Quality (HSSEQ) Policy encompasses all employees, contractors, suppliers, stakeholders and visitors at Sembcorp Marine facilities.

The company's safety and health management system employs a structured framework to develop and implement policies that are aligned with international standards, such as the International Association of Oil and Gas Producers (IOGP) and the International Labour Organization. Designed to engage all internal and external personnel operating in Sembcorp Marine yards, the system manages WSH risks, monitors performance and positively modifies user behaviour and attitudes.

The Board Risk Committee and Enterprise Risk Management Committee convene regularly to oversee and review HSE policies and performance. The Group also works closely with customers and industry experts in order to deliver safety and health outcomes according to international best practices.

Joint management-worker health and safety committees, along with the respective sub-committees, are responsible for implementing company policies, practices, and performance management on a range of WSH areas. These areas include promotion of WSH awareness and best practices, training and educating personnel on risk assessment and management, management of WSH-related grievances, use of personal protective equipment as well as the right to halt or refuse unsafe work.

Representatives of onsite work personnel form the majority of these joint management-worker health and safety committees. In 2016, this amounted to nearly 200 male and female members of staff, union representatives and contractors who worked closely with management to oversee WSH management for Sembcorp Marine's employee and contractor workforce.

TOTAL WORKPLACE SAFETY AND HEALTH

WSH PERFORMANCE IN 2016

There were no Sembcorp Marine fatalities recorded in 2016. In 2016, the company's Accident Severity Rate (ASR) decreased 93% to 8.11 man-days lost per million man-hours. The Accident Frequency Rate (AFR), a measure of incidents per million man-hours, increased to 0.50, and Workplace Injury Rate (WIR) increased to 155.32 incidents per 100,000 persons employed (including contractors). Contractors accounted for approximately 72% of these reportable incidents, compared with 55% in the previous year.

CONTINUOUS IMPROVEMENT

Sembcorp Marine recognises the need to manage the execution of safety and risk management standards by all parties operating in its premises. The company continues to engage these parties regularly to enhance supervisory capabilities, execute systematic inspections of operations, reward good performance, identify hot spots and implement training to ensure all personnel are equipped for compliance with the Group's health, safety and environmental standards.

To prepare the company's systems, employees, contractors, customers, and relevant stakeholders for emergencies, Sembcorp Marine yards conducted a total of 168 drills in 2016. These included onboard and onshore scenarios for fire & rescue operations, evacuations, chemical spills, security breaches as well as table-top simulations. In addition to customers, vendors and contractors, the yards work closely with national emergency response teams, such as the Singapore Civil Defence Force and the Singapore Police Force, to ensure preparedness.

RECOGNITION OF WSH EFFORTS

In 2016, Sembcorp Marine won 29 awards in national and industry WSH competitions. These included national recognitions for good safety track records, firefighting and emergency response, process innovations as well as exemplary performance of its resident contractors.

The Group also received recognitions from customers. Sembcorp Marine Admiralty Yard won the Shell Shipping and Maritime Outstanding Health, Safety, Security & Environment Performance Award for having excellent safety standards in

A hazard demonstration on falling objects reinforces best practices to multiple stakeholder groups

BUILDING A COHESIVE WSH CULTURE WITH CUSTOMERS

Discussions and brainstorming during joint events help align the WSH expectations of Sembcorp Marine, customers and contractors

Regular project meetings to monitor WSH performance and discuss improvement measures

TOTAL WORKPLACE SAFETY AND HEALTH

Stakeholder involvement is a key thrust of Sembcorp Marine's total safety and health journey

the workplace. The Group's Indonesia facility, PT SMOE Indonesia, was recognised by customer Yamgaz for outstanding safety and quality performance. Please refer to pages 12 - 15 for more details on Sembcorp Marine's WSH awards.

ENGAGING STAKEHOLDERS

The Group reaches out to a wide range of stakeholders daily to foster a robust WSH culture in the workplace. Regular discussions are held with external stakeholders such as customers, industry associations and ministry agencies to identify new best practices and regularly review the Group's HSE systems and standards for improvement.

As an important part of the workforce, the Group's contractors are regularly reviewed to ensure their continued performance in accordance with regulatory standards and company expectations. All contractors must comply with the Group's Code of Business Conduct, as well as the yards' policies and practices.

Sembcorp Marine contractor partners are evaluated by HSE, production as well as human resource teams for their performance in safety, health, environment and quality. Additionally, contractors with significant contributions to the total workforce undergo stringent workplace safety and health audits by Sembcorp Marine. This helps entrench Sembcorp Marine policies and expectations of standards deeper into the contractor partners' *modus operandi*.

HSE communication channels are extended to contractor partners. Safety videos and learning materials are issued and updated regularly to share current information on better work practices.

The yards empower all employees, contractors and onsite personnel at the worksites to intervene in WSH matters. The Stop Work Authority programme provides a clear, reprisal-free platform to halt work if any unsafe situations are observed. In addition to preventing incidents before they occur, this programme promotes greater responsibility individually and collectively.

Site inspection teams regularly interact with contractor management and representatives. This encourages closer integration of Sembcorp Marine HSE practices among contractors and partners.

The Group also has an established safety improvement culture that leverages the shared experience of onsite employees and contractors. Competitions, suggestion boxes, innovation carnivals and forums are effective avenues to encourage onsite personnel to suggest and develop process improvements.

ROBUST SAFETY PROGRAMMES

The Group deploys a host of programmes that are designed to continuously enhance competencies and capabilities; build commitment and leadership towards a better WSH culture; promote involvement and support from stakeholders; as well as improve risk and safety management systems. The programmes include:

- Inter-yard exchange programmes, which accelerate the propagation of new best practices between facilities;
- Review, Educate and Validate (REV) system which enhances the workforce's assessment capabilities, training programmes and onsite safety audits;
- Behavioural Based Safety (BBS) programme which deploys a structured system to modify behaviours for reinforcing positive performance and eliminating negative behaviours; and
- Hazard observation programme, which provides a complementary platform to raise and address onsite risks.

In 2016, Sembcorp Marine's WSH Communities Discussion Forum reached out to Sembcorp Industries. The programme was initiated in 2014 as a platform for learning and sharing WSH policy strategies and management of frontline issues with corporate leaders from other industries.

TOTAL WORKPLACE SAFETY AND HEALTH

OCCUPATIONAL HEALTH

Sembcorp Marine actively identifies personnel in jobs exposed to higher risks and requires them to undergo increased supervision and health checks, such as audiometric tests.

The yards ensure that onsite employees and contractors are equipped with occupational first aid training, such as Automated External Defibrillation (AED) and Cardio-Pulmonary Resuscitation (CPR).

All employees, contractors, customers and visitors have access to the yards' medical centres for first aid treatment or consultation.

The Group has in place a comprehensive disease prevention programme. This includes:

- Pandemic response plans for all its facilities;
- Housekeeping programmes including fumigations, site inspections and awareness training to identify and eliminate potential breeding grounds for mosquito-borne hazards such as dengue, malaria and Zika viruses. In 2016, the yards intensified preventive and preparedness activities as a containment response to the Zika risk in Singapore;
- Regular checks for general health, sight and hearing, chronic diseases and other identified occupation-related risks;

Joint safety drills to ensure multi-stakeholder preparedness

Platforms such as the WSH Innovation Carnival facilitate exchange of ideas and best practices

- Regular briefings conducted by HSE committees to refresh safety knowledge and information;
- Daily sessions with working teams to review safety practices; and
- Health and mental wellness intervention programmes.

Please refer to pages 120 - 129 for more information on the Group's health and welfare programmes.

COMMUNITY ENGAGEMENT

SEMBCORP MARINE CARES FOR THE COMMUNITY AND EXTENDS ITS INFLUENCE TO PROMOTE SOCIAL IMPROVEMENT AND SUSTAINABLE INDUSTRY GROWTH.

The Group believes in giving back to society and actively champions causes in 'youth and education', 'community care and involvement', 'environmental care', 'arts and cultural promotion', 'sports, health and active lifestyle' and 'industry outreach'.

Sembcorp Marine gave more than $2.95 million in 2016 through community programmes, sponsorships, corporate and staff donations, as well as industry development initiatives in Singapore. The Group and its employees invested some 3,000 hours participating in community programmes and volunteer activities during the year.

As part of its community engagement approach, the Group regularly reviews its corporate giving, social improvement programmes and industry development initiatives to further enhance the effectiveness of its outreach efforts. Impact assessments are periodically conducted to obtain feedback

Sembcorp Marine's SchoolBAG programme provides financial grants to support students within the community

COMMUNITY ENGAGEMENT

Launch of Sembcorp Marine's 2016 Green Wave Environmental Care Competition

Green Wave Environmental Care Competition encourages active involvement by students in advancing environmental sustainability

from charitable partners to ensure continued relevance and value creation to beneficiaries within the community.

YOUTH AND EDUCATION

Since 2001, Sembcorp Marine has been reaching out to support students from low-income families through its School Book Assistance Grant (SchoolBAG) programme. Over the past 15 years, the SchoolBAG programme has contributed a cumulative total of $3.8 million in bursaries to over 18,600 students residing in neighbourhoods close to Sembcorp Marine's yards. In 2016, over $235,000 in bursaries were awarded to 1,154 students to defray their school expenses and enrichment programme fees.

The Group also contributes to educational causes through the sponsorship of book prizes and awards to recognise students with outstanding grades and co-curricular performance. Within the company, bursaries and academic awards totalling $53,450 were presented to children of employees in 2016 to support their education journey.

Voluntary beach clean-up by Sembcorp Marine employees and business partners

A strong advocate in advancing education and research, the Group has contributed a total of $10 million to the Nanyang Technological University (NTU) to fund the development of the Sembcorp Marine Lab @ NTU. The newly launched laboratory aims to raise standards of offshore and marine engineering research and serve as a testbed for developing leading-edge innovations and sustainable solutions for the industry.

ENVIRONMENTAL CARE

Sembcorp Marine continues to nurture green mindsets and spread eco-consciousness through its Green Wave Environmental Care Competition. Started in 2003, Green Wave raises awareness and interest among students about the importance of sustainability as the world faces growing environmental pressures. Through this competition, which is open to the region's tertiary institutions since 2014, Sembcorp Marine and its industry partners provide students with a platform to showcase their practical ideas for achieving environmental sustainability.

COMMUNITY ENGAGEMENT

The year-long 2016 competition drew 279 project entries from 930 students from primary and secondary schools, junior colleges, institutes of technical education and tertiary institutions. The projects address a broad spectrum of environmental issues, ranging from pollution prevention and preservation of environmental resources to renewable energy development and protection of various ecosystems.

Sembcorp Marine demonstrated its commitment towards ocean sustainability through its membership in the World Ocean Council (WOC). The WOC is an international non-profit organisation committed to advancing industry leadership and collaboration in promoting sustainable use, development and stewardship of the seas.

There are also employee-led initiatives within the Group to promote environmental care and protection. In 2016, several staff from the Group, along with project owner representatives, did their part for the environment by organising a voluntary beach clean-up at Sembawang PA-Water Venture.

COMMUNITY CARE AND INVOLVEMENT

Sembcorp Marine contributes towards various causes, including sustainability, social support and community outreach, to make a positive difference to society.

Reflecting its commitment to promote greater sustainability awareness, Sembcorp Marine sponsored the Corporate Social Responsibility and Social Innovators Forum in 2016. Organised by Global Compact Network Singapore and Social Innovation Park, the forum focused on the theme of co-creating the future economy through sustainability and innovation.

Sembcorp Marine was a key sponsor of the Corporate Social Responsibility and Social Innovators Forum 2016

Sembcorp Marine provides financial support to meaningful community causes through donations and sponsorships. Beneficiaries of the Group's corporate giving in 2016 included charitable foundations and non-profit organisations, such as the Community Chest, NTUC Education and Training Fund, NTUC Health Silver Circle, All Saints Home, Pertapis and Yishun Students Care Service, among others. Employees also made direct salary contributions to the Chinese Development Assistance Council (CDAC), Yayasan MENDAKI, the Singapore Indian Development Association, and the Eurasian Association, which provide social assistance to their beneficiaries.

In 2016, more than $96,000 was raised by Sembcorp Marine and its staff in aid of the Community Chest's SHARE Programme, which supports voluntary welfare organisations in the social service sector. Donations made by employees during the fund raising were matched dollar for dollar by the Group.

The inaugural Community Chest Charity in the Park is another major community initiative sponsored by Sembcorp Marine during the year. Held in the Universal Studios Singapore at Resorts World Sentosa, the event was aimed at promoting inclusivity and providing interaction opportunities for beneficiaries and donors. Funds raised from the event

Active participation by employees in community outreach events

COMMUNITY ENGAGEMENT

went towards more than 80 charities supported by the Community Chest.

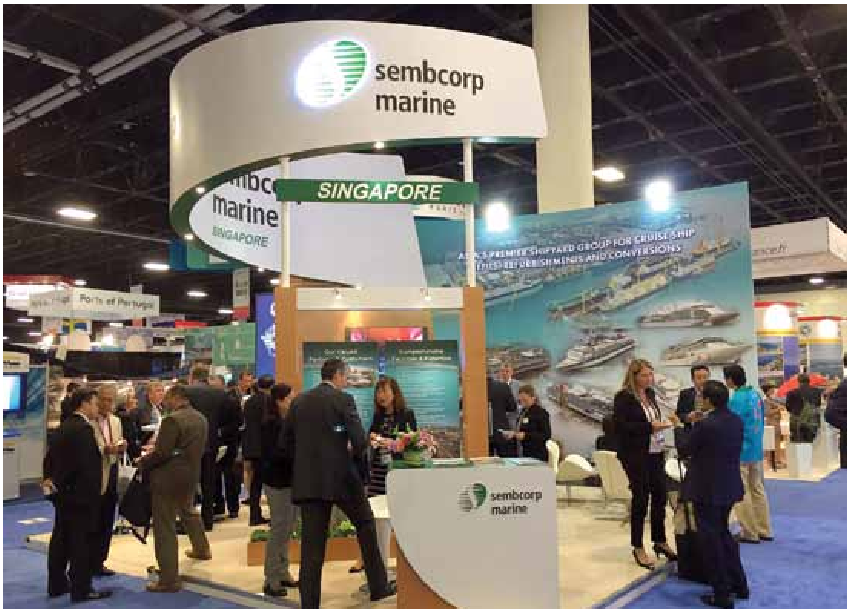
Community outreach is another focal area for the Group. Sembcorp Marine is a long-term partner of the Yishun Students Care Service which offers meaningful activities to engage children and youths in the community. In 2016, the Group continued to partner the centre in its annual U.Me Christmas Party to bring cheer to the beneficiaries under their care.

Several employees from Sembcorp Marine volunteered their time at the Assisi Hospice Charity Fun Day during the year. Participating staff provided support by helping out at various booths and offering assistance to patrons at the event. Visits to welfare homes were also organised during festive seasons, such as Lunar New Year and Mid-Autumn, to bring joy and warmth to residents.

Blood donation is another cause supported by Sembcorp Marine. The quarterly blood donation drives held by the Singapore Blood Bank at the Khoo Teck Puat Hospital are actively participated by the Group's employees.

ARTS AND SPORTS

Sembcorp Marine has been actively involved in arts and cultural promotion over the years. The Group has sponsored a variety of initiatives, including the Asian Civilisation Museum's renewal project, arts development programmes for the community, as well as cultural events and arts performances, to contribute towards a vibrant community.



Forging strong connections with global stakeholders at overseas exhibitions

The Group also furthers the cause of sports, health and active living. In 2016, Sembcorp Marine was a sponsor of Canberra Community Club's Sports Carnival, which aims to promote social and family bonding through sports and games. Other programmes supported by the Group included sporting workshops for youths and fund-raising charity tournaments.

GLOBAL COMMUNITY ENGAGEMENT

Sembcorp Marine's overseas yards also champion various social and charitable causes within the local community. Reflecting their commitment towards corporate social responsibility, the Group's global yards support a diverse range of projects in the areas of community care, environmental sustainability, training and education, capability development, as well as arts, cultural and sports promotion.

INDUSTRY OUTREACH

Sembcorp Marine is actively involved in a wide variety of industry outreach, development and promotion initiatives that contribute to Singapore's status as a leading maritime hub and a global industry leader.

As part of its industry outreach efforts, Sembcorp Marine took part in several international exhibitions in 2016, including the Offshore Technology Conference (OTC) Asia in Malaysia, SMM trade show in Germany, Posidonia exhibition in Greece, MEC trade show in Brazil, as well as Seatrade Cruise Global and OTC exhibitions in the United States. These global platforms provide opportunities for Sembcorp Marine to promote the capabilities of the Group and Singapore's offshore and marine sector.

Find out more about the Group's global community care and engagement programmes at www.sembmarine.com/sustainability/case-study-features/caring-globally

COMMUNITY ENGAGEMENT

To forge close connections with international stakeholders, Sembcorp Marine hosted several networking functions to strengthen ties with customers and business partners during the year.

In Singapore, Sembcorp Marine collaborates with various government bodies and industry partners in the area of capability building, trade promotion and industry development. The Group works closely with government agencies, such as MPA, International Enterprise Singapore, Economic Development Board, Ministry of Education, Ministry of Defence, Ministry of Manpower, National Environment Agency, SPRING Singapore, Jurong Town Corporation, and Agency for Science, Technology and Research (A*STAR), to further the nation's growth.

The Group is also actively involved in various business circles through its memberships in the Association of Singapore Marine Industries, Society of Naval Architects and Marine Engineers (Singapore), Singapore Business Federation and Singapore International Chamber of Commerce.

Several of the Group's senior management personnel contribute their knowledge and expertise by serving 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 Institute (SMI), Singapore Maritime Foundation and Nanyang Technological University.

Active engagement and knowledge sharing with stakeholders

Sembcorp Marine President & CEO Mr Wong Weng Sun is currently the Chairman of SMI. Mr Wong contributes his leadership and experience to SMI's support programmes, projects and initiatives that are aligned with its goals and strategies for the maritime industry in the areas of research and development, education and training, and thought leadership.

Enhancing the industry's research, development and technological capabilities is another area of focus. The Group supports a range of research and development initiatives led by government and industry partners to develop innovative and sustainable solutions to boost the competitiveness of the sector.

In the area of industry promotion, the Group supports various government-led and sector-driven initiatives to raise the profile of Singapore's offshore and marine sector. These include co-organising yard tours and promotional activities to encourage students to join the industry as well as outreach events to raise public awareness.

For more information about Sembcorp Marine's research and development collaborations with government and industry partners, please refer to pages 105 and 106.

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Disclosure Number	Disclosure Title	Annual Report Sections	Page Reference
GRI 102: GENERAL			
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GRI 102-1	Name of the organisation	• Corporate Directory	57
GRI 102-2	Activities, brands, products, and services	• Corporate Profile	Inside front cover
GRI 102-3	Location of headquarters	• Corporate Directory	57
GRI 102-4	Location of operations	• Our Integrated Global Platform	4 - 5
GRI 102-5	Ownership and legal form	• Corporate Directory	57
GRI 102-6	Markets served	• Our Integrated Global Platform • Notes to the Financial Statements	4 - 5 263
GRI 102-7	Scale of the organisation	• Corporate Profile • 2016 Highlights • Our Integrated Global Platform • Human Capital • Balance Sheets • Operations Review	Inside front cover 3 4 - 5 120 - 122 173 - 175 37 - 41
GRI 102-8	Information on employees and other workers	• Human Capital *Full-time/part-time categories are not reported as the number of part-time employees is not significant at less than 1%.* *There are no significant variations in workforce numbers in the year.* *A significant portion of production operations is carried out by subcontract workers who supplement the regular workforce.* *Data are compiled using the Group's HR management system.*	120 - 122
GRI 102-9	Supply chain	• Sustaining Competitiveness	107 - 111
GRI 102-10	Significant changes to the organisation and its supply chain	• Chairman and CEO's Report • Shareholders' Information • Approach to Sustainability • Risk Management • Sustaining Competitiveness *There were no significant changes in the company's supply chain structure or relationship with suppliers.*	16 - 25 58 - 59 73 95 - 97 107 - 111
GRI 102-11	Precautionary Principle or approach	• Approach to Sustainability	66 - 73
GRI 102-12	External initiatives	• Approach to Sustainability • Sustaining Competitiveness • Human Capital • Community Engagement	66 105 - 106 122 - 128 136 - 139
GRI 102-13	Membership of associations	• Approach to Sustainability • Community Engagement	66 139

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GRI 102-20	Executive-level responsibility for economic, environmental, and social topics	• Approach to Sustainability	66 - 70
GRI 102-23	Chair of the highest governance body	• Corporate Governance • Board of Directors • Senior Management	74 - 81 42 - 47 48 - 55
GRI 102-24	Nominating and selecting the highest governance body	• Corporate Governance	78 - 81
GRI 102-25	Conflicts of interest	• Corporate Governance	86 - 89
GRI 102-35	Remuneration policies	• Corporate Governance	82 - 85
GRI 102-36	Process for determining remuneration	• Corporate Governance	82 - 85
GRI 102-37	Stakeholders' involvement in remuneration	• Corporate Governance	82
Stakeholder engagement			
GRI 102-40	List of stakeholder groups	• Approach to Sustainability	70 - 73
GRI 102-41	Collective bargaining agreements	• Human Capital	122
GRI 102-42	Identifying and selecting stakeholders	• Approach to Sustainability	67, 70

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GRI 102-44	Key topics and concerns raised	• Approach to Sustainability	67 - 73
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GRI 102-46	Defining report content and topic Boundaries	• Approach to Sustainability	66 - 73
GRI 102-47	List of material topics	• Approach to Sustainability	67 - 70
GRI 102-48	Restatements of information	• Environmental Sustainability	115, 119
GRI 102-49	Changes in reporting	• Approach to Sustainability	67
GRI 102-50	Reporting period	January - December 2016	
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GRI 102-53	Contact point for questions regarding the report	• Approach to Sustainability	73
GRI 102-54	Claims of reporting in accordance with the GRI Standards	• Approach to Sustainability	73, 67
GRI 102-55	GRI content index	• GRI Standards: Core option content index	140 - 144
GRI 102-56	External assurance	*The company aims to progress the report towards external assurance.*	
GRI 103: MANAGEMENT APPROACH			
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GRI 103-2	The management approach and its components	• Approach to Sustainability	66 - 73
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GRI 301-1	Materials used by weight or volume	• Environmental Sustainability	117 - 118
GRI 301-2	Recycled input materials used	• Environmental Sustainability	117 - 118
GRI 302-1	Energy consumption within the organisation	• Environmental Sustainability	115 - 117
GRI 302-4	Reduction of energy consumption	• Environmental Sustainability	116
GRI 305-1	Direct (Scope 1) GHG emissions	• Environmental Sustainability	115 - 117
GRI 305-2	Energy indirect (Scope 2) GHG emissions	• Environmental Sustainability	115 - 117
GRI 306-3	Significant spills	*No significant spills took place in 2016.*	
GRI 307-1	Non-compliance with environmental laws and regulations	*No significant fines and non-monetary sanctions were received for non-compliance with environmental laws and/or regulations.*	
Social			
GRI 401, 403, 404, 405, 406, 408, 409	Management approach disclosures	• Approach to Sustainability • Human Capital • Total Workplace Safety and Health	69 - 70 120 130 - 131
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	• Human Capital *Benefits are applicable to full-time, contract and part-time employees, with the exception of temporary staff. Variable incentives and flexible benefits may differ depending on individual contracts and performance.*	126 - 127
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GRI 404-2	Programmes for upgrading employee skills and transition assistance programmes	• Human Capital	123 - 125, 127
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	• Human Capital	126
GRI 405-1	Diversity of governance bodies and employees	• Corporate Governance • Board of Directors • Senior Management • Human Capital *Other indicators of workforce diversity are not significant or relevant.*	92 42 - 47 48 - 55 120 - 122
GRI 406-1	Incidents of discrimination and corrective actions taken	*No reports were received of discrimination or exploitative labour practices relating to the Group's operations or suppliers. Through its policies and practices, the company does not consider its operations and suppliers to have significant risks of child, forced or compulsory labour.*	
GRI 408-1	Operations and suppliers at significant risk for incidents of child labour		
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour		
GRI 413, 416	Management approach disclosures	• Approach to Sustainability • Community Engagement • Sustaining Competitiveness	68, 70 135 - 136 102 - 103
GRI 413-1	Operations with local community engagement, impact assessments, and development programmes	*Relevant local community engagement activities are conducted by all operating units during the course of business.*	
GRI 416-1	Assessment of the health and safety impacts of product and service categories	• Sustaining Competitiveness	106

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

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 2016.

