ACCELERATING OUR TRANSITION POSITIONING FOR GROWTH

ANNUAL REPORT 2021

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ACCELERATING OUR TRANSITION
POSITIONING FOR GROWTH

As the world steps progressively out of the shadow of the pandemic, it is looking to shake off the restraints of the past two years and advance boldly into a new normal. While Sembcorp Marine was undeterred in its transformation pursuit in the midst of the pandemic, it is emboldened by the improving operating landscape to push forward towards its corporate objectives. The Group has also emerged from the pandemic stronger, more resilient, more focused and better positioned than ever.

Sembcorp Marine will continue to augment our core engineering capabilities, invest strategically in new innovation and technologies and develop future-ready knowhow to keep pace with the global shift towards a low-carbon economy.

The many strategic changes and investments the Group has made since 2015 support our long-term future as a global leader in the offshore, marine and energy industries. We are ready to further accelerate our transition and position for growth.

In a rapidly changing world, clarity and focus are key. This year's design theme features a camera shutter to signify Sembcorp Marine's sharp focus on its strategic pursuit – to be at the centre of the shift towards a low-carbon economy.

The camera shutter also represents Sembcorp Marine's precision and agility in its strategic execution. The multiple shutter blades denote the Group's deep R&D capabilities, domain expertise, engineering and technological bench strength, as well as its world-class integrated yards and facilities and synergistic operations across its global footprint and businesses – a confluence of distinct differentiation and value propositions enabling Sembcorp Marine to continually deliver innovative and sustainable solutions to the offshore, marine and renewable energy sectors.

OUR CORE VALUES

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.

CUSTOMER ALIGNMENT

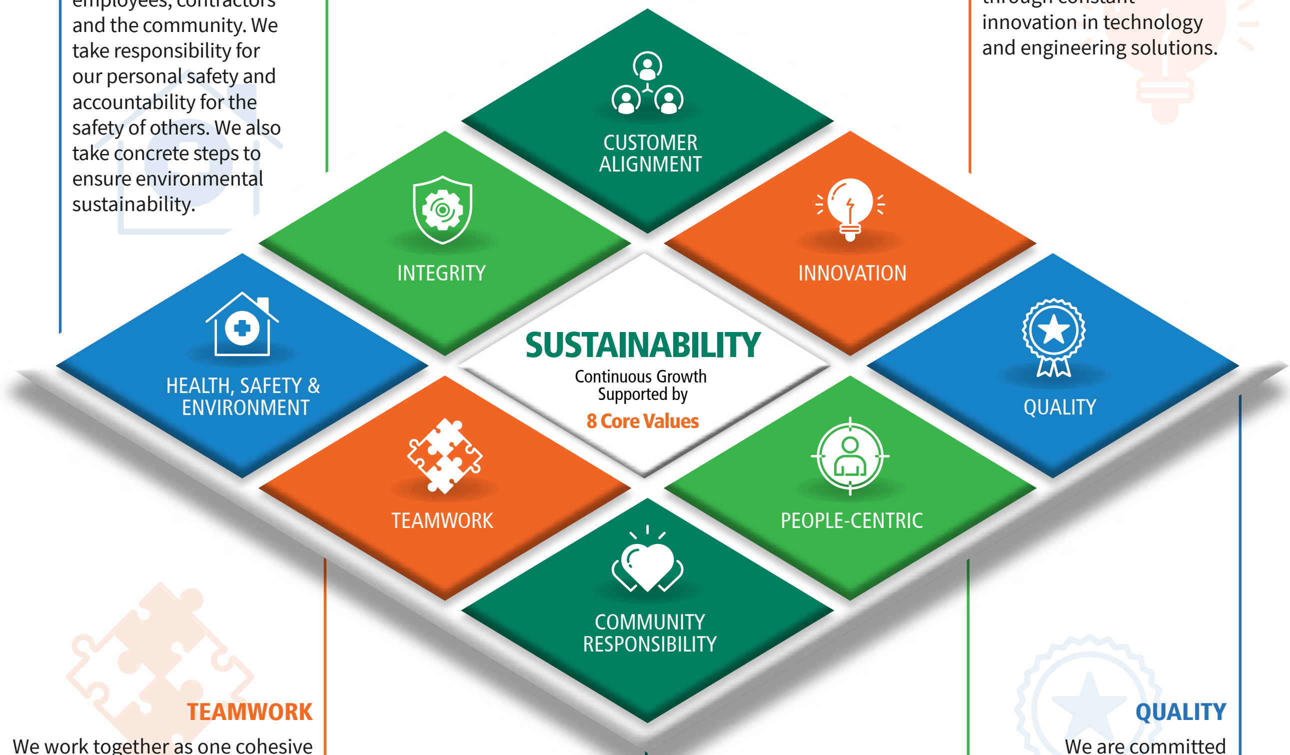
Meeting customers' needs is fundamental to our success. We provide innovative solutions that are aligned with the changing requirements and expectations of our customers and build lasting relationships with them based on trust and shared purpose.

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.

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.



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.

QUALITY

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

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.

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.

MISSION

We are a global company
providing innovative and sustainable
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.

CORPORATE PROFILE

SEMBCORP MARINE LTD provides innovative engineering solutions to the global offshore, marine and energy industries. Headquartered in Singapore, the Group has close to 60 years of track record in the design and construction of rigs, floaters, offshore platforms and specialised vessels, as well as in the repair, upgrading and conversion of different ship types. Sembcorp Marine's solutions focus on the following five areas: Renewables, Process, Gas, Ocean Living and Advanced Drilling Rigs.

Sembcorp Marine's customers include major energy companies, owners of floating production units, shipping companies and cruise and ferry operators. They are supported by four commercial units: Rigs & Floaters; Repairs & Upgrades; Offshore Platforms and Specialised Shipbuilding.

Sembcorp Marine operates shipyards and other facilities in Singapore, Indonesia, the United Kingdom, Norway and Brazil.

RIGS &
FLOATERS

SPECIALISED
SHIPBUILDING

Our solutions, products
and services are
supported by

4
**COMMERCIAL
UNITS**

REPAIRS &
UPGRADES

OFFSHORE
PLATFORMS

2021 HIGHLIGHTS

GROUP REVENUE

S$1.86 BILLION

NET LOSS

S$1.17[1] BILLION

NET ORDER BOOK

S$1.3[2] BILLION

Notes:
(1) Includes provisions and asset impairments of S$839 million post-tax
(2) Comprises S$1.1 billion of projects under execution and S$0.2 billion of ongoing Repairs & Upgrades projects

SUCCESSFULLY DELIVERED IN FY2021 AND 1Q2022

- **Newbuild Floating Production Unit** for the Vito Regional Production Facility for Shell Offshore Inc.
- **Newbuild FPSO** project for Equinor for the Johan Castberg field in the Barents Sea, Norway
- **Six production topsides and four bridges** for TotalEnergies EP Denmark for the Tyra Redevelopment Project
- **15 wind turbine jacket foundations** for Jan De Nul's Formosa 2 Offshore Wind Farm
- **FSRU conversions** of the Karmol LNGT Powership Africa and Karmol LNGT Powership Asia for KARMOL
- **FSU conversion** of the GasLog Singapore for GasLog LNG
- **144 projects** involving FPSO, FSO, FSRU, FSU, LNG plant and carrier, cruise ship, naval vessel and heavy-lift carrier requiring repair, damage repair, upgrade, refit, maintenance, decontamination, ballast water management system installation and scrubber retrofit

OUR INTEGRATED GLOBAL PLATFORM

One integrated team operating in strategic locations to serve customers globally

Sembcorp Marine's global network includes facilities in Singapore, Indonesia, the United Kingdom, Norway and Brazil. These facilities operate as pooled resources, supporting projects of any scale and complexity for deployment in worldwide locations.

SEMBCORP MARINE TECHNOLOGY COMPANIES

aragon

GRAVIFLOAT

LMG MARIN

SEVAN SSP

NORWAY

UNITED KINGDOM

LOWESTOFT, SUFFOLK

SEMBMARINE SLP YARD

INDONESIA

KARIMUN ISLAND

SEMBMARINE KARIMUN YARD
(PT. KARIMUN SEMBAWANG SHIPYARD)

BATAM ISLAND

SEMBMARINE BATAM YARD
(P.T. SMOE INDONESIA)

TUAS BOULEVARD YARD

ADMIRALTY YARD

PANDAN YARD

SEMBMARINE ARACRUZ YARD
(ESTALEIRO JURONG ARACRUZ)

GLOBAL FOOTPRINT
INTEGRATED FACILITIES

Sembcorp Marine has a global footprint of integrated facilities with each site synergistically connected to form one global enterprise delivering solutions with universal technical and operational excellence to our customers.

Sembcorp Marine successfully executed the integration of Vito's RPF topside structure with its hull safely and efficiently in a single lift, enabled by Tuas Boulevard Yard's

30,000-tonne

lifting capacity twin cranes.

This is a further testament to the Group's proven capabilities in the turnkey construction of offshore projects.

CHAIRMAN AND CEO'S JOINT REPORT

"Sembcorp Marine – with its deep R&D capabilities, domain expertise, technological bench strength, world-class integrated facilities and synergistic operations – stands poised to continue to support the offshore, marine and energy industries and the ongoing global transition to a low-carbon economy."

TAN SRI MOHD HASSAN MARICAN
Chairman

WONG WENG SUN
President & CEO

Dear Fellow Shareholders

The past two years have been among the most challenging years in recent memory. The COVID-19 pandemic persisted and Sembcorp Marine continued to face serious challenges in FY2021. During the year, waves of COVID-19 outbreaks and subsequent recurring lockdowns across the globe continued to disrupt supply chains, leading to resource constraints and shortages of skilled workers. These in turn seriously affected the Group's projects under execution.

Despite extreme operational challenges, we completed multiple key projects and successfully delivered them to our customers. We also completed major conversions for several offshore gas facilities and delivered on some 144 projects requiring repairs and upgrades. The Group is working on 12 key projects due for completion and delivery from 2022 to 2025.

While the pandemic has been challenging, it has given us the impetus to find novel solutions and new ways to approach issues, and to address each evolving challenge. We took active measures and concrete steps, worked in tighter cooperation with our customers and found a new rhythm to manage the pandemic and our operations.

We also prioritised and put in tremendous efforts to safeguard the wellness, health and safety of our people, our customers and vendors, maintaining a fine balance of the needs of project performance and the safety of everyone.

NAVIGATING CHANGE & CHALLENGES

FY2021 marks the sixth year of a global oil & gas sector recession. The industry has experienced a prolonged and severe downturn since 2015, following major structural changes in the sector and the global energy transition away from oil. The outbreak of the COVID-19 pandemic in 2020 extended into 2021 and 2022, and pushed out the industry recovery, creating unprecendented disruptions.

While addressing the immediate and pressing challenges of the past years, the Group still has its sight set on a better and brighter future. Since 2015, the Group has embarked on a strategic business transformation to rebalance its product solutions portfolio with an increasing focus on renewables and other green solutions.

Leveraging its integrated offshore and marine operational capabilities and engineering competencies, the Group has built the base capabilities to provide solutions for the renewable and clean energy sector. This has enabled the Group to clinch some key projects in this space.

While the Group remains committed to completing the remaining projects for its customers, it is cognizant that it must transition more quickly. The progressive completion of its existing projects will free up resources to allow the Group to capitalise on the significant growth expected in the renewables and clean energy segment over the longer term.

FINANCIAL PERFORMANCE

Despite the pandemic-related challenges impacting business sentiment and execution, the Group recorded a 23% increase in revenue year-on-year, closing the year with a revenue of S$1,862 million for FY2021.

Execution challenges associated with the COVID-19 pandemic were real and severe, resulting in significant cost overruns. However the labour situation did stabilise in the fourth quarter to enable smoother execution of projects. Consequently, the Group incurred lower losses and provisions of S$523 million in the second half of the year compared to the first half losses of S$647 million. For the full year ended 31 December 2021, the Group registered a net loss of S$1,171 million.

The full year net loss took into account provisions totalling S$839 million (post-tax basis), largely due to push-out of delivery for its ongoing projects, with significantly higher provisions for manpower and other costs to complete most of the projects during the year and over the next six to nine months.

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

Excluding the provisions, FY2021 net loss would be S$332 million, an improvement of 24% compared to S$439 million for FY2020.

Completion of Rights Issue

In June 2021, the Group executed its S$1.5 billion Rights Issue, which was successfully completed in September 2021. The mandatory general offer by Startree Investments Pte. Ltd. ("Startree"), an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited, also closed with Startree having a resultant shareholding of 54.6% in the Company as at 3 November 2021.

On behalf of Sembcorp Marine Board and Management, we would like to convey our appreciation to all our shareholders for their support, firstly for the Rights Issue Resolution at the EGM and then the subscription and excess applications. Thank you.

Balance Sheet & Cash Flow

As at 31 December 2021, Sembcorp Marine's net debt stood at S$2.0 billion, 29% lower than the net debt position of S$2.8 billion in December 2020, largely as a result of the Group's recapitalisation through its S$1.5 billion Rights Issue. Net gearing improved in tandem to 0.49 times at end-2021, compared to 0.75 times a year earlier. Shareholders' Funds as at 31 December 2021 was S$4.0 billion, compared to S$3.7 billion for the prior year.

At the end of the year, the Group has a net cash balance of S$1.1 billion, an increase of 43% compared to the year-end balance of S$772 million for FY2020. The Group expects to have the necessary liquidity to fund its operations for the foreseeable future.

A strengthened balance sheet will support the Group's ongoing strategic expansion into the high growth renewables and clean energy segments. Importantly, it means greater financial agility for Sembcorp Marine to seize opportunities and to respond to evolving market dynamics, to bid competitively for high-value and large-scale projects.

The Group will continue to exercise financial discipline and prudence to further strengthen its financial position.

A detailed financial summary including the Group's cash flow and liquidity management is provided in the Group's Financial Review.

Final Dividend

The Board has decided to continue a prudent approach to liquidity management. As such, no final dividend has been declared for FY2021 (FY2020: No final dividend declared).

PROJECT EXECUTIONS

The Group was able to achieve multiple project completions with successful delivery notwithstanding pandemic-related resource constraints and shortages of skilled workers.

Despite operational challenges encountered throughout the year and the resultant deferment of project deliveries, we are appreciative of the support from our customers, for continuing to entrust their projects to the Group without cancellation.

In FY2022, the Group will need to complete and deliver a total of 12 existing projects. Provisions for costs to complete these projects have already been made in FY2021. Four of the 12 projects have been completed in early 2022. The Group remains committed to completing the remaining projects for its customers.

With the progressive completion of more projects, the Group is able to re-deploy the freed-up resources for its other existing projects under execution and take on more new projects.

A full account of the Group's projects is detailed in the Operations Review.

Seizing New & Emerging Opportunities

During the year, the Group secured new contracts worth slightly over S$1.0 billion, including S$0.3 billion of Repairs & Upgrades projects. The Group's net order book currently stands at S$1.3 billion. This consists of S$1.1 billion of projects under execution (with a total original contract sum of S$6.1 billion) and S$0.2 billion of ongoing Repairs & Upgrades projects. Approximately 43% of the Group's net order book are for renewables and other cleaner and green solutions sectors.

Rising oil prices recently provides impetus for oil and gas companies to review plans for the resumption of deferred activities, final investment decisions and capital expenditures. There are also improved prospects and opportunities associated with the global transition towards cleaner energy and sustainable solutions.

CHAIRMAN AND CEO'S JOINT REPORT

"While the pandemic has been challenging, it has given us the impetus to find novel solutions and new ways to approach issues, and to address each evolving challenge. We took active measures and concrete steps, worked in tighter cooperation with our customers and found a new rhythm to manage the pandemic and our operations."

Sembcorp Marine is well-placed to support the global energy needs premised on a low-carbon footprint with a balanced portfolio across offshore, marine and energy product solutions. Low-carbon features have been embedded in the Group's projects, including automation, energy efficiency and cyber-secured modules. The Group is actively pursuing multiple projects covering FPSOs, FSOs and FPUs with tenders in progress.

We are cognizant of global pressures to decarbonise and the desire of major economies to make renewables a larger share of the energy mix. The Group will continue to further diversify its business portfolio and extend into new areas of renewable energy, electrification, gas value chain, ocean living, as well as carbon capture and storage solutions. The Group is actively developing emerging tender opportunities in the renewable energy and gas solutions segment.

The offshore repairs market is anticipated to witness improved growth as it emerges from the stifled demand of the prior period. To-date, the Group's Repairs & Upgrades business has secured advanced orders for the repair and upgrade of 13 LNG carriers and the refit of three cruise vessels. The Group is also working on active enquiries for FPSO and FSO upgrading projects. Sembcorp Marine has continued to secure green technology retrofit solutions and identified opportunities in sustainable repairs and upgrading.

New order wins are critical to support the Group's future performance. The Group remains focused on clinching new contracts to replenish its order book.

ACTIVE SUSTAINABILITY MANAGEMENT

The pandemic and related challenges of the last two years have certainly brought to the fore the importance of sustainability. While the Group has always taken a comprehensive approach to sustainability anchored on its core values, the events of the recent period have enabled the Group to review and further augment its sustainability programmes and initiatives.

At Sembcorp Marine, sustainability is integrated into the Group's strategy and embedded into the fabric of how the Group operates and conducts its business, including its product and service offerings.

Recognition for the Group's Sustainability Commitment and Green Innovation

To support global decarbonisation efforts and goals, the Group has been delivering innovative and sustainable engineering solutions to the global offshore, marine and energy industries through the development of a suite of sustainable products and solutions across the entire offshore value chain.

Many of the projects the Group has worked on have won international accolades or received recognition for contributing to decarbonisation in the maritime industry.

Successful delivery of the Vito Regional Production Facility FPU newbuild

FSRU conversion projects – Karmol LNGT Powership Africa and Karmol LNGT Powership Asia

Sailaway of Tyra East production topsides and bridges


Tyra West modules and bridges delivery


Fabrication of 15 wind turbine jacket foundations for the Formosa 2 Offshore Wind Farm


Delivery of Johan Castberg FPSO newbuild project

Sailaway of the first of three zero-emission battery-powered newbuild Ropax ferries designed by the Group

Artist's impression of the ABS-approved ammonia bunkering vessel designed by Sembcorp Marine in collaboration with industry partners

Sembcorp Marine secured contract to design the world's first green ammonia-fuelled tanker (Photo: Grieg Edge)

CHAIRMAN AND CEO'S JOINT REPORT

Augmenting the Group's Emergency Response Framework
Through successive flu epidemics of the past, the Group has continuously reviewed and further augmented its Emergency Response Framework (ERF). With a keen focus on safety, the Group acted swiftly and decisively to protect its employees, customers, business partners and communities when COVID-19 struck. Yet, this pandemic has proven to be a crisis like no other. It has upended lives, businesses and the global economy, and Sembcorp Marine was not spared.

The COVID-19 pandemic has also shown distinct individual differences and highlighted the effect of cultural complexities of its workforce. Through addressing worker issues on a national and company level, the Group has further adapted its ERF, augmented its community engagement and introduced culture-conscious initiatives to increase the effectiveness of its policies and programmes. The Group remains fully committed to looking after the health, safety and living environment of its people and all stakeholders.

The Sustainability Report issued jointly with this Annual Report should be read in conjunction for an appreciation of the Group's sustainability endeavours and accomplishments.

Signing of the MOU by Sembcorp Marine, Shell and Penguin International to explore the use of hydrogen as a marine fuel to advance decarbonisation in the maritime industry

P-71 FPSO modification and topside modules work underway in our Brazil yard

Award-winning vessels designed by the Group – Ropax ferry MF Hydra (top) and polar expedition cruise ship Ultramarine (Photo: Quark Expeditions)

POTENTIAL COMBINATION WITH KEPPEL O&M

On 24 June 2021, the Group announced a non-binding Memorandum of Understanding entered into with Keppel Corporation Limited to explore the potential combination of Sembcorp Marine and Keppel Offshore & Marine ("Keppel O&M"). If completed, the potential combination would create an entity to increasingly seize emerging opportunities, particularly in the renewable and clean energy sectors. The enlarged talent and asset bases would also better position the entity to support larger and more complex contracts.

The due diligence process is ongoing. The Group is working towards a definitive agreement in the first half of 2022.

POSITIONING FOR RECOVERY

Despite a tumultuous year, the strategic decisions and concrete actions taken by the leadership of Sembcorp Marine enabled the Group to continue to support the projects of our customers and partners. We did not see a single cancellation of projects. Instead, we managed to deliver a good number of projects during FY2021 to the date of this Annual Report, demonstrating our ability to overcome challenges, our resilience in the face of unprecedented developments and our commitment to our customers.

The Group has emerged from the pandemic stronger, more resilient and better positioned than ever. Sembcorp Marine – with its deep R&D capabilities, domain expertise, technological bench strength, world-class integrated facilities and synergistic operations – stands poised to continue to support the offshore, marine and energy industries and the ongoing global transition to a low-carbon economy.

CHAIRMAN AND CEO'S JOINT REPORT

Offshore and marine projects in progress at our Tuas Boulevard Yard

A wide array of vessels calling at our Admiralty Yard

APPRECIATION

As we close another year, we would like to thank our fellow Board members for their guidance in an extremely tumultuous year. Thank you for contributing tirelessly and for your wise counsel.

Mr Eric Ang Teik Lim, whose directorship tenure reaches its ninth year in April 2022, is not seeking re-election at the upcoming Annual General Meeting. On behalf of Sembcorp Marine's Management and fellow Directors, we would like to express our deepest gratitude to Eric for his dedicated service, steadfast support and constant guidance. Eric's professionalism and dedication have been invaluable to our Board's deliberations and decision-making.

We would also like to welcome to the Board Mr Yap Chee Keong, who joins as an Independent Director of the Company with effect from 8 December 2021. He has also been appointed Deputy Chairman of the Board, and a member of the Board's Executive Committee. With his wealth of experience, expertise and perspectives, we are confident that Chee Keong will be an invaluable addition to the Board and the Group.

The Board of Directors would like to convey its thanks to the Management Team for their steady hand at the helm and their unfaltering leadership throughout the year. Most importantly, we want to recognise the determination and hard work of every member of Sembcorp Marine whose dedication and commitment enabled the successive project deliveries during the year. Thank you for demonstrating such steadfast commitment and grit throughout a very testing year.

We would also like to acknowledge the various statutory, governmental, regulatory and healthcare bodies and their officers who have played an important role to protect public health with due consideration to commerce at the same time during the pandemic. Thank you for responding to challenges in real time and all the sacrifices endured.

We would like to convey our appreciation to our customers for the opportunity to serve them too. We will continue to work diligently to complete all the existing projects and new projects.

We extend our appreciation to our shareholders for their steadfast support and particularly during the recapitalisation exercise. We will continue to focus our efforts on accelerating our transition to position the Group for sustainable growth and long-term value creation for our stakeholders.

Thank you.

Tan Sri Mohd Hassan Marican
Chairman

Wong Weng Sun
President & CEO

18 March 2022

"Even as the Group worked relentlessly to deliver its projects, we take pride that we are led by our core values which prioritise the safety and well-being of all our stakeholders. The Group has emerged from the pandemic stronger, more resilient and better positioned than ever."

Key representatives from Sembcorp Marine and Shell commemorating the delivery of the Vito RPF project

Celebrating the strike steel of the Sofia Offshore Wind Farm Offshore Converter Platform

SIGNIFICANT EVENTS, AWARDS AND ACCOLADES

MARCH

Secured a S$500 million loan facility with DBS Bank, believed to be the first SORA-based sustainability-linked loan for the maritime industry

Contract award for the design, construction, installation and commissioning of a state-of-the-art Offshore Converter Platform for RWE Renewables' Sofia Offshore Wind Farm, as part of a consortium with GE Renewable Energy's Grid Solutions

Virtual contract signing for the Sofia Offshore Wind Farm project

Successful delivery of Karmol LNGT Powership Africa FSRU for operations in Senegal to bring cleaner energy to West Africa

Celebrating the FSRU conversion completion of Karmol LNGT Powership Africa

APRIL

Partnership with Shell and Penguin International to jointly develop a hydrogen-powered roll-on/roll-off (RoRo) vessel, a first for Singapore

Sembcorp Marine to design, fabricate and integrate a hydrogen fuel cell system

JUNE

Collaboration with SP Group to increase the solar energy capacity at its Tuas Boulevard Yard steel fabrication facility from 4.5 MWp to 8.5 MWp to deliver an expected 10,400 MWh of electricity yearly

The enhanced solar power capacity will enable the Group to avoid annual carbon emissions of more than 4,200 tonnes, equivalent to taking about 1,300 cars off the road

Secured amendment contract from Tupi B.V. to undertake modification work on FPSO P-71 for deployment at Itapu Field

FPSO P-71

JULY

Delivered GasLog Singapore, a FSU conversion project for GasLog LNG

GasLog Singapore

Completed three wellhead and riser topsides and bridges for TotalEnergies EP Denmark

Sailaway of modules and bridges for the Tyra East Field

AUGUST

Sailaway of the Offshore Substation and Reactive Compensation Station for installation, hook-up and commissioning at Ørsted's Hornsea 2 Offshore Wind Farm

Hornsea 2 Offshore Wind Farm substations

SEPTEMBER

Awarded front-end engineering design work for Dorado FPSO Project

Dorado FPSO Project

Strike Steel Ceremony for RWE Renewables' Sofia Offshore Wind Farm Offshore Converter Platform construction at P.T. SMOE Indonesia

First steel for the Sofia Offshore Wind Farm Project

OCTOBER

Memorandum of Understanding with Big Data Exchange and National University of Singapore's Faculty of Engineering to explore the feasibility of developing groundbreaking sustainable ocean data centres

Virtual MOU signing ceremony

NOVEMBER

Project sailaways in October and November 2021:

- Four in a series of 15 wind turbine jacket foundations fabricated for Jan De Nul's Formosa 2 Offshore Wind Farm
- Two wellhead platforms and bridges fabricated for North Oil Company's Gallaf Batch 2 Project sailed off to the Al-Shaheen Field for offshore works

Completion of the load-out and tandem lift of the Vito RPF mega-topside structure – both notable firsts for Sembcorp Marine's newbuild track record

Tandem lift of the Vito RPF mega-topside structure for integration with the FPU hull by a pair of cranes, with combined 30,000-tonne lifting capacity and 100m hook height, at Sembcorp Marine Tuas Boulevard Yard

SIGNIFICANT EVENTS, AWARDS AND ACCOLADES

Attained ABS approval of 3D printed parts onboard the oil tanker Polar Endeavour

The Polar Endeavour additive manufacturing project is a joint development involving Sembcorp Marine and its partners ABS, ConocoPhillips Polar Tankers, and 3D Metalforge

DECEMBER

Secured a contract to design world's first zero-emission green ammonia-fuelled tanker for Grieg Edge

The zero-emission MS Green Ammonia will transport and distribute green ammonia fuel from a production facility in Berlevåg, Norway, to replace coal-fired power in the Norwegian archipelago, Svalbard (Photo: Grieg Edge)

Sembcorp Marine's School Book Assistance Grant (SchoolBAG) programme enters its 21-year run

SchoolBAG beneficiaries receiving their bursaries from Mr Zaqy Mohamad, Senior Minister of State for Defence and Manpower, and Advisor to Marsiling-Yew Tee GRC GROs

Delivered the Vito Regional Production Facility to Shell Offshore Inc.

Vito RPF naming ceremony

Our Green Wave Environmental Care Competition was held from September to November 2021

The Green Wave 2021 competition attracted 234 project entries from 843 local and regional students

Awarded contract to support Bechtel in the modules assembly of gas processing trains for the Pluto Train 2 Project on the Burrup Peninsula in north-west Australia

The Group will be part of an integrated team to manage the modules assembly programme for the Pluto Train 2 Project

AWARDS RECEIVED 2021

Sembcorp Marine wins the prestigious Sustainability Award, presented for the first time by the Maritime and Port Authority of Singapore at the Singapore International Maritime Awards 2021

Mr Simon Kuik (R), Head of Research & Development and Sustainability Secretariat, receiving the IMA Sustainability Award from Mr Chee Hong Tat, Senior Minister of State for Foreign Affairs and Transport

Sembcorp Marine's wholly-owned subsidiary, LMG Marin, wins double award for MF Hydra: Skipsrevyen's Ship of the Year and Work Boat World Best of 2021 Award for Best Medium Ro-Pax

MF Hydra, the world's first liquid hydrogen-powered vessel, is a sustainable and innovative ferry designed by Sembcorp Marine's subsidiary LMG Marin

Sembcorp Marine wholly-owned subsidiary, LMG Marin, wins Work Boat World Best of 2021 Award for Best Medium Cruise Ship Award

Ultramarine, a polar-class cruise vessel, is designed with a pioneering mix of advanced sustainability features to reduce its environmental impact (Photo: Quark Expeditions)

WSH Awards 2021

Presented by the WSH Council, with support from the Ministry of Manpower, in recognition of Sembcorp Marine's high standards of workplace safety and health

Workplace Safety and Health Performance Award

Tuas Boulevard Yard
Silver

Pandan Yard
Silver

Safety and Health Award Recognition for Projects (SHARP)

In recognition of projects or worksites with good WSH management systems and WSH Performance

Tuas Boulevard Yard
- 12,000 cbm LNG Bunker Vessel
- 80-DEH Double-Ended Ropax Ferries
- Armada Sterling V
- Deepwater Atlas
- Deepwater Titan
- Johan Castberg
- Ningaloo Vision FPSO NVSS8
- Tantawan FPSO
- Vito FPU
- Whale FPU

Pandan Yard
- Ropax Fabrication Works
- Vito Flare Boom, Platforms and Pontoons Fabrication
- Vito Flare Boom, Platforms and Pontoons Fabrication

Admiralty Yard
- Ardmore Tanker Fleets
- Energean Power FPSO Newbuild (FPSO hull works)
- Karmol LNGT Powership Africa
- Karmol LNGT Powership Asia
- Maran Tanker Exhaust Gas Cleaning System Retrofit Projects 2020
- Energean Power FPSO newbuild (Topside & LQ integration works)
- Hornsea 2 Offshore Wind Farm Project

WSH Innovation Award

Admiralty Yard
Blower Test Box (Electrical & Instrumentation Department – Lightning Force)

WSH Supervisor Award

In recognition of supervisors who take care of workers under their charge by improving safety and health performance at their workplaces

Ms Natcha Bunset
(Hull Department)

INVESTING FORWARD
FOUNDATION FOR THE FUTURE

Our continuous investments in technology have enabled us to move up the value chain into the renewable and clean energy segments. We have made inroads into the Ropax niche market with the successful design and construction of the

first of three zero-emission battery-powered ferries.

Sembcorp Marine continues to make strategic investments in technology and our people to remain at the forefront of the continuing transformation of the offshore, marine and energy industries.

GROUP FINANCIAL REVIEW

FINANCIAL SUMMARY

The Group posted a gross loss of S$1.08 billion and a net loss of S$1.17 billion for the year, due mainly to the adverse effects of COVID-19. Excluding provisions and asset impairments, net loss would have been S$332 million.

TURNOVER

Despite COVID-19 challenges impacting business sentiment and projects execution in 2021, the Group recorded a 23% increase in revenue year-on-year, closing the year with a revenue of S$1.86 billion for FY2021.

NET LOSS

The Group recorded a net loss of S$1.17 billion in FY2021. This was mainly due to the significant impact of ongoing COVID-19 disruptions causing further delays and increase in manpower and other related costs to complete existing projects, increase in provision for yards reinstatement cost, impairment loss on a marine vessel and project stock written down to net realisable value.

Financial Results

S$'M	2021	2020	% Change
Gross Loss	(1,082)	(490)	n.m.
EBITDA	(1,028)	(380)	n.m.
Net Loss	(1,171)	(583)	n.m.

The Group posted a net loss of S$332 million in FY2021, before the following material impairments and provisions totaling S$839 million (post-tax basis):

- Additional labour and other costs to complete existing projects of S$696 million;
- An increase in provisions for yards' reinstatement of S$75 million; and
- An increase in asset impairment loss and project stock write-down of S$68 million.

Financial Results – Before material impairments and provisions

S$'M	2021	2020	% Change
Gross Loss	(289)	(456)	(37)
EBITDA	(101)	(218)	(54)
Net Loss	(332)	(439)	(24)

S$1.5 BILLION RIGHTS ISSUE

The Group issued an announcement on 24 June 2021 relating to a proposed S$1.5 billion renounceable underwritten Rights Issue aimed at addressing the Company's immediate funding needs.

The Rights Issue was successfully completed in September 2021. The mandatory general offer by Startree Investments Pte. Ltd. ("Startree"), an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited, also closed with Startree having a resultant shareholding of 54.6% in the Company as at 3 November 2021.

FINANCIAL POSITION

The Group's shareholders' funds increased to S$4.0 billion as at 31 December 2021, largely resulting from the S$1.5 billion Rights Issue in September 2021.

CASH FLOW AND LIQUIDITY

The Group's S$2.1 billion Rights Issue in 2020 raised S$0.6 billion of net cash proceeds. These proceeds have been fully utilised as of 21 September 2021 for working capital purposes. They include approximately S$270 million for materials and equipment, S$248 million for subcontractors' labour services, and S$72 million for employees' payroll expenses.

Following the successful completion of the S$1.5 billion Rights Issue in September 2021, part of the rights proceeds has been utilised for working capital and debt repayment in accordance with the intended use of the net cash proceeds stated in the Offer Information Statement. This includes approximately S$35 million used for materials and equipment, S$85 million for subcontractors' labour services, S$80 million for employees' payroll expenses and S$580 million towards repayment of loan facilities. Following the disbursements, the balance of the net proceeds is approximately S$720 million.

As at 31 December 2021, Sembcorp Marine's net debt stood at S$2.0 billion, 29% lower than the net debt position of S$2.8 billion in December 2020, largely as a result of the Group's recapitalisation through its S$1.5 billion Rights Issue. The net debt to equity of the Group strengthened to 0.49 times, from 0.75 times a year earlier.

The enhanced liquidity position through the recapitalisation has enabled the Group to meet its ongoing operational funding requirements and fulfil its existing commitments.

As at the end of FY2021, the Group registered positive net working capital of S$493 million. This compares favourably to the negative net working capital of S$259 million for FY2020.

While net cash flow from operating activities for FY2021 is still negative at S$589 million, it has improved by some S$161 million compared to a year ago.

In line with ongoing Group-wide deferment of all non-essential capital expenditure to preserve cash flow and manage overall liquidity prudently, net cash used in investing activities for the full year was reduced by 50% year-on-year to S$44 million for FY2021. While the Group pays careful attention to all aspects of its operations to achieve cost optimisation, it does so without compromise to yard safety and operability.

In 1Q2021, the Group secured a S$500 million sustainability-linked financing facility which references the Singapore overnight rate average (SORA). The facility, believed to be the first SORA-based sustainability-linked loan for the local maritime industry, features interest rate discounts linked to pre-determined environment, social and governance (ESG) targets. As these targets are achieved, the Group will enjoy savings in borrowing costs.

The Group secured another S$100 million loan facility, similarly referencing SORA, in September 2021. This financing facility met the Sustainability Linked Loan Principles (SLLP), validated independently by classification society DNV against pre-agreed sustainability performance targets (SPTs).

The above facilities are the results of the Group's ongoing efforts to increasingly tap on green financing, which will contribute to the Group's strategy to greenify its overall business operations and achieve its sustainability goals.

Net cash flow from financing activities was S$964 million, taking into account the net proceeds of S$1.5 billion from the Rights Issue, new facilities secured, as well as repayment of existing facilities as part of the Group's overall liquidity management during the year.

The resultant net cash balance at the end of the year stood at S$1.1 billion, an increase of 43% compared to the year-end balance of S$772 million for FY2020.

The Group expects to have the necessary liquidity to fund its operations for the foreseeable future.

SHAREHOLDER RETURNS

The Group recorded a return on equity of -30.5% in FY2021. There was no dividend proposed for the financial year ended 31 December 2021.

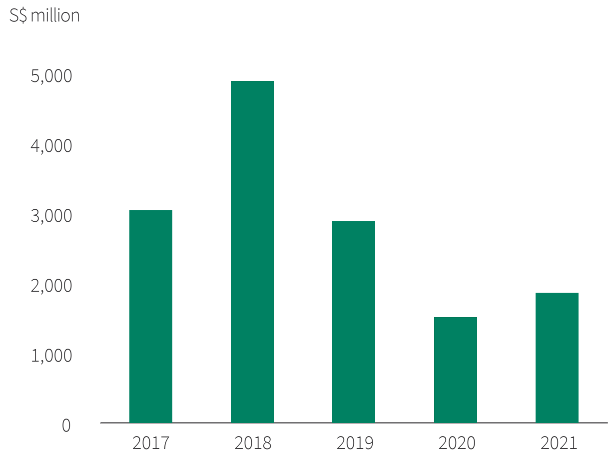
Group Financial Highlights

	2021 S$'000	2020 S$'000	Change %
Group Income Statement			
Turnover	1,862,215	1,510,280	23
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(1,027,534)	(379,816)	n.m.
Operating loss	(1,224,115)	(581,545)	n.m.
Loss before tax	(1,254,780)	(670,708)	87
Net loss	(1,170,558)	(582,510)	n.m.
Group Balance Sheet			
Total assets	9,299,873	8,970,224	4
Total liabilities	5,274,803	5,274,077	0
Net tangible assets	3,802,858	3,446,397	10
Equity attributable to owners of the Company	4,001,277	3,667,396	9
Non-controlling interests	23,793	28,751	(17)
Total equity	4,025,070	3,696,147	9
Cash and cash equivalents	1,104,118	772,426	43
Interest-bearing borrowings	3,075,809	3,549,794	(13)
Net debt	1,971,691	2,777,368	(29)
Economic Value Added (EVA)			
Net operating loss after tax (NOPAT)	(1,205,425)	(563,210)	n.m.
Capital charge	539,769	421,053	28
EVA	(1,745,194)	(984,263)	77
EVA attributable to owners of the Company	(1,737,034)	(975,712)	78
Financial Ratios			
Earnings per share (EPS)			
Basic (cents)	(6.49)	(10.57)*	(39)
Diluted (cents)	(6.49)	(10.57)*	(39)
Net asset value per share (cents)	12.75	29.21	(56)
Net tangible assets per share (cents)	12.12	27.45	(56)
Return on turnover (%)	(62.86)	(38.57)	63
Return on total assets (%)	(11.96)	(5.11)	n.m.
Return on equity (%)	(30.53)	(19.95)	53

** Restated per SFRS(I) 1-33 through retrospective application of a bonus factor to the weighted average number of shares.*

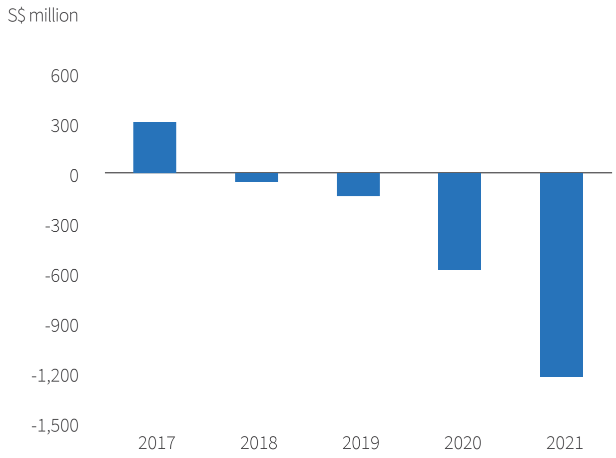
GROUP FINANCIAL REVIEW

Turnover



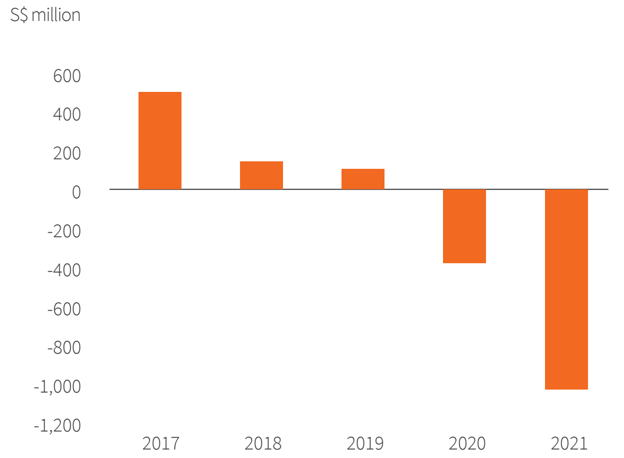
	2017	2018	2019	2020	2021
Turnover	3,035	4,888	2,883	1,510	1,862

Operating Profit/(Loss)



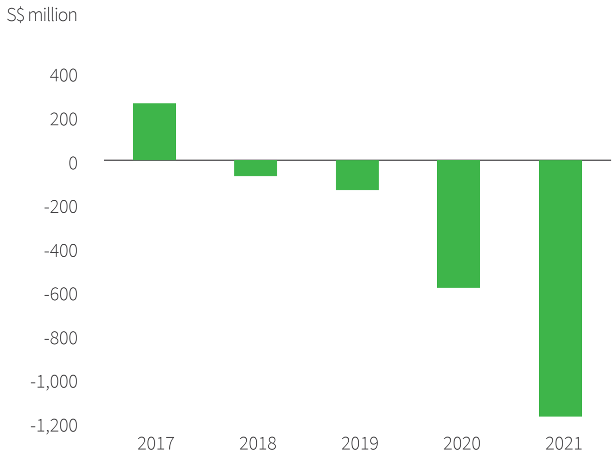
	2017	2018	2019	2020	2021
Operating Profit/(Loss)	306	(52)	(139)	(582)	(1,224)

EBITDA



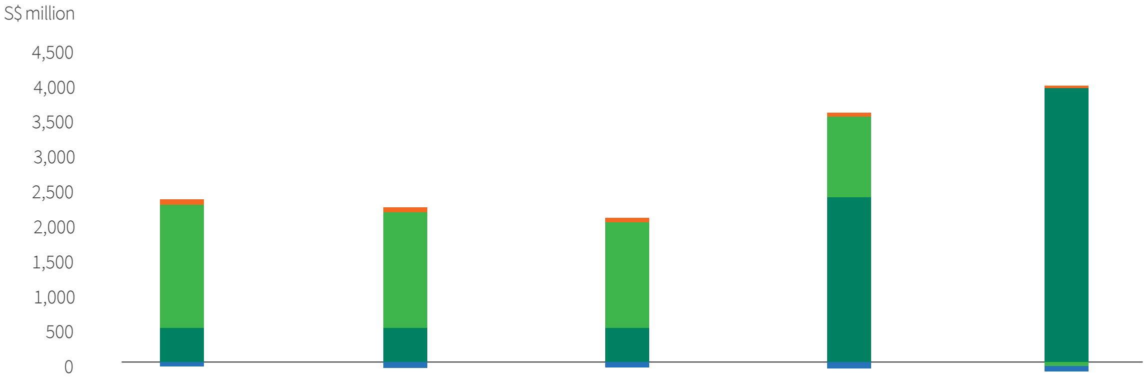
	2017	2018	2019	2020	2021
EBITDA	499	143	104	(380)	(1,028)

Net Profit/(Loss)



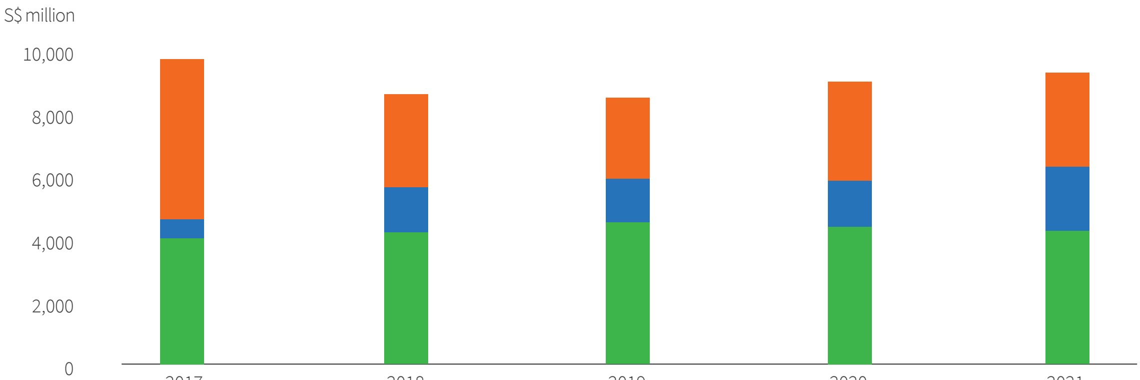
	2017	2018	2019	2020	2021
Net Profit/(Loss)	260	(74)	(137)	(583)	(1,171)

Total Equity



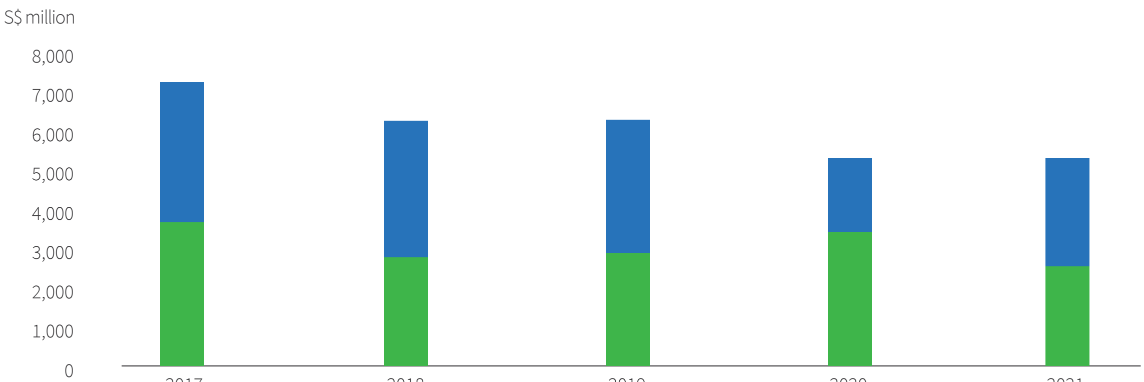
	2017	2018	2019	2020	2021
Share Capital	484	484	486	2,575	4,074
Revenue Reserve	1,985	1,878	1,732	1,150	(21)
Non-controlling Interests	41	37	33	29	24
Capital, Foreign Currency Translation and Other Reserves	(31)	(51)	(45)	(58)	(52)
Total	**2,480**	**2,348**	**2,207**	**3,696**	**4,025**

Assets



	2017	2018	2019	2020	2021
Property, Plant and Equipment, and Right-of-use Assets	3,995	4,179	4,504	4,366	4,228
Other Non-current Assets	605	1,438	1,390	1,464	2,046
Current Assets	5,092	2,960	2,565	3,140	3,026
Total	**9,692**	**8,577**	**8,459**	**8,970**	**9,300**

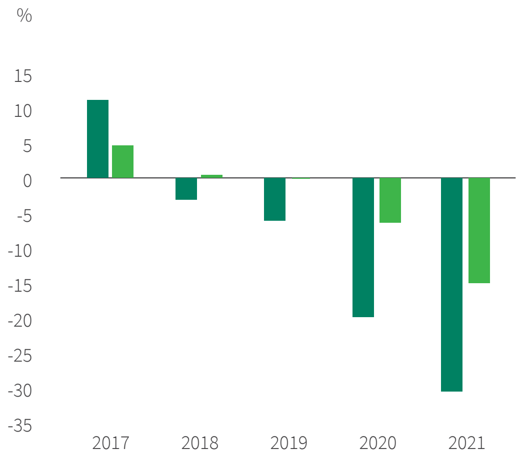
Liabilities



	2017	2018	2019	2020	2021
Current Liabilities	3,647	2,763	2,875	3,400	2,533
Non-current Liabilities	3,565	3,466	3,377	1,874	2,742
Total	**7,212**	**6,229**	**6,252**	**5,274**	**5,275**

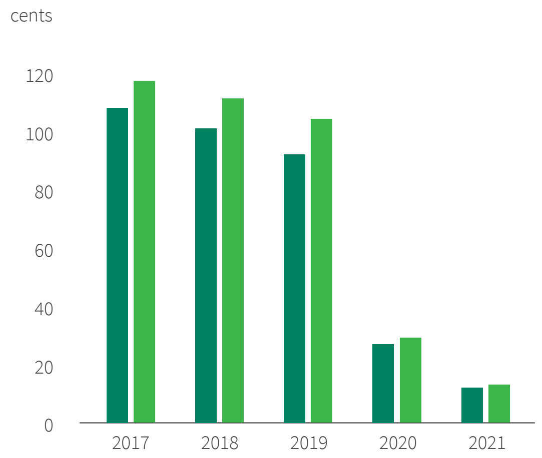
GROUP FINANCIAL REVIEW

Return on Equity and Return on Total Assets



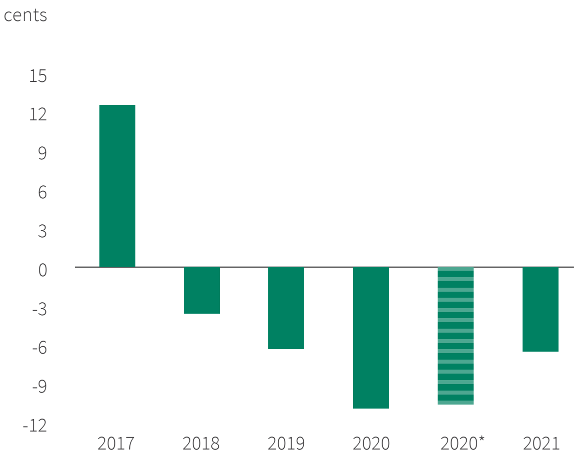
	2017	2018	2019	2020	2021
Return on Equity	11.1	(3.1)	(6.1)	(19.9)	(30.5)
Return on Total Assets	3.7	0.3	(0.1)	(5.1)	(12.0)

Net Tangible Assets and Net Asset Value Per Share



	2017	2018	2019	2020	2021
Net Tangible Assets Per Share	108	101	92	27	12
Net Asset Value Per Share	117	111	104	29	13

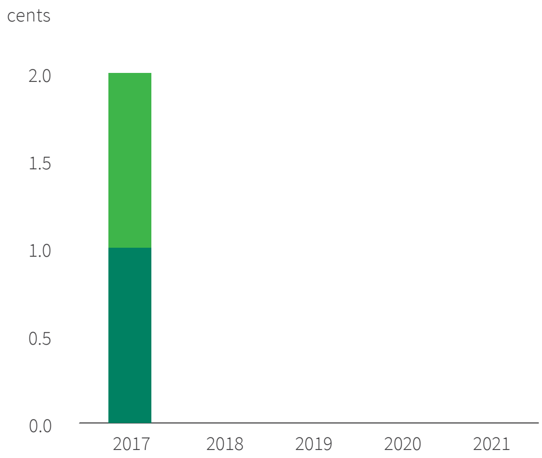
Earnings Per Share



	2017	2018	2019	2020	2020*	2021
Earnings Per Share	12.5	(3.6)	(6.3)	(10.9)	(10.6)	(6.5)

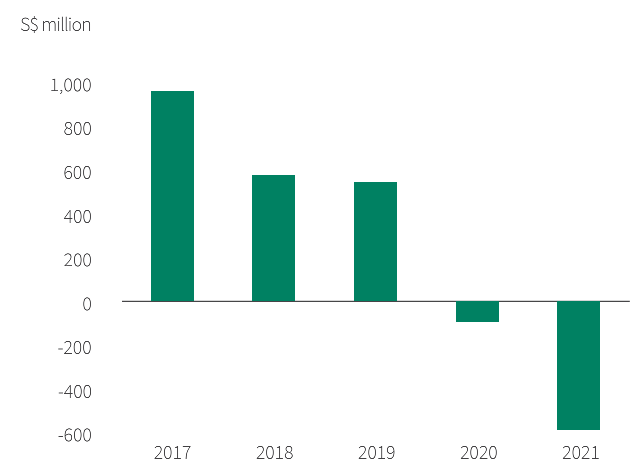
** Restated per SFRS(I) 1-33 through retrospective application of a bonus factor to the weighted average number of shares.*

Dividend Per Share



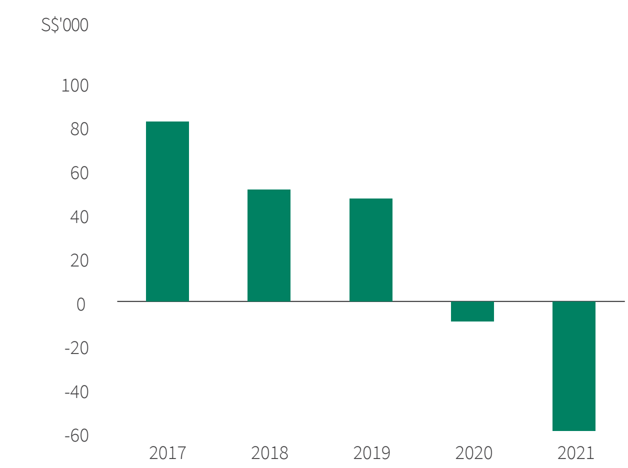
	2017	2018	2019	2020	2021
Dividend - Interim	1.0	-	-	-	-
Dividend - Final	1.0	-	-	-	-
Total	**2.0**	**-**	**-**	**-**	**-**