In our opinion:

(a) the financial statements set out on pages 173 to 279 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 2016, 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	
Bob Tan Beng Hai	

DIRECTORS' INTERESTS

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

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2017	At beginning of the year	At end of the year	At 21/01/2017
Tan Sri Mohd Hassan Marican							
Sembcorp Marine Ltd	Ordinary shares (Note 1)	80,300	192,100	192,100	–	–	–
Sembcorp Industries Ltd	Ordinary shares (Note 1)	41,000	60,200	60,200	–	–	–

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2017	At beginning of the year	At end of the year	At 21/01/2017
Wong Weng Sun							
Sembcorp Marine Ltd	Ordinary shares	3,482,184	3,559,534	3,559,534	–	–	–
	Conditional award of 250,000 performance shares to be delivered after 2015 (Note 2a)	Up to 375,000	–	–	–	–	–
	Conditional award of 500,000 performance shares to be delivered after 2016 (Note 2b)	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 2c)	Up to 562,500	Up to 562,500	Up to 562,500	–	–	–
	Conditional award of 638,000 performance shares to be delivered after 2018 (Note 2d)	–	Up to 957,000	Up to 957,000	–	–	–
	Conditional award of 85,000 restricted shares to be delivered after 2013 (Note 3a)	34,000	–	–	–	–	–

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2017	At beginning of the year	At end of the year	At 21/01/2017
Wong Weng Sun (cont'd)							
Sembcorp Marine Ltd (cont'd)	Conditional award of 85,000 restricted shares to be delivered after 2014 (Note 3b)	61,200	30,600	30,600	–	–	–
	Conditional award of 85,000 restricted shares to be delivered after 2015 (Note 3c)	Up to 127,500	25,500	25,500	–	–	–
	Conditional award of 127,500 restricted shares to be delivered after 2016 (Note 3d)	Up to 191,250	Up to 191,250	Up to 191,250	–	–	–
	Conditional award of 191,000 restricted shares to be delivered after 2017 (Note 3e)	–	Up to 286,500	Up to 286,500	–	–	–
Sembcorp Industries Ltd	Ordinary shares	79,000	79,000	79,000	–	–	–
Ajaib Haridass							
Sembcorp Marine Ltd	Ordinary shares	739,810	805,510	805,510	–	–	–
Sembcorp Industries Ltd	Ordinary shares (Note 6)	5,800	24,600	24,600	–	–	–

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2017	At beginning of the year	At end of the year	At 21/01/2017
Tang Kin Fei							
Sembcorp Marine Ltd	Ordinary shares	272,270	326,870	326,870	–	–	–
Sembcorp Industries Ltd	Ordinary shares (Note 7)	5,688,006	5,894,406	5,894,406	–	–	–
	Conditional award of 300,000 performance shares to be delivered after 2015 (Note 2a)	Up to 450,000	–	–	–	–	–
	Conditional award of 300,000 performance shares to be delivered after 2016 (Note 2b)	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 2c)	Up to 525,000	Up to 525,000	Up to 525,000	–	–	–
	Conditional award of 372,000 performance shares to be delivered after 2018 (Note 2d)	–	Up to 558,000	Up to 558,000	–	–	–

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2017	At beginning of the year	At end of the year	At 21/01/2017
Tang Kin Fei (cont'd)							
Sembcorp Industries Ltd (cont'd)	Conditional award of 126,000 restricted shares to be delivered after 2013 (Note 4a)	63,000	–	–	–	–	–
	Conditional award of 180,000 restricted shares to be delivered after 2014 (Note 4b)	136,800	68,400	68,400	–	–	–
	Conditional award of 180,000 restricted shares to be delivered after 2015 (Note 4c)	Up to 270,000	150,000	150,000	–	–	–
	Conditional award of 230,000 restricted shares to be delivered after 2016 (Note 4d)	Up to 345,000	Up to 345,000	Up to 345,000	–	–	–
	Conditional award of 211,000 restricted shares to be delivered after 2017 (Note 4e)	–	Up to 316,500	Up to 316,500	–	–	–

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2017	At beginning of the year	At end of the year	At 21/01/2017
Tang Kin Fei (cont'd)							
Sembcorp Industries Ltd (cont'd)	Subordinated Perpetual Security issued on 21 Aug 2013 under the $2.5 Billion Multicurrency Debt Issuance Programme (Note 8)	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 $2.5 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	160,480	210,480	210,480	28,000	28,000	28,000
Sembcorp Industries Ltd	Ordinary shares	82,820	82,820	82,820	–	–	–
Lim Ah Doo							
Sembcorp Marine Ltd	Ordinary shares	83,300	226,600	226,600	–	–	–
Sembcorp Industries Ltd	Ordinary shares	9,768	9,768	9,768	–	–	–
Koh Chiap Khiong							
Sembcorp Marine Ltd	Ordinary shares (Note 9)	38,300	82,400	82,400	–	–	–

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2017	At beginning of the year	At end of the year	At 21/01/2017
Koh Chiap Khiong (cont'd)							
Sembcorp Industries Ltd	Ordinary shares (Note 10)	345,615	423,649	423,649	–	–	–
	Conditional award of 75,000 performance shares to be delivered after 2015 (Note 2a)	Up to 112,500	–	–	–	–	–
	Conditional award of 75,000 performance shares to be delivered after 2016 (Note 2b)	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 2c)	Up to 157,500	Up to 157,500	Up to 157,500	–	–	–
	Conditional award of 133,000 performance shares to be delivered after 2018 (Note 2d)	–	Up to 199,500	Up to 199,500	–	–	–

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2017	At beginning of the year	At end of the year	At 21/01/2017
Koh Chiap Khiong (cont'd)							
Sembcorp Industries Ltd (cont'd)	Conditional award of 52,500 restricted shares to be delivered after 2013 (Note 5a)	26,250	–	–	–	–	–
	Conditional award of 65,000 restricted shares to be delivered after 2014 (Note 5b)	49,400	24,700	24,700	–	–	–
	Conditional award of 65,000 restricted shares to be delivered after 2015 (Note 5c)	Up to 97,500	54,166	54,166	–	–	–
	Conditional award of 85,000 restricted shares to be delivered after 2016 (Note 5d)	Up to 127,500	Up to 127,500	Up to 127,500	–	–	–
	Conditional award of 96,000 restricted shares to be delivered after 2017 (Note 5e)	–	Up to 144,000	Up to 144,000	–	–	–

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2017	At beginning of the year	At end of the year	At 21/01/2017
Koh Chiap Khiong (cont'd)							
Sembcorp Industries Ltd (cont'd)	Subordinated Perpetual Security issued on 21 Aug 2013 under the $2.5 Billion Multicurrency Debt Issuance Programme (Note 8)	Principal Amount: $250,000	Principal Amount: $250,000	Principal Amount: $250,000	–	–	–
Gina Lee-Wan							
Sembcorp Marine Ltd	Ordinary shares	–	22,600	22,600	–	–	–
Bob Tan Beng Hai							
Sembcorp Marine Ltd	Ordinary shares	–	24,200	24,200	–	–	–

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

DIRECTORS' INTERESTS (CONT'D)

Note 1: The 192,100 Sembcorp Marine Ltd shares and 60,200 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 2013 to 2015*
(b) Period from 2014 to 2016
(c) Period from 2015 to 2017
(d) Period from 2016 to 2018

* For this period, no shares earned based on achievement factor at the end of the prescribed performance period, the conditional awards covering the period has thus lapsed.

Note 3: The actual number to be delivered will depend on the achievement of set targets at the end of 2-year performance period as indicated below. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

(a) Period from 2012 to 2013*
(b) Period from 2013 to 2014**
(c) Period from 2014 to 2015***
(d) Period from 2015 to 2016
(e) Period from 2016 to 2017

* For this period, 34,000 shares (the final release of 1/3 of the 102,000 shares) were vested under the award on 28 March 2016. The 1st and 2nd release of 34,000 shares each have been vested on 24 March 2014 and 18 March 2015 respectively.

** For this period, 30,600 shares (2nd release of 1/3 of the 91,800 shares) were vested under the award on 28 March 2016 and the remaining 30,600 shares will be vested in year 2017. The 1st release of 30,600 shares has been vested on 18 March 2015.

*** For this period, 12,750 shares (1st release of 1/3 of the 38,250 shares) were vested under the award on 28 March 2016 and the remaining 25,500 shares will be vested in year 2017/2018.

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 2012 to 2013*
(b) Period from 2013 to 2014**
(c) Period from 2014 to 2015***
(d) Period from 2015 to 2016
(e) Period from 2016 to 2017

* For this period, 63,000 shares (the final release of 1/3 of the 189,000 shares) were vested under the award on 28 March 2016. The 1st and 2nd release of 63,000 shares each have been vested in 2014 and 2015 respectively.

** For this period, 68,400 shares (2nd release of 1/3 of the 205,200 shares) were vested under the award on 28 March 2016 and the remaining 68,400 shares will be vested in year 2017. The 1st release of 68,400 shares has been vested on 27 March 2015.

*** For this period, 75,000 shares (1st release of 1/3 of the 225,000 shares) were vested under the award on 28 March 2016 and the remaining 150,000 shares will be vested in year 2017/2018.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

DIRECTORS' INTERESTS (CONT'D)

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 2012 to 2013*
(b) Period from 2013 to 2014**
(c) Period from 2014 to 2015***
(d) Period from 2015 to 2016
(e) Period from 2016 to 2017

* For this period, 26,250 shares (the final release of 1/3 of the 78,750 shares) were vested under the award on 28 March 2016. The 1st and 2nd release of 26,250 shares each have been vested in 2014 and 2015 respectively.

** For this period, 24,700 shares (2nd release of 1/3 of the 74,100 shares) were vested under the award on 28 March 2016 and the remaining 24,700 shares will be vested in year 2017. The 1st release of 24,700 shares has been vested on 27 March 2015.

*** For this period, 27,084 shares (1st release of 1/3 of the 81,250 shares) were vested under the award on 28 March 2016 and the remaining 54,166 shares will be vested in year 2017/2018.

Note 6: Of the 24,600 Sembcorp Industries Ltd shares, 5,000 shares are held in the name of Bank of Singapore.

Note 7: Of the 5,894,406 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 8: Subordinated Perpetual Security and Fixed Rate Notes issued under the $2.5 Billion Multicurrency Debt Issuance Programme ("MDIP") of Sembcorp Industries Ltd and Sembcorp Financial Services Pte. Ltd., a related company of Sembcorp Industries Group. The programme limit of the MDIP was increased from S$2 Billion to S$2.5 Billion on 25 November 2016.

Note 9: Of the 82,400 Sembcorp Marine Ltd shares, 21,400 shares are held in the name of DBS Nominees Pte Ltd.

Note 10: Of the 423,649 Sembcorp Industries Ltd shares, 345,615 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 2017.

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 24(a) and 37 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.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

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	

The SCM RSP 2010 is the incentive scheme for directors and employees of the Company and its subsidiaries (the "Group") whereas the SCM PSP 2010 is aimed primarily at key executives of the Group.

The 2010 Share Plans are intended to increase the Company's flexibility and effectiveness in its continuing efforts to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of the Group. The 2010 Share Plans will strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives.

The Company designates Sembcorp Industries Ltd as the Parent Group.

The SCM RSP 2010 is intended to apply a broad base of senior executives as well as to the non-executive 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 interest of participants with the interest of shareholders, and to improve 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.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

SHARE-BASED INCENTIVE PLANS (CONT'D)

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 2016 and 2015, 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.

(v) All options have expired on 2 October 2016.

SHARE-BASED INCENTIVE PLANS (CONT'D)

(a) Share Option Plan (cont'd)

(vi) 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	Exercise period
2016										
02/10/2006	$2.38	973,312	–	(973,312)	–	–	973,312	–	–	03/10/2007 to 02/10/2016
2015										
11/08/2005	$2.11	667,190	(392,000)	(275,190)	–	–	667,190	–	827	12/08/2006 to 11/08/2015
02/10/2006	$2.38	1,009,312	(22,000)	(14,000)	973,312	160	1,009,312	973,312	52	03/10/2007 to 02/10/2016
		1,676,502	(414,000)	(289,190)	973,312		1,676,502	973,312	879	

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.

In 2016, there was no option of the Company exercised. The options of the Company exercised in 2015 resulted in 414,000 ordinary shares being issued at a weighted average price of $3.09. The options were exercised on a regular basis throughout the year. The weighted average share price during 2016 was $1.48 (2015: $2.68).

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

SHARE-BASED INCENTIVE PLANS (CONT'D)

(a) Share Option Plan (cont'd)

The details of options of the Company awarded/exercised since commencement of the Scheme (aggregate) to 31 December 2016 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	(15,710,648)	(100,266,747)	–
At 31 December 2016	132,652,695	(15,710,648)	(116,942,047)	–

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 2016 to 2018 will be vested to the senior management participants only if the restricted shares for the performance period 2017 to 2018 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.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

SHARE-BASED INCENTIVE PLANS (CONT'D)

(b) Performance Share Plan (cont'd)

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: Conditional performance shares awarded	Performance shares lapsed arising from targets not met	Conditional performance shares released	Conditional performance shares lapsed	At 31 December
2016						
Director of the Company						
Wong Weng Sun	1,125,000	638,000	(250,000)	–	–	1,513,000
Key executives of the Group	2,075,000	1,280,000	(355,000)	–	–	3,000,000
	3,200,000	1,918,000	(605,000)	–	–	4,513,000
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

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2013 to 2015 (2015: performance period 2012 to 2014), there were no (2015: nil) performance shares released via the issuance of treasury shares.

In 2016, there were 605,000 (2015: 675,000) performance shares that lapsed for under-achievement of the performance targets for the performance period 2013 to 2015 (2015: 2012 to 2014).

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 2016, was 4,513,000 (2015: 3,200,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 6,769,500 (2015: 4,800,000) performance shares.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

SHARE-BASED INCENTIVE PLANS (CONT'D)

(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 2016 and 2015.

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.

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 2016 and 2015, 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

YEAR ENDED 31 DECEMBER 2016

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:

		Movements during the year					
Restricted Shares participants	At 1 January	Conditional restricted shares awarded	Additional restricted shares awarded arising from targets met	Restricted shares lapsed arising from targets not met	Conditional restricted shares released	Conditional restricted shares lapsed	At 31 December
2016							
Directors of the Company							
Tan Sri Mohd Hassan Marican	–	111,800	–	–	(111,800)	–	–
Wong Weng Sun	307,700	191,000	–	(46,750)	(77,350)	–	374,600
Ajaib Haridass	–	65,700	–	–	(65,700)	–	–
Tang Kin Fei	–	54,600	–	–	(54,600)	–	–
Ron Foo Siang Guan	–	50,000	–	–	(50,000)	–	–
Lim Ah Doo	–	143,300	–	–	(143,300)	–	–
Koh Chiap Khiong	–	44,100	–	–	(44,100)	–	–
Gina Lee-Wan	–	22,600	–	–	(22,600)	–	–
Bob Tan Beng Hai	–	24,200	–	–	(24,200)	–	–
Other executives	9,793,885	7,525,400	–	(1,425,217)	(2,078,148)	(474,378)	13,341,542
	10,101,585	8,232,700	–	(1,471,967)	(2,671,798)	(474,378)	13,716,142
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

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2014 to 2015, a total of 461,541 (2015: Nil) restricted shares were released. For awards in relation to the performance period 2013 to 2014, a total of 845,290 (2015: 1,013,899) restricted shares were released. For awards in relation to the performance period 2012 to 2013, a total of 848,667 (2015: 950,779) restricted shares were released. In 2015, 945,042 restricted shares were released for awards in relation to the performance period 2011 to 2012. In 2016, there were 516,300 (2015: 159,200) restricted shares released to non-executive directors. The restricted shares were released via the issuance of treasury shares.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

SHARE-BASED INCENTIVE PLANS (CONT'D)

(c) Restricted Share Plan (cont'd)

In 2016, there were 1,471,967 restricted shares that lapsed for under-achievement of the performance targets for the performance period 2014 to 2015 (2015: additional 198,159 restricted shares were awarded for the over-achievement of the performance targets for the performance period 2013 to 2014).

The total number of restricted shares outstanding, including awards achieved but not released, as at 31 December 2016, was 13,716,142 (2015: 10,101,585). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 12,239,840 (2015: 7,623,701). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 18,359,760 (2015: 11,435,552) restricted shares.

Sembcorp Marine Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2014 to 2015 (2015: performance period 2013 to 2014), a total of $766,416 (2015: $2,849,108), equivalent to 456,064 (2015: 942,290) notional restricted shares, were paid.

A total of 3,387,850 (2015: 2,140,509) notional restricted shares were awarded on 27 May 2016 (2015: 27 May 2015) 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 2016, was 4,827,393 (2015: 3,070,668). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 7,241,090 (2015: 4,606,002).

(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	

The Audit Committee held six meetings during the financial year. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee performs the functions specified in Section 201B of the Singapore Companies Act, Chapter 50, the Listing Manual of the Singapore Exchange, and the Code of Corporate Governance.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2016

AUDIT COMMITTEE (CONT'D)

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the external and internal auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption;
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange);
- internal audit plans and internal audit reports; and
- whistle-blowers' disclosures.

The Audit Committee has full access to the management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiaries and significant associates, we have complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange.

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Tan Sri Mohd Hassan Marican
Chairman

Wong Weng Sun
Director

Singapore
22 February 2017

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
SEMBCORP MARINE LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Sembcorp Marine Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 173 to 279.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of property, plant and equipment and intangible assets (the "shipyard assets")

(Refer to Notes 4, 11 and 42 to the financial statements)

Risk:

The Group's shipyard assets were subject to impairment tests assessment, owing to the continuing sluggish market conditions impacting the Group's offshore and marine sector.

The Group's largest yard assets and facilities are (i) the integrated yards, which include the individual yard locations in Singapore, the sub-contracting yards in Indonesia and the United Kingdom (the Singapore cash generating unit ("CGU")) and (ii) the yard in Brazil (Brazil CGU). As at the reporting date, certain phases of the Brazil CGU were still under construction and there are limited track records of historical contract awards and performance.

The determination of the recoverable amounts of these CGUs involves a high degree of judgement and subject to significant estimation uncertainties, principally, the forecast order book. The forecast order book involves a diversified portfolio of long-term contracts whose contract prices are estimated based on prevailing market conditions and the outlook of the oil and gas industry. As the Brazil CGU is not yet fully operational, the Group has factored in the long term fundamentals of the oil and gas sector in Brazil to project the order book. The long-term returns of the Brazil CGU, however, can be significantly impacted by political risk.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
SEMBCORP MARINE LTD

Our response:

We assessed the Group's process for identifying and reviewing the CGUs subject to impairment testing. We reviewed the key assumptions supporting the value-in-use calculations to arrive at the recoverable amounts of these CGUs. We compared the forecast order book to firm commitments secured from customers, management approved budgets built from the Group's past and actual experiences, prevailing industry trends, and industry analysts' reports. We compared the discount rates to market observable data including market and country risk premiums and any asset-specific risk premium. We also reviewed available qualitative information supporting the projection of orders. We assessed the related disclosures on key assumptions applied in determining the recoverable amounts of the CGUs.

Our findings:

The Group has a process for identifying and reviewing the CGUs for impairment testing. The impairment tests assessment incorporated the relevant considerations. The disclosures in describing the inherent degree of estimation uncertainty and the sensitivity of the assumptions applied are appropriate.

Recognition of revenue and recoverability of contract work-in-progress

(Refer to Notes 13, 23 and 42 to the financial statements)

Risk:

One of the Group's significant revenue streams is derived from long-term construction contracts. The accounting for long-term construction contracts and the determination of percentage of completion is complex. Revenue is recognised based upon management's estimation of the value of the project activities completed. There are also estimation uncertainties associated with the costs to complete the projects.

As at the reporting date, several contracts were subject to deferrals (the "contract modifications"). The timing of suspension of revenue recognition and contract provisions required (collectively, the "contract adjustments") involve management judgement.

In particular, the outcome arising from the bankruptcy protection filing and consequential restructuring by a major customer, Sete Brasil, remains a highly judgemental matter.

The recoverability of amounts due from customers on construction contracts is therefore based on management's evaluation and best estimate of the ultimate realisation of these balances.

Our response:

- We reviewed the Group's estimation process (including the approval of project budget, monitoring of project costs and activities, and management's review and customer's approval of project's stage of completion and milestones achieved) used in determining the amounts of revenue and costs recognised in the financial statements.

- We reviewed the contractual terms and work status of the customer contracts, along with discussions with management and checked that contract revenue was recognised according to the percentage of completion of each project measured by the stage of completion of physical activities.

- We reviewed the re-forecast of each contract arising from contract modifications and analysed current on-going negotiations and settlements that may impair the profitability of such contracts as well as the collectability of significant contracts by reference to the recent credit review assessment of each customer prepared by management.

- We assessed the adequacy of disclosures in describing the areas of judgement and estimation uncertainties involving revenue recognition and contract work-in-progress.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
SEMBCORP MARINE LTD

Our findings:

The Group has a process to determine the amounts of revenue and costs recognised in the financial statements.

We found that the measurement of percentage of completion used by the Group for revenue recognition appropriately reflects the status of and progress of the projects; and revenue was recognised only when collectability of the amounts was assessed by management to be probable.

The judgements applied to determine potential contract adjustments from contract modifications were found to be within an acceptable range of considerations.

We found the disclosures in describing the areas of judgement and inherent degree of estimation uncertainties involved, to be appropriate.

Valuation of inventories

(Refer to Notes 13 and 42 to the financial statements)

Risks:

Inventories are measured at the lower of cost and net realisable value. The determination of the net realisable value is entity-specific and highly judgemental, given the limited transactions involving the sale and purchase of oil rigs in recent times.

Our response:

We assessed the Group's process of obtaining valuations from ship brokers and management's basis in utilising the valuations appraised by these ship brokers.

We evaluated the competence, capabilities and objectivity of these ship brokers. We considered the limitations that impact the quality of the valuation placed on these inventories. We also reviewed recent price quotes, discounted cash flow model and the key assumptions applied by management to support the valuation of inventories.

Our findings:

The valuations obtained from a few ship brokers rendered a range of valuation outcomes. These brokers are members of recognised professional bodies. The valuation techniques adopted by these brokers are generally in line with market practices.

We found the entity-specific net realisable values derived by management, taking into account a reasonable range of external valuations, recent price quotes, and management's discounted cash flow model, to be within an acceptable range.

Litigation, claims and other contingencies

Risk:

The Group is subject to operational, business and political risks in some of the countries in which it operates. These risks could give rise to litigation, claims and other contingencies (collectively, the "contingencies") which could have a significant financial impact if the potential exposures were to materialise. Ad-hoc Committees, if formed for any specific purpose, may conduct independent investigations on allegations that have potential impact on the business and the Group's financial statements, and recommend decisions as considered appropriate in connection with the independent investigations.

The determination by management of whether, and how much, to provide and/or disclose for such contingencies is highly judgemental.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
SEMBCORP MARINE LTD

Our response:

We assessed the Group's process for identifying and monitoring significant adverse developments arising from contingencies and where appropriate, legal, regulatory and political developments. We have reviewed the terms of reference of Ad-hoc Committees formed.

We evaluated management's assessment of the likely outcome and potential exposures arising from all significant contingencies and allegations subject to on-going investigations; and considered the requirements for any provision and related disclosures. Our work included:

- Assessment of the progress of all significant contingencies, including reviewing the Group's public announcements and the underlying basis for the announcements made;
- Consideration of any evidence of legal disputes which we were not previously made aware;
- Holding discussions with management, the Group's in-house legal counsel and Ad-hoc Committee, and reviewing pertinent correspondence between the parties involved and relevant reports issued by third parties;
- Obtaining independent legal confirmation letters from and discussing with the Group's external lawyers handling these issues to confirm the fact patterns which we have been advised; and
- Involvement of specialists to look into any on-going investigation work commissioned by the Ad-hoc Committee to support management's conclusions.

Our findings:

We found that the Group has a process for identifying and monitoring potential exposures arising from legal, regulatory and political developments as well as determination of the appropriate measurement and/or disclosures of such contingencies in the Group's financial statements. From our audit procedures performed, we found the liabilities recognised and disclosures on contingencies to be appropriate.

Acquisitions

(Refer to Note 36 to the financial statements)

Risk:

During the year, the Group acquired a few entities requiring the purchase price to be allocated to the fair value of the identifiable assets (including intangible assets) acquired and liabilities assumed. There is judgement and inherent uncertainty involved in the valuation of these assets and liabilities.

Our response:

We examined the terms and conditions of the sales and purchase agreement and the purchase price allocation exercise. We compared the methodologies and key assumptions used in determining the initial fair values assigned to the identifiable assets acquired and liabilities assumed to generally accepted market practices and market data. We also considered the disclosures for the acquisition of entities.

Our findings:

The estimates used in allocating the purchase price to the respective assets acquired and liabilities assumed were within an acceptable range. We also found the disclosures of these acquisitions to be appropriate.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
SEMBCORP MARINE LTD

Other Information

Management is responsible for the other information. The other information comprises the following sections in the annual report (but does not include the financial statements and our independent auditor's report thereon):

- Chairman and CEO's Report
- Group Financial Review
- Operations Review
- Directors' Statement

which we obtained prior to the date of this auditor's report, and the other sections in the annual report:

- 2016 Highlights
- Our Integrated Global Platform
- Significant Events
- Awards and Accolades
- Board of Directors
- Senior Management
- Corporate Structure
- Corporate Directory
- Shareholders' Information
- Investor Relations
- Approach to Sustainability
- Corporate Governance
- Risk Management
- Sustaining Competitiveness
- Environmental Sustainability
- Human Capital
- Total Workplace Safety and Health
- Community Engagement
- GRI Standards: Core option content index
- Supplementary Information
- Major Properties
- Notice of Annual General Meeting
- Proxy Form

which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
SEMBCORP MARINE LTD

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
SEMBCORP MARINE LTD

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Kenny Tan Choon Wah.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
22 February 2017

BALANCE SHEETS

AS AT 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Non-current assets					
Property, plant and equipment	4	3,986,667	3,540,555	90,497	94,490
Investment properties	5	–	–	19,006	20,733
Investments in subsidiaries	6	–	–	964,886	503,022
Interests in associates and joint ventures	7	74,816	312,056	–	107,369
Other financial assets	8	67,783	107,263	40,612	70,429
Trade and other receivables	9	53,095	54,106	36,605	54,515
Intangible assets	11	202,125	46,607	184	184
Deferred tax assets	12	12,042	23,499	–	–
		4,396,528	4,084,086	1,151,790	850,742
Current assets					
Inventories and work-in-progress	13	3,066,884	3,833,066	–	–
Trade and other receivables	9	491,968	589,711	61,099	48,329
Tax recoverable		8,530	3,893	5,536	1,611
Assets held for sale	14	182,215	–	107,369	–
Other financial assets	8	51,737	61,061	–	–
Cash and cash equivalents	15	1,216,971	629,305	24,482	10,908
		5,018,305	5,117,036	198,486	60,848
Total assets		9,414,833	9,201,122	1,350,276	911,590
Current liabilities					
Trade and other payables	16	2,120,447	2,518,677	23,890	22,502
Excess of progress billings over work-in-progress	13	193,403	288,067	–	–
Provisions	18	15,337	24,136	6,771	6,771
Other financial liabilities	19	18,317	104,614	–	–
Current tax payable		36,817	46,601	–	–
Interest-bearing borrowings	20	1,363,961	914,951	–	–
		3,748,282	3,897,046	30,661	29,273
Net current assets		1,270,023	1,219,990	167,825	31,575
Non-current liabilities					
Deferred tax liabilities	12	85,673	42,722	12,963	10,541
Provisions	18	65,279	51,391	18,036	18,036
Other financial liabilities	19	26,397	2,635	–	–
Interest-bearing borrowings	20	2,791,014	2,465,224	–	–
Other long-term payables	16	90,567	77,825	6,324	5,580
		3,058,930	2,639,797	37,323	34,157
Total liabilities		6,807,212	6,536,843	67,984	63,430
Net assets		2,607,621	2,664,279	1,282,292	848,160
Equity attributable to owners of the Company					
Share capital	21	484,288	484,288	484,288	484,288
Other reserves	22	54,905	9,770	(21,459)	(7,988)
Revenue reserve		2,022,796	2,017,147	819,463	371,860
		2,561,989	2,511,205	1,282,292	848,160
Non-controlling interests	31	45,632	153,074	–	–
Total equity		2,607,621	2,664,279	1,282,292	848,160

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000
Turnover	23	3,544,816	4,968,132
Cost of sales		(3,252,063)	(4,837,240)
Gross profit		292,753	130,892
Other operating income		55,623	41,448
Other operating expenses		(9,083)	(31,926)
General and administrative expenses		(113,987)	(290,405)
Operating profit/(loss)	24	225,306	(149,991)
Finance income	25	7,922	10,813
Finance costs	25	(88,651)	(46,775)
Investment income	26	–	557
Non-operating income	27	4,429	–
Non-operating expenses	27	(23,352)	(18,708)
Share of results of associates and joint ventures, net of tax	28	(35,134)	(173,499)
Profit/(loss) before tax		90,520	(377,603)
Tax (expense)/credit	29	(15,360)	77,637
Profit/(loss) for the year		75,160	(299,966)
Profit/(loss) attributable to:			
Owners of the Company		78,777	(289,672)
Non-controlling interests	31	(3,617)	(10,294)
Profit/(loss) for the year		75,160	(299,966)
Earnings per share (cents)	32		
Basic		3.77	(13.87)
Diluted		3.77	(13.87)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000
Profit/(loss) for the year		75,160	(299,966)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		9,320	78,807
Net change in fair value of cash flow hedges		50,749	(15,375)
Net change in fair value of cash flow hedges transferred to profit or loss		2,632	12,181
Net change in fair value of available-for-sale financial assets		(20,011)	6,761
Change in fair value of available-for-sale financial assets transferred to profit or loss	8	8,978	17,055
Other comprehensive income for the year, net of tax	30	51,668	99,429
Total comprehensive income for the year		126,828	(200,537)
Total comprehensive income attributable to:			
Owners of the Company		134,854	(201,103)
Non-controlling interests	31	(8,026)	566
Total comprehensive income for the year		126,828	(200,537)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company										
	Share capital $'000	Reserve for own shares $'000	Capital reserves $'000	Currency translation reserve $'000	Share-based payments reserve $'000	Hedging reserve $'000	Fair value reserve $'000	Revenue reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group											
At 1 January 2016	484,288	(3,149)	25,574	50,903	(29,931)	(46,615)	12,988	2,017,147	2,511,205	153,074	2,664,279
Total comprehensive income for the year											
Profit for the year	–	–	–	–	–	–	–	78,777	78,777	(3,617)	75,160
Other comprehensive income											
Foreign currency translation differences for foreign operations	–	–	–	13,729	–	–	–	–	13,729	(4,409)	9,320
Net change in fair value of cash flow hedges	–	–	–	–	–	50,749	–	–	50,749	–	50,749
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	–	2,632	–	–	2,632	–	2,632
Net change in fair value of available-for-sale financial assets	–	–	–	–	–	–	(20,011)	–	(20,011)	–	(20,011)
Change in fair value of available-for-sale financial assets transferred to profit or loss on impairment	–	–	–	–	–	–	8,978	–	8,978	–	8,978
Total other comprehensive income for the year	–	–	–	13,729	–	53,381	(11,033)	–	56,077	(4,409)	51,668
Total comprehensive income for the year	–	–	–	13,729	–	53,381	(11,033)	78,777	134,854	(8,026)	126,828
Transactions with owners of the Company, recognised directly in equity											
Contributions by and distributions to owners of the Company											
Purchase of treasury shares	–	(2,990)	–	–	–	–	–	–	(2,990)	–	(2,990)
Issue of treasury shares	–	5,573	–	–	(4,740)	–	–	–	833	–	833
Dividends paid to											
– owners of the Company (Note 33)	–	–	–	–	–	–	–	(73,140)	(73,140)	–	(73,140)
– non-controlling interests	–	–	–	–	–	–	–	–	–	(558)	(558)
Unclaimed dividends	–	–	–	–	–	–	–	12	12	–	12
Share-based payments	–	–	–	–	4,513	–	–	–	4,513	–	4,513
Acquisition of subsidiaries with non-controlling interests (Note 36)	–	–	–	–	–	–	–	–	–	44,897	44,897
Acquisition of non-controlling interests	–	–	(14,060)	762	–	–	–	–	(13,298)	(143,755)	(157,053)
Total contributions by and distributions to owners of the Company	–	2,583	(14,060)	762	(227)	–	–	(73,128)	(84,070)	(99,416)	(183,486)
At 31 December 2016	484,288	(566)	11,514	65,394	(30,158)	6,766	1,955	2,022,796	2,561,989	45,632	2,607,621

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company										
	Share capital $'000	Reserve for own shares $'000	Capital reserves $'000	Currency translation reserve $'000	Share-based payments reserve $'000	Hedging reserve $'000	Fair value reserve $'000	Revenue reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group											
At 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	3,132,027
Total comprehensive income for the year											
Loss for the year	–	–	–	–	–	–	–	(289,672)	(289,672)	(10,294)	(299,966)
Other comprehensive income											
Foreign currency translation differences for foreign operations	–	–	–	67,947	–	–	–	–	67,947	10,860	78,807
Net change in fair value of cash flow hedges	–	–	–	–	–	(15,375)	–	–	(15,375)	–	(15,375)
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	–	12,181	–	–	12,181	–	12,181
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 on impairment	–	–	–	–	–	–	17,055	–	17,055	–	17,055
Total other comprehensive income for the year	–	–	–	67,947	–	(3,194)	23,816	–	88,569	10,860	99,429
Total comprehensive income for the year	–	–	–	67,947	–	(3,194)	23,816	(289,672)	(201,103)	566	(200,537)
Transactions with owners of the Company, recognised directly in equity											
Contributions by and distributions to owners of the Company											
Purchase of treasury shares	–	(12,293)	–	–	–	–	–	–	(12,293)	–	(12,293)
Issue of treasury shares	–	10,859	–	–	(9,998)	–	–	–	861	–	861
Dividends paid to											
– owners of the Company (Note 33)	–	–	–	–	–	–	–	(250,665)	(250,665)	–	(250,665)
– non-controlling interests	–	–	–	–	–	–	–	–	–	(14,558)	(14,558)
Unclaimed dividends	–	–	–	–	–	–	–	29	29	–	29
Share-based payments	–	–	–	–	9,258	–	–	–	9,258	–	9,258
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	157	157
Total contributions by and distributions to owners of the Company	–	(1,434)	–	–	(740)	–	–	(250,636)	(252,810)	(14,401)	(267,211)
At 31 December 2015	484,288	(3,149)	25,574	50,903	(29,931)	(46,615)	12,988	2,017,147	2,511,205	153,074	2,664,279

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2016

	Group	
	2016 $'000	2015 $'000
Cash flows from operating activities		
Profit/(loss) for the year	75,160	(299,966)
Adjustments for:		
Finance income	(7,922)	(10,813)
Finance costs	88,651	46,775
Investment income	–	(557)
Depreciation of property, plant and equipment	140,591	125,731
Amortisation of intangible assets	18,354	6,007
Share of results of associates and joint ventures, net of tax	35,134	173,499
Gain on disposal of property, plant and equipment, net	(28)	(426)
Gain on disposal of an investment in a joint venture	(186)	–
Gain on deemed disposal of available-for-sale financial asset	(4,243)	–
Negative goodwill	(2,600)	–
Fair value adjustment on hedging instruments	(1,435)	29,409
Fair value gain on firm commitments under fair value hedge	(4,146)	–
Net change in fair value of financial assets measured through profit or loss	–	1,653
Impairment losses on available-for-sale financial assets	21,232	17,055
Impairment losses on investment in associates	2,120	–
Share-based payment expenses	4,279	7,011
Impairment losses on property, plant and equipment	–	1,400
Property, plant and equipment written off	45	14
Inventories (written back)/written down, net	(1,162)	85,518
Provision for foreseeable losses on contracts work-in-progress	–	277,961
Allowance for doubtful debts and bad debts, net	5,231	153,856
Tax expense/(credit)	15,360	(77,637)
Operating profit before working capital changes	384,435	536,490
Changes in working capital:		
Inventories and work-in-progress	672,680	(1,908,412)
Trade and other receivables	101,284	(288,254)
Trade and other payables	(489,553)	793,330
Cash generated from/(used in) operations	668,846	(866,846)
Investment and interest income received	7,867	11,498
Interest paid	(80,244)	(29,824)
Tax paid	(27,956)	(103,927)
Net cash generated from/(used in) operating activities	568,513	(989,099)
Cash flows from investing activities		
Purchase of property, plant and equipment (Note (a))	(421,388)	(932,829)
Proceeds from sale of property, plant and equipment	103	647
Acquisition of subsidiaries, net of cash acquired (Note 36)	(66,392)	–
Acquisition of a joint venture	(3,258)	–
Acquisition of other financial assets	–	(15)
Proceeds from disposal of a joint venture	450	–
Net cash used in investing activities	(490,485)	(932,197)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2016

	Group	
	2016	2015
	$'000	$'000
Cash flows from financing activities		
Proceeds from borrowings	1,604,908	2,052,674
Repayment of borrowings	(836,847)	(309,138)
Proceeds from share options exercised	–	879
Purchase of treasury shares	(2,990)	(12,293)
Acquisition of non-controlling interests	(157,011)	–
Dividends paid to owners of the Company	(73,140)	(250,665)
Dividends paid to non-controlling interests of subsidiaries	(558)	(14,558)
Capital contribution by non-controlling interests	–	157
Unclaimed dividends	12	29
Net cash generated from financing activities	534,374	1,467,085
Net increase/(decrease) in cash and cash equivalents	612,402	(454,211)
Cash and cash equivalents at beginning of the year	627,282	1,076,783
Effect of exchange rate changes on balances held in foreign currencies	(22,713)	4,710
Cash and cash equivalents at end of the year (Note 15)	1,216,971	627,282

(a) During the year, purchase of property, plant and equipment includes payment of $1.5 million on prior year's accrued capital expenditure for the Brazil new yard (2015: includes payment of $27.9 million on 2014's accrued capital expenditure for the Brazil new yard).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 22 February 2017.

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 43.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the 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 42.

2.5 Changes in accounting policies

With effect from 1 January 2016, 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 2016

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 2016

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 2016

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies (cont'd)

(i) Foreign currency transactions and balances (cont'd)

Foreign currency differences arising from the settlement or from translation of monetary items are recognised in profit or loss.

Foreign currency differences arising on retranslation are recognised directly in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:

- 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies (cont'd)

(iii) Net investment in a foreign operation

Foreign currency differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's profit or loss. Such differences are reclassified to the foreign currency translation reserve in the consolidated statement of comprehensive income and are released to the consolidated income statement upon disposal of the investment as part of the gain or loss on disposal.

3.3 Property, plant and equipment

(i) Owned assets

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Cost may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment is recognised in the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and its costs can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised as an expense when incurred.

Certain items of property, plant and equipment are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the costs of the next overhaul and are separately depreciated in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss.

(iii) Disposals

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

(iv) Leasehold land

Operating leasehold land has been capitalised as part of property, plant and equipment and is depreciated over the lease period in which the future economic benefits embodied in the assets are expected to be consumed.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

(v) Finance lease assets

Finance leases are those leasing agreements with terms of which the Group assumes substantially all the risks and rewards of ownership. Property, plant and equipment acquired by way of such leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss.

Capitalised leased assets are depreciated over the shorter of the economic useful life of the asset and the lease term.

(vi) Provision for restoration costs

A provision is recognised for the costs expected to be incurred to dismantle, remove and restore the asset upon expiry of the lease agreement. The estimated costs form part of the cost of the property, plant and equipment and are depreciated over the useful life of the asset.

(vii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is recognised as an expense in profit or loss on a straight-line basis over their estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years are as follows:

Leasehold land	Lease period of 3 to 60 years
Buildings	3 to 50 years
Quays and dry docks	6 to 60 years
Marine vessels	7 to 25 years
Cranes and floating docks	3 to 30 years
Plant, machinery and tools	3 to 30 years
Motor vehicles	3 to 10 years
Furniture and office equipment	3 to 10 years
Utilities and fittings	10 to 30 years
Computer equipment	1 to 5 years

The assets' depreciation methods, useful lives and residual values, if not insignificant, are reviewed annually and adjusted if appropriate.

No depreciation is provided on freehold land or construction-in-progress.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Intangible assets (cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial assets (cont'd)

(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 2016

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 2016

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 2016

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 and other 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 2016

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent that the prepayment will lead to, for example, a reduction in future payment or a cash refund.