Gross Value Added



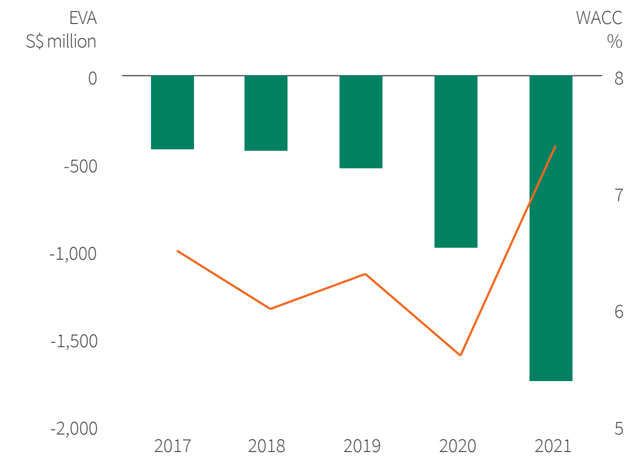
	2017	2018	2019	2020	2021
Gross Value Added	960	574	545	(93)	(586)

Value Added Per Employee



	2017	2018	2019	2020	2021
Value Added Per Employee	82	51	47	(9)	(59)

Economic Value Added (EVA)



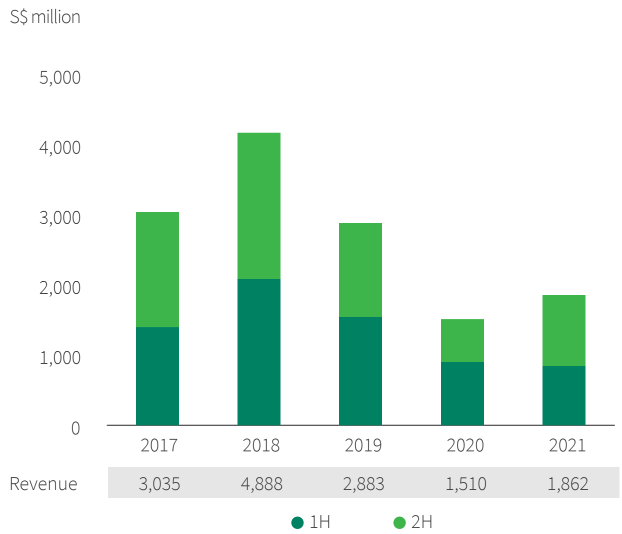
	2017	2018	2019	2020	2021
EVA	(421)	(431)	(529)	(984)	(1,745)
Weighted Average Cost of Capital	6.5	6.0	6.3	5.6	7.4

Distribution of Value Added

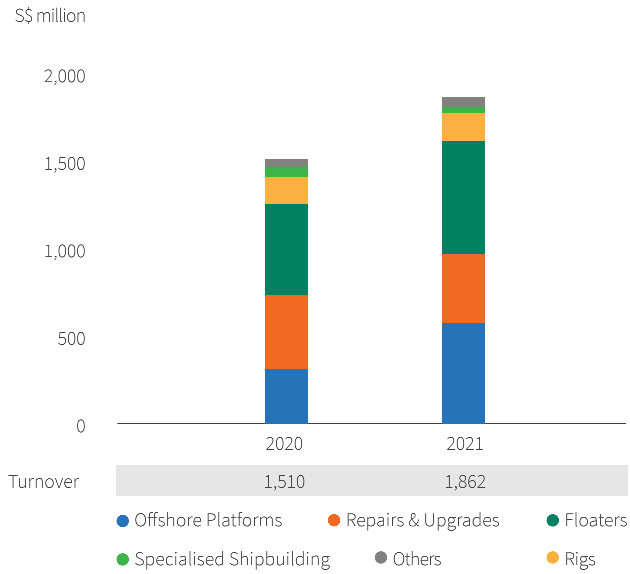
	2017	2018	2019	2020	2021
Distribution to Employees	461	415	416	354	430
Distribution to Government	41	34	45	47	49
Distribution to Providers of Capital	137	122	130	142	83

OPERATIONS REVIEW

FY2021 Revenue: S$1.86 billion



Turnover Contribution by Segments



The Group recorded a 23% increase in revenue year-on-year, closing FY2021 with a revenue of S$1.86 billion – notwithstanding the impact of COVID-19 challenges on business sentiment and its operations. The improvement in the Group's revenue is largely due to the higher revenue recorded for the Offshore Platforms, Rigs & Floaters, and Others segments, which more than offset the decline registered for the Specialised Shipbuilding and Repairs & Upgrades segments.

The Group posted a gross loss of S$1.08 billion and a net loss of S$1.17 billion for the year, due mainly to the adverse effects of COVID-19 resulting in push-out of delivery for its ongoing projects with significantly higher provisions for manpower and other costs to complete most of the projects during the year and over the next six to nine months. Excluding provisions and asset impairments, net loss would have been S$332 million.

While operational performance was severely disrupted during the year, there were no cancellation of existing projects. As at the end of the financial year 2021, the net order book stands at S$1.30 billion.

SEGMENTAL REVENUE

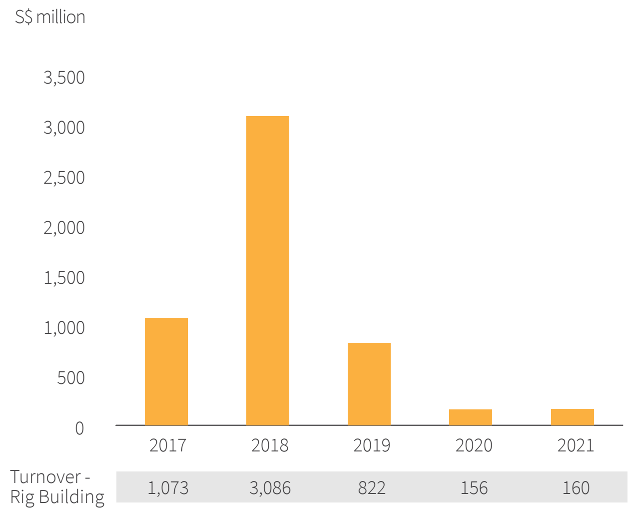
Rigs & Floaters

Our Rigs & Floaters business earned S$803 million in revenue during FY2021, a 19% increase compared with S$674 million in FY2020.

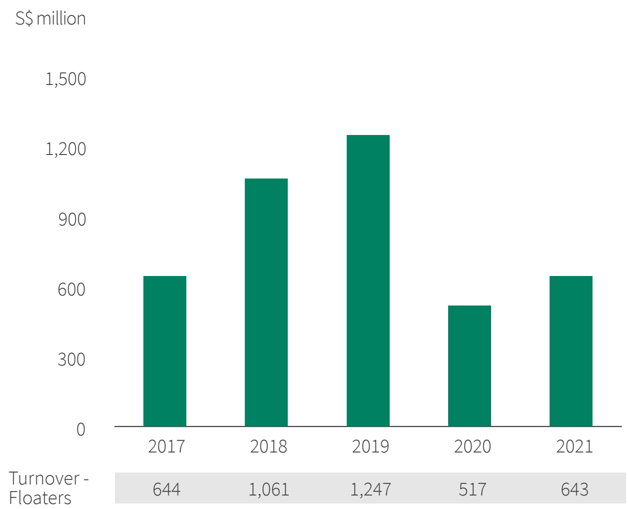
Revenue from the Floaters segment was S$643 million in FY2021, a 24% increase from FY2020. It made up a third of the Group's revenue, the largest segmental contribution. Revenue was booked from the construction of Johan Castberg FPSO for Equinor and Vito Regional Production Facility (RPF) for Shell, as well as other ongoing projects, including the Karish newbuild FPSO for Technip Energies, Whale newbuild FPU for Shell, P-71 FPSO modification and topside works for Tupi B.V., and the Armada Sterling V FPSO conversion for Shapoorji and Bumi Armada.

Offshore rig building activities remained subdued in FY2021 with revenue from rig building growing by 3% year-on-year to S$160 million in FY2021.

Turnover – Rig Building



Turnover – Floaters



Multiple offshore and marine projects under execution at our Admiralty Yard

Repairs & Upgrades

Reflecting the strict COVID-19 restrictions and safe management measures in 2021 for the maritime industry in Singapore, revenue from Repairs & Upgrades declined slightly by 7% to S$396 million in FY2021. The year-on-year lower revenue was due to a lower number of vessels serviced, as well as lower value per vessel.

Despite the relatively muted level of repair and upgrade activities in 2021 compared to the prior year, Sembcorp Marine delivered 144 projects requiring repair, damage repair, upgrade, refit, maintenance, decontamination, ballast water management systems installation or scrubber retrofit. These involved a variety of vessels – from Floating Production Storage and Offloading (FPSO) vessels, Floating Storage Offloading (FSO) vessels, Floating Storage Regasification Units (FSRU) and Floating Storage Units (FSU) to LNG plants and carriers, cruise ships, naval vessels and heavy-lift carriers.

During the year, the Group continued to benefit from the new IMO regulations on ballast water treatment and fuel sulphur reduction, with the award of 30 retrofit projects involving ballast water management systems and scrubbers.

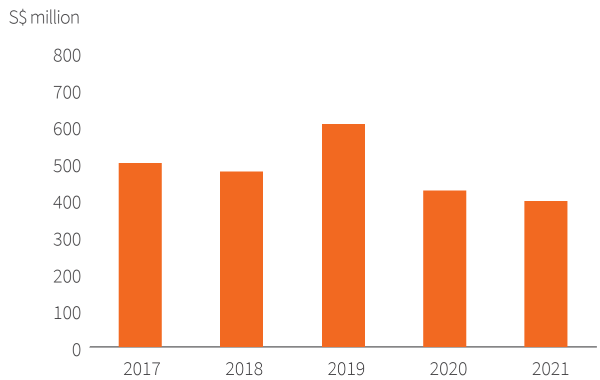
The Group performed 16 LNG vessel refits and upgrades for customers and partners in 2021, including three in a series of five boil-off gas reliquefaction plant installations on Murex, Macoma and Magdala for alliance partners Seapeak (previously Teekay Gas) and Shell. The remaining two vessels, Myrina and Megara, are scheduled to undergo boil-off gas reliquefaction plant installation works in 1H2022.

Completed three in a series of five boil-off gas reliquefaction plant installations on LNG carriers Murex, Macoma and Magdala (above)

Completed FSU conversion of GasLog Singapore, including ballast water management system installation

Performed FPSO upgrading for Ningaloo Vision

Turnover – Repairs & Upgrades



	2017	2018	2019	2020	2021
Turnover - Repairs & Upgrades	499	476	605	425	396

OPERATIONS REVIEW

Royal Princess cruise ship undergoing drydocking works

Quantum of the Seas cruise ship repairs

A total of 29 cruise ship refits and maintenance works were completed by the Group for long-term partners and regular customers. This is a commendable performance given the challenges and constraints impacting cruise operators in the industry. Notable projects include cruise vessel repairs for Carnival Australia, Celebrity Cruises, Princess Cruises and Royal Caribbean as well as new Favoured Customer Contract partner Compagnie du Ponant.

Offshore Platforms

Turnover for Offshore Platforms rose 85% to S$574 million in FY2021 from S$310 million in FY2020.

The improved revenue came from a number of notable projects, including the fabrication of two wellhead topsides, one riser topside and two bridges for the Tyra East Field under the first phase of TotalEnergies' Tyra Redevelopment Project completed in July 2021; and the fabrication of four wind turbine jacket foundations for the Jan De Nul Formosa 2 Offshore Wind Farm in 2021.

Revenue was also recognised from two other renewable solution projects under execution, namely Ørsted's Hornsea 2 Wind Farm Offshore Substation and Reactive Compensation Station topsides and RWE Renewables' Sofia Offshore Wind Farm Offshore Converter Platform.

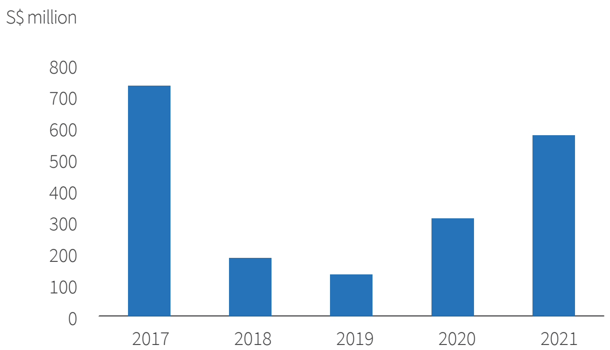
Specialised Shipbuilding

Specialised Shipbuilding revenue was S$33 million in FY2021, down from S$56 million in FY2020. The significant year-on-year revenue decline is explained by the current status of projects under execution which are largely in their final completion stage with correspondingly lower revenue recognition.

Sailaway of the Tyra East modules and bridges

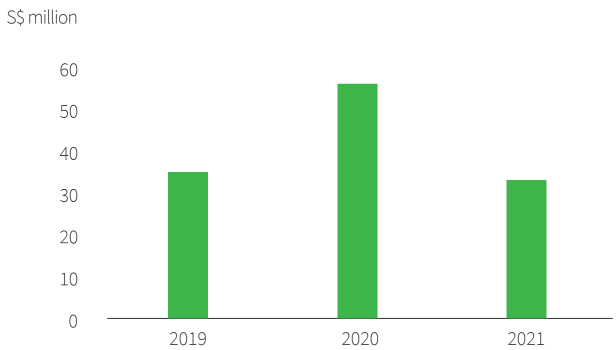
Work is in progress for the newbuild 12,000m³ LNG bunker vessel

Turnover – Offshore Platforms



	2017	2018	2019	2020	2021
Turnover - Offshore Platforms	732	184	131	310	574

Turnover – Specialised Shipbuilding



	2019	2020	2021
Turnover - Specialised Shipbuilding	35	56	33

SUCCESSFUL COMPLETION AND SAILAWAY OF PROJECTS

Despite operational challenges arising from supply chain constraints and acute manpower shortage, the Group saw the delivery and sailaway of several key projects in FY2021 and year-to-date in March 2022. These include:

- Fabrication of six production topsides (including wellheads and risers) and four bridges for deployment to TotalEnergies' Tyra Redevelopment Field in the Danish North Sea.
- Construction of the Vito Regional Production Facility (RPF) for Shell Offshore Inc. for deployment to the Gulf of Mexico in the United States. This landmark project involved a mega-block integration of Vito RPF's topsides and living quarters with the four-column FPU hull in a single lift with a pair of state-of-the-art cranes with a 30,000-tonne combined lifting capacity at Sembcorp Marine Tuas Boulevard Yard.
- Engineering, procurement and construction of hull and living quarters for the Johan Castberg newbuild FPSO, which was delivered to Equinor for completion in Norway.
- Fabrication of 15 wind turbine jacket foundations for Jan De Nul's Formosa 2 Offshore Wind Farm. Five jacket foundations have since sailed away with the remaining awaiting the customer's vessel availability.
- Sailaway of the first of three zero-emission full battery-operating Ropax ferries, built and optimised for Norled based on a design developed by Sembcorp Marine's wholly-owned subsidiary LMG Marin, for the Hella-Vangsnes-Dragsvik connections in Norway.
- Major conversions for several offshore gas facilities, including FSRU conversion of the 125,000m^3 Karmol LNGT Powership Africa for KARMOL and FSU conversion of the GasLog Singapore for GasLog LNG in 2021. In March 2022, the Group successfully delivered the Karmol LNGT Powership Asia FSRU conversion project.

Successful delivery of the Vito RPF – the first of two newbuild FPUs – in December 2021

Delivered in February 2022, the Johan Castberg FPSO hull, complete with living quarters, is built to be self-contained for harsh-environment operations at the Johan Castberg Field in the Barents Sea, Norway

Delivered final phase of the Tyra Redevelopment Project with the completion of two wellhead topsides, one riser topside and two bridges for the Tyra West Field in 2022

Completed fabrication of 11 wind turbine jacket foundations for the Formosa 2 Offshore Wind Farm in 2022, following the sailaway of four units in 2021

Completed the FSRU conversions of Karmol LNGT Powership Africa in March 2021 and the Karmol LNGT Powership Asia in March 2022

Sailaway of the first of three zero-emission Ropax ferries built based on the Group's proprietary design in March 2022

OPERATIONS REVIEW

Offshore hook-up and commissioning of the Offshore Substation (left) and Reactive Compensation Station underway at the Hornsea 2 Offshore Wind Farm in the UK North Sea. The AC offshore substation is the largest of its kind ever built.

WORKS IN PROGRESS

As at the end of 2021, the Group has a total of 16 key projects under execution with 12 scheduled for completion in 2022 and the remaining will progressively be completed from 2023 to 2025. Existing projects in progress include:

Projects secured in 2021

- Design, construction, installation and commissioning of the offshore converter platform for RWE Renewables' Sofia Offshore Wind Farm in the UK North Sea
- Modification, integration and topside modules work on FPSO P-71 by Sembcorp Marine's Brazil yard, Estaleiro Jurong Aracruz for Tupi B.V. for the Itapu Field, offshore Brazil
- Modules assembly of LNG gas processing trains for the Bechtel Pluto Train 2 project

Ongoing projects

- Offshore hook-up and commissioning works for two substation topsides for Ørsted's 1.4GW Hornsea 2 Offshore Wind Farm in the UK North Sea
- Offshore works on two wellhead platforms and bridges for North Oil Company's Gallaf Batch 2 Project at the Al-Shaheen oil field in Qatar
- Construction and integration of hull, topsides and living quarters for the newbuild semi-submersible FPU contracted by Shell for the Whale development project in the US Gulf of Mexico
- Conversion of the FPSO Armada Sterling V for Shapoorji Pallonji and Bumi Armada for deployment in the east coast of India
- Design and construction of a 12,000m^3 capacity LNG bunker vessel for Mitsui O.S.K. Lines (MOL)
- Engineering, procurement, construction and integration of vessel hull, living quarters and topside modules, including owner-furnished equipment, for Technip Energies' newbuild FPSO, to be deployed in the Energean-operated Karish deepwater field in the Eastern Mediterranean
- FSRU conversion and upgrading of Karmol LNGT Powership Europe for KARMOL, a joint venture between Karpowership and Mitsui O.S.K. Lines
- Design and construction of three battery-powered Ropax ferries for Norled
- Construction of two high-specification, ultra-deepwater newbuild drillships for Transocean, based on Sembcorp Marine's proprietary Jurong Espadon 3T design: Deepwater Atlas and Deepwater Titan (committed as two separate projects).

Artist's impression of the Sofia Offshore Wind Farm Offshore Converter Platform

Offshore works in progress on two wellhead platforms and bridges for the Gallaf Batch 2 Project at the Al-Shaheen Field

Armada Sterling V FPSO conversion

P-71 FPSO undergoing modification, integration and topside works in our Brazil yard for deployment to the Itapu Field

Energean Power newbuild FPSO for the Karish Field

FSRU conversion and upgrading of Karmol LNGT Powership Europe

NET ORDER BOOK AND NEW OPPORTUNITIES

The Group has a net order book of S$1.3 billion at the end of the financial year 2021. This consists of S$1.1 billion of projects under execution (with a total original contract sum of S$6.1 billion) and S$0.2 billion of ongoing Repairs & Upgrades projects. Renewables, cleaner and green solutions comprise approximately 43% of the Group's net order book.

Secured a FEED contract for the development of the Dorado FPSO facility

The improving industry outlook on the back of rising oil and gas prices provides impetus for oil and gas companies to review plans for the resumption of deferred activities, final investment decisions and capital expenditures. There are also improved prospects and opportunities associated with the global transition towards cleaner energy and sustainable solutions. Overall, orders visibility continues to improve.

The Group continues to actively develop emerging tender opportunities in the Renewable Energy and Gas Solutions segment. The Group is also actively pursuing multiple projects covering FPSOs, FSOs and FPUs with tenders in progress.

The Group has commenced work on the FEED contract awarded by Altera in September 2021 for the development of an FPSO facility for the Dorado FPSO project in the Bedout Sub-basin, offshore Western Australia. The Group remains hopeful in securing the EPC contract for the project.

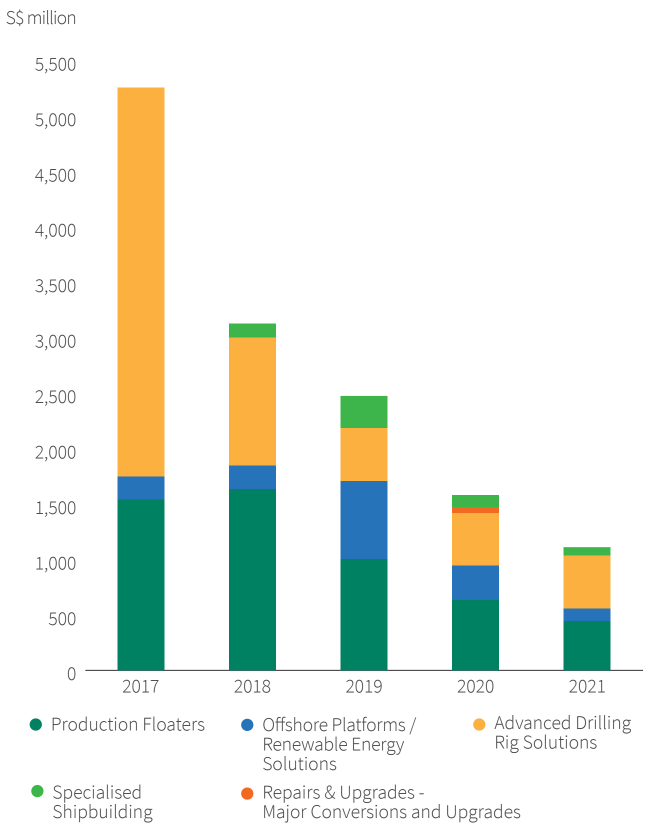
Negotiations are also in progress with the Brazilian Navy on the construction of the Antarctic Support Vessel "NapAnt", which is part of the Brazil Navy Research Vessel Project, with contract award expected in the first half of 2022.

To-date, the Group's Repairs & Upgrades business has secured advanced orders for the repair and upgrade of 13 LNG carriers and the refit of three cruise vessels. The Group is also working on active enquiries for FPSO/FSO upgrading projects.

Sembcorp Marine has continued to secure green technology retrofit solutions, including 10 projects relating to ballast water management system and scrubber installations, and identified opportunities in sustainable repairs and upgrading, such as air lubrication systems and ammonia-based fuel solutions.

The Group will continue to actively convert its orders pipeline into firm contracts on a timely basis in FY2022.

Net Order Book By Product Type



BOARD OF DIRECTORS

SEATED FROM RIGHT TO LEFT:

Tan Sri Mohd Hassan Marican, Non-Executive/Non-Independent Director
Mr Yap Chee Keong, Non-Executive/Independent Director

STANDING FROM RIGHT TO LEFT:

Mr Bob Tan Beng Hai, Non-Executive/Independent Director
Mrs Gina Lee-Wan, Non-Executive/Independent Director
Mr William Tan Seng Koon, Non-Executive/Independent Director

SEATED FROM LEFT TO RIGHT:

Mr Wong Weng Sun, Executive/Non-Independent Director
Mr Eric Ang Teik Lim, Non-Executive/Lead Independent Director

STANDING FROM LEFT TO RIGHT:

Mr Koh Chiap Khiong, Non-Executive/Non-Independent Director
Mr Tan Wah Yeow, Non-Executive/Independent Director
Mr Patrick Daniel, Non-Executive/Independent Director

BOARD OF DIRECTORS

TAN SRI MOHD HASSAN MARICAN, 70
Non-Executive/Non-Independent Director

Date of appointment as a Director: 1 October 2011
Date of appointment as Chairman: 22 April 2014
Date of last re-election: 23 April 2021
Length of service as a Director: 10 years 6 months
Chairman, Executive Committee
Member, Executive Resource & Compensation Committee
Member, Nominating Committee
Member, Special Committee

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

Tan Sri Hassan 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
Other Public Listed Companies
Nil

PRINCIPAL COMMITMENTS

• Singapore Power Limited	Chairman
• Sarawak Energy Berhad	Director
• Lambert Energy Advisory Limited	Director
• mh Marican Advisory Sdn Bhd	Chairman
• Pavilion Energy Pte Ltd	Chairman
• Pavilion Energy Trading & Supply Pte Ltd	Chairman
• Pavilion Energy Singapore Pte Ltd	Chairman
• Temasek International Advisors	Senior International Advisor

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)
- Khazanah Nasional Berhad
- Lan Ting Holdings Pte Ltd
- Sembcorp Industries Ltd

MR YAP CHEE KEONG, 62
Non-Executive/Independent Director

Date of appointment as Deputy Chairman: 8 December 2021
Date of last re-election: N.A.
Length of service as a Director: 4 months
Member, Executive Committee

Mr Yap Chee Keong currently sits on various boards including Shangri-La Asia Limited, Olam International Limited, Sembcorp Industries Limited, MediaCorp Pte Ltd, Ensign InfoSecurity Pte. Ltd., PIL Pte Ltd and Aviva Singlife Holdings Pte Ltd. He was formerly the Executive Director of The Straits Trading Company and Chief Financial Officer of Singapore Power Ltd.

Mr Yap previously served on the board of Singapore's Accounting and Corporate Regulatory Authority (ACRA) and was a member of ACRA's Public Accountants Oversight Committee. He was a member of the working group convened by the Monetary Authority of Singapore (MAS), Singapore Exchange (SGX) and ACRA to review the Guidebook for Audit Committees in Singapore, as well as the panel convened by MAS, SGX, ACRA and the Singapore Institute of Directors, which formulated guidelines for board risk committees.

Mr Yap holds a Bachelor of Accountancy from the National University of Singapore and is a Fellow of the Institute of Singapore Chartered Accountants, CPA Australia and Singapore Institute of Directors.