(ii) Long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Long-term employee benefits are reported in "other long-term payables".

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related employment service is provided.

The amount expected to be paid is accrued when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits (cont'd)

(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.

The proceeds received net of any directly attributable transaction costs are credited to share capital when new shares are issued. The amount in the share-based payments reserve is retained when the option is exercised or expires.

Where treasury shares are issued, the difference between the cost of treasury shares and the proceeds received net of any directly attributable costs are transferred to share-based payments reserve.

Performance Share Plan

The fair value of equity-related compensation is measured using the Monte Carlo simulation method as at the date of the grant. The method involves projecting future outcomes using statistical distributions of key random variables including the share prices and volatility of returns. This model takes into account the probability of achieving the performance conditions in the future.

The fair value of the compensation cost is measured at grant date and amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. In estimating the fair value of the compensation cost, market-based performance conditions are taken into account. From 2014 onwards, awards granted have both market-based and non-market-based performance conditions. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates, irrespective of whether this performance condition is satisfied.

The share-based payments reserve relating to the performance shares released is transferred to share capital when new shares are issued. When treasury shares are issued, the cost of treasury shares is transferred to share-based payments reserve.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits (cont'd)

(v) Equity and equity-related compensation benefits (cont'd)

Restricted Share Plan

Similar to the Performance Share Plan, the fair value of equity-related compensation is measured using the Monte Carlo simulation method as at the date of the grant. The method involves projecting future outcomes using statistical distributions of key random variables including the share prices and volatility of returns. This model takes into account the probability of achieving the performance conditions in the future.

The fair value of the compensation cost is measured at grant date and amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. Awards granted have non-market based performance conditions. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates.

At the balance sheet date, the Company revises its estimates of the number of performance-based restricted shares that the employees are expected to receive based on the achievement of non-market performance conditions and the number of shares ultimately given. It recognises the impact of the revision of the original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The share-based payments reserve relating to the restricted shares released is transferred to share capital when new shares are issued. When treasury shares are issued, the cost of treasury shares is transferred to share-based payments reserve.

In the Company's separate financial statements, the fair value of options, performance shares and restricted shares granted to employees of its subsidiaries is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase in equity over the vesting period.

(vi) Cash-related compensation benefits

Sembcorp Marine Challenge Bonus

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the share price of the Company. The Group recognises a provision when contractually obliged to pay or where there is a past practice that has created a constructive obligation to pay.

The compensation cost is measured at the fair value of the liability at each balance sheet date and spread over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the bonus. The liability takes into account the probability of achieving the performance conditions in the future.

Until the liability is settled, the Group will re-measure the fair value of the liability at each balance sheet date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.16 Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to business combinations, or to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Revenue recognition (cont'd)

(iii) Charter hire and rental income

Charter hire and rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

3.20 Dividend and finance income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance income is recognised in profit or loss as it accrues, using the effective interest rate method.

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. Termination of interest rate swaps are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

3.25 Financial guarantee contracts

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Company will be required to make a payment under the guarantee. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

3.26 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.27 Assets held for sale

Non-current assets are classified as assets held for sale and measured at the lower of carrying amount and fair value less costs to sell if they are expected to be recovered principally through a sale transaction rather than through continuing use.

Any impairment losses on initial classification and subsequent gains or losses on re-measurement are recognised in profit or loss. Subsequent increases in fair value less costs to sell are recognised in profit or loss (not exceeding the accumulated impairment loss that has been previously recognised).

4. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		Construction-in-progress[1]	Docks and quays[2]	Marine vessels[3]	Plant, machinery and tools	Others[4]	Total[5]
	Freehold $'000	Leasehold $'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Cost/valuation								
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
	16,499	710,977	978,834	1,198,919	258,131	812,615	99,156	4,075,131
Translation adjustments	(46,633)	9,888	(196,953)	14	17,093	(19,470)	(180)	(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
Balance at 31 December 2015								
At cost	343,276	890,042	975,759	1,149,428	287,169	884,403	110,179	4,640,256
At valuation	–	–	–	25,152	–	–	–	25,152
	343,276	890,042	975,759	1,174,580	287,169	884,403	110,179	4,665,408
Balance at 1 January 2016								
At cost	343,276	890,042	975,759	1,149,428	287,169	884,403	110,179	4,640,256
At valuation	–	–	–	25,152	–	–	–	25,152
	343,276	890,042	975,759	1,174,580	287,169	884,403	110,179	4,665,408
Translation adjustments	33,306	2,646	90,037	22,063	4,924	18,609	1,112	172,697
Additions	130	20,496	366,145	4,317	336	22,173	6,282	419,879
Reclassifications	(229,581)	5,692	(196,919)	19,103	1,035	352,940	47,730	–
Disposals	–	–	–	(21)	(171)	(7,007)	(851)	(8,050)
Write-offs	–	(2)	–	–	–	(3,646)	(976)	(4,624)
Acquisition of subsidiaries	321	15	–	–	–	7	138	481
Balance at 31 December 2016	147,452	918,889	1,235,022	1,220,042	293,293	1,267,479	163,614	5,245,791

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Land and buildings		Construction-in-progress[1]	Docks and quays[2]	Marine vessels[3]	Plant, machinery and tools	Others[4]	Total[5]
	Freehold $'000	Leasehold $'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Cost/valuation								
Balance at 31 December 2016								
At cost	147,452	918,889	1,235,022	1,194,890	293,293	1,267,479	163,614	5,220,639
At valuation	–	–	–	25,152	–	–	–	25,152
	147,452	918,889	1,235,022	1,220,042	293,293	1,267,479	163,614	5,245,791
Accumulated depreciation and impairment losses								
Balance at 1 January 2015	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
Translation adjustments	728	1,121	–	692	744	2,476	473	6,234
Depreciation for the year	11,234	28,742	–	25,149	11,628	51,564	12,274	140,591
Reclassifications	(9,627)	(254)	–	(150,853)	–	157,730	3,004	–
Disposals	–	–	–	(2)	(162)	(6,960)	(851)	(7,975)
Write-offs	–	(2)	–	–	–	(3,614)	(963)	(4,579)
Balance at 31 December 2016	9,631	259,112	–	228,989	50,892	614,551	95,949	1,259,124
Carrying amounts								
At 1 January 2015	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
At 31 December 2016	137,821	659,777	1,235,022	991,053	242,401	652,928	67,665	3,986,667

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YEAR ENDED 31 DECEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Docks[2] $'000	Plant, machinery and tools $'000	Others[4] $'000	Total $'000
Company				
Cost/valuation				
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
Balance at 1 January 2016				
At cost	135,353	2,240	32,110	169,703
At valuation	25,152	–	–	25,152
	160,505	2,240	32,110	194,855
Additions	–	–	4,609	4,609
Disposals	–	–	(123)	(123)
Balance at 31 December 2016	160,505	2,240	36,596	199,341
Balance at 31 December 2016				
At cost	135,353	2,240	36,596	174,189
At valuation	25,152	–	–	25,152
	160,505	2,240	36,596	199,341
Accumulated depreciation				
Balance at 1 January 2015	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
Depreciation for the year	7,098	67	1,437	8,602
Disposals	–	–	(123)	(123)
Balance at 31 December 2016	98,731	1,703	8,410	108,844
Carrying amounts				
At 1 January 2015	75,987	637	14,181	90,805
At 31 December 2015	68,872	604	25,014	94,490
At 31 December 2016	61,774	537	28,186	90,497

The property, plant and equipment comprise mainly shipyards assets attributable to the "rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding" operating segment. Within this operating segment, there are two key cash-generating-units in Singapore and Brazil. These property, plant and equipment, together with certain intangible assets were tested for impairment and described in Note 42.

(1) During the year, interest charge of $117,250,000 (2015: $74,457,000) was capitalised as construction-in-progress.

(2) The carrying amounts of docks 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 revalued 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 2016

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(3) Owing to the sluggish 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 renewal rates, which were adjusted assuming a certain level of 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% (2015: 9.55%). Based on the Group's assessment of the recoverable amount of the marine accommodation vessel, no additional impairment loss (2015: $1,400,000) was recognised in the current year's 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 $61,049,000 (2015: $57,097,000).

5. INVESTMENT PROPERTIES

	Company 2016 $'000	Company 2015 $'000
Cost		
Balance at 1 January	62,664	95,361
Write-offs	–	(32,697)
Balance at 31 December	62,664	62,664
Accumulated depreciation		
Balance at 1 January	41,931	72,826
Depreciation for the year	1,727	1,802
Write-offs	–	(32,697)
Balance at 31 December	43,658	41,931
Carrying amounts		
At 31 December	19,006	20,733

The investment properties of the Company are used by the Group in carrying out its principal activities and are reclassified as property, plant and equipment at the Group.

The following amounts are recognised in profit or loss:

	Company 2016 $'000	Company 2015 $'000
Rental income	(27,546)	(29,856)
Operating expenses arising from rental of investment properties	23,248	28,369

6. INVESTMENTS IN SUBSIDIARIES

	Company 2016 $'000	Company 2015 $'000
Unquoted shares, at cost	980,137	518,273
Allowance for impairment loss	(15,251)	(15,251)
	964,886	503,022

Details of the Company's subsidiaries are set out in Note 43.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

7. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Interests in associates	5,425	242,313	–	107,369
Less: allowance for impairment loss	(2,120)	–	–	–
	3,305	242,313	–	107,369
Interests in joint ventures	71,511	69,743	–	–
	74,816	312,056	–	107,369

The impairment loss on investment in associates relates to one of the Group's associates whereby the Group independently and separately from the associate, performed an impairment analysis in accordance with FRS 28 *Investments in Associates and Joint Ventures* and FRS 36 *Impairment of Assets*. As at the reporting date, the Group concluded that the carrying amount of an investment in associate, after equity accounting of post-acquisition losses, was higher than the recoverable amount; and therefore, recognised an impairment loss of $1,778,000 (2015: $NIL) on this associate. The recoverable amount was estimated based on its value in use calculation. The Group applied the relief from royalty method to value the existing intellectual properties owned by the associate, and discounted the related cash flows at pre-tax discount rates of 20% to 21% (2015: 23% to 55%), depending on the life cycle of each intellectual property. These cash flows cover the projection periods ranging from 12 to 16 years, based on the remaining estimated useful life of the intellectual properties.

In 2016 and 2015, the Group did not receive dividends from its associates and joint ventures.

Associates

As at the reporting date, the Group has no associate (2015: one) that is material and a number of associates that are individually immaterial to the Group. All are equity accounted. The following information applies to the material associate:

Name of significant associate	Principal activity	Country of incorporation	Effective equity held by the Group		Fair value of ownership interest (if listed)	
			2016 %	2015 %	2016 $'000	2015 $'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	N.A.	N.A.

* On 15 November 2016, the Company entered into a conditional sale and purchase agreement with China Ocean Shipping (Group) Company to dispose of its 30% equity interest in Cosco Shipyard Group Co., Ltd (CSG), for a consideration of RMB 1,059.23 million (approximately S$220.68 million). As at 31 December 2016, CSG has been reclassified as assets held for sale (Note 14).

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 2016

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
2016			
Revenue	2,102,682	9,730	2,112,412
Loss from continuing operations	(217,782)	(8,434)	(226,216)
Other comprehensive income	–	–	–
Total comprehensive income	(217,782)	(8,434)	(226,216)
Attributable to non-controlling interests	(115,485)	–	(115,485)
Attributable to investee's shareholders	(102,297)	(8,434)	(110,731)
Non-current assets	–	38,103	38,103
Current assets	–	7,686	7,686
Non-current liabilities	–	(75)	(75)
Current liabilities	–	(16,090)	(16,090)
Net assets	–	29,624	29,624
Attributable to non-controlling interests	–	–	–
Attributable to investee's shareholders	–	29,624	29,624
Group's interest in net assets of investee at beginning of the year	234,834	7,479	242,313
Group's share of:			
– Loss from continuing operations	(30,689)	(2,082)	(32,771)
– Other comprehensive income	–	–	–
– Total comprehensive income	(30,689)	(2,082)	(32,771)
Other receivables	(9,769)	–	(9,769)
Translation adjustments	(12,161)	28	(12,133)
Impairment of investment in associates	–	(2,120)	(2,120)
Reclassification to "Assets held for sale"	(182,215)	–	(182,215)
Carrying amount of interest in investee at end of the year	–	3,305	3,305

* The profit or loss items are measured from 1 January 2016 to 30 September 2016 since the Group ceased equity accounting on reclassification of CSG as "Assets held for sale" thereafter.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

7. INTERESTS IN ASSOCIATES AND JOINT VENTURES (CONT'D)

	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

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:

	2016 $'000	2015 $'000
Carrying amount	71,511	69,743
Loss for the year	(2,363)	(14,205)
Other comprehensive income	–	–
Total comprehensive income	(2,363)	(14,205)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

8. OTHER FINANCIAL ASSETS

		Group		Company	
		2016 $'000	2015 $'000	2016 $'000	2015 $'000
(a)	**Non-current assets**				
	Available-for-sale financial assets:				
	– Quoted equity shares, at fair value	51,667	83,969	40,075	64,925
	– Unit trusts, at fair value	537	500	537	500
	– Unquoted equity shares, at cost[1]	2,642	7,646	–	5,004
		54,846	92,115	40,612	70,429
	Cash flow hedges:				
	– Forward foreign currency contracts	12,514	2,309	–	–
	– Interest rate swaps	423	12,839	–	–
		67,783	107,263	40,612	70,429
(b)	**Current assets**				
	Fair value hedges:				
	– Firm commitments	4,146	–	–	–
	Financial assets at fair value through profit or loss:				
	– Forward foreign currency contracts	18,829	56,355	–	–
	Cash flow hedges:				
	– Forward foreign currency contracts	27,160	4,706	–	–
	– Interest rate swaps	1,602	–	–	–
		51,737	61,061	–	–

[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, the cumulative fair value loss of available-for-sale financial assets of $8,978,000 (2015: $17,055,000), previously resided in equity was reclassified to profit or loss, when the available-for-sale financial assets were impaired.

9. TRADE AND OTHER RECEIVABLES

	Note	Group 2016 Non-current $'000	Group 2016 Current $'000	Group 2016 Total $'000	Group 2015 Non-current $'000	Group 2015 Current $'000	Group 2015 Total $'000	Company 2016 Non-current $'000	Company 2016 Current $'000	Company 2016 Total $'000	Company 2015 Non-current $'000	Company 2015 Current $'000	Company 2015 Total $'000
Trade receivables		–	569,684	569,684	–	648,763	648,763	–	–	–	–	–	–
Amounts due from related parties	10	36,560	11,369	47,929	37,260	5,655	42,915	36,605	56,117	92,722	54,515	37,029	91,544
Amounts due from non-controlling interests		–	–	–	–	53	53	–	–	–	–	–	–
Staff loans	(a)	–	197	197	34	258	292	–	–	–	–	–	–
GST refundable		–	23,380	23,380	–	36,773	36,773	–	–	–	–	815	815
Interest receivable		–	218	218	–	163	163	–	9	9	–	2	2
Deposits		–	2,553	2,553	–	2,678	2,678	–	–	–	–	–	–
Sundry receivables		–	8,398	8,398	–	16,480	16,480	–	2,115	2,115	–	7,426	7,426
Unbilled receivables		–	15,869	15,869	–	7,810	7,810	–	–	–	–	–	–
Recoverable		–	13,262	13,262	–	2,909	2,909	–	–	–	–	–	–
		36,560	644,930	681,490	37,294	721,542	758,836	36,605	58,241	94,846	54,515	45,272	99,787
Allowance for doubtful receivables		–	(172,689)	(172,689)	–	(158,315)	(158,315)	–	–	–	–	–	–
		36,560	472,241	508,801	37,294	563,227	600,521	36,605	58,241	94,846	54,515	45,272	99,787
Prepayments and advances		16,535	19,727	36,262	16,812	26,484	43,296	–	2,858	2,858	–	3,057	3,057
		53,095	491,968	545,063	54,106	589,711	643,817	36,605	61,099	97,704	54,515	48,329	102,844

(a) Staff loans

Staff loans are unsecured and bear interest at 3.0% (2015: 3.0%) per annum.

The impairment losses on trade receivables are as follows:

	Gross 2016 $'000	Impairment 2016 $'000	Total 2016 $'000	Gross 2015 $'000	Impairment 2015 $'000	Total 2015 $'000
Group						
Trade receivables	569,684	(168,852)	400,832	648,763	(158,315)	490,448

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10. AMOUNTS DUE FROM RELATED PARTIES

	Note	Associates and joint ventures 2016 $'000	Associates and joint ventures 2015 $'000	Related companies 2016 $'000	Related companies 2015 $'000	Total 2016 $'000	Total 2015 $'000
Group							
Amounts due from:							
– Trade	(a)	1,864	3,735	4,825	1,061	6,689	4,796
– Non-trade	(b)	843	859	–	–	843	859
– Loans and advances	(c)	36,560	37,260	–	–	36,560	37,260
		39,267	41,854	4,825	1,061	44,092	42,915
Amount due within 1 year	9	(2,707)	(4,594)	(4,825)	(1,061)	(7,532)	(5,655)
	9	36,560	37,260	–	–	36,560	37,260

	Note	Subsidiaries 2016 $'000	Subsidiaries 2015 $'000	Associates and joint ventures 2016 $'000	Associates and joint ventures 2015 $'000	Related companies 2016 $'000	Related companies 2015 $'000	Total 2016 $'000	Total 2015 $'000
Company									
Amounts due from:									
– Trade	(a)	20,286	31,447	32	–	8	–	20,326	31,447
– Non-trade	(b)	35,791	20,498	–	–	–	–	35,791	20,498
– Loans and advances	(c)	36,605	39,599	–	–	–	–	36,605	39,599
		92,682	91,544	32	–	8	–	92,722	91,544
Amount due within 1 year	9	(56,077)	(37,029)	(32)	–	(8)	–	(56,117)	(37,029)
	9	36,605	54,515	–	–	–	–	36,605	54,515

(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 nil (2015: $14,916,000) which is not expected to be repayable within the next twelve months.

(b) The non-trade amounts due from related parties comprise mainly payments made on their behalf which are unsecured, repayable on demand and interest-free.

(c) At the Group and Company level, the loans and advances to related parties are unsecured and interest-free, except for $34,460,000 (2015: $37,260,000) of loan to a joint venture that bears interest rates ranging from 0.67% to 1.19% (2015: 0.46% to 1.14%) 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.

The impairment losses on amount due from associates and joint ventures are as follows:

	Gross 2016 $'000	Impairment 2016 $'000	Total 2016 $'000	Gross 2015 $'000	Impairment 2015 $'000	Total 2015 $'000
Group						
Amount due from associates and joint ventures	43,104	(3,837)	39,267	41,854	–	41,854

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YEAR ENDED 31 DECEMBER 2016

11. INTANGIBLE ASSETS

	Goodwill $'000	Club memberships $'000	Intellectual property rights $'000	Total $'000
Group				
Cost				
Balance at 1 January 2015	8,488	916	60,072	69,476
Translation adjustments	24	–	–	24
Balance at 31 December 2015	8,512	916	60,072	69,500
Translation adjustments	7	–	1	8
Acquisition of subsidiaries	5,219	–	168,652	173,871
Balance at 31 December 2016	13,738	916	228,725	243,379
Accumulated amortisation and impairment losses				
Balance at 1 January 2015	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
Translation adjustments	7	–	–	7
Amortisation for the year	–	–	18,354	18,354
Balance at 31 December 2016	2,579	677	37,998	41,254
Carrying amounts				
At 1 January 2015	5,940	239	46,435	52,614
At 31 December 2015	5,940	239	40,428	46,607
At 31 December 2016	11,159	239	190,727	202,125

	Club memberships 2016 $'000	Club memberships 2015 $'000
Company		
Cost		
Balance at 1 January and 31 December	652	652
Accumulated impairment losses		
Balance at 1 January and 31 December	468	468
Carrying amounts		
At 1 January and 31 December	184	184

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

11. INTANGIBLE ASSETS (CONT'D)

Amortisation

The amortisation of intangible assets amounting to $18,354,000 (2015: $6,007,000) 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	
	2016	**2015**
	$'000	**$'000**
Rigs and floaters, repairs & upgrades, offshore platforms, and specialised shipbuilding	10,136	4,917
Others	1,023	1,023
Total	11,159	5,940

Intellectual property rights

Intellectual property rights relate to acquired patents for the Jurong Espadon Drillship, Satellite Services Platform offshore designs and re-deployable modularised LNG and LPG solutions.

Impairment test assessment

The goodwill and intellectual property rights are attributed to the "rigs and floaters, repairs & upgrades, offshore platforms, and specialised shipbuilding" operating segment. Within this operating segment, there are two key cash-generating-units in Singapore and Brazil subject to impairment test described in Note 42. Such goodwill and intellectual property rights are attributed to the Singapore cash-generating unit.