PRESENT DIRECTORSHIPS
Other Public Listed Companies
- Olam Group Ltd
- Sembcorp Industries Ltd
- Shangri-La Asia Limited

PRINCIPAL COMMITMENTS

• Aviva Ltd	Director
• Singapore Life Pte. Ltd.	Director
• Professional Investment Advisory Service Pte Ltd	Chairman
• Pacific International Lines (Private) Limited	Director
• PIL Marine Pte. Ltd.	Director
• PIL Enterprises Pte. Ltd.	Director
• Ensign Infosecurity Pte Ltd	Director
• Mediacorp Pte Ltd	Director
• The Assembly of Christians of Singapore Ltd	Director

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)
- Maxeon Solar Technologies Ltd
- Certis CISCO Security Pte Ltd
- Citibank Singapore Limited
- Olam International Ltd

MR WONG WENG SUN, 60

Executive/Non-Independent Director

Date of appointment as a Director: 1 May 2009
Date of last re-election: 16 April 2019
Length of service as a Director: 12 years 11 months
Member, Executive Committee

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

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

PRESENT DIRECTORSHIPS

Other Public Listed Companies

Nil

PRINCIPAL COMMITMENTS

• Singapore Maritime Institute's Board & Governing Council	Chairman
• Singapore Institute of Technology-Newcastle University (SIT-NU) Industry Advisory Committee for Marine Engineering, Naval Architecture and Offshore Engineering Joint-Degree Programmes	Chairman
• WSH2028 Tripartite Strategy Committee Work Group on Workplace Safety & Health	Chairman
• Industry Advisory Panel, School of Mechanical and Aerospace Engineering, Nanyang Technological University	Member
• Manufacturing, Trade and Connectivity International Advisory Panel, Ministry of Transport	Member
• Governing Board of Global Centre for Maritime Decarbonisation	Member

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)

Nil

MR ERIC ANG TEIK LIM, 69

Non-Executive/Lead Independent Director

Date of appointment as a Director: 30 April 2013
Date of appointment as a Lead Independent Director: 22 February 2021
Date of last re-election: 20 May 2020
Length of service as a Director: 8 years 11 months
Member, Board Risk Committee
Chairman, Executive Resource & Compensation Committee
Chairman, Nominating Committee

Mr Eric Ang is a retired career banker with DBS Bank. He started his banking career in July 1978 and retired in January 2020. During his 41.5 years, he developed a wealth of experience in corporate and investment banking and pioneered many industry firsts in the Singapore capital markets. Under his leadership, DBS consistently topped the Singapore capital market league tables. He stepped down as Head of Capital Markets in May 2014 to assume the role of Senior Executive Advisor until his retirement.

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

PRESENT DIRECTORSHIPS

Other Public Listed Companies

- Raffles Medical Group Ltd
- Wing Tai Holdings Limited

PRINCIPAL COMMITMENTS

• NetLink NBN Management Pte Ltd Director (Trustee of NetLink NBN Trust)	Director
• Surbana Jurong Private Limited Director	Director

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)

- DBS Foundation Ltd
- Changi Airport Group (Singapore) Pte Ltd

BOARD OF DIRECTORS

MR BOB TAN BENG HAI, 70
Non-Executive/Independent Director

Date of appointment as a Director: 20 April 2015
Date of last re-election: 23 April 2021
Length of service as a Director: 6 years 11 months
Member, Executive Committee
Chairman, Board Risk Committee
Chairman, Special Committee

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

PRESENT DIRECTORSHIPS
Other Public Listed Companies
- Singapore Post Limited
- SBS Transit Ltd

PRINCIPAL COMMITMENTS

• Jurong Engineering Limited	Chairman
• Ascott Residence Trust Management Limited (Manager of Ascott Residence Trust)	Chairman
• Ascott Business Trust Management Pte Ltd (Trustee-Manager of Ascott Business Trust)	Chairman
• Sentosa Development Corporation	Chairman
• SBS Transit Rail Pte Ltd	Chairman
• Ong Teng Cheong Labour Leadership Institute	Director
• NTUC Club Management Council	Council Member
• Corporate Governance Advisory Committee Monetary Authority of Singapore	Member
• Securities Industry Council Monetary Authority of Singapore	Member

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)
- Inland Revenue Authority of Singapore
- Board of Governors of the Institute of Technical Education
- SingEx Holdings Pte Ltd

MRS GINA LEE-WAN, 65
Non-Executive/Independent Director

Date of appointment as a Director: 20 April 2015
Date of last re-election: 16 April 2019
Length of service as a Director: 6 years 11 months
Member, Board Risk Committee
Member, Special Committee

Mrs Gina Lee-Wan brings a wealth of experience in the area of maritime law. Besides being awarded the Maritime Lawyer of the Year at the Lloyd's List Asia Awards 2013 and the PS21 Star Customer Award at the Excellence in Public Service Awards 2016, she has been recognised as one of the top 10 maritime lawyers globally by Lloyd's List in 2018 and 2019 placing her at number 4 and is described as "a prominent figure in the Singapore maritime scene and no stranger to this page, having appeared on our Top 10 lawyers lists in 2016". She is consistently ranked in the top tier of leading individuals in Shipping by Chambers Global, Chambers Asia-Pacific and The Legal 500 Asia Pacific and is frequently cited as an expert in shipping. In 2019, she received the International Maritime Centre (Individual) Award, the first female and lawyer to win this award at the Singapore International Maritime Awards. In the same year, she was among the inaugural batch of select practitioners to be recognised as a Senior Accredited Specialist in Maritime and Shipping Law by the Singapore Academy of Law. She was ranked as a Star Individual in the Chambers Asia-Pacific 2022.

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

PRESENT DIRECTORSHIPS
Other Public Listed Companies
Nil

PRINCIPAL COMMITMENTS

• Edge Insurance Brokers (Singapore) Pte. Ltd.	Director
• John Swire & Sons (S.E. Asia) Pte. Limited	Director
• Jurong Port Pte. Ltd.	Director
• Tanglin Trust School Limited	Governor
• Industry Advisory Committee for Joint-Degree Programmes, Bachelor of Engineering with Honours in Marine Engineering, Naval Architecture and Offshore Engineering, at Singapore Institute of Technology and Newcastle University	Member
• General Committee of the Singapore Chamber of Maritime Arbitration	Member
• Maritime Industry Advisory Committee at the Singapore Maritime Academy	Member
• Supreme Court of Singapore's Admiralty Court Users' Committee	Member
• Singapore Shipping Association's Legal and Insurance Committee	Council Member and Chairman
• Singapore War Risks Mutual Class of Standard Asia	Member
• Singapore Academy of Law's Specialist Accreditation Scheme: Maritime and Shipping Law Course for Legal and Industry Practitioners	Instructor

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)
Nil

MR WILLIAM TAN SENG KOON, 69
Non-Executive/Independent Director

Date of appointment as a Director: 20 April 2017
Date of last re-appointment: 23 April 2021
Length of service as a Director: 4 years 11 months
Member, Executive Committee
Member, Audit Committee
Member, Executive Resource & Compensation Committee

Mr William Tan was President & CEO of SIA Engineering Company for 14 years until his retirement in July 2015. He has more than 40 years of experience in the aviation industry and has held several senior appointments in the SIA Group.

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

PRESENT DIRECTORSHIPS
Other Public Listed Companies
Nil

PRINCIPAL COMMITMENTS

• SMRT Trains Limited	Director
• SMRT Corporation Limited	Director

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)
Nil

MR PATRICK DANIEL, 67
Non-Executive/Independent Director

Date of appointment as a Director: 20 April 2018
Date of last re-election: 16 April 2019
Length of service as a Director: 3 year 11 months
Member, Executive Committee
Member, Audit Committee
Member, Executive Resource & Compensation Committee
Member, Nominating Committee

Mr Patrick Daniel was Editor-in-Chief (English/Malay/Tamil Media Group) at Singapore Press Holdings (SPH) from 2007 to 2016 before retiring as the group's Deputy CEO in 2018.

From May 2021 to 28 February 2022, Mr Daniel came out of retirement to be interim CEO of the new SPH Media Trust, which took over the media business of Singapore Press Holdings. He is also a director of the SPH Media Trust and SPH Media Holdings Pte Ltd.

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

PRESENT DIRECTORSHIPS
Other Public Listed Companies
Nil

PRINCIPAL COMMITMENTS

• SPH Media Trust (CLG)	Director
• SPH Media Holdings Pte Ltd	Director
• SPH Media Ltd	Director
• SPH Foundation Ltd (CLG)	Director
• ShareInvestor.com Holdings Pte Ltd	Non-Executive Chairman
• Vibranium Capital Pte Ltd	Director
• Imperial Gloucester Pte Ltd	Director
• Verdant.sg Pte Ltd	Director
• Stewardship Asia Centre (CLG)	Director
• Singapore Press Club	President
• Singapore Press Club Ltd (CLG)	Director
• Sentosa Golf Club	Member, General Committee
• Institute of Policy Studies	SR Nathan Fellow
• Spread Analytics Ltd	Director

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)
- XiHe Holdings Pte Ltd
- XiHe Capital Pte Ltd
- MKC Holdings Pte Ltd
- SPH Jurong Property Pte Ltd
- SPH Toa Payoh Property Pte Ltd

BOARD OF DIRECTORS

MR TAN WAH YEOW, 61
Non-Executive/Independent Director

Date of appointment as a Director: 10 December 2018
Date of last re-appointment: 16 April 2019
Length of service as a Director: 3 years 3 months
Chairman, Audit Committee
Member, Board Risk Committee

Mr Tan Wah Yeow is the Singapore's non-resident Ambassador to the Kingdom of Norway.

Mr Tan holds a Bachelor of Science in Economics from the London School of Economics and Political Science. He is a Fellow of the Institute of Chartered Accountants of England and Wales, and the Institute of Singapore Chartered Accountants, where he chairs the Sustainability and Climate Change Committee (formerly known as Corporate Reporting Committee). He is also a Fellow of the Singapore Institute of Directors.

PRESENT DIRECTORSHIPS
Other Public Listed Companies
- Genting Singapore Limited

PRINCIPAL COMMITMENTS

• Mapletree Logistics Trust Management Ltd (Manager of Mapletree Logistics Trust)	Director
• M1 Limited	Director
• M1 Network Private Limited	Director
• Public Utilities Board	Director
• Mainly I Love Kids Fund	Executive Committee Member
• Yale-NUS College	Governing Board Member
• Housing & Development Board	Director
• Mapletree Europe Income Trust	Independent Member of the Investor Committee
• Mapletree US Income Commercial Trust	Independent Member of the Investor Committee

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)
- PUB Consultants Private Limited
- Viva Foundation for Children with Cancer
- Gardens by the Bay

MR KOH CHIAP KHIONG, 55
Non-Executive/Non-Independent Director

Date of appointment as a Director: 6 May 2011
Date of last re-election: 20 May 2020
Length of service as a Director: 10 years 10 months
Member, Audit Committee
Member, Special Committee

Mr Koh Chiap Khiong is CEO of Singapore and Southeast Asia at Sembcorp Industries. He is responsible for driving both the strategic direction and growth of these markets.

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

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

PRESENT DIRECTORSHIPS
Other Public Listed Companies
Nil

PRINCIPAL COMMITMENTS

• Subsidiaries of Sembcorp Industries Ltd	Director

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)
Nil

SENIOR MANAGEMENT

MR WONG WENG SUN
President & CEO

MR WILLIAM GOH
Group Finance Director

MR WANG ZIJIAN
Head of Operations

MR WILLIAM GU
Head of Rigs & Floaters

MR ALVIN GAN
Head of Repairs & Upgrades

MR SAMUEL WONG
Head of Offshore Platforms

MR TAN HENG JACK
Head of Specialised Shipbuilding

MR SIMON KUIK
Head of Research & Development

MR ROYCE LIM
Head of Supply Chain

MR CHUA SAN LYE
Chief Human Resource Officer

MR TAN CHENG TAT
Chief Risk Officer

MR STEPHEN WAN
Head of Internal Audit

MS SHANTI SINGARAM
Head of Compliance

MS TAN YAH SZE
Head of Legal and Corporate Secretariat

MS CHIONH KEAT YEE
Head of Performance Management and Mergers & Acquisitions

MS CHUA MUN YUEN
Head of Investor Relations & Corporate Communications

MR CHIA CHEE HING
Head of Information Technology

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

CORPORATE STRUCTURE

SEMBCORP MARINE LTD

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
- 100% Sembcorp Marine Financial Services Pte. Ltd.

OVERSEAS SHIPYARDS

- 100% Estaleiro Jurong Aracruz Ltda (Brazil)
- 100% PT. Karimun Sembawang Shipyard (Indonesia)
- 100% Sembmarine SLP Limited (United Kingdom)
- 90% P.T. SMOE Indonesia (Indonesia)

SUPPORTING COMPANIES

- 100% Sembcorp Marine Contractors Pte. Ltd.
- 100% Bulk Trade Pte Ltd
- 100% Jurong Marine Services Pte Ltd
- 100% Jurong do Brasil Prestacao de Servicos Ltd (Brazil)
- 85.8% JPL Industries Pte Ltd

TECHNOLOGY COMPANIES

- 100% Baker Marine Pte Ltd (Singapore)
- 100% Semb-Eco Pte. Ltd. (Singapore)
- 100% Sevan SSP AS (Norway)
- 100% HiLoad LNG AS (Norway)
- 100% LMG Marin AS (Norway)
- 56% Gravifloat AS (Norway)
- 50% Aragon AS (Norway)

Note: The above listing is not exhaustive.

CORPORATE DIRECTORY

REGISTERED OFFICE
Sembcorp Marine Ltd
Co. Reg. No. 196300098Z
80 Tuas South Boulevard
Singapore 637051
Tel: (65) 6265 1766
Website: www.sembmarine.com

BOARD OF DIRECTORS
Tan Sri Mohd Hassan Marican
Chairman

Yap Chee Keong
Deputy Chairman (appointed on 8 Dec 2021)

Wong Weng Sun
President & CEO

Eric Ang Teik Lim
Lead Independent Director (appointed on 22 Feb 2021)

Bob Tan Beng Hai
Gina Lee-Wan
William Tan Seng Koon
Patrick Daniel
Tan Wah Yeow
Koh Chiap Khiong

EXECUTIVE COMMITTEE
Tan Sri Mohd Hassan Marican
Chairman

Yap Chee Keong (appointed on 8 Dec 2021)
Wong Weng Sun
Bob Tan Beng Hai
William Tan Seng Koon
Patrick Daniel (appointed on 1 Dec 2021)

AUDIT COMMITTEE
Tan Wah Yeow
Chairman

William Tan Seng Koon
Patrick Daniel
Koh Chiap Khiong

BOARD RISK COMMITTEE
Bob Tan Beng Hai
Chairman

Eric Ang Teik Lim
Gina Lee-Wan
Tan Wah Yeow

EXECUTIVE RESOURCE & COMPENSATION COMMITTEE
Eric Ang Teik Lim
Chairman (appointed on 22 Feb 2021)

Tan Sri Mohd Hassan Marican (stepped down as Chairman to Member on 22 Feb 2021)
William Tan Seng Koon
Patrick Daniel

NOMINATING COMMITTEE
Eric Ang Teik Lim
Chairman (appointed on 22 Feb 2021)

Tan Sri Mohd Hassan Marican (stepped down as Chairman to Member on 22 Feb 2021)
Patrick Daniel

SPECIAL COMMITTEE
Bob Tan Beng Hai
Chairman

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

JOINT COMPANY SECRETARIES
Tan Yah Sze
Kem Huey Lee Sharon

SHARE REGISTRAR
KCK CorpServe Pte. Ltd.
24 Raffles Place
#07-07 Clifford Centre
Singapore 048621
Tel: (65) 6430 8217
Fax: (65) 6334 2708

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

Audit Partner: Ang Fung Fung (appointed during the financial year ended 31 Dec 2018)

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

SHAREHOLDERS' INFORMATION

STATISTICS OF SHAREHOLDINGS AS AT 8 MARCH 2022

Share Capital

Issued and fully paid-up capital	: S$4,088,002,197.10
Number of issued shares	: 31,389,105,375
Number of treasury shares	: 6,223
Number of subsidiary holdings	: Nil
Class of shares	: Ordinary shares
Voting rights	: One vote per share[(1)]

Shareholdings Held by the Public

Based on the information available to the Company as at 8 March 2022, approximately 45.20% of the issued ordinary shares of the Company are 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

Name	Direct Interest		Deemed Interest		Total Interest	
	No. of shares	%[(2)]	No. of shares	%[(2)]	No. of shares	%[(2)]
Startree Investments Pte. Ltd. ("Startree")	17,131,025,958	54.576	–	–	17,131,025,958	54.576
Fullerton Management Pte Ltd ("FMPL")	–	–	17,131,025,958[(3)]	54.576	17,131,025,958[(3)]	54.576
Temasek Holdings (Private) Limited ("Temasek")	–	–	17,131,609,303[(4)]	54.578	17,131,609,303[(4)]	54.578

Top 20 Shareholders

Name	No. of shares	%[(2)]
STARTREE INVESTMENTS PTE LTD	17,131,025,958	54.58
DBS NOMINEES PTE LTD	1,509,870,857	4.81
CITIBANK NOMS SPORE PTE LTD	1,466,699,571	4.67
RAFFLES NOMINEES (PTE) LIMITED	566,032,021	1.80
PHILLIP SECURITIES PTE LTD	499,783,661	1.59
BNP PARIBAS NOMS SPORE PL	412,943,913	1.32
HSBC (SINGAPORE) NOMINEES PTE LTD	412,448,291	1.31
DBSN SERVICES PTE LTD	401,207,176	1.28
UNITED OVERSEAS BANK NOMINEES P L	367,728,970	1.17
UOB KAY HIAN PTE LTD	220,721,224	0.70
OCBC NOMINEES SINGAPORE PTE LTD	216,650,030	0.69
OCBC SECURITIES PRIVATE LTD	171,564,750	0.55
MAYBANK SECURITIES PTE. LTD.	161,137,865	0.51
IFAST FINANCIAL PTE LTD	131,909,657	0.42
LIM AND TAN SECURITIES PTE LTD	87,040,566	0.28
CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	80,773,343	0.26
HENG SIEW ENG	69,058,942	0.22
DBS VICKERS SECURITIES (S) PTE LTD	56,830,865	0.18
LOH CHIN HWEE PHILIP (LUO JINHUI PHILIP)	50,500,000	0.16
SIONG BENG SENG	48,000,000	0.15
Grand Total	**24,061,927,660**	**76.66**

Location of Shareholders

Location of shareholders	No. of shareholders	%[(2)]	No. of shares	%[(2)]
SINGAPORE	60,575	97.20	31,279,887,133	99.65
MALAYSIA	1,250	2.01	77,361,605	0.25
JAPAN	202	0.32	20,022,291	0.06
HONG KONG	145	0.23	5,135,989	0.02
US	43	0.07	2,841,534	0.01
UK	26	0.04	1,961,240	0.01
EUROPE	31	0.05	1,025,812	0.00
AUSTRALIA/ NEW ZEALAND	32	0.05	458,981	0.00
OTHERS	14	0.02	404,567	0.00
Grand Total[(5)]	**62,318**	**100.00**	**31,389,099,152**	**100.00**

Shareholding Distribution

Size of shareholdings	No. of shareholders	%[(2)]	No. of shares	%[(2)]
1 - 99	2,104	3.38	78,361	0.00
100 - 1,000	2,974	4.77	2,239,588	0.01
1,001 - 10,000	16,795	26.95	94,562,181	0.30
10,001 - 1,000,000	39,458	63.32	4,453,114,941	14.19
1,000,001 and above	987	1.58	26,839,104,081	85.50
Grand Total[(5)]	**62,318**	**100.00**	**31,389,099,152**	**100.00**

Notes:

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

(2) Percentage is calculated based on the total number of issued ordinary shares, excluding treasury shares.

(3) FMPL is deemed to be interested in the 17,131,025,958 shares held by Startree.

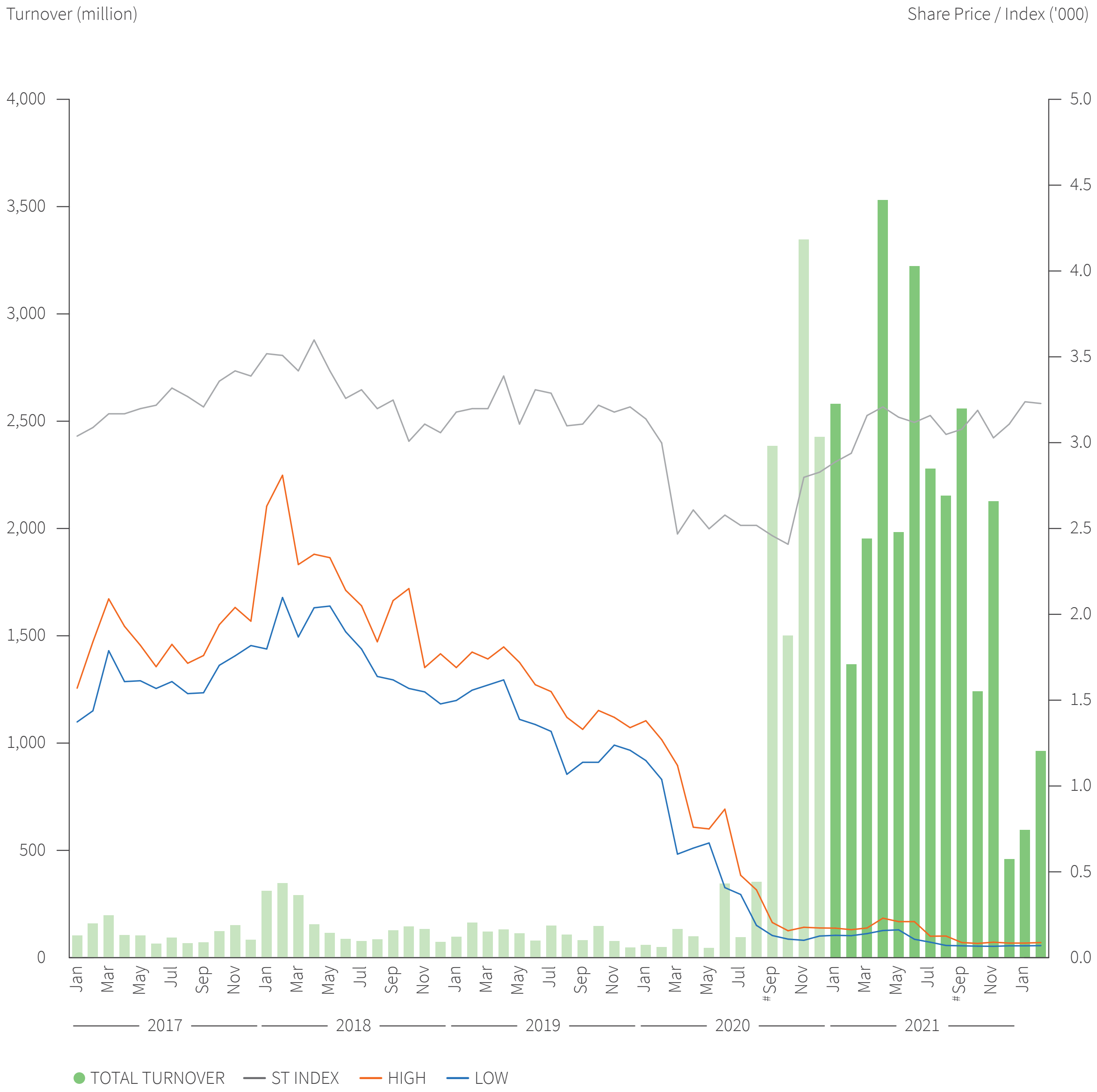
(4) Temasek is deemed to be interested in the 17,131,025,958 shares held by Startree and the 583,345 shares in which its associated companies have direct or deemed interests pursuant to Section 4 of the Securities and Futures Act 2001.

(5) Treasury shares are excluded.

Group Financial Highlights

Investor Data	2017	2018	2019	2020	2021
Earnings Per Share (cents)	12.45	-3.55	-6.32*	-10.88*	-6.49
Total Dividend Per Share (cents)	2.00	–	–	–	–
Share Price (S$)					
High	2.09	2.81	1.81	1.38	0.230
Low	1.39	1.49	1.08	0.11	0.078
Close	1.84	1.54	1.32	0.14	0.082
Turnover					
Volume (million shares)	1,320	1,945	1,312	10,838	25,449
Value (S$ million)	2,321	4,091	1,949	2,142	3,578
Net Tangible Assets Per Share (cents)	108.23	100.68	92.18	27.45	12.12

**Restated per SFRS(I) 1-33 through retrospective application of a bonus factor to the weighted average number of shares.*

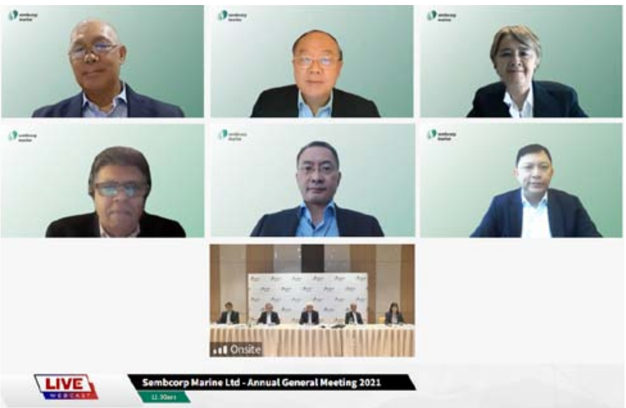


#Completion of the issue of Sembcorp Marine Rights Shares in 2020 and 2021. Please refer to pages 49 and 50 for more details.

INVESTOR RELATIONS

Committed to high standards of corporate governance and transparency, Sembcorp Marine proactively provides clear, accurate and consistent information to ensure balanced, equitable and timely communication with our shareholders and the investment community. As part of our investor relations strategy, we regularly engage our stakeholders to build close links, garner feedback and share insights on the Group's business and financial performance.

Sembcorp Marine's 58th AGM was accessible in real-time to shareholders through online video webcast or phone dial-in



Remote participation by directors at Sembcorp Marine's 58th AGM, which was conducted via electronic means

ENGAGEMENT & OUTREACH AMIDST COVID-19

Sembcorp Marine continued to actively connect with shareholders and investors by leveraging technology and digital communications to maintain close links despite the COVID-19 pandemic. In 2021, the Group's management and Investor Relations (IR) team reached out to more than 1,000 stakeholders, including institutional and retail shareholders as well as buy-side and sell-side representatives, through a range of engagement platforms, from physical and virtual meetings to teleconferencing and online dialogues.

Notwithstanding the pandemic-related challenges, management representatives of Sembcorp Marine continued to engage stakeholders to provide updates and keep tabs on sentiments on the ground. Teleconferences and virtual meetings with analysts and investors were regular modes of communication, though in-person meetings were held in accordance with stipulated government regulations when required.

In 2021, the Group hosted and took part in several engagement events, comprising post-results investors' teleconferences hosted by CGS-CIMB, HSBC and UBS, the Credit Suisse 12th ASEAN Annual Conference, as well as virtual briefings with stakeholders from the investment community, including a dialogue session for shareholders organised by the Securities Investors Association of Singapore (SIAS). Sembcorp Marine's Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) were held via electronic means in compliance with advisories and guidance issued by the authorities on holding such meetings in view of the COVID-19 pandemic.

Results Briefings for Analysts and Media

Having transitioned its financial results reporting from a quarterly to half-yearly cycle since 2020, the Group continued to keep stakeholders informed of key developments through 1Q and 3Q interim business updates, as well as continuous corporate disclosures.

Adhering to the requirements of COVID-19 safe management measures since 2020, Sembcorp Marine conducted its results briefings via live video webcasts attended by analysts, media, investors and the general public. Teleconferences and virtual meetings, participated by the President & CEO, Group Finance Director and Head of Investor Relations & Corporate Communications, were organised following the Group's financial results and business updates to provide insights to shareholders and institutional investors.

Sembcorp Marine's 58th Annual General Meeting

Sembcorp Marine convened and held its 58th AGM on 23 April 2021 via electronic means through live audio-visual webcast and audio-only stream. The AGM was conducted virtually pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.

While shareholders were not able to attend the AGM in person, they were able to participate by submitting their questions in advance of the meeting and appointing the AGM's Chairman, Tan Sri Mohd Hassan Marican, as proxy to attend, speak and vote on their behalf at the AGM.

Prior to the AGM, responses to shareholders' substantial and relevant questions were addressed and uploaded to the Company's website and via SGXNet, a web portal hosted by the Singapore Exchange (SGX).

The virtual AGM progressed well with all the resolutions duly passed by a large majority of shareholders. As part of the webcast, our President & CEO Mr Wong Weng Sun provided an overview of the Group's business performance through a presentation which covered the Company's operations and business outlook.

SEMBCORP MARINE 2021 RIGHTS ISSUE AND EXTRAORDINARY GENERAL MEETING

On 24 June 2021, the Company proposed to raise approximately S$1.5 billion through a fully committed, renounceable Rights Issue of up to 18,833,468,826 new ordinary shares in the capital of the Company on the basis of three new shares for every two existing shares held.

Engaging stakeholders through web briefings and online dialogues after the announcement on the 2021 Rights Issue and potential combination with Keppel O&M

Following the Rights Issue announcement, the Group actively engaged institutional and retail shareholders, investors, analysts, media and stakeholders from the investment and financial communities to address their queries about the proposed Rights Issue in 2021.

Prior to the Extraordinary General Meeting (EGM) to seek shareholders' consent for the Rights Issue, the Group's management and IR team participated in several online engagements and dialogues with stakeholders. These included a virtual forum held by the Securities Investors Association Singapore (SIAS), as well as web discussions organised for the investment community and financial advisory professionals.

The Rights Issue proceeded accordingly after the related resolutions were duly approved by shareholders at the EGM which was held by way of electronic means via live audio-visual webcast and audio stream on 23 August 2021

The 2021 Rights Issue was approved at Sembcorp Marine's Extraordinary General Meeting, which was telecast live to shareholders via video webcast and audio stream

The Rights Issue exercise, which commenced on 31 August 2021, concluded on 14 September 2021 with an oversubscription of 22,174,559,198 Rights Shares received, representing approximately 118% of the 18,833,459,491 Rights Shares available under the Rights Issue.

Shareholders with valid acceptances of their provisional allotments of Rights Shares were allocated in full. As the Rights Shares have been fully subscribed, none of the Underwritten Rights Shares was underwritten by the sole financial adviser, manager and underwriter, DBS Bank Ltd.

On 22 September 2021, a total of 18,833,459,491 Rights Shares were issued, listed and quoted on the Main Board of SGX-ST. The completion of the Rights Issue is integral to the Company's strategy to recapitalise, address liquidity requirements and complete existing projects, as well as drive its strategic business transition towards the high-growth renewable and clean energy segment.

Mandatory Conditional General Cash Offer by Startree

As part of the Rights Issue, Sembcorp Marine's major shareholder Startree Investments Pte. Ltd. (Startree), an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited (Temasek), provided an irrevocable undertaking to Sembcorp Marine to subscribe for its pro rata entitlement and Excess Rights Shares such that its total subscription would be no more than 67.0% of the Rights Issue. As a result of its undertaking, Startree was issued a total of 9,277,318,151 Rights Shares, resulting in a 4% increase in its aggregate shareholding to approximately 46.6%.

The increase in aggregate shareholding by more than 1% triggered an obligation, under the Singapore Code on Take-overs and Mergers (the Code), for Startree to make a Mandatory Conditional General Cash Offer (MGO) for the Shares of Sembcorp Marine that it and its concert parties (collectively, the Offeror Concert Party Group) do not already own, at not less than the highest price at which the Offeror Concert Party Group has acquired Shares in the six months immediately preceding the announcement of the MGO.

INVESTOR RELATIONS

Startree announced the MGO on 22 September 2021 to acquire all the issued and paid-up ordinary shares (Shares) in Sembcorp Marine at S$0.08 per Share in cash. On 3 November 2021, the MGO closed with valid acceptances of about 8% of the total Shares (excluding treasury shares) in issue.

Following the close of the MGO, the Offeror Concert Party Group owns an aggregate of approximately 17,132,153,030 Shares, which represent approximately 54.58% of the total number of Shares in issue.

Sembcorp Marine remains listed on the Singapore Stock Exchange after the close of the MGO.

POTENTIAL COMBINATION

In tandem with the Rights Issue announcement on 24 June 2021, Sembcorp Marine and Keppel Corporation also jointly announced the intention to explore a potential combination of Sembcorp Marine and Keppel Offshore & Marine (Keppel O&M). The objective of these discussions is to create a stronger player to capitalise on growing opportunities in the offshore, marine, renewable and clean energy sectors as well as create sustainable value in the long-term for stakeholders.

This potential combination is underpinned by a Memorandum of Understanding, with due diligence processes being conducted by both parties. More information will be disseminated when there are material developments.

INVESTOR COMMUNICATIONS

Sembcorp Marine's corporate website www.sembmarine.com is a key online platform where information about the Company's history, business segments, announcements and updates can be accessed. For investors and interested parties, the website's IR section hosts information such as stock dividend history, analysts coverage, investors' frequently asked questions (FAQs), event information and shareholders' meetings amongst others.

To receive updates on Sembcorp Marine's latest stock exchange announcements, investors can subscribe to an email alerts service at the Company's website. The Group's IR team is contactable at investor.relations@sembmarine.com if there are any queries or feedback.

Feedback received from shareholders, investors and stakeholders are closely monitored and actively reviewed for ongoing corporate planning and strategy development.

SUSTAINABILITY AND CORPORATE GOVERNANCE

Sembcorp Marine's environmental, social and governance (ESG) disclosures are published separately in the Group's Sustainability Report 2021. This year's Sustainability Report is prepared in accordance with the SGX sustainability reporting guidelines and Global Reporting Initiative (GRI) Standards: Core Option. The report is also aligned with internationally recognised frameworks such as the United Nations Sustainable Development Goals, as well as the Sustainability Reporting Guidance for the Oil and Gas Industry issued by IPIECA, the American Petroleum Institute (API) and the International Association of Oil & Gas Producers (IOGP). This year, disclosures are made against relevant indicators in the Sustainability Accounting Standards Board (SASB) framework for the first time.

The Group is a constituent of the FTSE4Good Index, the SGX iEdge SG ESG Leaders Index and the iEdge SG Transparency Index.

Sembcorp Marine is also a strong advocate of good corporate governance and sustainability best practices. The Group is an active supporter and participant in activities organised by the Investor Relations Professionals Association Singapore (IRPAS), SIAS and the Global Compact Network Singapore.

Recognition for IR Excellence

Sembcorp Marine was accorded a Certificate for Excellence in Investor Relations for qualifying as a finalist for the Best ESG Materiality Reporting Award (Small to Mid-cap) at the IR Magazine South East Asia Awards 2021. The Group also received recognition for its latest recapitalisation exercise, which won the Best Rights Issue Award (Southeast Asia, Singapore – Best Deal category) presented by the Asset Magazine at The Asset Triple A Country Awards 2021.

SHAREHOLDER DIVERSITY

As at 8 March 2021, Sembcorp Marine had about 62,318 registered shareholders, with about 54.58% of the Company's total shares deemed to be owned by Temasek Holdings. About 45.20% of shares were held by public shareholders such as institutional investors and retail shareholders.

The Group has a diverse base of shareholders across Singapore, Malaysia, Hong Kong, Japan, Australia, Europe, the United Kingdom, the United States and Canada. This enables a healthy level of market liquidity and mitigates concentration risk.

SHARE PERFORMANCE

The industry outlook has improved, underpinned by the rise in oil prices, resumption of deferred activities as well as growing prospects in the renewable and clean energy segments. Despite the gradual economic recovery, the business environment continues to be challenging and volatile due to the COVID-19 pandemic and uncertain market conditions arising from geo-political factors.

In 2021, focused efforts were made to mitigate supply chain disruptions and resolve the manpower shortage situation for the progressive completion of projects. The Group actively engaged customers and stakeholders to reschedule project deliveries to achieve mutually beneficial outcomes. Overall, orders visibility continues to improve and the Group is actively working on replenishing its order book.

Shares of Sembcorp Marine averaged a monthly turnover value of about S$298.14 million, recording a high of S$0.230 and a low of S$0.078 in 2021. The Group's market capitalisation was S$2.95 billion as at 8 March 2022, based on a closing share price of S$0.094 cents.

Meeting investors in person with safe distancing measures in place

1Q2021	2Q2021	3Q2021	4Q2021
• FY2020 Results: Live video webcast briefing • Post-results institutional investors web conference hosted by CGS-CIMB • Credit Suisse 12th Annual ASEAN Conference	• 1Q2021 Business Update: Teleconference briefing for analysts • Post-business-update institutional investors teleconference hosted by UBS • 58th Annual General Meeting • Announcement of proposed S$1.5 billion Rights Issue and Potential Combination • Rights Issue engagements with stakeholders	• 1H2021 Results: Live video webcast briefing • Post-results institutional investors web conference hosted by CGS-CIMB • Rights Issue engagements with stakeholders • SIAS dialogue session for retail shareholders on Rights Issue and potential combination with Keppel O&M • Extraordinary General Meeting • Completion of Rights Issue • MGO by Startree	• 3Q2021 Business Update: Teleconference briefing for analysts • Post-business-update institutional investors web conference hosted by HSBC • Completion of MGO by Startree • SIAS Corporate Governance Week 2021 • Global Compact Network Singapore Virtual Summit 2021

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

Sembcorp Marine Ltd ("Sembcorp Marine" or the "Company", and together with its subsidiaries, the "Group") believes that good corporate governance supports long-term shareholder value.

This report sets out the Group's corporate governance practices with reference to the Singapore Code of Corporate Governance 2018 (the "Code"). The board of directors of Sembcorp Marine (the "Board") is pleased to confirm that the Group has complied with the principles and provisions of the Code. A summary of compliance disclosures with the Code is set out on page 67 of the Annual Report 2021.

Code of Business Conduct and Practice

To strive for the highest standards of corporate performance and accountability, we have embedded corporate governance principles into our culture. This culture is in turn anchored on effective leadership, robust internal controls and a set of core values.

Sembcorp Marine has a guidebook on the Code of Business Conduct and Practice (the "Guidebook") that all employees are required to observe and be guided by. The Guidebook sets out the Group's core values and requirements on conducting business with integrity, handling employees and community with fairness, protection of the Group's assets, dealing with conflicts of interest and protection of information. The Guidebook guides employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing with Sembcorp Marine, its competitors, customers, suppliers and communities. The Guidebook covers, *inter alia*, bribery and corruption, gifts and entertainment, fairness and opportunities, harassment, conflicts of interest, protection of assets and proprietary information, and data protection. The Guidebook is available on the Company's corporate website.

Sembcorp Marine Corporate Governance Framework

BOARD OF DIRECTORS

10 Directors

7 Independent Directors

2 Non-executive and Non-independent Directors

1 Executive Director

Chairman's Responsibilities

- Lead the Board to ensure effectiveness on all aspects of its role
- Promote a culture of openness and debate in the Board
- Encourage constructive relations within the Board and between the Board and Management
- Facilitate effective contributions of Non-executive Directors

Director's Responsibilities

- Set values, mission and vision statements
- Provide guidance to Management
- Set strategic objectives
- Review Management's performance
- Establish a framework of prudent and effective internal controls
- Consider sustainability issues

Key resonsibilities under the respective terms of reference of each Board committee are as follows:

EXECUTIVE COMMITTEE

4 Independent Directors
1 Non-executive and Non-independent Director
1 Executive Director

Key Responsibilities

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

AUDIT COMMITTEE

3 Independent Directors
1 Non-executive and Non-independent Director

Key Responsibilities

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

BOARD RISK COMMITTEE

4 Independent Directors

Key Responsibilities

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

NOMINATING COMMITTEE

2 Independent Directors
1 Non-executive and Non-independent Director

Key Responsibilities

- Assist the Board in evaluating the performance of the Board, its committees and directors
- Review the profile and independence of directors
- Make recommendations on directors' appointments, re-nominations and retirements

EXECUTIVE RESOURCE & COMPENSATION COMMITTEE

3 Independent Directors
1 Non-executive and Non-independent Director

Key Responsibilities

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

SPECIAL COMMITTEE

2 Independent Directors
2 Non-executive and Non-independent Directors

Key Responsibilities

- Assist the Board in conducting internal investigations into allegations of improper payments in Brazil and deal with issues arising from the matter

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1
The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board aims to create value for shareholders and ensure the Group's long-term success by focusing on the right business strategies, managing risks and building a strong management team, with proper succession planning and the right compensation framework. It also aims to align the interests of the Board and Management with those of shareholders and balance the interests of all stakeholders.

The Board sets the tone for the Group on ethics and values. The Group has put in place a set of well-defined policies and procedures to enhance corporate performance and accountability.

Role and Responsibilities of the Board

The Board's primary function is to protect the Group's assets and oversee its business affairs. The Board is accountable to shareholders for the Group's long-term financial performance. It reviews and approves policies, annual budgets, major funding, investments and divestments, risk tolerance levels, and sustainability and material issues. The Board also approves the appointment of directors and decides the composition of Board committees and remuneration for the Board and senior management.

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

Role and Responsibilities of Directors

Directors are fiduciaries of the Company and hold Management accountable for performance. All directors are expected to act objectively at all times in the interests of the Company.

The Company's Constitution provides that a director shall not vote in respect of a proposal in which he has any personal material interests, directly or indirectly. Such a director shall also not be counted in the quorum at a meeting in relation to any resolution on which he is required to abstain from voting. When facing a conflict of interest, directors are required to recuse themselves from discussions and decisions involving the issues of conflict.

The Board has established a policy on directors' training and development to ensure directors understand, meet and maintain appropriate competency requirements to perform and discharge their duties and responsibilities effectively.

CORPORATE GOVERNANCE

A comprehensive induction programme (including yard visits) is provided to all newly-appointed directors. They are briefed on the Group's business activities, financial performance, governance policies and practices, enterprise risk management, regulatory regime and their duties as directors. This induction programme allows new directors to get acquainted with senior management, thereby facilitating Board interaction and independent access to senior management. A new director who has no prior experience as a director of a company listed on the Singapore Exchange Limited is required to undergo training in the roles and responsibilities of a director of a listed company conducted by the Singapore Institute of Directors, or a reputable institution.

The Board values ongoing professional development of directors. Each director (i) performs an annual self-assessment, (ii) identifies his training needs and (iii) undertakes any training in order to achieve the competency required. The Company bears all training costs.

During the financial year, directors attended various training such as e-learning modules, web seminars and briefings conducted internally or externally.

Board Committees

The Board has established the following committees to assist it in discharging its stewardship and fiduciary obligations:

(a) Executive Committee ("EC")
(b) Audit Committee ("AC")
(c) Board Risk Committee ("BCR")
(d) Executive Resource & Compensation Committee ("ERCC")
(e) Nominating Committee ("NC")
(f) Special Committee ("SC")

These Board committees have clearly defined terms of reference which set out their compositions, authorities and duties (including reporting back to the Board). The terms of reference are reviewed by the Board on a regular basis. Board's approval is required for any change in the terms of reference.

The current composition of the Board and its committees is set out as follows:

Board	Executive Committee	Audit Committee	Board Risk Committee	Nominating Committee	Executive Resource & Compensation Committee	Special Committee
Tan Sri Mohd Hassan Marican (Chairman)	Chairman			Member	Member	Member
Yap Chee Keong (Deputy Chairman)	Member					
Wong Weng Sun (President & CEO)	Member					
Eric Ang Teik Lim (Lead Independent Director)			Member	Chairman	Chairman	
Bob Tan Beng Hai	Member		Chairman			Chairman
Gina Lee-Wan			Member			Member
William Tan Seng Koon	Member	Member			Member	
Patrick Daniel	Member	Member		Member	Member	
Tan Wah Yeow		Chairman	Member			
Koh Chiap Khiong		Member				Member
7 out of 10 are independent directors 2 (including Chairman) are non-independent and non-executive directors 1 is an executive director	4 out of 6 are independent directors 1 is a non-independent and non-executive director 1 is an executive director	3 out of 4 (including Chairman) are independent directors 1 is a non-independent and non-executive director	All are independent directors	2 out of 3 (including Chairman) are independent directors 1 is a non-independent and non-executive director	3 out of 4 (including Chairman) are independent directors 1 is a non-independent and non-executive director	2 out of 4 (including Chairman) are independent directors 2 are non-independent and non-executive directors

The profile of each director is set out on pages 38 to 42 of the Annual Report 2021.

The AC, BRC, NC and ERCC have been constituted in accordance with the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code.

The EC reviews and approves matters as required under the Group's policies. The key responsibilities of the EC include the following:

(a) Reviewing and making recommendations on matters requiring the Board's approval, such as major projects tendered, progress of major projects, yard development, marketing, cybersecurity, tax issues, treasury shares and share buybacks
(b) Approving certain matters specifically delegated by the Board, such as investments, capital expenditure and expenses exceeding the limits that can be authorised by the President & CEO

The Special Committee was constituted to conduct internal investigations into allegations of improper payments in Brazil and to deal with issues arising from the matter.

Details of the AC, BRC, NC and ERCC are set out in other sections of this report.

Board Practices

The schedules of all Board meetings, Board committee meetings and the annual general meeting ("AGM") are planned one year in advance in consultation with the directors. The Board meets at least four times a year at regular intervals. Besides the scheduled meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. Except in years 2020 and 2021, the Board has been holding an annual strategy meeting in person to interact with senior and middle management. In this meeting, the Board is briefed on developments in the markets in which the Group operates, is updated on trends, and has in-depth discussions on the Group's strategic direction.

A record of the directors' attendance at Board and Board committee meetings in 2021 is disclosed below. Directors who are unable to attend a Board or committee meeting in person can attend the meeting via telephone or video conference, as permitted by the Company's Constitution.

Director	Board Meeting No. of Meetings held: 14 Attended	Executive Committee Meeting No. of Meetings held: 9 Attended	Audit Committee Meeting No. of Meetings held: 4 Attended	Board Risk Committee Meeting No. of Meetings held: 4 Attended	Nominating Committee Meeting No. of Meetings held: 3 Attended	Executive Resource & Compensation Committee Meeting No. of Meetings held: 3 Attended	Special Committee Meeting No. of Meetings held: 2 Attended
Tan Sri Mohd Hassan Marican	13/14	9/9	-	-	3/3	3/3	2/2
Yap Chee Keong[1]	-	-	-	-	-	-	-
Wong Weng Sun	14/14	9/9	-	-	-	-	-
Eric Ang Teik Lim	14/14	-	-	4/4	3/3	3/3	-
Bob Tan Beng Hai	14/14	9/9	-	4/4	-	-	2/2
Gina Lee-Wan	13/14	-	-	4/4	-	-	2/2
William Tan Seng Koon	14/14	9/9	4/4	-	-	3/3	-
Patrick Daniel[2]	14/14	-	4/4	-	3/3	3/3	-
Tan Wah Yeow	14/14	-	4/4	4/4	-	-	-
Koh Chiap Khiong	14/14	-	4/4	-	-	-	2/2

Notes:
(1) Mr Yap Chee Keong was appointed a director and a member of the EC on 8 December 2021, after the last Board meeting and EC meeting held in 2021.
(2) Mr Patrick Daniel was appointed a member of the EC on 1 December 2021, after the last EC meeting held in 2021.

CORPORATE GOVERNANCE

The Board has adopted guidelines for addressing competing time commitments when directors serve on multiple boards and have other principal commitments. The Company has determined that the maximum number of directorships in listed companies to be held by a director be fixed at four to ensure that a director has sufficient time and attention for the Company's affairs. For the year 2021, all directors met the guidelines set by the Company on the number of directorships held in listed companies. The Board is satisfied that each director has committed sufficient time to the Company and has contributed meaningfully to the Group.

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 days prior to and during meetings. Management has provided the Board with monthly management reports on the Group's operational and financial performance. In addition, directors receive analysts' reports, industry market updates, major projects tendered, progress updates on major projects, yard development updates and summaries of decisions made by Board committees on a quarterly basis.

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

The Company Secretaries attend all Board and Board committee meetings. They are responsible for ensuring that meeting procedures are followed and applicable rules and regulations complied with. The Company Secretaries assist the Board in implementing and strengthening corporate governance policies and practices.

The appointment and removal of Company Secretaries are subject to the Board's approval.

When directors, either individually or as a group, require advice from independent professionals in the furtherance of their duties, the Company Secretaries appoint, upon approval by the Board, professional advisors to render such services. The Company bears the cost of such services.

BOARD COMPOSITION AND GUIDANCE

Principle 2
The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

The Board adopts the Code's guidelines when reviewing the directors' independence.

The Board currently comprises 10 directors, seven of whom are independent directors, two are non-executive and non-independent directors, and one is an executive director. More than half of the Board members are independent (seven out of 10, or 70%).

The Company has implemented a board diversity policy. The Company recognises and embraces the benefits of having a diverse Board. The benefits include adopting a broad strategic perspective, enhancing decision-making and ensuring effective governance. The Board is made up of members from diverse backgrounds (gender, ethnicity and nationality) and expertise (including but not limited to the core competencies of accounting, finance, business management experience and industry knowledge). While striving for diversity, all Board appointments are made on merit, taking into account the skills, experience, independence and knowledge needed for the Board as a whole to be effective. The composition of the Board meets the diversity targets adopted by the Company.

The NC reviews the size and composition of the Board from time to time and seeks to ensure that (i) the size of the Board is conducive for effective discussion and decision-making, and (ii) the Board has the requisite number of independent directors, with a broad range of experience and deep industry knowledge, and taking into account age, gender and other factors.

On 8 December 2021, the Board appointed Mr Yap Chee Keong as an additional independent director of the Company. He is the Deputy Chairman of Sembcorp Marine Board and a member of the EC.

As part of the Board renewal process, Mr Eric Ang Teik Lim who has served the Board since 30 April 2013 will step down as the director of the Company and relinquish all his board appointments (including the role of the lead independent director ("LID")) after the conclusion of the upcoming AGM on 20 April 2022. The Board would like to record its appreciation to Mr Ang for his invaluable contributions to the Group.

The tenure of the directors reflects a good balance between continuity and fresh perspectives. The Board's size and composition are appropriate given the size and geographic footprint of the Group's operations.

The Board sets aside time to meet at least once annually without the presence of Management. In 2021, the Board held 5 such meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3
There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Chairman of the Board of Sembcorp Marine is Tan Sri Mohd Hassan Marican, and the President & CEO is Mr Wong Weng Sun. They are not related.

The Chairman of the Board is a non-executive appointment and is separate from the office of the President & CEO. The Chairman leads the Board and is responsible for ensuring the Board's effectiveness and its governance processes, while the President & CEO is responsible for following through the Board's direction and managing the day-to-day operations.

The Chairman provides leadership and facilitates the Board's effectiveness in all aspects of its roles, both inside and outside the boardroom. This includes setting the agendas for Board meetings and ensuring sufficient time is allocated for thorough discussion of each agenda item.

As the Chairman of the Board, Tan Sri Hassan has promoted an open environment for debate and ensured that the independent directors are able to speak freely and contribute effectively. He has closely monitored the translation of the

Board's decisions and directions into executive action. He has exercised control over the quality and quantity of information between the Board and Management. In addition, he has provided support, close oversight, guidance, advice and leadership to the President & CEO, Mr Wong, while respecting his executive responsibility.

The Chairman also plays a pivotal role in fostering constructive dialogue between shareholders, the Board and senior management.

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

The Chairman, Tan Sri Hassan, was re-designated from an independent director to a non-independent and non-executive director on 22 February 2021, after 9 years of service on the Board. Tan Sri Hassan, who is a veteran in the oil and gas industry, has continued to serve as the Board Chairman to provide continuity and strong leadership which is vital in this dynamic environment. His extensive insights and guidance are needed to lead the Group into the next phase of transformation and growth.

Mr Eric Ang Teik Lim was appointed as the LID in 2021, upon the Chairman's re-designation to ensure that there is an independent counter-balance to the Chairman. The LID provides an important point of contact for shareholders to raise issues and concerns, especially in situations where the Chairman is conflicted or where the normal channels of communications with the Chairman or Management are inappropriate or inadequate. The Board will appoint a new LID in place of Mr Ang who will step down as a director of the Company at the conclusion of the upcoming AGM. An announcement will be made at the appropriate time regarding the appointment of the new LID.

BOARD MEMBERSHIP

Principle 4
The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The Board has established the NC whose key responsibilities are to:

- Review the composition of the Board and its committees
- Identify, review and recommend Board appointments for the Board's approval, taking into account the experience, expertise, knowledge, skills and diversity of the candidates and the needs of the Board
- Review and recommend to the Board the re-appointment, re-election and retirement (if necessary) of directors, having regard for their performance, commitment and ability to contribute to the Board as well as their skill sets
- Review the Board's succession plans for directors, in particular, the Chairman, the President & CEO and key management personnel
- Make recommendations for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole and of each Board committee separately, as well as the contribution by the Chairman and each individual director to the Board
- Conduct a performance evaluation of the Board, its committees and directors on an annual basis
- Conduct an annual assessment of whether each director has sufficient time to discharge his responsibilities, taking into consideration his multiple board representations and other principal commitments
- Determine the 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 training and professional development programmes for the Board and directors

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

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

The Board has put in place a process for the selection and appointment of directors. The process is led by the NC, which recognises that an effective and cohesive board requires the right balance of industry knowledge, experience, core competencies, skills and professional qualifications, as well as diversity.