12. DEFERRED TAX ASSETS AND LIABILITIES

	At 1 January 2015 $'000	Recognised in profit or loss (Note 29) $'000	Recognised in other comprehensive income (Note 30) $'000	Translation adjustments $'000	At 31 December 2015 $'000	Recognised in profit or loss (Note 29) $'000	Recognised in other comprehensive income (Note 30) $'000	Acquisition of subsidiaries $'000	Translation adjustments $'000	At 31 December 2016 $'000
Group										
Deferred tax liabilities										
Property, plant and equipment	192,288	(37,707)	–	51	154,632	(20,292)	–	–	2	134,342
Interests in associates	10,530	(8,576)	–	–	1,954	(1,534)	–	–	–	420
Other financial assets	30	–	1,369	–	1,399	(8)	5,361	–	–	6,752
Intangible assets	2,396	1,772	–	–	4,168	(2,020)	–	42,152	–	44,300
Other items	1,355	(102)	–	–	1,253	(920)	–	–	–	333
	206,599	(44,613)	1,369	51	163,406	(24,774)	5,361	42,152	2	186,147
Deferred tax assets										
Property, plant and equipment	(391)	406	–	(16)	(1)	(983)	–	(70)	–	(1,054)
Trade and other receivables	(168)	41	–	–	(127)	(300)	–	–	–	(427)
Trade and other payables	(4,490)	(394)	–	–	(4,884)	(3,798)	–	–	–	(8,682)
Unutilised tax losses, capital and investment allowances	(59,330)	(63,742)	–	(70)	(123,142)	31,055	–	–	(302)	(92,389)
Provisions	(10,569)	6,111	–	(70)	(4,528)	166	–	–	8	(4,354)
Other financial liabilities	(8,842)	–	(2,024)	–	(10,866)	–	5,574	–	–	(5,292)
Other items	(544)	(91)	–	–	(635)	317	–	–	–	(318)
	(84,334)	(57,669)	(2,024)	(156)	(144,183)	26,457	5,574	(70)	(294)	(112,516)
Net deferred tax liabilities	122,265	(102,282)	(655)	(105)	19,223	1,683	10,935	42,082	(292)	73,631
Company										
Deferred tax liabilities										
Property, plant and equipment	13,886	804	–	–	14,690	(10)	–	–	–	14,680
Deferred tax assets										
Capital and investment allowances	(1,531)	(1,209)	–	–	(2,740)	2,032	–	–	–	(708)
Provisions	(1,286)	(123)	–	–	(1,409)	400	–	–	–	(1,009)
	(2,817)	(1,332)	–	–	(4,149)	2,432	–	–	–	(1,717)
Net deferred tax liabilities	11,069	(528)	–	–	10,541	2,422	–	–	–	12,963

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Deferred tax liabilities	85,673	42,722	12,963	10,541
Deferred tax assets	(12,042)	(23,499)	–	–
	73,631	19,223	12,963	10,541

As at 31 December 2016, a deferred tax liability of $13,298,000 (2015: $7,073,000) for temporary differences of $129,202,000 (2015: $67,066,000) related to investments in subsidiaries was not recognised because the Group can control the timing of reversal of the taxable temporary differences for all subsidiaries and the temporary differences are not expected to reverse in the foreseeable future.

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2016 $'000	2015 $'000
Deductible temporary differences	2,222	760
Tax losses	325,901	184,254
Capital allowances	354	859
	328,477	185,873

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 2016

13. INVENTORIES AND WORK-IN-PROGRESS

	Note	Group 2016 $'000	Group 2015 $'000
Raw materials	(a)	7,947	19,555
Finished goods	(a)	655	1,011
Work-in-progress	(b)	3,058,282	3,812,500
		3,066,884	3,833,066

In 2016, raw materials and changes in finished goods included as cost of sales amounted to $47,742,000 (2015: $73,739,000).

(a) Materials and finished goods are stated after deducting $2,953,000 (2015: $4,126,000) of allowance for inventories obsolescence. In 2016, the write-down of materials and finished goods to net realisable value by the Group amounted to $314,000 (2015: $986,000). The reversal of write-downs by the Group in 2016 amounted to $1,480,000 (2015: $798,000). The write-down and reversal are included in cost of sales.

(b) Work-in-progress

	Note	Group 2016 $'000	Group 2015 $'000
Costs and attributable profits		9,554,102	10,624,893
Less: Allowance for foreseeable losses		(189,806)	(277,961)
Progress billings		(6,499,417)	(6,822,499)
		2,864,879	3,524,433
Comprising:			
Due from customers on construction contracts	38	2,242,882	3,313,689
Work-in-progress		815,400	498,811
		3,058,282	3,812,500
Excess of progress billings over work-in-progress		(193,403)	(288,067)
		2,864,879	3,524,433

The Group conducted a review of all of its long term construction contracts. In the previous year, the Group concluded that certain contracts with a few customers were loss-making, resulting in an allowance of $277,961,000. 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. Other considerations include the total costs to complete these construction contracts where the costs are expected to exceed the revised contract revenue. A portion of the allowance was utilised during the year, resulting in the allowance as at the reporting date to amount to $189,806,000. Based on the Group's re-evaluation as at the reporting date, no additional allowance is required.

The Group conducted a review of all work-in-progress to have their carrying values to reflect the lower of cost or net realisable value. In the previous year, a net realisable value write-down of $85,330,000 was recognised in profit or loss. Based on the Group's re-evaluation as at the reporting date, no additional write-down or reversal of previously recognised write-down is required.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

14. ASSETS HELD FOR SALE

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cosco Shipyard Group Co., Ltd (CSG)	182,215	–	107,369	–

On 15 November 2016, the Company entered into a sale and purchase agreement with China Ocean Shipping (Group) Company to dispose of its 30% equity interest in Cosco Shipyard Group Co., Ltd (CSG), which was previously accounted for as an investment in associate. The interest in CSG has been reclassified as assets held for sale and measured at lower of the carrying amount and fair value less costs to sell. The sale was completed on 19 January 2017.

There is cumulative translation reserve of $20,236,000 recognised in other comprehensive income relating to CSG.

15. CASH AND CASH EQUIVALENTS

		Group		Company	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Fixed deposits	(a)	145,306	15,002	–	–
Cash and bank balances	(b)	1,071,665	614,303	24,482	10,908
Cash and cash equivalents in the balance sheets		1,216,971	629,305	24,482	10,908
Bank overdrafts	20	–	(2,023)	–	–
Cash and cash equivalents in the consolidated statement of cash flows		1,216,971	627,282	24,482	10,908

(a) Fixed deposits of the Group placed with financial institutions have maturity periods ranging from 3 to 149 days (2015: 21 to 173 days) from the financial year-end and interest rates ranging from 0.01% to 14.14% (2015: 0.01% to 14.14%) per annum, which are also the effective interest rates.

(b) Included in the Group's cash and bank balances at the balance sheet date are amounts of $103,997,795 (2015: $182,680,964) 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 0.71% to 1.26% (2015: 0.80% to 1.23%) per annum, which are also the effective interest rates. The remaining bank balances during the year earn interest at floating rates based on daily bank deposit rates of up to 0.99% (2015: up to 0.79%) and up to 0.50% (2015: up to 0.62%) 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 $542,658,000 (2015: $154,505,000) placed with a related corporation.

The Company's cash and bank balances of $14,084,000 (2015: $8,461,000) are also placed with a related corporation.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

16. TRADE AND OTHER PAYABLES

		Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
(a)	**Current liabilities**					
	Trade and accrued payables		2,049,775	2,465,718	10,644	18,578
	Amounts due to related parties	17	4,572	4,687	1,261	394
			2,054,347	2,470,405	11,905	18,972
	Deposits received		2,163	3,097	26	26
	GST payables		147	1,367	–	–
	Interest payable*		33,949	27,904	–	–
	Other creditors#		26,932	11,339	8,092	87
	Accrued capital expenditure		1,290	4,542	–	–
	Amounts due to related parties	17	1,619	23	3,867	3,417
			66,100	48,272	11,985	3,530
	Total		2,120,447	2,518,677	23,890	22,502
(b)	**Non-current liabilities**					
	Other long-term payables**		90,567	77,825	6,324	5,580

* Included in the Group's interest payable are amounts of $3,629,000 (2015: $3,551,000) payable to a related corporation.

** Other long-term payables include deferred grants, accrued rental and long-term employee benefits.

Included in the Group's other creditors are amounts of $7,977,000 (2015: Nil) payable arising from the acquisitions of subsidiaries during the year.

17. AMOUNTS DUE TO RELATED PARTIES

	Note	Immediate holding company		Associates and joint ventures		Related companies		Total	
		2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Group									
Amounts due to:									
– Trade		250	280	3,617	3,408	705	999	4,572	4,687
– Non-trade		–	–	1,619	23	–	–	1,619	23
	16	250	280	5,236	3,431	705	999	6,191	4,710

	Note	Immediate holding company		Subsidiaries		Related companies		Total	
		2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Company									
Amounts due to:									
– Trade		250	265	900	17	111	112	1,261	394
– Non-trade		–	–	3,867	3,417	–	–	3,867	3,417
	16	250	265	4,767	3,434	111	112	5,128	3,811

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 2016

18. PROVISIONS

	Retirement gratuities $'000	Warranty $'000	Restoration costs $'000	Total $'000
Group				
2016				
Balance at 1 January	1,173	17,257	57,097	75,527
Translation adjustments	10	(106)	71	(25)
Provision made during the year, net	113	10,849	3,881	14,843
Provision utilised during the year	(113)	(9,700)	–	(9,813)
Acquisition of subsidiaries	–	84	–	84
Balance at 31 December	1,183	18,384	61,049	80,616
Provisions due:				
– within 1 year	182	8,384	6,771	15,337
– after 1 year but within 5 years	975	–	6,815	7,790
– after 5 years	26	10,000	47,463	57,489
	1,183	18,384	61,049	80,616
2015				
Balance at 1 January	1,028	54,649	60,287	115,964
Translation adjustments	21	401	56	478
Provision made/(written-back) during the year, net	314	(37,464)	–	(37,150)
Provision utilised during the year	(190)	(329)	(3,246)	(3,765)
Balance at 31 December	1,173	17,257	57,097	75,527
Provisions due:				
– within 1 year	108	17,257	6,771	24,136
– after 1 year but within 5 years	678	–	1,812	2,490
– after 5 years	387	–	48,514	48,901
	1,173	17,257	57,097	75,527

	Restoration costs 2016 $'000	Restoration costs 2015 $'000
Company		
Balance at 1 January	24,807	27,895
Provision utilised during the year	–	(3,088)
Balance at 31 December	24,807	24,807
Provisions due:		
– within 1 year	6,771	6,771
– after 5 years	18,036	18,036
	24,807	24,807

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

18. 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 leases.

19. OTHER FINANCIAL LIABILITIES

		Group	
		2016 $'000	2015 $'000
(a)	**Current liabilities**		
	Financial liabilities at fair value through profit or loss:		
	– Forward foreign currency contracts	11,595	–
	Cash flow hedges:		
	– Forward foreign currency contracts	6,722	104,614
		18,317	104,614
(b)	**Non-current liabilities**		
	Cash flow hedges:		
	– Forward foreign currency contracts	23,305	2,363
	– Interest rate swaps	3,092	272
		26,397	2,635

20. INTEREST-BEARING BORROWINGS

		Group	
	Note	2016 $'000	2015 $'000
Current liabilities			
Unsecured term loans		1,363,961	912,928
Bank overdrafts	15	–	2,023
		1,363,961	914,951
Non-current liabilities			
Unsecured term loans	(a)	2,791,014	2,465,224
Total interest-bearing borrowings		4,154,975	3,380,175

Of the Group's interest-bearing borrowings, $764,472,000 (2015: $762,344,000) were borrowed from a related corporation.

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20. INTEREST-BEARING BORROWINGS (CONT'D)

Effective interest rates and maturity of liabilities

	Group	
	2016	**2015**
	%	**%**
Floating rate loans	1.59 – 16.05	0.68 – 15.15
Fixed rate loans	1.55 – 16.09	1.10 – 14.90
Notes	2.95 – 3.85	2.95 – 3.85

	Group	
	2016	**2015**
	$'000	**$'000**
Within 1 year	1,363,961	914,951
After 1 year but within 5 years	2,466,014	1,865,224
After 5 years	325,000	600,000
Total borrowings	4,154,975	3,380,175

(a) Unsecured term loans

Included in the unsecured term loans are the following notes of the Group:

On 18 August 2014, the Company updated its $2,000,000,000 Multicurrency Multi-issuer Debt Issuance Programme (the "Programme") to include perpetual securities as one of the debt instruments under the Programme.

Under the updated Programme, the Company, together with its subsidiaries - Jurong Shipyard Pte Ltd, Sembcorp Marine Repairs and Upgrades Pte Ltd and Sembcorp Marine Offshore Platforms Pte Ltd ("**Issuing Subsidiaries**"), may from time to time issue notes (the "**Notes**") and/or perpetual securities (the "**Perpetual Securities**", and together with the Notes, the "**Securities**") denominated in Singapore dollars and/or any other currency as the relevant Issuer and the relevant dealer may agree. The obligations in respect of Securities issued by the Issuing Subsidiaries will be unconditionally and irrevocably guaranteed by the Company.

In 2014, Jurong Shipyard Pte Ltd issued the following medium term notes under the Programme:

	Nominal interest rate	Year of issue	Year of maturity	Principal amount $'000
S$ medium term notes	2.95%	2014	2021	275,000
S$ medium term notes	3.85%	2014	2029	325,000
				600,000

As at 31 December 2016, an amount of $167,500,000 (2015: $167,500,000) for the medium term notes maturing in 2021 was subscribed by a related corporation.

NOTES TO THE FINANCIAL STATEMENTS

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21. SHARE CAPITAL

	Group and Company No. of ordinary shares 2016	2015
Issued and fully paid, with no par value:		
Balance at 1 January and 31 December	2,089,760,107	2,089,760,107

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company's residual assets.

The Company issued 2,671,798 (2015: 3,482,920) treasury shares during the year pursuant to its share based incentive plans (Note 34).

22. OTHER RESERVES

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Distributable					
Reserve for own shares	(a)	(566)	(3,149)	(566)	(3,149)
Non-distributable					
Currency translation reserve	(b)	65,394	50,903	–	–
Share-based payments reserve	(c)	(30,158)	(29,931)	(28,051)	(27,832)
Fair value reserve	(d)	1,955	12,988	6,198	22,033
Hedging reserve	(e)	6,766	(46,615)	–	–
Capital reserves	(f)	11,514	25,574	960	960
		54,905	9,770	(21,459)	(7,988)

(a) Reserve for own shares comprises the cost of the Company's shares held by the Company. As at 31 December 2016, the Company holds 437,029 (2015: 1,192,527) 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 (2015: $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 2016

23. TURNOVER

Turnover represents sales from the various activities described in Note 1 and Note 43, including the revenue recognised on contracts relating to rigs & floaters, repairs & upgrades and offshore platforms.

	Group	
	2016	2015
	$'000	$'000
Contract revenue	3,474,179	4,897,185
Charter hire income	58,962	52,399
Services rendered	3,515	3,980
Sale of goods	8,160	14,568
	3,544,816	4,968,132

24. OPERATING PROFIT/(LOSS)

The following items have been included in arriving at operating profit/(loss):

		Group	
	Note	2016	2015
		$'000	$'000
Amortisation of intangible assets	11	18,354	6,007
Audit fees paid/payable			
– auditors of the Company		627	651
– overseas affiliates of the auditors of the Company		194	209
– other auditors		31	36
Non-audit fees paid/payable			
– auditors of the Company		89	395
– overseas affiliates of the auditors of the Company		–	44
– other auditors		593	103
Allowance for doubtful debts and bad debts, net		1,394	153,856
Negative goodwill		2,600	–
Depreciation of property, plant and equipment	4	140,591	125,731
Fair value adjustment on hedging instruments		(1,435)	29,409
Fair value gain on firm commitments under fair value hedge		(4,146)	–
Foreign currency exchange loss/(gain), net		7,436	(108)
Gain on disposal of property, plant and equipment, net		(28)	(426)
Impairment losses on property, plant and equipment		–	1,400
Inventories (written back)/written down, net		(1,162)	85,518
Operating lease expenses		56,060	39,635
Property, plant and equipment written off		45	14
Provision for foreseeable losses on contracts work-in-progress		–	277,961
Staff costs	(a)	490,211	527,159

		2016	2015
(a)	Staff costs		
	Salaries and bonus	411,623	448,044
	Defined contribution plan	24,715	26,041
	Equity-settled share-based payments	4,513	8,369
	Cash-settled share-based payments	(234)	(1,358)
	Directors' fee	2,523	3,341
	Other employee benefits	47,071	42,722
		490,211	527,159

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25. FINANCE INCOME AND FINANCE COSTS

	Group 2016 $'000	Group 2015 $'000
Finance income		
Interest income from:		
– Trade receivables and contracts work-in-progress	3,255	533
– Fixed deposits and bank balances	4,352	9,951
– Joint venture	315	329
	7,922	10,813
Finance costs		
Interest paid and payable to:		
– Bank and others	86,289	44,400
– Commitment and facility fee	2,362	2,375
	88,651	46,775

26. INVESTMENT INCOME

	Group 2016 $'000	Group 2015 $'000
Dividend from quoted equity shares, net of tax	–	557

27. NON-OPERATING INCOME AND NON-OPERATING EXPENSES

	Group 2016 $'000	Group 2015 $'000
Non-operating income		
– Gain on disposal of a joint venture	186	–
– Gain on deemed disposal of available-for-sale financial asset	4,243	–
	4,429	–
Non-operating expenses		
– Net change in fair value of financial assets measured through profit or loss	–	(1,653)
– Impairment losses on available-for-sale financial assets	(21,232)	(17,055)
– Impairment losses on investment in associates	(2,120)	–
	(23,352)	(18,708)

NOTES TO THE FINANCIAL STATEMENTS

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28. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	Note	Group 2016 $'000	Group 2015 $'000
Share of loss before tax for the year		(41,748)	(170,881)
Share of tax for the year		6,614	(2,618)
	29	(35,134)	(173,499)

29. TAX EXPENSE/(CREDIT)

	Note	Group 2016 $'000	Group 2015 $'000
Current tax expense			
Current year		36,441	40,462
Over provided in prior years		(22,764)	(15,817)
		13,677	24,645
Deferred tax expense			
Movements in temporary differences		(12,097)	(96,825)
Under/(over) provided in prior years		13,780	(5,457)
		1,683	(102,282)
Tax expense/(credit)		15,360	(77,637)

Reconciliation of effective tax rate

	Note	2016	2015
Profit/(loss) for the year		75,160	(299,966)
Tax expense/(credit)		15,360	(77,637)
Share of results of associates and joint ventures	28	35,134	173,499
Profit/(loss) before share of results of associates and joint ventures, and tax expense		125,654	(204,104)
Tax calculated using Singapore tax rate of 17% (2015: 17%)		21,361	(34,698)
Exempt income, capital gains and tax incentives/concessions		(23,469)	(30,336)
Effect of different tax rates in foreign jurisdictions		(15,923)	(8,088)
Tax adjustment on changes in undistributed profits from foreign entities		(1,534)	(8,576)
Effect on utilisation of deferred tax assets not previously recognised		–	(1,553)
Non-deductible expenses		9,575	11,863
Over provision in respect of prior years		(8,984)	(21,274)
Deferred tax assets not recognised		35,660	15,199
Others		(1,326)	(174)
Tax expense/(credit)		15,360	(77,637)

As at 31 December 2016, certain subsidiaries have unutilised tax losses and capital and investment allowances of $326,255,000 (2015: $185,113,000) and other deductible temporary differences of $2,222,000 (2015: $760,000) available for set-off against future taxable income subject to the tax provisions and agreement by the relevant tax authorities of the various jurisdictions.

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YEAR ENDED 31 DECEMBER 2016

30. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income are set out below:

	2016			2015		
	Before tax $'000	Tax expense $'000	Net of tax $'000	Before tax $'000	Tax expense $'000	Net of tax $'000
Group						
Foreign currency translation differences for foreign operations	9,320	–	9,320	78,807	–	78,807
Net change in fair value of cash flow hedges	61,145	(10,396)	50,749	(18,524)	3,149	(15,375)
Net change in fair value of cash flow hedges transferred to profit or loss	3,171	(539)	2,632	14,675	(2,494)	12,181
Net change in fair value of available-for-sale financial assets	(20,011)	–	(20,011)	6,761	–	6,761
Change in fair value of available-for-sale financial assets transferred to profit or loss	8,978	–	8,978	17,055	–	17,055
Other comprehensive income	62,603	(10,935)	51,668	98,774	655	99,429

31. NON-CONTROLLING INTERESTS

The following subsidiaries have material non-controlling interests:

Name of company	Country of incorporation	Operating segment	Ownership interests held by non-controlling interests 2016 %	2015 %
Gravifloat AS	Norway	Engineering and related services	44	–
PPL Shipyard Pte Ltd and its subsidiaries	Singapore	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding	–*	15

* On 29 August 2016, the Group acquired the remaining 15% equity stake in PPL Shipyard Pte Ltd (Note 36).

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.

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31. NON-CONTROLLING INTERESTS (CONT'D)

	Gravifloat AS $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'000
2016				
Revenue	–			
Loss for the year	(8,408)			
Other comprehensive income	–			
Total comprehensive income	(8,408)			
Attributable to non-controlling interests:				
Loss for the year	(3,700)	20	63	(3,617)
Other comprehensive income	–	(4,409)	–	(4,409)
Total comprehensive income	(3,700)	(4,389)	63	(8,026)
Non-current assets	123,368			
Current assets	10			
Non-current liabilities	(30,830)			
Current liabilities	–			
Net assets	92,548			
Net assets attributable to non-controlling interests	40,721	4,911	–	45,632
Cash flows from operating activities	–*			
Cash flows from investing activities	–*			
Cash flows from financing activities	–*			
Net decrease in cash and cash equivalents	–*			

* Amount is immaterial to meaningfully disclose it.

	PPL Shipyard Pte Ltd and its subsidiaries $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'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)			

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32. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of $78,777,000 (2015: loss attributable to owners of the Company of $289,672,000) by the weighted average number of ordinary shares outstanding of 2,089,177,000 (2015: 2,088,686,000) as follows:

	Group	
	2016 $'000	2015 $'000
Profit/(loss) attributable to owners of the Company	78,777	(289,672)
	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	2,089,760	2,089,760
Effect of share options exercised, performance shares and restricted shares released	1,387	1,813
Effect of own shares held	(1,970)	(2,887)
Weighted average number of ordinary shares during the year	2,089,177	2,088,686

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit attributable to owners of the Company of $78,777,000 (2015: loss attributable to owners of the Company of $289,672,000) by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 2,089,177,000 (2015: 2,088,794,000) as follows:

	Group	
	2016 $'000	2015 $'000
Profit/(loss) attributable to owners of the Company	78,777	(289,672)
	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	2,089,177	2,088,686
Effect of dilutive share options	–	108
Weighted average number of ordinary shares during the year	2,089,177	2,088,794

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

32. EARNINGS PER SHARE (CONT'D)

(b) Diluted earnings per share (cont'd)

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.