Rotation and Re-election of Directors

The NC reviews and recommends to the Board the re-appointment 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. All directors (including the President & CEO) are required to submit themselves for re-nomination and re-appointment at least once every three years.

Mr Wong Weng Sun, Mrs Gina Lee-Wan, Mr Patrick Daniel and Mr Tan Wah Yeow will be retiring by rotation pursuant to Article 94 of the Company's Constitution and/or Rule 720(5) of the Listing Manual of SGX-ST ("Listing Manual") at the AGM to be held on 20 April 2022. All of them, being eligible, have offered themselves for re-election at the AGM. Additional information about them is set out on pages 202 to 209 of the Annual Report 2021.

Pursuant to the Company's Constitution, all newly appointed directors are required to submit themselves for re-appointment at the upcoming AGM immediately following their appointments. Thereafter, they are subject to retirement by rotation in accordance with the Company's Constitution.

Mr Yap Chee Keong, a director appointed on 8 December 2021, will cease to hold office pursuant to Article 100 of the Company's Constitution and, being eligible, has offered himself for re-appointment at the upcoming AGM. Additional information about him is set out on pages 202 to 209 of the Annual Report 2021.

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

CORPORATE GOVERNANCE

New Appointments
When the need for a new director arises, the NC reviews the range of expertise, skills and attributes of the Board and its composition. The NC identifies and shortlists a few candidates with appropriate profiles for nomination. The NC conducts an assessment to:

(i) Review the candidates (including their qualifications, attributes, capabilities, skills, age, past experience); and
(ii) Ascertain that the candidates are independent from any substantial shareholders of the Group and/or from Management and business relationships with the Group.

The Board considers the NC's recommendations before appointing a candidate as a director of the Company in accordance with the Company's Constitution. Upon appointment, the NC also reviews and recommends to the Board the new director's appointment to the appropriate Board committee(s) after matching the director's skill set to the needs of each Board committee and taking into consideration an equitable distribution of responsibilities among Board members.

The NC reviews annually, and as and when circumstances require, if a director is independent based on the Code and any other salient factors.

None of the current independent directors are or have been employed by the Company or any of its related corporations for the current or any past three financial years. None of them have an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three financial years, and whose remuneration is determined by the ERCC.

The NC ensures that new directors are aware of their duties and obligations. The Company has adopted a directors' training and development policy whereby directors will be trained and informed of their duties and obligations.

Each director is expected to allocate sufficient time and commitment to the Company so as to diligently carry out his duties. The Company has adopted a policy to address directors' competing time commitments when they serve on multiple boards and have other principal commitments. The NC conducts a review of the time commitment of each director once annually. Each director in general cannot hold more than four directorships in listed companies. Information on each director's other listed company directorships and principal commitments is disclosed on pages 38 to 42 of the Annual Report 2021.

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

BOARD PERFORMANCE

Principle 5
The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

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

The NC has reviewed the performance of each individual director based on factors such as the director's attendance, preparedness, participation, industry and business knowledge, and contributions at Board meetings. The Chairman acts on the results of the performance evaluation. He proposes, where appropriate, new members to be appointed to the Board or seeks the resignation of directors.

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

For the 2021 Board evaluation, each director submitted a set of completed questionnaires directly to the Company Secretaries who collated the responses and produced a summary report for the NC. The NC analysed the report and submitted its findings to the Board.

Every director participated and gave feedback on a range of issues, including:

- Board's size, composition and processes
- Information access and quality of information provided to the Board
- Strategy formulation and implementation
- Innovation and transformation
- Monitoring of Group performance
- Key management personnel's performance evaluation, compensation and succession planning
- Stakeholder management
- Risk and crisis management
- Effectiveness of committees

The Board has discussed the findings of the evaluation and will implement changes in response to the feedback given by the directors. Based on the assessment for 2021, the Board and Board committees were effective as a whole.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6
The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The Board has established the ERCC whose key responsibilities are to:

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

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

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

The ERCC considers all aspects of remuneration, including termination terms. It ensures that the terms are fair and reasonable, and termination clauses are not overly generous.

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 allows focus and devotion of time and resources to leverage the full value and potential of the identified successors.

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

The President & CEO is not present during 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 the deliberations of his own remuneration, compensation or any form of benefits. 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.

LEVEL AND MIX OF REMUNERATION

Principle 7
The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

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

Remuneration of Non-Executive Directors

The ERCC ensures that the remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent and responsibilities.

The ERCC reviews and recommends a framework to the Board for determining the remuneration of non-executive directors, including the Chairman of the Board. The following framework is based on a scale of fees divided into basic retainer fees, attendance fees and allowances for travel and service on Board committees.

Directors' Fees Framework

Description	Board	Executive Committee	Audit Committee	Board Risk Committee	Nominating Committee	Executive Resource & Compensation Committee	Special Committee
Board Chairman (all-in)[1]	S$600,000						
Deputy Board Chairman (all-in)[2]	S$500,000						
Basic Fee	S$75,000						
Board Committee Chairman's Fee		S$50,000	S$50,000	S$40,000	S$25,000	S$35,000	S$50,000
Board Committee Member's Fee		S$30,000	S$30,000	S$25,000	S$15,000	S$20,000	S$30,000

Types of Meeting Fees[3]	
Board	S$3,000
Committee	S$1,500
Committee (held on same day as Board)[4]	S$1,000
Board (Teleconference)	S$1,500
Committee (Teleconference)	S$1,000
Overseas[5]	S$5,000

Notes:
(1) The Chairman of the Board does not receive the basic retainer fee for directors, or any further fees or allowances for his services as chairman or member of any Board committees.
(2) The Deputy Chairman of the Board does not receive the basic retainer fee for directors, or any further fees or allowances for his services as chairman or member of any Board committees.
(3) Attendance fees for committee meetings also apply to attendance at general meetings.
(4) In 2021, this fee was waived. Only one attendance fee was paid for multiple meetings on the same day.
(5) This fee applies to attendance by a non-resident director who is required to travel into Singapore for meetings.

CORPORATE GOVERNANCE

In 2021, the non-executive directors continued to take a 10% reduction of their fees. In addition, only one attendance fee was paid if a director attended multiple meetings on the same day.

Save for Mr Koh Chiap Khiong, the fees payable to non-executive directors comprise a cash component and a share component. The ERCC has determined that up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2020 ("RSP 2020"). The balance 70% is paid in cash. A non-executive director who steps down before the delivery of the share component will receive all of his director's fee (calculated on a pro-rata basis) in cash. The payment of directors' fees (both the cash and share components) is contingent upon shareholders' approval. Directors and their associates abstain from voting on any resolution(s) relating to their remuneration.

The director's fee due to Mr Koh, who holds executive position in Sembcorp Industries Ltd ("SCI") is paid wholly in cash to SCI.

Under the RSP 2020, share awards granted to directors as part of directors' fees typically consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares in the Company (including shares obtained by other means) worth at least the value of the basic retainer fee (currently S$75,000). Any excess may be disposed of as desired. A non-executive director may only dispose of all of his shares one year after leaving the Board.

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 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 the resolution to approve such final dividend is not approved at the AGM, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded is rounded down to the nearest hundred and any residual balance will be settled in cash. The share component of the directors' fees for the financial year ended 31 December 2021 ("FY2021") is intended to be delivered after the 2022 AGM has been held.

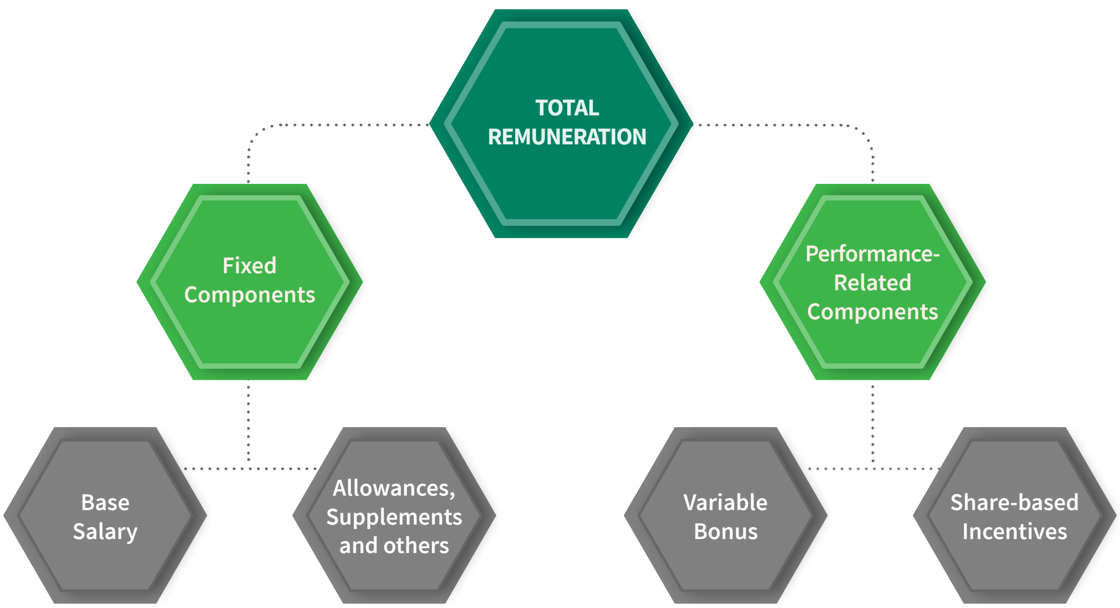
At the last AGM held on 23 April 2021, the shareholders of the Company approved the payment of directors' fees of up to S$1,800,000 for FY2021. The total directors' fees for FY2021 amounted to S$1,799,625.

For the financial year ending 31 December 2022 ("FY2022"), the Company will be seeking shareholders' approval at the forthcoming 2022 AGM for payment of directors' fees of up to S$2,250,000. Shareholders' approval is being sought for a higher amount of directors' fees for FY2022 mainly because of the inclusion of an all-in fee for the Deputy Chairman of the Board who was appointed in December 2021. Subject to shareholders' approval, the cash component of the directors' fees for FY2022 is intended to be paid half-yearly in arrears. The share component of the directors' fees for FY2022 is to be delivered after the 2023 AGM.

Remuneration for Senior Executives

The Company's remuneration and reward system for senior executives 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.

Remuneration for Senior Executives



The remuneration of the senior executives comprises three primary components:

Fixed Remuneration

Fixed remuneration includes annual basic salary, and where applicable, fixed allowances, an annual wage supplement and other emoluments. Base salaries of senior executives are determined by 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. There are provisions in the EVA incentive plan to allow for forfeiture of the outstanding balances in the bonus bank in exceptional circumstances of mis-statement of financial results or misconduct resulting in financial loss to the Company.

Share-based Incentives

Through the share-based incentives, the Company motivates senior executives to continue striving for the Group's long-term shareholder value. In addition, the share-based incentive plans aim to align the interests of participants with the interests of shareholders, so as to improve performance and achieve sustainable growth for the Company.

DISCLOSURE OF REMUNERATION

Principle 8
The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Information regarding the remuneration of each director (including the President & CEO) is set out on page 199 of the Annual Report 2021.

Key Management Personnel

The remuneration of the key management personnel comprises two primary components: fixed components and performance-related components.

The President & CEO, as an executive director, does not receive directors' fees and is remunerated as part of senior management. As a lead member of senior management, his compensation consists of his salary, allowances, bonuses and share-based incentives conditional upon meeting certain performance targets. Details on the share-based incentives and performance targets are available on pages 82 to 87 and page 199 of the Annual Report 2021.

The Company's top five key management personnel are as follows:

- Group Finance Director
- Head of Operations
- Head of Rigs & Floaters
- Chief Human Resource Officer
- Chief Risk Officer

The FY2021 aggregate remuneration of the above-mentioned executives, comprising cash and benefits received, is stated on page 199 of the Annual Report 2021.

In 2021, the Group continued to implement salary reductions in Singapore and its overseas companies. The President & CEO continued to volunteer a 50% pay cut, while senior management continued to take a 15% salary reduction. Middle management and the rest of the employees continued to take a 10% and 5% cut respectively. Those earning less than S$1,800 per month did not have any salary reduction. The salaries of all employees, save for the President & CEO, were reinstated from July 2021 onwards.

Share-based incentives were suspended for 2021.

Overall in 2021, the aggregate remuneration paid to the President & CEO and the top five key management personnel was 14% lower on a year-on-year basis.

No employee of the Group whose remuneration exceeded S$100,000 during FY2021 is a substantial shareholder of the Company or an immediate family member of either a director, the President & CEO or a substantial shareholder of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9
The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

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 BRC and AC respectively. Both committees work closely to ensure that the system of risk management and internal controls maintained by Management is adequate and effective.

BRC Responsibilities

The BRC comprises the following members, all of whom are independent directors:

- Mr Bob Tan Beng Hai (Chairman)
- Mr Eric Ang Teik Lim
- Mrs Gina Lee-Wan
- Mr Tan Wah Yeow

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

CORPORATE GOVERNANCE

RESPONSIBILITIES OF THE BRC

- Assess and ensure the adequacy and effectiveness of the Group's risk management systems, framework, policies, procedures and processes. Such review can be carried out internally and/or with the assistance of external parties
- Review 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/issues
- Review and endorse the Group's risk appetite and risk tolerance limits for approval by the Board and monitor their status (risks taken/accepted within set limits or otherwise, for which mitigation actions are to be provided) thereafter
- Review the adequacy and effectiveness of the Group's risk management and non-financial internal control systems, including operational, compliance and information technology controls

The Group has implemented an 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. Please refer to pages 70 to 75 of the Annual Report 2021 for more information on the Group's ERM programme.

The Group has put in place a Risk Governance and Assurance Framework ("RGAF") to assist the Board in forming an opinion on the adequacy and effectiveness of the system of risk management and internal controls. The RGAF takes a risk-based approach in identifying key risk areas as well as corresponding processes and controls. Assessment is done to ensure adequate and effective controls are designed to mitigate the risks.

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

Assurance to the Board

For FY2021, the Board has received assurances from:

(a) The President & CEO and Group Finance Director that as at 31 December 2021, the financial records were properly maintained and the financial statements gave a true and fair view of the Group's operations and finances; and

(b) The President & CEO and other responsible key management personnel regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

The Board is satisfied that the financial, operational, compliance and information technology controls and its risk management system were adequate and effective as at 31 December 2021 to meet the needs of the Group in the current business environment. The AC and BRC, having performed their reviews, concurred with the Board's opinion.

The opinion is supported by the following: Management's review and efforts to continuously strengthen the Group's risk-mitigating measures and internal controls; reports by the Internal Audit and Group Risk Management departments; statutory audits conducted by the external auditors; and documentation of the RGAF.

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

AUDIT COMMITTEE

Principle 10
The Board has an Audit Committee which discharges its duties objectively.

The AC is empowered and functions in accordance with the provisions of Section 201B of the Companies Act, the 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.

AC Appointments

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

- Mr Tan Wah Yeow (Chairman)
- Mr Patrick Daniel
- Mr William Tan Seng Koon
- Mr Koh Chiap Khiong

The AC currently does not comprise former partners or directors of the Company's existing auditing firm or auditing corporation who (a) ceased to be a partner or director for a prior period of less than two years; and in any case (b) have any financial interest in the auditing firm or auditing corporation.

The Board is of the view that the members of the AC (including the AC Chairman) collectively have the necessary accounting and related 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.

AC Responsibilities

The key responsibilities of the AC include:

Financial Reporting	Internal Controls	Internal Audit
• Review significant financial reporting issues and judgments so as to ensure the integrity of the Group's consolidated financial statements • Review the Group's consolidated financial statements and any related announcements • Assess and challenge, where necessary, the accuracy, completeness and consistency of the consolidated financial statements (both final and interim), before they are submitted to the Board for approval • Review the assurance certificate jointly provided by the President & CEO and Group Finance Director that the financial records have been properly maintained, the financial statements give a true and fair view of the Group's operations and finances, and that the Group's internal controls and risk management systems are adequate and effective	• Review with the external and internal auditors the adequacy of the Group's internal control systems 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 on internal controls, and the results of work performed by the internal and external auditors • Review and make amendments, when necessary, to the Whistleblowing Policy and Procedure adopted by the Company to address possible improprieties in financial reporting or other matters • 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	• Review and approve the Internal Audit Charter and related policies • Review and approve the audit plans • 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 the report on interested person transactions ("IPTs") prepared by the internal audit department • Meet 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 and to determine that no restrictions have been placed on them by Management • Review, at least annually, the independence, adequacy and effectiveness of the internal audit function

External Audit		Interested Person Transactions
• Review the audit plans of the external auditors • Review the statutory audit report prepared by the external auditors on the Group's full year consolidated financial statements and other reports relating to internal controls and Management's response and actions on any noted weaknesses • Review and assess annually that the external auditors' independence and objectivity are not impaired	• Review and approve (prior to engagement) the non-audit services provided by the external auditors, and provide a confirmation in the Group's annual report that it has undertaken a review of these non-audit services and that such services, if any, have not affected the independence of the external auditors • Recommend the appointment or re-appointment of the external auditors and their audit fees to the Board • Meet 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 have been placed on them by Management	• Review and approve, if so required, IPTs in accordance with the requirements of the Listing Manual and the IPT Mandate

CORPORATE GOVERNANCE

AC Procedures
During the year under review, the AC carried out its duties in accordance with its terms of reference. The AC met every quarter to review the financial statements, assess the relevance and consistency of the accounting principles adopted and examine the significant financial reporting issues and judgments, so as to obtain reasonable assurance as to the integrity and fairness of the financial statements. The AC Chairman reported all significant financial matters relating to the Group at every quarterly Board meeting.

The AC, through its quarterly meetings, reviewed and assessed the adequacy and effectiveness of internal control and risk management systems, based on updates by Management, internal auditors and external auditors on the Group's risk mitigation measures and internal controls.

The Company has complied with Rules 712 and 715 of the Listing Manual in relation to the appointments of auditing firms.

During the year under review, the AC reviewed all the non-audit services provided to the Group by KPMG LLP ("KPMG"), the Company's external auditors. The AC is satisfied that the independence of KPMG has not been impaired by the provision of these services. A breakdown of the fees for audit and non-audit services paid to KPMG for FY2021 can be found on page 154 of the Annual Report 2021.

The AC discussed key audit matters for FY2021 with Management and the external auditors. The AC concurred 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 pages 89 to 95 of the Annual Report 2021.

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

The Group has an Internal Audit department ("IAD") that provides independent assurance to the AC on the adequacy and effectiveness of risk management systems and internal controls. The Group's Head of Internal Audit ("HIA") reports functionally to the AC and administratively to the President & CEO. The AC decides on the appointment, termination and remuneration of the HIA.

The IAD comprises professionals with relevant qualifications and experience. The AC reviews the training and development opportunities provided to the IAD to ensure technical knowledge and skill sets remain current and relevant. The HIA has unfettered access to the AC and all of the Company's documents, records, properties and personnel, and has appropriate standing within the Company.

In line with leading practices, the IAD adopts the International Standards for the Professional Practice of Internal Auditing ("ISPPIA") set out by the Institute of Internal Auditors ("IIA"), and all staff members are expected to observe, apply and uphold IIA Code of Ethics at all times.

The IAD adopted a risk-based approach to develop an annual audit plan with a focus on key risks which was reviewed and approved by the AC. The reviews performed by the IAD are aimed at assisting the Board in promoting sound risk management, robust internal controls and good corporate governance, by assessing the design and operating effectiveness of controls that govern key business processes and risks identified in the Group's overall risk framework. Internal audit reports are reviewed and discussed at AC meetings.

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

Whistleblowing Policy
The Group has put in place a whistleblowing policy. This policy establishes various reporting channels through which concerns can be raised in confidence about possible improprieties in financial reporting or other matters such as suspected fraud, corruption, unethical practices or matters which may cause financial loss to the Group or damage the Group's reputation.

The AC oversees the Group's whistleblowing policy and has designated IAD to investigate whistleblowing reports made in good faith. All reasonable steps will be taken to protect the confidentiality and identity of every whistleblower, subject to legal or regulatory requirements. Whistleblowers who act in good faith will not be subject to any detrimental or unfair treatment. Any reprisal suffered shall be received, reviewed and investigated in the same manner as a whistleblowing report. The AC oversees the outcomes of independent investigations and ensures remedial actions are appropriate.

The whistleblowing policy is covered in the staff orientation programme on an ongoing basis.

SHAREHOLDER RIGHTS AND ENGAGEMENTS
Shareholder Rights and Conduct of General Meetings

Principle 11
The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Disclosure Policy
The Company is committed to disclose to shareholders, analysts and other stakeholders, via the SGXNet and the Group's corporate website, accurate and timely information that is material or which may influence the price of Sembcorp Marine's shares. The Company believes this practice is central to good corporate governance and enables shareholders to make informed decisions regarding their investments in Sembcorp Marine.

The results announcements provide information on the Company's financial and operational performance as a whole as well as by business segments. This allows shareholders to gain better insight into the drivers of the Group's earnings.

The earnings results are first released via SGXNet and posted on the websites of SGX-ST and Sembcorp Marine (www.sembmarine.com). Management then holds a briefing to address media and analyst queries on its full-year and half-yearly financial results.

In the spirit of upholding investors' confidence in the fairness and integrity of the securities markets, the Company does not practise selective disclosure of price-sensitive information.

Annual General Meetings

The Company invites and encourages all registered shareholders to participate in the Company's general meetings.

Each shareholder receives a notice of meeting which is also advertised in The Business Times as well as posted on the websites of SGX-ST and Sembcorp Marine. In 2021, due to COVID-19, the notice of meeting was sent to shareholders by electronic means via publication on the websites of Sembcorp Marine and SGX-ST.

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

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

The Board is cognizant of its responsibilities and stewardship to all shareholders. Together with the Board, the Group Finance Director, Company Secretaries and members of senior management are in attendance at all shareholders' meetings to permit direct engagements and communications with the shareholders.

In 2021, the Company held its AGM online pursuant to the COVID-19 (Temporary Measures)(Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "Order"). All directors, the Group Finance Director, the Company Secretaries, the members of senior management and the auditors of the Company attended the AGM either in person or online. Shareholders were requested to send their questions or queries to the Company prior to the AGM. The Company posted its responses to all substantial and relevant questions from shareholders on its website and SGXNet prior to the commencement of the AGM.

Shareholders exercised their voting rights in the 2021 AGM by appointing the Chairman of the meeting to cast their votes. The total number of votes cast for or against each resolution were tallied and displayed live on-screen to shareholders during the AGM webcast. The results were also announced after the meeting via SGXNet.

The Company publishes minutes of general meetings on both SGX-ST's and the Company's websites. The minutes record substantial and relevant comments or queries from shareholders, and responses from the Board and Management.

Dividends

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

For 2021, the Board adopted a prudent approach to conserving cash in light of the challenging business environment. As such, no interim and final dividends have been declared for FY2021.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12

The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

General meetings are the principal forum for dialogue with shareholders, who may raise questions or share their views regarding the proposed resolutions and the Company's business and affairs, prior to or during the events.

The Company has in place a comprehensive investor relations policy and programme which allow for ongoing exchange of views to actively engage and promote regular, effective and fair communication with investors and shareholders.

Investor Relations and Corporate Communications personnel are available by email or telephone to answer questions from shareholders, the media and analysts. Due care is exercised in the provision of responses with emphasis on compliance to SGX-ST's rules on fair disclosure.

Apart from attending Singapore conferences, conducting regular meetings, email communications and teleconferences with investors and analysts, the Group Finance Director, and the Head of Investor Relations also participate in overseas road shows and conferences to reach out to foreign institutional investors. Despite the restrictions on overseas travel in 2021 due to COVID-19, the Group continued to actively engage the global investment community through teleconferences, web meetings and virtual forums. More information on the Company's investor relations activities can be found on pages 48 to 51 of the Annual Report 2021.

CORPORATE GOVERNANCE

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement With Stakeholders

Principle 13

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Sembcorp Marine is committed to creating long-term value for stakeholders. The Group has in place established processes, policies and guidelines for proactive identification and engagement of stakeholders. The Company actively reaches out through diverse platforms and communication channels to build strong relationships with internal and external stakeholders across its global operations.

More details can be found in the Sustainability (Stakeholders Engagement) section of Sembcorp Marine's corporate website, the Sembcorp Marine Sustainability Report 2021, and pages 78 to 79 of the Annual Report 2021.

DEALINGS IN SECURITIES

The Company has in place a policy which prohibits dealings in the Company's securities during the blackout period by: its directors; members of the Senior Management Committee; and employees who are in possession of non-public price sensitive information in relation to the Group (collectively the "Officers"). This blackout period commences: (a) two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, and one month before the announcement of the Company's full-year financial statements (if the Company announces its quarterly financial statements); or (b) one month before the announcement of the Company's half-year and full-year financial statements (if the Company does not announce its quarterly financial statements).

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

The policy also discourages trading on short-term considerations. In advance of each blackout period, Corporate Secretariat sends notices on the policy requirements to the Officers and reminds them of their obligations under the insider trading laws.

INTERESTED PERSON TRANSACTIONS

Shareholders have approved the renewal of a general mandate for IPTs at the AGM on 23 April 2021. 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 units 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.

The IAD regularly reviews the IPTs entered into by the Group to verify the accuracy and completeness of the IPT disclosure and to determine whether the IPT reporting requirements under the SGX-ST listing rules have been adhered to. The report is submitted to the AC for review.

Detailed information on IPTs for FY2021 is found on page 200 of the Annual Report 2021.

MATERIAL CONTRACTS

Save as disclosed in the IPTs listed on page 200 and the related party transactions disclosed on page 161, no other material contracts involving the interests of any director or controlling shareholder had been entered into by the Company or any of its subsidiaries and no such contracts subsisted as at 31 December 2021.

Note: For completeness, the Sembcorp Marine Annual Report 2021 is to be read in conjunction with the Sembcorp Marine Sustainability Report 2021.

SUMMARY OF DISCLOSURES OF CODE OF CORPORATE GOVERNANCE 2018

This summary of disclosures describes Sembcorp Marine Ltd's corporate governance practices with specific reference to the disclosure requirements in the principles and provisions of the Code of Corporate Governance 2018.