33. 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 1.0 cent per share (2015: final ordinary one-tier tax-exempt dividend of 2.0 cents per share) amounting to an estimated net dividend of $20,893,000 (2015: $41,771,000) in respect of the year ended 31 December 2016, based on the number of issued shares as at 31 December 2016.

The proposed dividend of 1.0 cent (2015: 2.0 cents) per share has not been included as a liability in the financial statements.

	Group and Company	
	2016	2015
	$'000	$'000
Dividends paid		
Interim one-tier tax-exempt dividend of 1.5 cents per share in respect of year 2016 (2015: 4.0 cents per share in respect of year 2015)	31,345	83,563
Final one-tier tax-exempt dividend of 2.0 cents per share in respect of year 2015 (2015: 8.0 cents per share in respect of year 2014)	41,795	167,102
	73,140	250,665

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34. 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	

The SCM RSP 2010 is the incentive scheme for directors and employees of the Company and its subsidiaries (the "Group") whereas the SCM PSP 2010 is aimed primarily at key executives of the Group.

The 2010 Share Plans are intended to increase the Company's flexibility and effectiveness in its continuing efforts to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of the Group. The 2010 Share Plans will strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives.

The Company designates Sembcorp Industries Ltd as the Parent Group.

The SCM RSP 2010 is intended to apply a broad base of senior executives as well as to the non-executive 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 interest of participants with the interest of shareholders, and to improve 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.

NOTES TO THE FINANCIAL STATEMENTS

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34. SHARE-BASED INCENTIVE PLANS (CONT'D)

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 2016 and 2015, 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.

(v) All options have expired on 2 October 2016.

34. SHARE-BASED INCENTIVE PLANS (CONT'D)

(a) Share Option Plan (cont'd)

(vi) 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	Exercise period
2016										
02/10/2006	$2.38	973,312	–	(973,312)	–	–	973,312	–	–	03/10/2007 to 02/10/2016
2015										
11/08/2005	$2.11	667,190	(392,000)	(275,190)	–	–	667,190	–	827	12/08/2006 to 11/08/2015
02/10/2006	$2.38	1,009,312	(22,000)	(14,000)	973,312	160	1,009,312	973,312	52	03/10/2007 to 02/10/2016
		1,676,502	(414,000)	(289,190)	973,312		1,676,502	973,312	879	

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.

In 2016, there was no option of the Company exercised. The options of the Company exercised in 2015 resulted in 414,000 ordinary shares being issued at a weighted average price of $3.09. The options were exercised on a regular basis throughout the year. The weighted average share price during 2016 was $1.48 (2015: $2.68).

Fair value of share options

The fair value of services received is measured by reference to the fair value of share options granted.

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34. SHARE-BASED INCENTIVE PLANS (CONT'D)

(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 2016 to 2018 will be vested to the senior management participants only if the restricted shares for the performance period 2017 to 2018 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:

	2016	2015
At 1 January	3,200,000	2,810,000
Conditional performance shares awarded	1,918,000	1,215,000
Performance shares lapsed arising from targets not met	(605,000)	(675,000)
Conditional performance shares released	–	–
Conditional performance shares lapsed	–	(150,000)
At 31 December	4,513,000	3,200,000

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2013 to 2015 (2015: performance period 2012 to 2014), there were no (2015: nil) performance shares released via the issuance of treasury shares.

In 2016, there were 605,000 (2015: 675,000) performance shares that lapsed for under-achievement of the performance targets for the performance period 2013 to 2015 (2015: 2012 to 2014).

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 2016, was 4,513,000 (2015: 3,200,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 6,769,500 (2015: 4,800,000) performance shares.

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34. SHARE-BASED INCENTIVE PLANS (CONT'D)

(b) Performance Share Plan (cont'd)

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 2016	27 May 2015
Fair value at measurement date	$0.85	$1.40
Assumptions under the Monte Carlo model		
Share price	$1.56	$2.99
Expected volatility:		
Sembcorp Marine Ltd	29.2%	18.3%
Morgan Stanley Capital International ("MSCI") AC Asia Pacific excluding Japan Industrials Index	13.4%	11.6%
Correlation with MSCI	43.2%	39.5%
Risk-free interest rate	1.2%	1.2%
Expected dividend	2.9%	4.3%

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 $1,774,000 (2015: $1,738,000) 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 2016 and 2015.

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.

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34. 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 2016 and 2015, 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:

	2016	2015
At 1 January	10,101,585	8,262,801
Conditional restricted shares awarded	8,232,700	5,130,501
Additional restricted shares awarded arising from targets met	–	198,159
Restricted shares lapsed arising from targets not met	(1,471,967)	–
Conditional restricted shares released	(2,671,798)	(3,068,920)
Conditional restricted shares lapsed	(474,378)	(420,956)
At 31 December	13,716,142	10,101,585

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2014 to 2015, a total of 461,541 (2015: Nil) restricted shares were released. For awards in relation to the performance period 2013 to 2014, a total of 845,290 (2015: 1,013,899) restricted shares were released. For awards in relation to the performance period 2012 to 2013, a total of 848,667 (2015: 950,779) restricted shares were released. In 2015, 945,042 restricted shares were released for awards in relation to the performance period 2011 to 2012. In 2016, there were 516,300 (2015: 159,200) restricted shares released to non-executive directors. The restricted shares were released via the issuance of treasury shares.

In 2016, there were 1,471,967 restricted shares that lapsed for under-achievement of the performance targets for the performance period 2014 to 2015 (2015: additional 198,159 restricted shares were awarded for the over-achievement of the performance targets for the performance period 2013 to 2014).

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34. SHARE-BASED INCENTIVE PLANS (CONT'D)

(c) Restricted Share Plan (cont'd)

The total number of restricted shares outstanding, including awards achieved but not released, as at 31 December 2016, was 13,716,142 (2015: 10,101,585). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 12,239,840 (2015: 7,623,701). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 18,359,760 (2015: 11,435,552) restricted shares.

Sembcorp Marine Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2014 to 2015 (2015: performance period 2013 to 2014), a total of $766,416 (2015: $2,849,108), equivalent to 456,064 (2015: 942,290) notional restricted shares, were paid.

A total of 3,387,850 (2015: 2,140,509) notional restricted shares were awarded on 27 May 2016 (2015: 27 May 2015) 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 2016, was 4,827,393 (2015: 3,070,668). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 7,241,090 (2015: 4,606,002).

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 2016	27 May 2015
Fair value at measurement date	$1.40	$2.65
Assumptions under the Monte Carlo model		
Share price	$1.56	$2.99
Expected volatility:		
Sembcorp Marine Ltd	29.2%	18.3%
Risk-free interest rate	1.0% – 1.4%	1.0% – 1.4%
Expected dividend	2.9%	4.3%

The expected volatility is based on the historical volatility over the most recent period that is close to the expected life of the restricted shares.

During the year, the Group charged $2,739,000 (2015: $6,631,000) 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 $234,000 (2015: wrote-back charges of $1,358,000) 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.

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35. DISPOSAL OF JOINT VENTURE

On 29 February 2016, the Company's wholly owned subsidiary, Dolphin Shipping Company Private Limited divested its 50% interest in Dolphin Workboats Pte Ltd to Entraco Venture Corporation Pte Ltd, for a consideration of $450,000; and recognised a gain of $186,000 in non-operating income.

36. ACQUISITION OF SUBSIDIARIES, JOINT VENTURE AND NON-CONTROLLING INTERESTS

Acquisition of Subsidiaries

(i) On 9 March 2016, the Company acquired an additional 44% equity stake in Gravifloat AS (Gravifloat), a marine engineering and naval architecture company. With this acquisition, the Group's equity stake was increased to 56% and Gravifloat became a subsidiary of the Group. Consequently, the financial statements of Gravifloat were consolidated into the Group's financial statements.

The principal activity of Gravifloat is to design and hold patents for re-deployable modularised LNG and LPG solutions.

Effect of acquisitions

Revenue and profit contribution

The revenue and profit contribution from this new acquisition were not material.

Had the acquired businesses been consolidated from 1 January 2016, the contribution to the Group's consolidated revenue and consolidated profit for the year ended 31 December 2016 would not have been significantly impacted.

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred:

		2016 $'000
(a)	**Effect on cash flows of the Group**	
	Cash paid	47,258
	Less: Cash and cash equivalents in subsidiaries acquired	(7)
	Cash outflow on acquisition	47,251

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36. ACQUISITION OF SUBSIDIARIES, JOINT VENTURE AND NON-CONTROLLING INTERESTS (CONT'D)

Acquisition of Subsidiaries (cont'd)

		Note	At fair value $'000
(b)	**Identifiable assets acquired and liabilities assumed**		
	Intangible assets	11	134,575
	Trade and other receivables		8
	Cash and cash equivalents		7
	Total assets		134,590
	Deferred tax liabilities	12	(33,633)
	Total liabilities		(33,633)
	Total net identifiable assets		100,957
	Less: Non-controlling interests		(44,421)
	Add: Goodwill	11	5,219
	Less: Amount previously accounted for as available-for-sale financial asset		(5,004)
	Less: Gain on deemed disposal of available-for-sale financial asset	27	(4,243)
	Consideration transferred for the businesses		52,508
	Amount reflected as other payables		(5,250)
	Cash paid		47,258

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique	Key assumptions
Intangible assets	Relief-from-royalty method	– Royalty rates based on existing patents – Useful life of 10 years – Discount rate of 24.5%

Non-controlling interests

The Group has elected to measure the non-controlling interest (NCI) of Gravifloat at fair value at the date of acquisition, which amounted to $44,421,000.

Goodwill

The goodwill of $5,219,000 recognised on acquisition is primarily attributed to the control premium to acquire a controlling stake in Gravifloat. This goodwill recognised is not expected to be deductible for tax purpose.

The re-measurement to fair value of the Group's previously held 12% interest in Gravifloat resulted in a gain of $4,243,000 recorded in profit or loss on deemed disposal. This amount has been recognised in non-operating income (see Note 27).

Acquisition-related costs

The acquisition-related costs incurred in relation to the acquisition were immaterial, but charged to profit or loss.

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36. ACQUISITION OF SUBSIDIARIES, JOINT VENTURE AND NON-CONTROLLING INTERESTS (CONT'D)

Acquisition of Subsidiaries (cont'd)

(ii) On 26 August 2016, the Company's wholly-owned subsidiary, Sembcorp Marine Integrated Yard Pte. Ltd. acquired a 100% stake in LMG Marin AS (LMG). Consequently, the financial statements of LMG were consolidated into the Group's financial statements.

LMG is a naval architecture as well as ship design and engineering house headquartered in Bergen, Norway, with offices in Poland and France.

Effect of acquisitions

Revenue and profit contribution

The revenue and profit contribution from this new acquisition were not material.

Had the acquired businesses been consolidated from 1 January 2016, the contribution to the Group's consolidated revenue and consolidated profit for the year ended 31 December 2016 would not have been significantly impacted.

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred:

		2016 $'000
(a)	**Effect on cash flows of the Group**	
	Cash paid	24,541
	Less: Cash and cash equivalents in subsidiaries acquired	(5,400)
	Cash outflow on acquisition	19,141

		Note	At fair value $'000
(b)	**Identifiable assets acquired and liabilities assumed**		
	Property, plant and equipment	4	481
	Intangible assets	11	34,077
	Trade and other receivables		7,507
	Cash and cash equivalents		5,400
	Total assets		47,465
	Trade and other payables		(8,672)
	Deferred tax liabilities	12	(8,449)
	Total liabilities		(17,121)
	Total net identifiable assets		30,344
	Less: Non-controlling interests		(476)
	Less: Negative goodwill	24	(2,600)
	Consideration transferred for the businesses		27,268
	Amount reflected as other payables		(2,727)
	Cash paid		24,541

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36. ACQUISITION OF SUBSIDIARIES, JOINT VENTURE AND NON-CONTROLLING INTERESTS (CONT'D)

Acquisition of Subsidiaries (cont'd)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique	Key assumptions
Intangible assets	Relief-from-royalty method	– Royalty rates based on existing ship design – Useful life of 10 years – Discount rates range from 26.4% to 34.2%

Acquired receivables

Included in trade and other receivables are trade receivables stated at fair value of $5,466,000. The gross contractual amount for the trade receivables was $5,634,000, of which $168,000 was expected to be uncollectible at the date of acquisition.

Negative goodwill

A gain from bargain purchase of $2,600,000 was recognised as a result of the difference between consideration transferred and the fair value of the identifiable net assets.

Acquisition-related costs

The acquisition-related costs incurred in relation to the acquisition were immaterial, but charged to profit or loss.

Acquisition of joint venture

On 28 June 2016, the Company's wholly-owned subsidiary, Sembcorp Marine Integrated Yard Pte. Ltd. (SMIY) acquired 50% of the issued and fully paid-up share capital of Aragon AS (formerly known as KANFA Aragon AS) for a cash consideration of NOK20,000,000 (equivalent to SGD3,258,000). Following the acquisition, Aragon AS became a joint venture of the Group. At the acquisition date, based on provisionally determined fair values of the identifiable assets acquired and liabilities assumed of Aragon AS, a provisional goodwill of NOK9,347,000 (equivalent to SGD1,523,000) was recognised.

Acquisition of non-controlling interests

(i) On 29 August 2016, the Company acquired the remaining 15% in the issued and fully paid-up share capital of PPL Shipyard Pte Ltd (PPLS) for an aggregate cash consideration of USD115,059,000 (equivalent to SGD156,778,000). Following the acquisition, PPLS became a wholly-owned subsidiary of the Company.

(ii) On 21 October 2016, the Company's wholly-owned subsidiary, Sembcorp Marine Offshore Platforms Pte. Ltd. (SMOP) acquired the remaining 30% in the issued and fully paid-up share capital of Sembmarine North Sea Limited (SNS) for an aggregate cash consideration of GBP137,500 (equivalent to SGD275,000). Following the acquisition, SNS became a wholly-owned subsidiary of SMOP.

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36. ACQUISITION OF SUBSIDIARIES, JOINT VENTURE AND NON-CONTROLLING INTERESTS (CONT'D)

Acquisition of non-controlling interests (cont'd)

The following summarises the effect of changes in the Group's ownership interest:

	PPLS $'000	SNS $'000	Total $'000
Group's ownership interest at beginning	866,130	(21,388)	844,742
Effect of increase/(decrease) in Group's ownership interest	152,921	(9,166)	143,755
Share of comprehensive income and capital injection during the year	(61,568)	(2,279)	(63,847)
Group's ownership interest at 31 December 2016	957,483	(32,833)	924,650

37. RELATED PARTIES

(a) Related party transactions

The Group had the following outstanding balances and significant transactions with related parties during the year:

	Outstanding balances Group		Significant transactions Group	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Immediate holding company				
Management fee payable	(250)	(250)	(250)	(250)
Others	–	(30)	7	(15)
Related corporations				
Sales	4,825	1,061	5,603	23,470
Purchases	(7,374)	(999)	(26,139)	(40,636)
Payment on behalf	–	–	–	(13)
Rental income	–	–	–	80
Finance income	–	–	1,638	1,274
Finance costs	(3,629)	(3,551)	(18,383)	(15,382)
Associates and joint ventures				
Sales	1,864	3,735	25	109
Purchases	(3,617)	(3,408)	(13,987)	(18,345)
Finance income	–	–	315	329
Payment on behalf	–	–	(1,145)	–
Loans and advances	36,560	37,260	–	–
Others	(776)	836	(760)	(1,475)

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37. RELATED PARTIES (CONT'D)

(b) Compensation of key management personnel

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*.

These persons have the authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation is as follows:

	Group	
	2016 **$'000**	**2015** **$'000**
Directors' fees and remuneration	4,861	7,398
Other key management personnel remuneration	4,149	5,353
	9,010	12,751
Fair value of share-based compensation	1,355	1,556

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.

NOTES TO THE FINANCIAL STATEMENTS

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38. 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.

(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 2016, the Group had interest rate swaps with an aggregate notional amount of $1,000,163,000 (2015: $1,015,153,000). The Group receives a variable interest rate and pays a fixed rate interest ranging from 0.98% to 3.10% (2015: 0.98% to 3.10%) per annum on the notional amount. Interest rate swaps with notional amounts of $300,000,000 (2015: $300,000,000) were entered with a related corporation.

NOTES TO THE FINANCIAL STATEMENTS

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38. FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(i) Interest rate risk (cont'd)

Sensitivity analysis

It is estimated that 50 basis points ("bp") change in interest rate at the reporting date would increase/(decrease) equity and profit before tax by the following amounts. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit before tax		Equity	
	50 bp Increase $'000	50 bp Decrease $'000	50 bp Increase $'000	50 bp Decrease $'000
Group				
31 December 2016				
Variable rate financial instruments	(3,840)	3,840	9,148	(9,315)
31 December 2015				
Variable rate financial instruments	476	(476)	12,913	(13,205)
Company				
31 December 2016				
Variable rate financial instruments	121	(121)	–	–
31 December 2015				
Variable rate financial instruments	53	(53)	–	–

(ii) Foreign currency risk

The Group operates globally and is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company and its subsidiaries. The currencies in which these transactions are primarily denominated in are Singapore dollars ("SGD"), United States dollars ("USD"), Euros ("EUR"), Pounds sterling ("GBP") and Brazilian Real ("BRL"). Such risks are hedged either by forward foreign 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 $302,682,000 (2015: $199,901,000) were entered with a related corporation.

NOTES TO THE FINANCIAL STATEMENTS

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38. FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

The summary of quantitative data about the Group's exposure to foreign currency risk as provided to the management of the Group based on its risk management policy is as follows:

	SGD $'000	USD $'000	EUR $'000	GBP $'000	BRL $'000	Others $'000	Total $'000
Group							
2016							
Financial assets							
Cash and cash equivalents	4,357	290,671	32,933	240,962	–	17,239	586,162
Trade and other receivables	7,839	640,794	27,316	19,655	–	3,883	699,487
Due from customers on construction contracts	1,359	1,028,923	8,833	14,026	156,030	29,798	1,238,969
Other financial assets	–	–	–	–	–	20,475	20,475
	13,555	1,960,388	69,082	274,643	156,030	71,395	2,545,093
Financial liabilities							
Trade and other payables	(84,367)	(209,341)	(56,228)	(19,285)	(36,690)	(49,505)	(455,416)
Interest-bearing borrowings	–	(970,863)	–	–	–	–	(970,863)
	(84,367)	(1,180,204)	(56,228)	(19,285)	(36,690)	(49,505)	(1,426,279)
Net financial assets	(70,812)	780,184	12,854	255,358	119,340	21,890	1,118,814
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(1,138)	506,218	(350,732)	389,118	(79,316)	(85,834)	378,316
Less: Foreign currency forward contracts	–	(960,869)	44,728	(688,229)	–	–	(1,604,370)
Net currency exposure	(71,950)	325,533	(293,150)	(43,753)	40,024	(63,944)	(107,240)
2015							
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

NOTES TO THE FINANCIAL STATEMENTS

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38. 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:

	USD $'000	Others $'000	Total $'000
Company			
2016			
Financial assets			
Cash and cash equivalents	57	–	57
Other financial assets	–	20,475	20,475
	57	20,475	20,532
2015			
Financial assets			
Cash and cash equivalents	494	–	494
Other financial assets	–	32,725	32,725
	494	32,725	33,219

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 2015.

	Group		Company	
	Equity $'000	Profit before tax $'000	Equity $'000	Profit before tax $'000
2016				
SGD	–	(7,081)	–	–
USD	(90,004)	87,368	–	6
EUR	2,408	2,857	–	–
GBP	(38,718)	9,210	–	–
BRL	–	11,934	–	–
Others	2,048	141	2,048	–
	(124,266)	104,429	2,048	6
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

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.

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YEAR ENDED 31 DECEMBER 2016

38. 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%, assuming all other variables are held constant, the equity and profit before tax would have increased by the amounts shown below:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Equity	5,220	8,447	4,061	6,543
Profit before tax	–	–	–	–

In 2016, if prices for equity securities and unit trusts decrease by 10%, assuming all other variables are held constant, the equity and profit before tax would have decreased by the amounts shown below (on the basis of impairment found on the equity securities):

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Equity	(1,725)	(8,447)	(2,013)	(6,543)
Profit before tax	(3,495)	–	(2,048)	–

In 2015, if prices for equity securities and unit trusts decrease by 10%, assuming all other variables are held constant, the equity and profit before tax would have decreased by the amounts shown above. This assumed that no impairment was found on the equity securities and unit trusts.

(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.

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38. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

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 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
By business activity					
Rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding		2,696,950	3,865,773	–	–
Ship chartering		10,573	4,992	–	–
Others		7,600	6,185	58,241	60,188
		2,715,123	3,876,950	58,241	60,188
Loans and receivables					
Non-current trade and other receivables		–	34	–	14,916
Current trade and other receivables	9	472,241	563,227	58,241	45,272
Due from customers on construction contracts	13	2,242,882	3,313,689	–	–
		2,715,123	3,876,950	58,241	60,188

The age analysis of loans and receivables for the Group is as follows:

	Gross 2016 $'000	Impairment 2016 $'000	Gross 2015 $'000	Impairment 2015 $'000
Group				
Not past due	2,607,184	–	3,767,606	–
Past due 0 to 3 months	29,659	2,170	98,216	1
Past due 3 to 6 months	47,090	364	5,935	–
Past due 6 to 12 months	29,652	406	85,424	82,111
More than 1 year	174,227	169,749	78,084	76,203
	2,887,812	172,689	4,035,265	158,315
Company				
Not past due	58,241	–	60,188	–

Movements in the allowance for impairment of loans and receivables are as follows:

	Group 2016 $'000	Group 2015 $'000
Balance at beginning of the year	158,315	1,003
Currency translation difference	10,066	3,456
Allowance made	5,373	153,987
Allowance utilised	(1,091)	–
Allowance written back	(142)	(131)
Acquisition of subsidiaries	168	–
Balance at end of the year	172,689	158,315

The allowance account in respect of loans and receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

As at the reporting date, the impairment allowance relates mainly to one customer whose creditworthiness has deteriorated and is currently undergoing financial restructuring. Accordingly, the outstanding past due receivables owing from this customer have been fully provided for.