Board Matters

The Board's Conduct of Affairs

Principle 1	Page reference in Annual Report 2021
Provision 1.1	Pages 52 and 53
Provision 1.2	Pages 53, 54 and 58
Provision 1.3	Page 53
Provision 1.4	Pages 53 to 55, 57 to 59 and 61 to 64
Provision 1.5	Pages 55, 56 and 58
Provision 1.6	Page 56
Provision 1.7	Page 56

Board Composition and Guidance

Principle 2	Page reference in Annual Report 2021
Provision 2.1	Pages 56 and 58
Provision 2.2	Pages 56 and 57
Provision 2.3	Page 56
Provision 2.4	Pages 56, 57 and 58
Provision 2.5	Pages 56 and 57

Chairman and Chief Executive Officer

Principle 3	Page reference in Annual Report 2021
Provision 3.1	Page 56
Provision 3.2	Pages 56 and 57
Provision 3.3	Page 57

Board Membership

Principle 4	Page reference in Annual Report 2021
Provision 4.1	Page 57
Provision 4.2	Page 57
Provision 4.3	Pages 57 and 58
Provision 4.4	Page 58
Provision 4.5	Page 58

Board Performance

Principle 5	Page reference in Annual Report 2021
Provision 5.1	Pages 56, 57 and 58
Provision 5.2	Page 58

Renumeration Matters

Procedures for Developing Renumeration Policies

Principle 6	Page reference in Annual Report 2021
Provision 6.1	Pages 58 and 59
Provision 6.2	Page 59
Provision 6.3	Pages 58 to 61
Provision 6.4	Page 59

Level and Mix of Remuneration

Principle 7	Page reference in Annual Report 2021
Principle 7.1	Pages 59, 60 and 61
Principle 7.2	Pages 59 and 60
Principle 7.3	Pages 59, 60 and 61

Disclosure on Remuneration

Principle 8	Page reference in Annual Report 2021
Principle 8.1	Pages 59 to 61 and 199
Principle 8.2	Page 61
Principle 8.3	Pages 84 to 87 and Page 199

Accountability and Audit

Risk Management and Internal Controls

Principle 9	Page reference in Annual Report 2021
Provision 9.1	Pages 61 and 62
Provision 9.2	Page 62

Audit Committee

Principle 10	Page reference in Annual Report 2021
Provision 10.1	Page 63
Provision 10.2	Pages 41, 42 and 62
Provision 10.3	Page 62
Provision 10.4	Page 64
Provision 10.5	Page 64

Shareholder Rights and Engagement

Shareholder Rights and Conduct of General Meetings

Principle 11	Page reference in Annual Report 2021
Principle 11.1	Page 65
Principle 11.2	Page 65
Principle 11.3	Pages 55 and 65
Principle 11.4	Page 65
Principle 11.5	Page 65
Principle 11.6	Page 66

Engagement with Shareholders

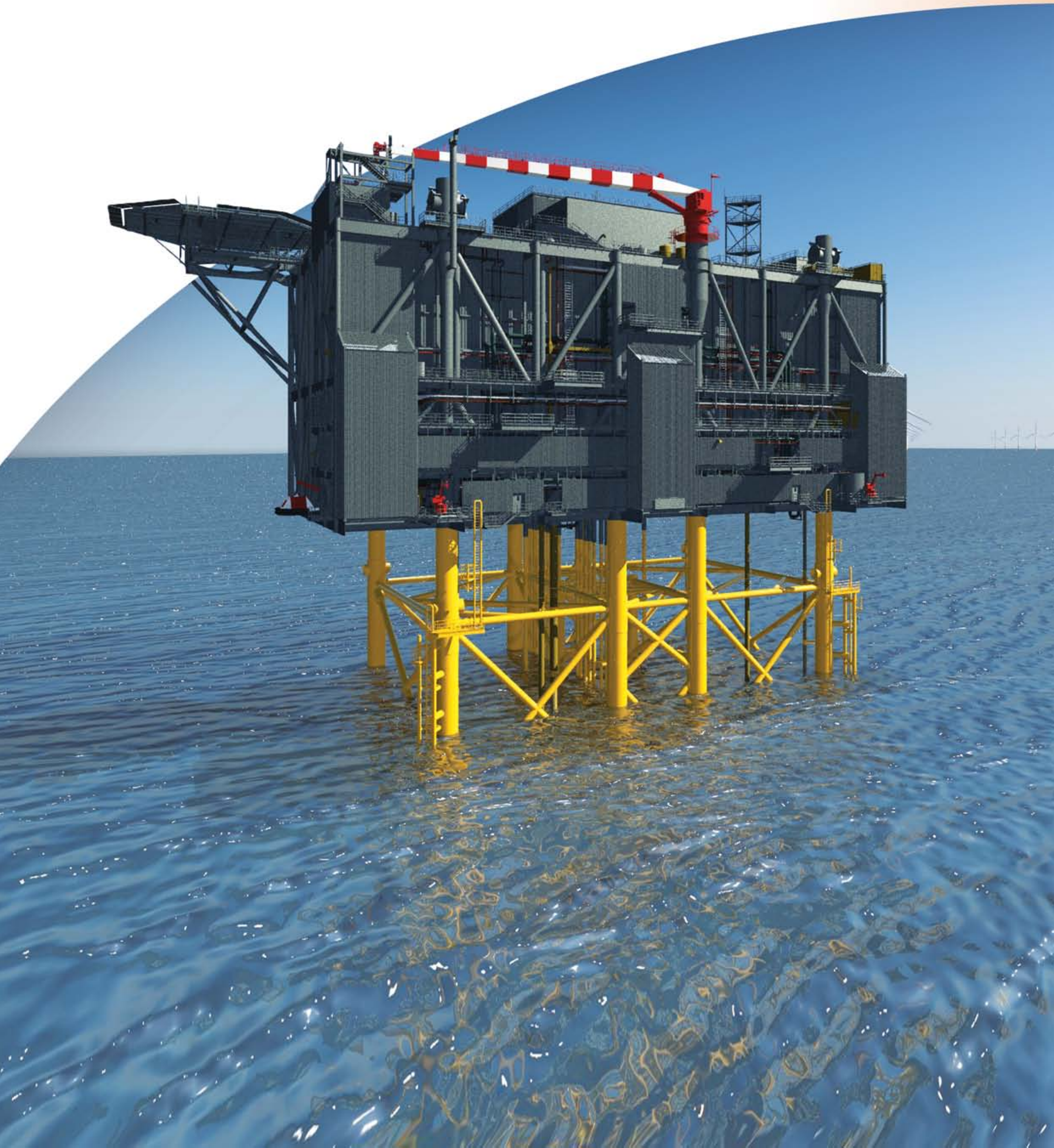
Principle 12	Page reference in Annual Report 2021
Principle 12.1	Pages 64, 65 and 66
Principle 12.2	Pages 64, 65 and 66
Principle 12.3	Pages 65 and 66

Managing Stakeholders Relationships

Engagement with Stakeholders

Principle 13	Page reference in Annual Report 2021
Principle 13.1	Page 66
Principle 13.2	Page 66
Principle 13.3	Pages 50 and 66

DISTINCT DIFFERENTIATION
FUTURE-READY CAPABILITIES



Sembcorp Marine brings distinct differentiation – deep R&D capabilities, domain expertise, proven track record and future-ready knowhow – to drive global diversification into cleaner, greener and renewable solutions.

Sembcorp Marine has proven capabilities in

providing leading-edge sustainable solutions

for the offshore, marine and energy industries. Our renewable and clean energy projects include a state-of-the-art Offshore Converter Platform for the Sofia Offshore Wind Farm and the world's first green ammonia-fuelled tanker for Grieg Edge.

RISK MANAGEMENT

The Group's Enterprise Risk Management (ERM) framework is designed and implemented to:

We identify and manage risks to enable management to deal effectively with uncertainties and the associated risks in pursuing business opportunities, thereby enhancing the resilience of the Group and its capacity to build value for stakeholders.

While risk management does not eliminate risks completely, it strives to ensure that risk-reward trade-off is well understood before decisions are made and that foreseeable outcomes are within Sembcorp Marine's risk appetite.

1 Impact of COVID-19 Pandemic

Volatile and uncertain economic conditions have become the new 'normal' for businesses operating in the global market. This is no exception for the Group. The challenges faced by the Group in FY2021 were real and severe. Due to the protracted effects of the COVID-19 pandemic, the Group encountered execution challenges associated with the pandemic, arising from shortages of skilled workers and supply chain constraints, which resulted in significant cost overruns.

1.1 IDENTIFY AND PRIORITISE RISKS TRIGGERED BY PANDEMIC

(i) Operational

The Group continued to face serious challenges in FY2021 as the COVID-19 pandemic persisted, including supply chain constraints and shortages of skilled workers which seriously affected its projects under execution. The Group took active measures to recruit from alternative sources to alleviate the shortage of skilled workers. This impacted the cost of execution.

(ii) Financial

Along with the project re-scheduling, the Group faces deferment in payments. This means a reduction in revenue receipts during the agreed period of deferment. In order to survive and recover, we had to generate cash. Our projects were our organic liquidity source. We identified liquidity risks for different project scenarios, including delayed cash inflow arising from delivery date extensions of various durations and the possibility of contract termination. During the reported period, the Group did not encounter any project cancellation. Nevertheless, the Group's near-term liquidity position was affected by higher negative operating cash flows, a reflection of lower revenue receipts and an increase in costs.

1.2 SPEEDY RESPONSE TO TRIGGERED RISKS

(i) Operational

Faced with the above challenges, the Group took active measures to improve project execution and demonstrated its operational resilience, flexibility and capabilities. In doing so, we worked in even tighter cooperation with customers and found a new rhythm to manage the pandemic and operation. The labour situation also stabilised during the fourth quarter to enable smoother execution of projects.

To mitigate project cancellation risks, the Group worked closely with our customers to reach mutually beneficial outcomes for project re-scheduling. This remains a key priority, together with the health and safety of our workers, customers, vendors and partners. We are pleased to report that there is no cancellation of any of the Group's existing projects to-date.

To minimise further delays to complete the projects, the Group actively sourced for skilled workers from alternative sources and worked with the relevant authorities to expedite their entry into Singapore. While the Group made good progress on this front, this resulted in increased manpower and other related costs to complete the Group's ongoing projects. On average, recruitment from the alternative sources cost more than twice that from the Group's usual sources. Despite the significant additional costs involved, these measures were imperative to ensure completion of our projects with minimum further delays to mitigate the risk of project cancellations.

The Group has made full provisions for these projected increases in labour costs, together with the associated re-scheduling of work, extra sub-contract work, additional material usage and other staff turnover related expenses in its FY2021 financial results.

We continue to work with the relevant authorities and the dormitory operators proactively to address any potential issues pertaining to COVID-19. The Group took steps to ensure food quality and safety for our workers and worked with our caterer to make improvements to the catered meals based on the workers' feedback. We remain fully committed to looking after the health, safety and living environment of our workforce.

With the gradual easing of COVID-19 measures following the roll out of vaccinations and boosters, completing ongoing projects became our foremost priority. To safeguard customer relationships, transparency and honesty were necessary. Together, we re-evaluated if existing contractual delivery dates were still feasible, whether customers could take deliveries as scheduled, if it was necessary to re-baseline projects, and whether contractual liquidated damages, payment refunds and other salient contractual terms were still reasonable given COVID-19 regulations and restrictions.

The Group successfully delivered five major projects in FY2021 and year-to-date in 2022. The Group also completed major conversions for several offshore gas facilities and delivered on some 144 vessels requiring repair, upgrade and maintenance. This has enabled resources to be freed up for other existing or new projects.

The Group remains focused on completing the remaining 12 ongoing projects with eight scheduled for completion in 2022 and the remainder from 2023 to 2025. The Group will continue to review relevant opportunities and grow its pipeline of orders and projects.

(ii) Financial

The Group has actively undertaken actions to reduce its monthly operational cash burn rate and carefully manage its working capital. We also deferred all non-essential capital expenditure and will incur only maintenance spending to ensure yard safety and operability.

The S$2.1 billion Rights Issue in 2020 raised S$0.6 billion net cash proceeds following repayment of the S$1.5 billion subordinated loan to Sembcorp as part of the de-merger. It became progressively evident that the impact of COVID-19 and the industry downturn has been more protracted than originally anticipated and hence the S$0.6 billion of net proceeds from the 2020 Rights Issue was insufficient.

In June 2021, Sembcorp Marine announced a S$1.5 billion renounceable underwritten Rights Issue aimed at addressing the immediate funding needs and to strengthen the Group's balance sheet and replenish temporary working capital depletion. The Rights Issue was successfully completed in September 2021. The enhanced liquidity position through the recapitalisation has enabled the Group to meet its ongoing operational funding requirement and fulfil its existing commitments.

A strengthened balance sheet will support our ongoing strategic expansion into the high-growth renewables and clean energy segments. It also means greater financial agility for Sembcorp Marine to seize opportunities and to respond to evolving market dynamics, to bid competitively for high-value and large-scale projects. We continue to keep our sights on our long-term strategic goals and pursuit.

RISK MANAGEMENT

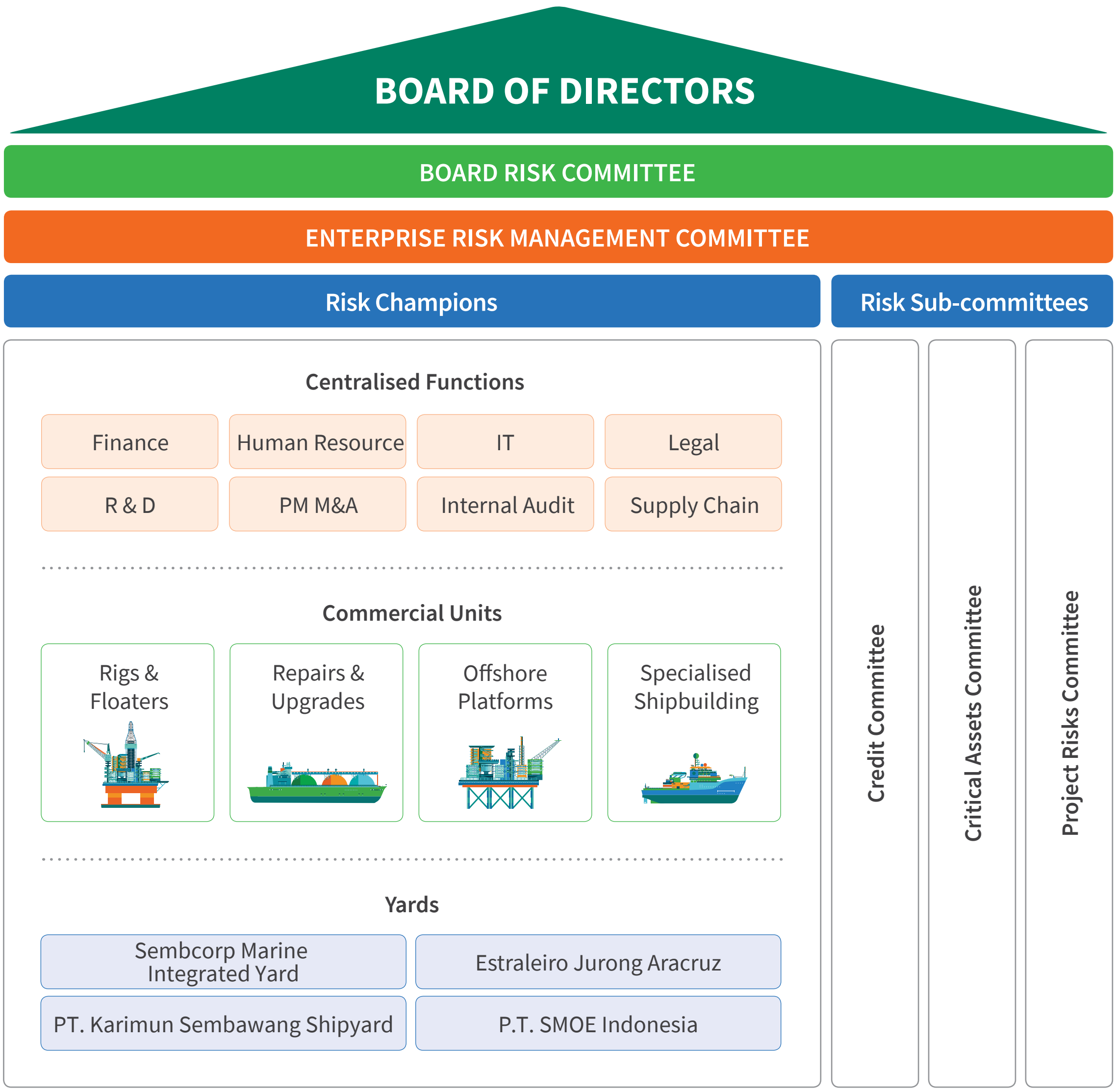
2

Our ERM foundational principles and our risk governance structure are unchanged. The core elements of our ERM programme (i.e. articulating core business drivers and strategic business initiatives, risk identification, assessment, response, communication and monitoring) are still applicable.

Our Board champions our risk culture by setting the tone and the direction for us to manage risks. Specifically, our Board determines the nature and tolerance levels of significant risks we can take to achieve our business objectives, provides oversight over the design, implementation and monitoring of risk management and internal control systems, and reviews the adequacy and effectiveness of these systems. Our Board delegates authority to the Board Risk Committee ("BRC") to fulfill its risk governance responsibilities.

The Group's President & CEO has overall responsibility for managing enterprise-wide risks. Guided by the Board's risk direction and approved policies, the President & CEO chairs the Enterprise Risk Management Committee ("ERMC") which drives risk programmes and manages risk issues. Supporting ERMC are Risk Champions and the various Risk Sub-committees for Credit, Critical Assets and Project Risks. Heads of Commercial Units and Yards are responsible for managing risks within their domains and ensuring that their respective risk management frameworks and systems comply with our ERM policy.

We integrate risk identification, assessment and mitigation with decision-making, resource allocation and timely communication. Top-level support and cross-functional collaboration in addressing audit concerns, identifying control issues and reporting of incidents ensure commitment to and consistency of approach in risk oversight.



Our risk appetite for identified key areas is articulated through the following broad statements:

Strategy & Growth	• Expand into new locations, businesses and products • Pursue opportunities and transactions that are consistent with overall strategy and core competencies • Achieve appropriate risk-reward balance through due diligence and other necessary risk management processes
Country Exposure	• Diversify business portfolio to mitigate exposures to adverse geopolitical macroeconomic and industry changes • For fixed asset investments, avoid exposure to high-risk and sanctioned countries and countries at war. Explore countries which have strategic growth potential • For projects, limit exposure in medium and high-risk countries, and in sanctioned countries where business can be conducted legally
Credit & Concentration	• Maintain a diversified portfolio of customers so that our concentration in respective credit rating tiers commensurate with our loss tolerance
Project Management	• Optimise resource planning and utilisation across portfolio of multiple projects • Level resource utilisation effectively across various projects so as to minimise costs and deliver quality projects safely and on time
Operational Risks	• Manage critical assets and IT infrastructure to ensure system availability and capacity to meet business requirements and to protect against natural and man-made threats, including cyber attacks • Minimise relationships with high-risk business partners and third-party vendors who provide critical services
Liquidity, Returns & Foreign Exchange	• Be well-positioned to meet liquidity requirements and service debts • Achieve target return on investment and generate minimum target of return for shareholders • Perform FX transactions using permitted hedging products and solely for hedging purposes without engaging in speculation
Human Capital Planning	• Build a motivated, productive and efficient workforce which is aligned to the Group's core values and ethical standards • Attract, develop and retain employees with relevant skill sets and competencies to meet the company's business needs and ensure leadership continuity
Health, Safety, Security & Environment	• Do not tolerate fatalities, adverse health or environmental impacts and security breaches arising from negligence or non-compliance with applicable HSSE regulations and standard operating procedures
Compliance, Brand & Reputation	• Comply with applicable laws and regulatory requirements in the countries where Group operates • Do not condone fraudulent and corrupt activities • Do not tolerate reputational damage or negative publicity • Invest in initiatives to promote brand, CSR values, engage stakeholders and reach out to community
ERM Maturity; Risk Culture	• Develop ERM capabilities and institutionalise best-in-class ERM programmes • Ensure employees understand risks associated with their business activities, and that they are accountable for operating within stipulated risk appetites

RISK MANAGEMENT

2021 Risk Management activities included the following:

RGAF & CSA SUBMISSIONS

Risk Governance and Assurance Framework (RGAF): Board of Directors opined on adequacy and effectiveness of the Group's system of risk management and internal controls, based on assurances from Management who performed self-assessment on control effectiveness and to remediate issues, and from Internal and External Audit teams who identified issues and weaknesses and recommended areas for improvement.

Control Self Assessments (CSA): Employees defined minimum acceptable controls in their work activities, periodically assessed their compliance with key controls, highlighted non-compliances, deviations or control weaknesses, and developed corresponding action plans to address them so that process objectives can be met.

- Held Risk Champions Workshop/Annual ERM Refresher Training for the organisation's senior and middle management.
- Held CSA Workshops with Risk Champions, Commercial Units, Yards and Corporate Services process and control owners.
- Developed Risk Management e-training module.

TREASURY UPDATES

Treasury Tracking: The Group Treasury Department presented the following to the Board Risk Committee on a regular basis:
- key drivers affected Group FX exposures,
- translation of foreign currency investments, FX forwards mark-to-market valuation, and transactional exposure from project cash flows, asset inventories and committed capex, and
- Group Value at Risk (VaR) status vis-à-vis Group VaR limit (via dashboard with alert status) for various VaR levels and corresponding required follow-up.

FX Tickets:
Chief Risk Officer (CRO) also verified and signed off FX deal ticket, providing additional scrutiny in accordance with the Group's FX hedging procedure.

RISK APPETITE STATEMENT DASHBOARD

Risk Management monitored each major risk type, reviewed and updated its corresponding metrics, tolerance ranges and limits for early warning of potential breach incidences and driving mitigation actions.

HSE UPDATES

The Group's activities embedded health, safety, security, environmental and quality requisites to provide a safe, secure and healthy workplace for employees, contractors, suppliers and stakeholders by preventing accidents, injuries, occupational illness, and minimise environmental impact of the Group's operations.

PARTICIPATED IN FX AND SUSTAINABILITY COMMITTEES

FX Committee:
The CRO, as a member of the FX Committee, reviewed FX policies, approved hedging plans, and monitored VaR exposures.

Sustainability Committee:
The CRO, as the leader of the Governance working team of the Group's Sustainability programme and Sustainability Council member, researched best practices, developed methodologies, identified emerging sustainability issues, and oversaw implementation progress of mitigation plans.

UPDATE OF RISK MANAGEMENT POLICIES AND COMPOSITION OF RISK SUB-COMMITTEES

Risk Management reviewed and updated policies, including Enterprise Risk Management Policy, Internal Control Policy and Procedures, Risk Appetite Statements (RAS), Tolerance Metrics and Limits. The updated polices were uploaded in the Group's corporate repository and disseminated to relevant stakeholders.

Established and formalised new policies, i.e. Credit Committee (CC) Terms of Reference (TOR), Risk Reporting Policy, Enterprise Risk Management Committee (ERMC) TOR, and Project Risk Management Committee (PRMC) TOR.

Refreshed composition of Risk-related management committees so that members have relevant and diverse expertise to enrich committees' deliberations and discharge committee's duties expeditiously.

PARTNER WITH COMPLIANCE DEPARTMENT

As part of 2021 Risk Work Plan, Risk Management:

- partnered Compliance Department to maintain conformance with ISO Anti-bribery Management System requirements.
- worked with Compliance Department to roll out a risk-based due diligence framework.

BUSINESS CONTINUITY MANAGEMENT

Risk Management analysed gaps *vis-a-vis* ISO 22313 so as to align existing Business Continuity Management programme with internationally accepted standards on preparing for, responding to and recovering from disruptive incidents when they arise.

MONITOR CUSTOMERS' CREDIT RATINGS AND SIGNIFICANT OUTSTANDING DEBTORS

The Credit Committee assessed obligor's creditworthiness using salient quantitative and qualitative criteria so as to facilitate clear credit underwriting, prudent transaction structuring and effective portfolio management.

Key initiatives:

- monitored customers' creditworthiness and payment ability;
- implemented remedial measures for collecting arrears;
- reviewed likely payment outcomes; and
- reviewed and updated Group Credit Policy by Finance and Credit Committee members.

Facilitated requirements of Group Credit Policy which include sieving out customers that are not creditworthy, protecting Group against excessive credit exposures, and ensuring that credit risks that the Group accepts have been deliberated and are consistent with the Group's risk appetite.

PROJECT APPROVAL PAPERS

Risk Management vetted approval papers which use a template that compelled rigorous analysis of all relevant aspects of the proposed projects, and organised evaluations and supporting details in a reader-friendly manner.

Template initiated by Risk Management emphasised concise and coherent writing and allows approvers to focus on critical deal points.

CONDUCT 2021 BIENNIAL RISK SURVEY

The Risk Survey is a biennial exercise conducted to gather feedback from employees, management and Board on Risk Management-related initiatives in SCM. The following are the key objectives of the survey:

- Assess the awareness and perception of management and employees of ERM effectiveness in SCM.
- Evaluate the Risk Culture through the three pillars of Awareness, Perception and Behaviour.
- Evaluate the Risk Maturity through various risk elements to identify strengths and areas of improvement, and to take action on them.
- Understand the effectiveness of Risk Management initiatives in raising the profile of risk management in SCM.

COMPLIANCE

COMPLIANCE

Compliance risk is the risk arising from the violation of, or non-conformance with, local or cross-border laws, rules and regulations. Failure to comply with laws, rules and regulations can result in increased reputational and legal risks as well as enforcement and regulatory proceedings.

Compliance risk includes conduct risk, which is the risk that Sembcorp Marine's employees or business partners may (intentionally or through negligence) harm stakeholders as well as the Group.

Extensive compliance requirements can result in increased reputational and legal risks. Failure to comply with regulations and requirements can result in enforcement and/or regulatory proceedings.

Ongoing implementation of regulatory changes and increasing compliance requirements can increase Sembcorp Marine's compliance costs.

The primary goals of Sembcorp Marine's Regulatory Compliance are to:

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

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

- Communicate a strong culture of compliance, control and ethical conduct;
- Identify compliance risks (viz. anti-money laundering, anti-bribery & anti-corruption, counter-terrorism financing, politically exposed person, crimes and others);
- Stipulate risk assessments required and set the standards for these requirements;
- Identify regulatory changes, as well as assess and address the impact;
- Perform compliance assurance activities to oversee adherence to applicable requirements;
- Provide policies, procedures and other documentation that set the standards for employees and business partners, and oversee the application of those standards;
- Provide training to support effective execution of roles and responsibilities relating to the identification, control, reporting and escalation of matters linked to compliance regulatory risks;
- Inform the Board and designated committees on the effectiveness of the processes and standards implemented to manage compliance regulatory risks; and
- Escalate to the Board any actual or likely violation of law, regulation, policy or significant compliance risk, and take reasonable action to see that the matter is appropriately identified, tracked and resolved, including the issuance of corrective action plans.