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38. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk

The Group manages its liquidity risk with the view to maintaining a healthy level of cash and cash equivalents appropriate to the operating environment and expected cash flows of the Group. Liquidity requirements are maintained within the credit facilities established and are adequate and available to the Group to meet its obligations.

The 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					
2016					
Derivative financial liabilities					
Interest rate swaps	(3,092)	(2,498)	(3,237)	739	–
Forward foreign currency contracts	(41,622)				
– Inflow		1,132,401	318,093	814,308	–
– Outflow		(1,174,023)	(336,410)	(837,613)	–
Derivative financial assets					
Interest rate swaps	2,025	466	216	250	–
Forward foreign currency contracts	58,503				
– Inflow		688,228	521,530	166,698	–
– Outflow		(629,725)	(475,541)	(154,184)	–
Non-derivative financial liabilities					
Trade and other payables*#	(2,084,188)	(2,084,188)	(2,084,188)	–	–
Interest-bearing borrowings#	(4,188,924)	(4,504,950)	(1,465,426)	(2,618,161)	(421,363)
	(6,257,298)	(6,574,289)	(3,524,963)	(2,627,963)	(421,363)
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)
	(5,925,428)	(6,281,096)	(3,541,088)	(2,025,430)	(714,578)

* 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 excludes finance costs payable while the interest-bearing borrowings include finance costs payable, for the purposes of presentation of this liquidity table.

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YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (cont'd)

	Carrying amount $'000	Cash flows: Contractual cash flows $'000	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000
Company					
2016					
Non-derivative financial liabilities					
Trade and other payables*	(23,864)	(23,864)	(23,864)	–	–
2015					
Non-derivative financial liabilities					
Trade and other payables*	(22,476)	(22,476)	(22,476)	–	–

* 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				
2016				
Derivative financial liabilities				
Interest rate swaps	(3,092)	(2,498)	(3,237)	739
Forward foreign currency contracts	(30,027)			
– Inflow		1,055,509	241,201	814,308
– Outflow		(1,085,536)	(247,923)	(837,613)
Derivative financial assets				
Interest rate swaps	2,025	466	216	250
Forward foreign currency contracts	39,674			
– Inflow		506,151	339,453	166,698
– Outflow		(466,477)	(312,293)	(154,184)
	8,580	7,615	17,417	(9,802)
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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

38. 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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimation of fair values (cont'd)

Non-current amount due from related parties

Fair values are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date.

Fair value hierarchy

The following table sets forth by level within the fair value hierarchy of the financial assets and liabilities that were accounted for at fair value on a recurring basis as of 31 December 2016. 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 2016				
Available-for-sale financial assets	51,667	537	–	52,204
Derivative financial assets	–	64,674	–	64,674
	51,667	65,211	–	116,878
Derivative financial liabilities	–	(44,714)	–	(44,714)
Total	51,667	20,497	–	72,164
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
Company				
At 31 December 2016				
Available-for-sale financial assets	40,075	537	–	40,612
At 31 December 2015				
Available-for-sale financial assets	64,925	500	–	65,425

In 2016 and 2015, there were no transfers between the different levels of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimation of fair values (cont'd)

*Assets and liabilities not carried at fair value but for which fair values are disclosed**

	Fair value measurement using:			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
At 31 December 2016				
Trade and other receivables	–	–	–	–
Due from customers on construction contracts	–	2,236,715	–	2,236,715
Interest-bearing borrowings	–	(2,725,253)	–	(2,725,253)
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)
Company				
At 31 December 2016				
Trade and other receivables	–	–	–	–
At 31 December 2015				
Trade and other receivables	–	14,916	–	14,916

* 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.

38. FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheets are as follows:

	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Available-for-sale $'000	Loans and receivables $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
Group								
At 31 December 2016								
Cash and cash equivalents	15	–	–	–	1,216,971	–	1,216,971	1,216,971
Trade and other receivables	9	–	–	–	472,241	–	472,241	472,241
Due from customers on construction contracts	13	–	–	–	2,242,882	–	2,242,882	2,236,715
Available-for-sale financial assets								
– Equity shares	8(a)	–	–	51,667	–	–	51,667	51,667
– Unit trusts	8(a)	–	–	537	–	–	537	537
Financial assets at fair value through profit or loss								
– Forward foreign currency contracts	8(b)	–	18,829	–	–	–	18,829	18,829
Fair value hedges								
– Firm commitments	8(b)	–	–	–	4,146	–	4,146	4,146
Cash flow hedges								
– Forward foreign currency contracts	8(a)&(b)	–	39,674	–	–	–	39,674	39,674
– Interest rate swaps	8(a)&(b)	–	2,025	–	–	–	2,025	2,025
		–	60,528	52,204	3,936,240	–	4,048,972	4,042,805
Trade and other payables*		–	–	–	–	2,118,137	2,118,137	2,118,137
Financial liabilities at fair value through profit or loss								
– Forward foreign currency contracts	19(a)	–	11,595	–	–	–	11,595	11,595
Cash flow hedges								
– Forward foreign currency contracts	19(a)&(b)	–	30,027	–	–	–	30,027	30,027
– Interest rate swaps	19(b)	–	3,092	–	–	–	3,092	3,092
Interest-bearing borrowings								
– Short-term borrowings	20	–	–	–	–	1,363,961	1,363,961	1,363,961
– Long-term borrowings	20	–	–	–	–	2,791,014	2,791,014	2,725,253
		–	44,714	–	–	6,273,112	6,317,826	6,252,065

* Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grants, accrued rental and long-term employee benefits.

38. FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair value versus carrying amounts (cont'd)

	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Available-for-sale $'000	Loans and receivables $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
Group								
At 31 December 2015								
Cash and cash equivalents	15	–	–	–	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	4,661,984
Trade and other payables*		–	–	–	–	2,514,213	2,514,213	2,514,213
Cash flow hedges								
– Forward foreign currency contracts	19(a)&(b)	–	106,977	–	–	–	106,977	106,977
– Interest rate swaps	19(b)	–	272	–	–	–	272	272
Interest-bearing borrowings								
– Short-term borrowings	20	–	–	–	–	914,951	914,951	914,951
– Long-term borrowings	20	–	–	–	–	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.

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YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair value versus carrying amounts (cont'd)

	Note	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
Company						
At 31 December 2016						
Cash and cash equivalents	15	–	24,482	–	24,482	24,482
Trade and other receivables	9	–	58,241	–	58,241	58,241
Available-for-sale financial assets						
– Equity shares	8(a)	40,075	–	–	40,075	40,075
– Unit trusts	8(a)	537	–	–	537	537
		40,612	82,723	–	123,335	123,335
Trade and other payables*		–	–	23,864	23,864	23,864
At 31 December 2015						
Cash and cash equivalents	15	–	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

* Excludes deposits received and long-term employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

38. FINANCIAL INSTRUMENTS (CONT'D)

(f) Capital management

The Group aims to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders. The Group monitors Economic Value Added attributable to shareholders, which the Group defines as net operating profit after tax less capital charge excluding non-controlling interests. Management also monitors the level of dividends paid to ordinary shareholders.

The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Capital is defined as equity attributable to the equity holders. The Group's debt to capitalisation ratio as at the balance sheet date was as follows:

	Group	
	2016 $'000	2015 $'000
Debt	4,154,975	3,380,175
Total equity	2,607,621	2,664,279
Total debt and equity	6,762,596	6,044,454
Debt-to-capitalisation ratio	0.61	0.56

There were no changes in the Group's approach to capital management during the year.

The Group is required to maintain consolidated net borrowings to consolidated net assets (less dividends, goodwill and other intangible assets) ratio of not more than 1.75. This externally imposed capital requirement has been complied with at each quarter in the financial year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

39. CONTINGENT ASSET AND LIABILITIES

(i) Group – Claims and contingencies

In the previous 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 terminated the contract after MPD continued not to make payment of this balance 50% of the initial instalment, due since February 2014.

The subsidiary continues to disagree with MPD's allegations and strongly believes its contractual right of payment extends to the full initial instalment received and receivable from MPD.

The subsidiary continues to disagree with MPD's allegations and strongly believes its contractual right of payment extends to the full initial instalment received and receivable from MPD. No provision for refund has been recognised because the subsidiary believes it has the contractual entitlement to retain the 50% of the initial instalment. The remaining 50% of the initial instalment due has not been recognised since the "virtually certain" threshold in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* has not been met. The Group views this as a "contingent asset".

(ii) Company – Corporate guarantees

	Company	
	2016	**2015**
	$'000	**$'000**
Unsecured corporate guarantees granted in respect of:		
– Performance of subsidiaries	2,462,771	6,111,819
– Unsecured term loan by a subsidiary	650,000	300,000
– Unsecured short term loans by a subsidiary	115,128	435,873
– Unsecured revolving credit facilities by subsidiaries	1,364,932	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 wholly-owned subsidiaries, Jurong Shipyard Pte Ltd and Estaleiro Jurong Aracruz Ltda. These financial guarantee contracts are accounted for as insurance contracts.

The principal risk to which the Company is exposed is credit risk in connection with guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

Estimates of the Company's obligation arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions made may well vary from actual experience so that the actual liability may vary considerably from the best estimates. As of balance sheet date, there is no provision made in respect of the obligations as the Company believes it is remote that these corporate guarantees will be called upon.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

40. COMMITMENTS

Commitments not provided for in the financial statements are as follows:

		Group		Company	
		2016	2015	2016	2015
		$'000	$'000	$'000	$'000
(a)	*Approved capital commitment:*				
	– Approved capital expenditure commitment	156,295	247,463	–	–
(b)	*Minimum lease rental payable in respect of land and buildings:*				
	– Within 1 year	20,930	19,594	11,127	10,547
	– After 1 year but within 5 years	58,283	61,343	40,189	38,095
	– After 5 years	355,826	360,892	49,647	47,060
		435,039	441,829	100,963	95,702
(c)	*Share of joint ventures' approved and contracted capital commitments*	–	11,278	–	–

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 receivables under non-cancellable leases are as follows:

	Group	
	2016	2015
	$'000	$'000
Within 1 year	68,277	67,375
After 1 year but within 5 years	39,657	106,296
	107,934	173,671

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

41. OPERATING SEGMENTS

(a) Business segments

The Group has two reportable segments, which are the Group's strategic business units. The strategic business units are managed separately because of their different business activities. The two reportable segments are: (i) rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding; and (ii) ship chartering.

The accounting policies are described in Note 3. Inter-segment sales and transfers are carried out on an arm's length basis. Segment assets consist primarily of property, plant and equipment, intangible assets, current assets and exclude inter-segment balances. Segment liabilities comprise mainly operating liabilities and exclude inter-segment balances. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's 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 2016

41. 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
2016					
Turnover					
Sales to external parties	3,474,179	58,962	11,675	–	3,544,816
Inter-segment sales	–	–	144,795	(144,795)	–
Total	3,474,179	58,962	156,470	(144,795)	3,544,816
Results					
Segment results	208,894	11,981	4,431	–	225,306
Finance income	7,775	–	147	–	7,922
Finance costs	(86,222)	(2,429)	–	–	(88,651)
Non-operating income	4,243	–	186	–	4,429
Non-operating expenses	(2,120)	–	(21,232)	–	(23,352)
Share of results of associates and joint ventures, net of tax	(32,918)	(3,391)	1,175	–	(35,134)
Profit/(loss) before tax	99,652	6,161	(15,293)	–	90,520
Tax expense	(14,839)	–	(521)	–	(15,360)
Profit/(loss) for the year	84,813	6,161	(15,814)	–	75,160
Assets					
Segment assets	8,960,627	270,423	88,395	–	9,319,445
Investments in associates and joint ventures	6,139	59,944	8,733	–	74,816
Deferred tax assets	12,042	–	–	–	12,042
Tax recoverable	8,530	–	–	–	8,530
Total assets	8,987,338	330,367	97,128	–	9,414,833
Liabilities					
Segment liabilities	6,551,425	104,706	28,591	–	6,684,722
Deferred tax liabilities	85,438	–	235	–	85,673
Current tax payable	34,805	–	2,012	–	36,817
Total liabilities	6,671,668	104,706	30,838	–	6,807,212
Capital expenditure	419,506	–	373	–	419,879
Significant non-cash items					
Depreciation and amortisation	148,662	9,141	1,142	–	158,945
Fair value adjustment on hedging instruments	(1,435)	–	–	–	(1,435)
Fair value gain on firm commitments under fair value hedge	(4,146)	–	–	–	(4,146)
Impairment losses on investment in associates	2,120	–	–	–	2,120
Gain on deemed disposal of available-for-sale financial asset	(4,243)	–	–	–	(4,243)
Negative goodwill	(2,600)	–	–	–	(2,600)
Impairment losses on available-for-sale financial assets	–	–	21,232	–	21,232
Property, plant and equipment written off	45	–	–	–	45
Inventories written back, net	(1,195)	–	33	–	(1,162)
Allowance for doubtful debts and bad debts, net	5,230	–	1	–	5,231

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

41. 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

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YEAR ENDED 31 DECEMBER 2016

41. OPERATING SEGMENTS (CONT'D)

(b) Geographical segments

The Group operates in 12 (2015: 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 $'000	Non-current assets[1] $'000	Total assets $'000	Capital expenditure $'000
2016				
Singapore	317,392	2,392,497	7,084,769	214,065
China	330	1,462	193,483	–
Rest of ASEAN, Australia & India	313,140	172,088	289,722	12,104
Middle East & Africa	14,315	–	–	–
United Kingdom	635,460	5,141	8,393	310
Norway	284,142	165,170	174,880	30
The Netherlands	495,649	229,014	270,445	–
Austria	357,547	–	–	–
Rest of Europe	345,169	–	–	–
Brazil	83,942	1,346,954	1,385,236	193,331
U.S.A.	697,665	4,289	6,299	8
Other countries	65	88	1,606	31
Total	3,544,816	4,316,703	9,414,833	419,879
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

[1] Non-current assets presented consist property, plant and equipment, investments in associates and joint ventures, trade and other receivables and intangible assets.

(c) Major customers

In 2016, turnover from three (2015: two) customers of the Group's rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding segment represents approximately 39 per cent (2015: 26 per cent) of the Group's total turnover.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

42. 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 42(d).

(b) Taxes

Current tax

The Group is subject to taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for taxes. In determining the amount of current and deferred taxes, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due.

There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. The Group believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the taxes and deferred tax provisions in the period in which such determination is made. The tax expense is disclosed in Note 29.

Deferred tax assets

Certain subsidiaries of the Group have tax benefits arising from unutilised tax losses, tax credits and deductible temporary differences, which are available for set-off against future taxable profits. Of these, the utilisation of these tax benefits, for which deferred tax asset was recognised, is presumed on the Group's ability to generate taxable profits in the foreseeable future. This is, however, highly dependent on macroeconomic conditions impacting the offshore and marine sector, expected movements and recovery of oil prices, and financial strength of the Group's customers, which would then significantly affect the realisability of these deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

42. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key sources of estimation uncertainty (cont'd)

(c) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 60 years. The carrying amounts of the Group's property, plant and equipment are set out in Note 4. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets; therefore future depreciation charges could be revised.

During the year, there were no revisions to the useful lives and residual values found on the Group's property, plant and equipment.

(d) Impairment assessment of property, plant and equipment, intangible assets and associates

Impairment assessment of the Group's shipyards

Owing to the continuing sluggish market conditions impacting the offshore and marine sector, there were indications 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 (yards in Singapore, together with their sub-contracting yards in Indonesia and the United Kingdom); and (ii) Brazil, the recoverable amounts for the Group's individual 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 (up to a maximum of 40 years). 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 analysts' forecast reports. These cash flows are then discounted using the applicable discount rates based on their pre-tax weighted average cost of capital of 9.7% (2015: 9.4%) and 15.9% (2015: 16.5%) for the Singapore CGU and Brazil CGU respectively; and the Group assessed that no impairment loss is required for these individual CGUs.

The forecasted order book and the forecasted margins assumed in the value in use calculation is, however, subject to estimation uncertainties that may have a significant risk of resulting in a material adjustments 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 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.

Certain phases of the Brazil CGU are presently undergoing yard construction and the yard will gradually ramp up to its full operational capacity over the years. The Group has factored in the long-term fundamentals of the oil and gas industry in Brazil and accordingly, prepared a 10 year projection period. Changes in the recoverable amount are sensitive to impairment loss if the forecast order book and the forecasted margins beyond the near term were to deviate significantly from the original forecast. The recoverable amount of the Brazil CGU is further subject to political risk and will be reviewed at regular intervals.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

42. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key sources of estimation uncertainty (cont'd)

(d) Impairment assessment of property, plant and equipment, intangible assets and associates (cont'd)

Impairment assessment of the Group's marine vessel

In estimating the recoverable amount of the marine accommodation vessel, the Group assumed a post-contractual renewal rate, subject to a certain level of discount from the existing contractual rate and operating at 95% utilisation rate throughout the cash flow periods. The assumed renewal rate, after the contract expires in 2018 and the assumed utilisation rate, however, continue to be subject to estimation uncertainty that may result in material adjustments on the vessel's recoverable amounts in future periods.

Impairment assessment of the Group's associate

The recoverable amount of the interest in an associate was estimated based on its value in use. In estimating the recoverable amount, the Group applied the relief from royalty method to value the existing intellectual properties owned by the associate. As the associate is a start-up owning various intellectual properties at different stages of their business life cycles, the discount rates applied by the Group range from 20% to 21%, to reflect the higher risks inherent in the forecasted cash flows. Any significant changes to these forecasted cash flows, caused by changes in the risk of returns of the intellectual properties may result in material adjustments on the associate's recoverable amounts in future periods.

(e) Provisions and contingent liabilities

Estimates of the Group's obligations arising from contracts that exist as at balance sheet date may be affected by future events, which cannot be predicted with any certainty. The assumptions and estimates are made based on the management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates.

Warranty

The provision for warranty is based on estimates from known and expected warranty work and contractual obligation for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made. Movements in provision for warranty are detailed in Note 18.

Site Restoration costs

The provision for site restoration costs arising from operating leases is based on the best estimate of the costs to be incurred beyond the 12 months period provided by external consultants. Given the complexities involved in carrying out the restoration work on certain sites in the longer run, the actual costs may vary from the estimate.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Disclosure of contingent liabilities is detailed in Note 39.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

42. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key sources of estimation uncertainty (cont'd)

(f) Determination of net realisable value of inventories

The net realisable value of certain inventories is estimated by reference to latest quotations, independent brokers' valuations and discounted cash flow model. However, such net realisable value estimated (where a reasonably possible range of outcome is possible), may not be the actual realisable value, given the limited transactions involving the sale and purchase of oil rigs in recent times. In addition, the conventional methods of valuation are inherently difficult to apply, attributable to the volatility and illiquidity of the market, and limited actual number of transactions. A combination of valuation techniques are typically adopted with no singular valuation technique being preferred, resulting in the wider range of valuation outcomes observed. Such uncertainties may significantly affect the eventual realisable value of inventories; and there is a significant risk of resulting in a material adjustment to the carrying amounts of inventories in future periods.

Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

(a) Revenue recognition and assessment of risk of foreseeable losses on long term construction contracts

The Group has recognised revenue on construction contracts, rigs & floaters, repairs & upgrades and offshore platforms based on the percentage of completion method in proportion to the stage of completion. The percentage of completion is assessed by reference to surveys of work performed. Significant judgement is required in determining the appropriate stage of completion 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 2016

42. 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 7 – Interests in associates and joint ventures
- Note 8 – Other financial assets
- Note 9 – Trade and other receivables

In assessing whether there is any objective evidence that its investments in associates and available-for-sale financial assets are 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, 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 financial restructuring (where relevant), credit-worthiness and financial health of its customers whose conditions are subject to changes, which may require changes in the level of impairment allowance in future periods.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

43. 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 2016 %	Effective equity held by the Group 2015 %
Subsidiaries				
Bulk Trade Pte Ltd[(1)]	Singapore	Bulk trading	100	100
Dolphin Shipping Company Private Limited[(1)]	Singapore	Ship owning and chartering	100	100
Gravifloat AS[(3), a]	Norway	Engineering and related services	56	12
JPL Industries Pte Ltd[(1)]	Singapore	Processing and distribution of copper slag	85.8	85.8
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), b]	Singapore	Rig building, repair and related services	100	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	100
Sembcorp Marine Offshore Platforms Pte. Ltd. (formerly known as SMOE Pte Ltd)[(1)]	Singapore	Engineering, construction and fabrication of offshore structures	100	100
Sembcorp Marine Repairs & Upgrades Pte. Ltd.[(1)]	Singapore	Ship repair and related services	100	100
Sembcorp Marine Specialised Shipbuilding 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
Associates				
Cosco Shipyard Group Co., Ltd[(3), c]	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
Joint Shipyard Management Services Pte Ltd[(1)]	Singapore	Managing dormitories	32	32

NOTES TO THE FINANCIAL STATEMENTS

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43. GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group 2016 %	Effective equity held by the Group 2015 %
Joint ventures of Dolphin Shipping Company Private Limited				
Dolphin Workboats Pte Ltd[(1), d]	Singapore	Ship owning and charter	–	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
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.[(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

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43. GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group 2016 %	Effective equity held by the Group 2015 %
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), b	Singapore	Rig enhancement and upgrading services, engineering consultancy and project management, and supply of rig equipment and parts	100	85
Baker Marine Services (HK) Limited(2), b	Hong Kong	Provision of rig designs	100	85
Baker Marine Technology Inc.(4), b	United States of America	Engineering design, research and development, marketing and client services support centre	100	85
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
Subsidiaries and joint venture of Sembcorp Marine Integrated Yard Pte. Ltd.				
Aragon AS (formerly known as KANFA Aragon AS)(3), e	Norway	Process design and engineering	50	–
LMG Marin AS(3), f	Norway	Ship design and engineering	100	–
Sembcorp Marine Contractors Pte. Ltd. (formerly known as Jurong Integrated Services Pte Ltd)(1)	Singapore	Provision of contract services	100	100
Sembcorp Marine Rigs & Floaters Pte. Ltd.(1)	Singapore	Ship and rig building, conversion and related services	100	100
Subsidiaries, associate and joint venture of Sembcorp Marine Repairs & Upgrades 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
Pegasus Marine & Offshore Pte. Ltd.(1)	Singapore	Marine services	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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

43. GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group 2016 %	2015 %
Subsidiaries, associate and joint venture of Sembcorp Marine Repairs & Upgrades Pte. Ltd. (cont'd)				
Semb-Eco Technology Pte. Ltd.(1)	Singapore	Manufacturing and commercialisation of patents	55	55
Sembawang Shipyard Project Services Pte Ltd(1)	Singapore	Marine services and rental of premises	100	100
Sembawang Shipyard (S) Pte Ltd(1)	Singapore	Investment holding	100	100
Sembmarine Kakinada Limited(3)	India	Ship repair, conversion, building and related activities	40	40
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 associate of Sembcorp Marine Offshore Platforms Pte. Ltd. (formerly known as 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), g	United Kingdom	Investment holding	100	70
Sembmarine SLP Limited(2), g	United Kingdom	Design, engineering, fabrication and installation of offshore platforms, modules and structures for the oil, gas and renewable energy industry	100	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
Straits Overseas Pte. Ltd.(1)	Singapore	Investment holding and engineering, construction and fabrication of offshore marine structures	100	100

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YEAR ENDED 31 DECEMBER 2016

43. GROUP ENTITIES (CONT'D)

(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

[a] On 9 March 2016, the Company acquired an additional 44% equity stake in Gravifloat AS (Gravifloat), a marine engineering and naval architecture company, increasing its stake to 56% and Gravifloat became subsidiary of the Group.

[b] On 29 August 2016, the Company acquired the remaining 15% in the issued and fully paid-up share capital of PPL Shipyard Pte Ltd (PPLS). Following the acquisition, PPLS became a wholly-owned subsidiary of the Company.

[c] On 15 November 2016, the Company announced that it entered into a sale and purchase agreement with China Ocean Shipping (Group) Company (COSCO) to divest its 30% equity interest in Cosco Shipyard Group Co., Ltd (CSG). As at 31 December 2016, CSG has been reclassified as assets held for sale. The relevant Chinese regulatory authorities have approved the sale of shares in CSG to COSCO and a new Foreign-Investment Enterprise Certificate was issued on 19 January 2017. Parties will finalise payment arrangements within the stipulated time under the sale and purchase agreement, expected to be completed by 1Q 2017.

[d] On 29 February 2016, the Company's wholly owned subsidiary, Dolphin Shipping Company Private Limited divested its 50% interest in Dolphin Workboats Pte Ltd to Entraco Venture Corporation Pte Ltd.

[e] On 28 June 2016, the Company's wholly-owned subsidiary, Sembcorp Marine Integrated Yard Pte. Ltd. acquired 50% of the issued and fully paid-up share capital of Aragon AS (formerly known as KANFA Aragon AS).

[f] On 26 August 2016, the Company's wholly-owned subsidiary, Sembcorp Marine Integrated Yard Pte. Ltd. acquired a 100% stake in LMG Marin AS (LMG). Consequently, LMG's financials were consolidated into the Group's financial statements.

[g] On 21 October 2016, the Company's wholly-owned subsidiary, Sembcorp Marine Offshore Platforms Pte. Ltd. (SMOP) acquired the remaining 30% in the issued and fully paid-up share capital of Sembmarine North Sea (SNS). Following the acquisition, SNS became a wholly-owned subsidiary of SMOP.

44. SUBSEQUENT EVENT

On 15 November 2016, the Company announced that it entered into a sale and purchase agreement with China Ocean Shipping (Group) Company (COSCO) to divest its 30% equity interest in Cosco Shipyard Group Co., Ltd (CSG). The relevant Chinese regulatory authorities have approved the sale of shares in CSG to COSCO and a new Foreign-Investment Enterprise Certificate was issued on 19 January 2017. Parties will finalise payment arrangements within the stipulated time under the sale and purchase agreement, expected to be completed by first quarter of 2017. The divestment gain is approximately S$48.32 million over the Group's carrying value of its interest in associate.

NOTES TO THE FINANCIAL STATEMENTS
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45. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016, and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group and the Company in future financial periods, management has completed its preliminary assessment and will perform detailed analysis on certain available policy choices, transitional optional exemptions and practical expedients. The Group does not plan to adopt these standards early.

Applicable to 2017 financial statements

Summary of the requirements	Potential impact on the financial statements
Amendments to FRS 12 *Income Tax*	**Recognition of deferred tax assets for unrealised losses** Provide guidance on recognition of deferred tax asset that is related to a debt instrument measured at fair value.
Amendments to FRS 7 *Statement of Cash Flows*	**Disclosure initiative** To include a reconciliation of liabilities arising from financing activities.

The management anticipates that the adoption of the above amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

Applicable to 2018 financial statements

Summary of the requirements	Potential impact on the financial statements
Amendments to FRS 102 *Share-Based Payment*	**Classification and Measurement of Share-Based Payment Transactions** Provide clarification on treatment of cash-settled share-based payments to follow the same approach as equity-settled share-based payment.
Amendments to FRS 40 *Investment Property*	**Transfer of Investment Property** Provide guidance that property under construction or development, previously classified as inventory can be transferred to investment property when there is a change in use.
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	Provide guidance on how to determine what exchange rate to use in circumstances when the Company received or paid advance consideration in foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

45. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONT'D)

Applicable to 2018 financial statements (cont'd)

New standards

Summary of the requirements

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

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 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

Potential impact on the financial statements

During 2016, the Group completed its initial assessment of the impact on the Group's financial statements.

The effects and key changes are set out below.

Identification of performance obligations, timing of revenue recognition, and financing component of long-term contracts

The Group currently recognises revenue from long-term contracts using the percentage of completion method. On adoption of FRS 115, the Group expects most of its long-term contracts from its Rig & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding operating segment to constitute a single performance obligation, due to the inter-dependence of services promised in these contracts. The Group expects to continue to recognise revenue on these long term contracts over time when building a specialised asset according to customer order, and when the Group has an enforceable right to payment for performance completed to date. As most of these long term contracts stipulate milestone payments according to the progress of project completion, the revenues recognised over time should approximate the cash revenues; and as such, any financing component included therein is not significant. Advance payments received from customers to fund the early construction of customer's asset, and if utilised within the 12 months period, will not result in any significant financing charges.

Where the long term contracts do not provide a continuous transfer of control of the asset to customer due to non-enforceability of right to payment for performance completed to date, the Group would defer revenue till project completion. In such cases, the contract revenue would also contain a significant financing component.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

45. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONT'D)

Applicable to 2018 financial statements (cont'd)

New standards

Summary of the requirements	Potential impact on the financial statements
FRS 115 ***Revenue from Contracts with Customers***	**Contract modifications and variable consideration** The Group's long-term contracts may be subject to modifications including changes in scope or price. Because the services in a contract are inter-related, any contract modification is not likely to result in a separate contract. When there is a variable consideration, the addition revenue will be recognised only when the modification is approved. The accounting of contract modifications is not expected to give rise to any material change in revenue recognition, as compared to present-day treatment. **Contract costs** The incremental costs to obtain and fulfil a contract are required to be capitalised when the specified criteria are met. Currently, the Group capitalises the direct costs (e.g. sales commission) related to the contract but charges other project bidding costs to profit or loss. On adoption of FRS115, the Group does not expect the accounting of contract costs to be materially different from the present treatment. **Transition** – The Group plans to adopt the standard when it becomes effective in 2018 using the full retrospective approach modified by practical expedients. The Group is currently performing a detailed analysis under FRS 115 to determine its election of the practical expedients and to quantify the transition adjustments on its financial statements.
FRS 109 ***Financial Instruments*** FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from FRS 39.	During 2016, the Group completed its initial assessment of the impact on the Group's financial statements. Overall, the Group does not expect a significant impact on its opening equity for the effect of applying the impairment requirements of FRS 109. The Group's initial assessment of the three elements of FRS 109 is as described below.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

45. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONT'D)

Applicable to 2018 financial statements (cont'd)

New standards

Summary of the requirements

FRS 109 *Financial Instruments*

FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

Potential impact on the financial statements

Classification and measurement – The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109.

Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109.

For financial assets currently held at fair value, the Group expects to continue measuring most of these assets at fair value under FRS 109. The expected classification and measurement of these financial assets under FRS 109 is summarised below:

- A significant portion of the AFS equity securities are held as long-term investments.
- The remaining portion of the AFS equity securities may be sold from time to time for liquidity management. The Group expects to classify these as financial assets subsequently measured at fair value through profit or loss (FVTPL).

Impairment – On adoption of FRS 109, the Group does not expect a significant increase in the impairment loss allowance because it currently applies a specific identification basis of impairment assessment on all its customers on an individual basis, taking into account both incurred loss events and expected loss basis of evaluation. The Group is currently refining its impairment loss estimation methodology to quantify the impact on its financial statements.

Hedge accounting – The Group expects that all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under FRS 109.

Transition – The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information. The Group will perform detailed analysis of certain available policy choices and other refinements as described above.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

45. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONT'D)

Applicable to 2018 financial statements (cont'd)

Convergence with International Financial Reporting Standards (IFRS)

In addition, the Accounting Standards Council (ASC) 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 (referred to as SG-IFRS in these financial statements) for the financial year ending 31 December 2018, onwards.

The Group has performed a preliminary assessment of the impact of SG-IFRS 1 *First-time adoption of International Financial Reporting Standards* for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SG-IFRS 15 *Revenue from Contracts with Customers* and SG-IFRS 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described in this Note.

Other than arising from the adoption of new and revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework.

The Group will perform detailed analysis of certain available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1 and the preliminary assessment may be subject to changes arising from the detailed analyses.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

45. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONT'D)

Applicable to 2019 financial statements

New standards

Summary of the requirements	Potential impact on the financial statements
FRS 116 *Leases*	
FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.	The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee (refer to Note 40). Based on the preliminary assessment, the Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. Assuming no additional new operating leases in future years until the effective date, the Group expects the amount of ROU asset and lease liability to be lower due to discounting and as the lease terms run down. The Group plans to adopt the standard when it becomes effective in 2019. The Group will perform a detailed analysis of the standard, including the transition options and practical expedients. The Group expects that the impact on adoption of IFRS 16 Leases to be similar to adopting SG-FRS 116, after the transition to SG-IFRS in 2018 as described above.

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2016

(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 2016

Name of Director	Salary[1] $'000	Bonus Earned $'000	Fair value of share-based compensation granted for the year[2] $'000	Directors' Fees Cash-based[3] $'000	Directors' Fees Share-based[4] $'000	Brought Forward Bonus Bank[5] $'000
Payable by the Company:						
Tan Sri Mohd Hassan Marican	–	–	–	420	180	–
Wong Weng Sun	926	1,419	810	–	–	2,690
Ajaib Haridass	–	–	–	198	85	–
Tang Kin Fei[3]	–	–	–	179	76	–
Ron Foo Siang Guan	–	–	–	179	76	–
Lim Ah Doo	–	–	–	215	92	–
Koh Chiap Khiong[3]	–	–	–	165	70	–
Eric Ang Teik Lim[3]	–	–	–	205	–	–
Gina Lee-Wan	–	–	–	109	46	–
Bob Tan Beng Hai	–	–	–	151	64	–

Name of Key Executive	Salary[1] $'000	Bonus Earned $'000	Fair value of share-based compensation granted for the year[2] $'000	Directors' Fees Cash-based $'000	Directors' Fees Share-based $'000	Brought Forward Bonus Bank[5] $'000
Ong Poh Kwee	492	132	169	–	–	631
Wang Zijian	391	443	169	–	–	9
Ho Nee Sin	389	281	169	–	–	98
Wong Lee Lin	404	245	169	–	–	352
Tan Cheng Tat	389	316	169	–	–	(79)

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.

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2016

(UNDER SGX-ST LISTING MANUAL REQUIREMENTS)

A. DIRECTORS' AND KEY EXECUTIVES' REMUNERATION EARNED FOR THE YEAR (CONT'D)

4. To align the interests of the non-executive Directors with the interests of shareholders, up to 30% of the aggregate Directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010.

   For year 2016, 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 2016 (incorporating any adjustment made to the bank balance but excluding the bonus earned during the financial year). Typically, one-third of the accumulated bonus comprising Bonus Earned in the financial year and the Brought Forward Bonus is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the Bonus Bank.

Details on the share options, performance shares and restricted shares granted to the directors are set out in the Share-based Incentive Plans of the Directors' Report.

B. INTERESTED PERSON TRANSACTIONS

	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual	
	2016	**2015**
	$'000	**$'000**
Transaction for the Sales of Goods and Services		
PSA International Pte Ltd and its associates	1,981	5,091
Transaction for the Purchase of Goods and Services		
Sembcorp Industries Limited and its associates	235	350
Singapore Technologies Engineering Ltd and its associates	327	179
Management and Support Services		
Sembcorp Industries Limited	250	250
Total Interested Person Transactions	2,793	5,870

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	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
Miscellaneous			
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 leashold 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

SEMBCORP MARINE LTD
NOTICE OF ANNUAL GENERAL MEETING

COMPANY REGISTRATION NO. 196300098Z
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

NOTICE IS HEREBY GIVEN THAT the 54th 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 Tuesday, 18 April 2017 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 2016 and the auditor's report thereon. **Resolution 1**

2. To declare a one-tier tax exempt Final Dividend of 1 cent per ordinary share for the year ended 31 December 2016 (2015: Final Dividend of 2 cents per ordinary share). **Resolution 2**

3. To re-elect the following directors, each of whom will retire by rotation pursuant to Article 94 of the Company's Constitution and who, being eligible, have offered themselves for re-election:

   (a) Mr Ron Foo Siang Guan **Resolution 3**
   (b) Mr Koh Chiap Khiong **Resolution 4**
   (c) Mr Eric Ang Teik Lim **Resolution 5**

   Mr Tang Kin Fei, a director who will cease to hold office pursuant to Article 94 of the Company's Constitution, will not be offering himself for re-election.

4. To approve directors' fees of up to S$2,500,000 for the year ending 31 December 2017 (2016: up to S$2,600,000). (See explanatory note) **Resolution 6**

5. To re-appoint KPMG LLP as the auditor of the Company and authorise the directors to fix their remuneration. **Resolution 7**

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following resolutions, of which Resolutions 8, 9, 10 and 11 will be proposed as Ordinary Resolutions:

6. **Renewal of Share Issue Mandate** **Resolution 8**

   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,

SEMBCORP MARINE LTD
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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.

7. **Renewal of Share Plan Mandate** **Resolution 9**

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

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(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.

8. **Renewal of IPT Mandate** Resolution 10

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 to the Company's Letter to Shareholders dated 31 March 2017 (the "**Letter**") with any party who is of the class of interested persons described in Appendix 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.

9. **Renewal of Share Purchase Mandate** Resolution 11

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**");

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(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.

By Order of the Board

Tan Yah Sze / Chay Suet Yee
Company Secretaries
Sembcorp Marine Ltd

31 March 2017
Singapore

SEMBCORP MARINE LTD
NOTICE OF ANNUAL GENERAL MEETING

COMPANY REGISTRATION NO. 196300098Z
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

Explanatory Notes:

Resolutions 3 to 5 – Detailed information on these directors can be found under the Board of Directors and Corporate Governance Report sections in the 2016 Annual Report

Resolution 3 – Resolution 3 is to approve the re-election of Mr Ron Foo Siang Guan, retiring under Article 94 of the Company's Constitution, as Director of the Company. Upon re-election, Mr Foo will remain as Audit Committee Chairman and a member of the Board Risk Committee and will be considered independent.

Resolution 4 – Resolution 4 is to approve the re-election of Mr Koh Chiap Khiong, retiring under Article 94 of the Company's Constitution, as Director of the Company. Upon re-election, Mr Koh will remain as a Audit Committee and a Board Risk Committee member and will be considered non-independent.

Resolution 5 – Resolution 5 is to approve the re-election of Mr Eric Ang Teik Lim, retiring under Article 94 of the Company's Constitution, as Director of the Company. Upon re-election, Mr Ang will remain as a Board Risk Committee, Executive Resource & Compensation Committee and Nominating Committee member and will be considered independent.

Resolution 6 – Resolution 6 is to approve the payment of an aggregate amount of S$2,500,000 as directors' fees for the non-executive directors of the Company for the year ending 31 December 2017. The amount of directors' fees is computed based on the anticipated number of board and committee meetings for year 2017, 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 2018 ("**2018 AGM**") before payments are made to directors for the shortfall. (For information, the approved payment of Directors fees approved in the 2016 AGM was S$2,600,000. The total amount of Directors' fees paid to the Directors in FY2016 was S$2,509,500, full details of which can be found at page 280 of the 2016 Annual Report.) Directors and their associates will abstain from voting on Resolution 6.

The current intention is that the directors' fees for the non-executive directors for year 2017 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' fees framework (which is set out on page 83 of the 2016 Annual Report), 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 2017 is intended to be paid half-yearly in arrears. The share component of the directors' fees for year 2017 is intended to be paid after the 2018 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 2018 AGM (or, if no final dividend is proposed at the 2018 AGM, or the resolution to approve any such final dividend is not approved at the 2018 AGM, over the 14 trading days immediately following the date of the 2018 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 director's fee for year 2017 (calculated on a pro-rated basis, where applicable) in cash.

Resolution 8 – Resolution 8 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 8 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 8 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

SEMBCORP MARINE LTD
NOTICE OF ANNUAL GENERAL MEETING

COMPANY REGISTRATION NO. 196300098Z
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

Resolution 9 – Resolution 9 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 10 – Resolution 10 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 31 March 2017 (the "**Letter**"). Please refer to the Letter for more details.

Resolution 11 – Resolution 11 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 2017 (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 437,029 Shares held in treasury) will result in the purchase or acquisition of 208,932,307 Shares.

In the case of market purchases by the Company and assuming that the Company purchases or acquires the 208,932,307 ordinary shares at the Maximum Price of S$1.91 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 208,932,307 ordinary shares is S$399,060,706.

In the case of off-market purchases by the Company and assuming that the Company purchases or acquires the 208,932,307 ordinary shares at the Maximum Price of S$2.00 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 208,932,307 ordinary shares is S$417,864,614.

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 2016 based on these assumptions are set out in paragraph 3.7 of the Letter.

Please refer to the Letter for more details.

SEMBCORP MARINE LTD
NOTICE OF ANNUAL GENERAL MEETING

COMPANY REGISTRATION NO. 196300098Z
(INCORPORATED IN THE REPUBLIC OF 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 Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

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 less than 72 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 28 April 2017 to determine the members' entitlements to the proposed dividend.

Duly completed transfer forms 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 27 April 2017 (the "**Books 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 which are credited with ordinary shares of the Company as at 5.00 pm on the Books Closure Date will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the 54th Annual General Meeting, will be paid on 12 May 2017.

PROXY FORM

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

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 31 March 2017.

I/We ____________________________ (Name) ____________________ (NRIC/Passport No.)

of ____ (Address)

being a member/members of Sembcorp Marine Ltd, hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

as my/our proxy/proxies to attend and vote for me/us on my/our behalf and, if necessary, to demand a poll, at the 54th Annual General Meeting of the Company to be held at The Auditorium, NTUC Centre, Level 7, One Marina Boulevard, Singapore 018989 on Tuesday, 18 April 2017 at 11.00 am and at any adjournment thereof.

(Voting will be conducted by poll. Please indicate with a "√" 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 11 will be proposed as Ordinary Resolutions). 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 Resolutions		
1	To adopt the directors' statement and audited financial statements		
2	To declare a final dividend		
3	To re-elect Mr Ron Foo Siang Guan		
4	To re-elect Mr Koh Chiap Khiong		
5	To re-elect Mr Eric Ang Teik Lim		
6	To approve directors' fees for financial year ending 31 December 2017		
7	To re-appoint KPMG LLP as auditor and to authorise the directors to fix their remuneration		
	Special Business		
8	To approve the proposed renewal of share issue mandate		
9	To approve the proposed renewal of Share Plan Mandate		
10	To approve the proposed renewal of the mandate for the Interested Person Transactions		
11	To approve the proposed renewal of the Share Purchase Mandate		

Total Number of Shares Held	

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

Date

IMPORTANT: PLEASE READ NOTES OVERLEAF

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Notes:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the 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 later than 72 hours before the time appointed for the Annual General Meeting.
5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting in person at the Annual General Meeting if he finds that he is able to do so. In such event, the relevant instrument appointing a proxy or proxies will be deemed to be revoked.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where an 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 the 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 of Singapore.
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.

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Postage
Stamp

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

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sembcorp
marine

SEMBCORP MARINE LTD
29 Tanjong Kling Road Singapore 628054
Tel: +65 6265 1766 Fax: +65 6261 0738
www.sembmarine.com

Co. Reg. No. 196300098Z