Compliance Structure

Sembcorp Marine established a dedicated in-house Compliance Department in 2019 to enhance and complement the existing Enterprise Risk Management (ERM) programme managed by the Risk Management Department.

The Compliance Department focuses on regulatory Compliance work. The Head of Compliance reports to the President & CEO and has direct access to the Board on Compliance matters. The Compliance Department supports senior management and the Board in fulfilling oversight responsibility for the Sembcorp Marine's compliance and ethics programs, policies and procedures.

The Group also established a Compliance Committee. Comprising the senior management of Sembcorp Marine, the committee takes the lead to drive Compliance matters of the organisation. The role of the Compliance Committee is to promote a culture of Compliance in the Group and to ensure that its activities are conducted in accordance with national and international laws and regulations that are being implemented across the globe.

Compliance Framework

The Compliance Framework covers the following:

- Compliance culture;
- Compliance policies and procedures;
- Codes of Conduct;
- Compliance processes;
- Compliance risk assessment, monitoring, testing and remediation;
- Compliance training and communication;
- Whistleblowing; and
- ISO 37001 certification.

Compliance Culture

Sembcorp Marine aspires to continuously build and strengthen a culture of compliance, control and ethical conduct across the Group.

As part of Sembcorp Marine's strict stance of zero tolerance towards anti-bribery and anti-corruption, we implemented initiatives to promote Compliance awareness amongst our employees, business partners and stakeholders.

Our employees are reminded of our Compliance commitments via our annual refresher training on our in-house online e-learning platform.

Compliance Policies, Procedures

Sembcorp Marine's Compliance Department develops and maintains all compliance-related policies and procedures, including anti-bribery, anti-money laundering, fraud, corporate gifts, hospitality, donations, sponsorships, conflict of interest and appointment of third party representatives. These are reviewed periodically, to ensure that they are updated and compliant with applicable laws, rules and regulations. These policies and procedures apply across the board to all business units within Sembcorp Marine.

Codes of Conduct

Sembcorp Marine has strict Codes of Conduct:

The **Code of Business Conduct** applies to every Director and employee in Sembcorp Marine, its subsidiaries and joint venture companies where Sembcorp Marine exercise management control. It also applies to Business Partners and Third Parties engaging in business transactions with and on behalf of Sembcorp Marine. All are required to respect and act consistently with the Code of Business Conduct in the performance of any contracts entered into with Sembcorp Marine.

Code of Business Conduct include fairness and opportunity, protection of information and data integrity, insider trading, gifts and entertainment, conflict of interest, bribery and corruption, competition and anti-trust laws and international trade controls, money laundering prevention, political contributions and contributing to our communities.

The **Employee Code of Conduct** applies to all employees, who are required to be familiar with the Code and to comply strictly with the principles and guidelines contained therein. Importantly, it requires all employees to carry out their duties and responsibilities to the highest degree of personal and corporate integrity. The Employee Code of Conduct sets out the principles and guidelines governing legal and ethical conduct when conducting business, personal conduct at the workplace, conflict of interests and prohibitions against bribery and corruption, amongst others. Disciplinary actions, including suspension or termination of employment, will be taken in the event that an employee is found to have violated the Employee Code of Conduct.

The **Supplier Code of Conduct** applies to all key suppliers, vendors and subcontractors of Sembcorp Marine and its affiliated companies. The Supplier Code of Conduct was developed to integrate sustainability into our supply chain management and procurement process. The areas covered includes the adoption of socially responsible practices and meeting the necessary standards with respect to human rights, labour management, social responsibility, occupational health and safety, security, environmental sustainability and business ethics.

The Guide to the Code of Business Conduct

The Guide was published at Sembcorp Marine's website to provide a comprehensive overview which highlights the key points in the Code of Business Conduct. It is periodically reviewed and updated. Our Business Partners and Third-Party Representatives are to read and comply with the standards and guidelines laid out in the Guide.

Compliance Processes

As part of our annual review, we have improved our due diligence process for all third-party representatives who represent Sembcorp Marine in business dealings by conducting compliance screening checks and requiring them to provide a statement of compliance. We will continually monitor and review the effectiveness of the process for further enhancements.

Compliance Risk Assessments, Review and Monitoring

Periodic risk assessments are carried out to ensure the continued effectiveness of the compliance policies and procedures, taking into account relevant developments and circumstances and to regularly address and update compliance risks and policies.

Independent internal and external audits review the effectiveness of the Compliance programmes.

Compliance Training and Communication

The Group continued with the e-learning training programme which was initiated for all directors and management employees in 2020. The content of the training covers the key compliance policies and employees are required to pass the assessments at the end of the training to complete the training. Non-management employees will be briefed periodically during their regular meetings in the course of their work activities. Employees are also required to declare any potential conflicts of interests upon hiring and at any time when there is a change in conditions.

Whistleblowing Policy

Sembcorp Marine's Whistleblowing policy encourages the reporting by any person on any possible improprieties in matters of financial reporting, suspected bribery or corruption, misconduct or violation of Sembcorp Marine's Code of Conduct and policies. The channels of reporting are clearly defined and reports can be made in confidence and without fear of retaliation.

ISO Certification

Sembcorp Marine was ISO 37001 certified in October 2019 and successfully completed the second Surveillance Audit in September 2021.

Sembcorp Marine's Brazil yard, Estaleiro Jurong Aracruz, embarked on the ISO 37001:2016 certification process and achieved the certification on 4 February 2021.

OUR SUSTAINABILITY

Sembcorp Marine is committed to advancing environmental sustainability and social growth while achieving business excellence and high standards of governance across our operations and value chain. With a clear focus on our Vision 2030 targets, we actively champion maritime decarbonisation, ocean sustainability and social causes, while operating a responsible, resilient and sustainable business, to create long-term value for our stakeholders and our communities.

SUSTAINABILITY VISION 2030

Contribute to Decarbonisation

40%
of our annual company turnover to be generated from sustainable solutions

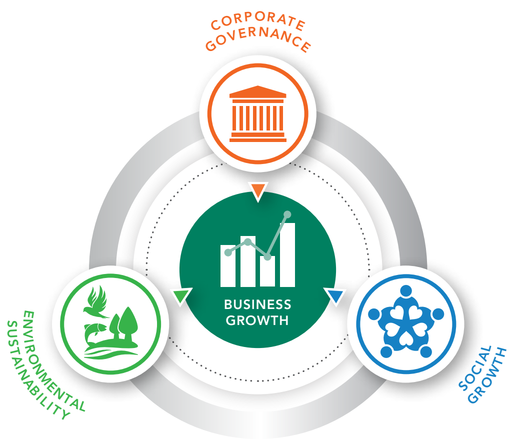
Mitigate Impact on Climate, Ocean & Earth

40%
reduction of our carbon emissions (Scope 1 & 2) from 2008 levels

Advance Social Growth

Positive impact
on our communities, stakeholders and people through corporate social care programmes

APPROACH TO SUSTAINABILITY



OUR KEY SUSTAINABILITY DIMENSIONS


Decarbonisation


Ocean Sustainability


Digitalisation


Social Growth

ALIGNMENT TO UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

OUR MATERIAL ISSUES – 2021 PERFORMANCE SUMMARY

INNOVATION & SUSTAINABLE SOLUTIONS

- Achieved 30% of annual company turnover from sustainable solutions
- Continue to boost innovation development in decarbonisation and emerging technologies

CUSTOMER ALIGNMENT

- Maintained 100% compliance with product safety and health
- Achieved 98% customer satisfaction for repair and upgrading projects
- Continued to protect customers' data

ENVIRONMENTAL SUSTAINABILITY

- No significant fines arising from non-compliance with environmental laws and regulations
- 100% contracted procurement spend in compliance with Sembcorp Marine's Codes of Conduct
- Continuing efforts towards ISO 50001 Energy Management System certification
- Achieved a total installed solar panel capacity of 6.97MWp

HUMAN CAPITAL

- Total investment in global employee training and development was S$1.08 million, equivalent to 0.25% of total payroll
- Achieved 32.8 training hours per employee globally

TOTAL WORKPLACE SAFETY & HEALTH

- Accident Frequency Rate, Accident Severity Rate and Workplace Injury Rate at 0.53, 8.39 and 148.36 respectively

COMMUNITY ENGAGEMENT

- Invested S$3 million in community programmes
- More than 3,000 hours contributed by staff in community programmes and volunteering activities

BUSINESS INTEGRITY

- Active engagement with governance bodies and sustainability agencies
- Maintained 100% compliance with codes of conduct by employees and suppliers
- No material incident of non-compliance
- 100% compliance with anti-competitive behaviour, anti-trust and monopoly policies

SUSTAINABILITY REPORTING

Since FY2011, Sembcorp Marine has been providing sustainability disclosures and reporting its economic environmental, social and governance (EESG) performance through its sustainability report, in accordance with the Global Reporting Initiative (GRI) Standards: Core Option.

Reflecting our continuous commitment to sustainability, our 2021 Sustainability Report is published as a standalone publication for the third consecutive year. This year, we continued to broaden the scope of our EESG disclosures by adopting the Sustainability Accounting Standards Board (SASB) framework to guide our reporting for the first time, in addition to alignment with the Task Force on Climate-related Financial Disclosures (TCFD), United Nations Sustainable Development Goals (UN SDGs), and the Sustainability Reporting Guidance for the Oil and Gas Industry issued by IPIECA, the American Petroleum Institute (API) and the International Association of Oil & Gas Producers (IOGP).

This is the fifth year we have engaged PricewaterhouseCoopers LLP to undertake an assurance of selected sustainability information in our report. The assurance engagement was performed in accordance with the Singapore Standard on Assurance Engagements (SSAE) 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information and, in respect of the greenhouse gas emissions, in accordance with SSAE 3410 – Assurance Engagements on Greenhouse Gas Statements.

APPROACH TO SUSTAINABILITY

The Group's sustainability strategy focuses on four key EESG pillars: Business Growth, Environmental Sustainability, Social Growth and Corporate Governance. Our sustainability programmes are aligned with 11 UN SDGs and other international frameworks that are relevant to our business.

As part of our Sustainability Vision 2030, we aim to contribute to the decarbonisation goals of our customers and the industries we operate by growing our sustainable solutions to 40% of turnover; as well as reduce our environmental impact by cutting our Scope 1 and 2 emissions by 40% compared with 2008 levels. We will also continue to advance social growth in our communities and operate a operate a resilient and sustainable responsible business to create long-term value for our stakeholders.

SUSTAINABILITY PERFORMANCE

The Group's efforts in championing sustainability have received recognition from the Maritime and Port Authority of Singapore which conferred Sembcorp Marine the inaugural Sustainability Award at the Singapore International Maritime Awards 2021. Our performance on the seven material issues identified under our sustainability framework are summarised above. For more information on our sustainability performance and targets, please see pages 6 and 7 of our 2021 Sustainability Report.

Scan here to view our Sustainability Report

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2021

We are pleased to submit this annual report to the members of Sembcorp Marine Ltd (the "Company" and including its subsidiaries, the "Group") together with the audited financial statements for the financial year ended 31 December 2021.

In our opinion:

(a) the financial statements set out on pages 97 to 198 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act 1967 (the "Act"), Singapore Financial Reporting Standards (International) and International Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors ("the Board") 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
Yap Chee Keong	Deputy Chairman (Appointed on 8 December 2021)
Wong Weng Sun	President and CEO
Eric Ang Teik Lim	
Bob Tan Beng Hai	
Gina Lee-Wan	
William Tan Seng Koon	
Patrick Daniel	
Tan Wah Yeow	
Koh Chiap Khiong	

Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act 1967, 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 its 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/ date of appointment/ 03/11/2021	At end of the year	At 21/01/2022	At beginning of the year/ date of appointment/ 03/11/2021	At end of the year	At 21/01/2022
Tan Sri Mohd Hassan Marican							
Sembcorp Marine Ltd	Ordinary shares (Note 1)	5,076,926	9,694,126	9,694,126	–	–	–
Singapore Airlines Limited	Debenture - 3.13% Notes due 2026	$250,000	$250,000	$250,000	–	–	–
CapitaLand Treasury Limited	Debenture - 4.076% Notes due 20 Sep 2022	US$200,000	US$200,000	US$200,000	–	–	–
Yap Chee Keong							
Sembcorp Marine Ltd	Ordinary shares	897,485	897,485	897,485	–	–	–
Olam International Ltd	Ordinary shares	128,571	128,571	128,571	–	–	–
Astrea IV Pte Ltd	Debenture - Bond due 14 June 2028	$250,000	$250,000	$250,000	–	–	–
Astrea VI Pte Ltd	Debenture - Bond due 18 March 2031	$30,000	$30,000	$30,000	–	–	–
Ascott Residence Trust	Debenture	$250,000	$250,000	$250,000	–	–	–

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2021

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/ date of appointment/ 03/11/2021	At end of the year	At 21/01/2022	At beginning of the year/ date of appointment/ 03/11/2021	At end of the year	At 21/01/2022
Wong Weng Sun							
Sembcorp Marine Ltd	Ordinary shares	22,786,940	25,425,714	25,425,714	–	–	–
	Conditional award of 481,000 performance shares to be delivered after 2020 (Note 2)	Up to 721,500	–	–	–	–	–
	Conditional award of 181,000 restricted shares to be delivered after 2018 (Note 3)	9,654	–	–	–	–	–
	Conditional award of 233,000 restricted shares to be delivered after 2018 (Note 4)	23,300	–	–	–	–	–
Eric Ang Teik Lim							
Sembcorp Marine Ltd	Ordinary shares	49,110	340,500	340,500	–	–	–
CapitaLand Investment Limited	Ordinary shares	135,000	135,000	135,000	–	–	–
Singapore Airlines Limited	Ordinary shares	7,000	7,000	7,000	–	–	–
Singapore Telecommunications Limited	Ordinary shares	55,130	55,130	55,130	–	–	–
Astrea VI Pte Ltd	Debenture - Astrea V13% B310318	$20,000	$20,000	$20,000	–	–	–
Mapletree Commercial Trust Treasury Co Pte Ltd	Debenture - 3.28%	$250,000	$250,000	$250,000	–	–	–
Mapletree Treasury Services Ltd	Debenture - 3.95%	$250,000	$250,000	$250,000	–	–	–
Singapore Airlines Limited	Debenture - SIA 3.035% 250411	$250,000	$250,000	$250,000	–	–	–
Temasek Financial (IV) Private Limited	Debenture - 2.7% 231025	$12,000	$12,000	$12,000	–	–	–
Bob Tan Beng Hai							
Sembcorp Marine Ltd	Ordinary shares	1,450,200	3,933,000	3,933,000	–	–	–
Gina Lee-Wan							
Sembcorp Marine Ltd	Ordinary shares	1,032,000	2,791,800	2,791,800	–	–	–
William Tan Seng Koon							
Sembcorp Marine Ltd	Ordinary shares	897,600	1,652,800	1,652,800	–	–	–
Astrea VI Pte Ltd	Debenture - Astrea VIB 310318	$15,000	$15,000	$15,000	–	–	–
Singapore Airlines Limited	Ordinary shares	14,500	14,500	14,500	–	–	–
SIA Engineering Company Limited	Ordinary shares	131,619	131,619	131,619	–	–	–
Singapore Telecommunications Limited	Ordinary shares	26,941	26,941	26,941	–	–	–
CapitaLand Investment Limited	Ordinary shares	5,000	5,000	5,000	–	–	–
Patrick Daniel							
Sembcorp Marine Ltd	Ordinary shares	555,000	1,613,800	1,613,800	–	–	–

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/ date of appointment/ 03/11/2021	At end of the year	At 21/01/2022	At beginning of the year/ date of appointment/ 03/11/2021	At end of the year	At 21/01/2022
Tan Wah Yeow							
Sembcorp Marine Ltd	Ordinary shares	426,600	1,304,200	1,304,200	–	–	–
Koh Chiap Khiong							
Sembcorp Marine Ltd	Ordinary shares (Note 5)	5,110,070	7,110,474	7,110,474	–	–	–
Singapore Telecommunications Limited	Ordinary shares	22,750	22,750	22,750	–	–	–
Astrea IV Pte Ltd	Debenture - Bond due 14 June 2028	S$250,000	S$250,000	S$250,000	–	–	–

Note 1: The shares are held in the name of Credit Suisse AG Singapore.

Note 2: The actual number delivered will depend on the achievement of set targets over a 3-year period from 2018 to 2020. 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. For this period, 105,820 shares were released under the award on 20 August 2021.

Note 3: The actual number to be released will depend on the achievement of set targets at the end of 2-year performance period from 2017 to 2018. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered. For this period, 9,654 shares (the final release of 1/3 of the 28,960 shares) were vested under the award on 20 August 2021. The 1st and 2nd release of 9,653 shares each have been vested on 15 October 2019 and 29 June 2020.

Note 4: The actual number to be released will depend on the achievement of set targets over one financial year performance period from 1 January 2018 to 31 December 2018. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered. For this period, 23,300 shares (the final release of 1/3 of the 69,900 shares) were vested under the award on 20 August 2021. The 1st and 2nd release of 23,300 shares each have been vested on 15 October 2019 and 29 June 2020.

Note 5: The shares are held in the name of Citibank Singapore Limited and 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 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 2022.

Except as disclosed under the "Share-based Incentive Plans" section of this statement, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except as disclosed in Notes 27(a) and 37(b) to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2021

Share-based Incentive Plans

Following the expiry of the Company's 2010 Performance Share Plan ("SCM PSP 2010") and Restricted Share Plan ("SCM RSP 2010"), the Company's 2020 Performance Share Plan ("SCM PSP 2020") and Restricted Share Plan ("SCM RSP 2020") (collectively, the "2020 Share Plans") were approved and adopted by the shareholders at the Annual General Meeting of the Company ("AGM") held on 20 May 2020.

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:

Eric Ang Teik Lim	Chairman
Tan Sri Mohd Hassan Marican	
William Tan Seng Koon	
Patrick Daniel	

The SCM RSP 2020 is the incentive scheme for directors and employees of the Group whereas the SCM PSP 2020 is aimed primarily at key executives of the Group.

The 2020 Share Plans have substantially the same terms as the 2010 Share Plans, save for the introduction of the new malus and clawback rights, the reduction in the limit on the number of shares which may be delivered pursuant to awards granted under the new share plans, amendments to take into account the changes to relevant legislation and the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual"), and changes to streamline and rationalise certain other provisions.

Malus and Clawback Rights. The grant of each award, each release of shares, and each payment in lieu of shares which would otherwise have been released to the participant under the new share plans is subject to, and conditional upon, the Company's malus and clawback rights provided in the new share plans. Under these provisions, if certain exceptional circumstances occur in relation to a participant, the Committee can cancel all or part of any award to the extent not yet released, and exercise the right of clawback ("Clawback Right") in respect of shares which were released ("Released Shares") within the clawback period ("Clawback Period"), which is six years prior to the date on which the Committee makes the determination to exercise the Clawback Right ("Clawback Determination Date").

Number of Shares. The total number of shares which may be delivered pursuant to awards granted under the new share plans on any date, when added to the total number of new shares allotted and issued and/or to be allotted and issued, issued shares (including treasury shares) delivered and/or to be delivered, and shares released and/or to be released in the form of cash in lieu of shares, pursuant to awards granted under the new share plans, shall not exceed 5% of the total number of issued shares (excluding treasury shares and subsidiary holdings) on the date preceding the date of the relevant award. In contrast, the previous share plans provided for a maximum limit of 7% of the Company's issued shares (excluding treasury shares) on the date preceding the date of the relevant award. The Company is of the view that the reduced maximum limit of 5% will provide the Company with adequate means and flexibility to grant awards as incentive tools in a meaningful and effective manner to encourage staff retention and to align participants' interests more closely with those of shareholders.

The 2020 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 2020 Share Plans will strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives.

The SCM RSP 2020 is intended to apply to a broad base of senior executives as well as to the non-executive directors, while the SCM PSP 2020 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 2020 and the SCM PSP 2020 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

The 2020 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 2020 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 2020 Share Plans aim to foster a greater ownership culture within the Group which will align the interests of participants with the interests of shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment.

The 2020 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 2020 Share Plans will be effective tools in motivating key senior management and senior executives to strive to deliver long-term shareholder value.

Share-based Incentive Plans (Cont'd)

While the 2020 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 2020 Share Plans will be determined at the sole discretion of the Committee. In considering an award to be granted to a participant, the Committee may take into account, *inter alia*, the participant's performance during the relevant period, and his capability, entrepreneurship, scope of responsibility and skill set.

Other information regarding the 2020 Share Plans is as follows:

(a) Performance Share Plan

Under the SCM PSP 2020, the awards granted conditional on performance targets are set based on medium-term corporate objectives at the start of each rolling three-year performance qualifying period. A specific number of performance shares shall be awarded at the end of the three-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset.

Award granted in 2020 onwards

In 2020, following the review of the performance targets, the performance levels will be calibrated based on Return on Invested Capital, Total Shareholder Return and Revenue Realised. For awards granted in 2020 and onwards, both market-based and non-market-based performance conditions are taken into account.

A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Performance shares to be delivered will range between 0% to 150% of the conditional performance shares awarded.

To create alignment between senior management and other employees at the time of vesting, both SCM PSP 2020 and SCM RSP 2020 have in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2021 to 2023 will be vested to the senior management participants only if the threshold targets of restricted shares are met in at least two out of three of the performance period 2021 to 2023 subject to the achievement of the performance conditions for the respective performance periods.

However, in 2021, no performance shares were awarded to senior management.

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:

		Movements during the year			
Performance Shares participants	**At 1 January**	**Conditional performance shares awarded**	**Performance shares lapsed arising from targets not met**	**Conditional performance shares released**	**At 31 December**
2021					
Director of the Company					
Wong Weng Sun	481,000	–	(375,180)	(105,820)	–
Key executives of the Group	687,000	–	(535,860)	(151,140)	–
	1,168,000	–	(911,040)	(256,960)	–
2020					
Director of the Company					
Wong Weng Sun	1,031,000	–	(550,000)	–	481,000
Key executives of the Group	1,587,000	–	(900,000)	–	687,000
	2,618,000	–	(1,450,000)	–	1,168,000

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2021

Share-based Incentive Plans (Cont'd)

(a) Performance Share Plan (Cont'd)

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2018 to 2020 (2020: performance period 2017 to 2019), there were 256,960 (2020: nil) performance shares released.

In 2021, there were 911,040 (2020: 1,450,000) performance shares that lapsed for under-achievement of the performance targets for the performance period 2018 to 2020 (2020: performance period 2017 to 2019).

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 2021, was nil (2020: 1,168,000). Based on the multiplying factor, the actual release of the awards as at 31 December 2020 could range from zero to a maximum of 1,752,000 performance shares.

(b) Restricted Share Plan

Award granted in 2020 onwards

Under the Restricted Share Plan, the awards granted conditional on performance targets will be set based on corporate objectives at the start of the one-year performance qualifying period. Previously, the performance criteria for the SCM RSP 2010 were calibrated based on Earnings before Interest and Taxes. SCM RSP 2020 will be calibrated based on Earnings before Interest and Taxes and Return of Capital Employed.

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 senior management and managerial participants of the Group will be awarded restricted shares under the SCM RSP 2020, while the non-managerial participants of the Group will receive their awards in an equivalent cash value. This cash-settled notional restricted shares award for non-managerial participants is known as the Sembcorp Marine Challenge Bonus.

A specific number of restricted shares shall be awarded at the end of the respective performance cycle depending on the extent of the achievement of the performance conditions established at the onset. There is a further vesting period of three years after the performance period, during which one-third of the awarded shares are released each year to managerial participants. Non-managerial participants will receive the equivalent in cash at the end of the respective performance cycle, with no further vesting conditions.

However, in 2021, no restricted shares were awarded to employees.

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 2020.

Save for Mr Koh Chiap Khiong (whose fee is paid wholly in cash to Sembcorp Industries Ltd), the directors' fees for the non-executive directors comprise a cash component and a share component, with up to 30% being delivered in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2020. These awards 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 (including shares obtained by other means) worth at least the value of their basic retainer fee of $75,000. Any excess may be disposed of as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares awarded to each non-executive director holding office at the time of the payment 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 AGM (or, if no final dividend is proposed at the AGM, or the resolution to approve the final dividend is not approved at the AGM, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. A non-executive director who steps down before the delivery of the share component will receive all of his director's fee in cash.

Share-based Incentive Plans (Cont'd)

(b) **Restricted Share Plan (Cont'd)**

The details of the movement of the restricted shares of the Company awarded during the year are as follows:

Restricted Shares participants	At 1 January	Movements during the year: Conditional restricted shares awarded	Conditional restricted shares released	Conditional restricted shares lapsed	At 31 December
2021					
Directors of the Company					
Tan Sri Mohd Hassan Marican	–	809,500	(809,500)	–	–
Wong Weng Sun	32,954	–	(32,954)	–	–
Eric Ang Teik Lim	–	217,500	(217,500)	–	–
Bob Tan Beng Hai	–	307,500	(307,500)	–	–
Gina Lee-Wan	–	211,800	(211,800)	–	–
William Tan Seng Koon	–	255,200	(255,200)	–	–
Patrick Daniel	–	226,300	(226,300)	–	–
Tan Wah Yeow	–	237,700	(237,700)	–	–
Other executives	923,082	–	(864,803)	(58,279)	–
	956,036	2,265,500	(3,163,257)	(58,279)	–
2020					
Directors of the Company					
Tan Sri Mohd Hassan Marican	–	263,100	(263,100)	–	–
Wong Weng Sun	75,457	–	(42,503)	–	32,954
Bob Tan Beng Hai	–	106,100	(106,100)	–	–
Gina Lee-Wan	–	71,900	(71,900)	–	–
William Tan Seng Koon	–	94,900	(94,900)	–	–
Patrick Daniel	–	73,000	(73,000)	–	–
Tan Wah Yeow	–	70,100	(70,100)	–	–
Former director of the Company	–	78,700	(78,700)	–	–
Other executives	2,297,518	–	(1,250,142)	(124,294)	923,082
	2,372,975	757,800	(2,050,445)	(124,294)	956,036

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2018, a total of 601,706 (2020: 685,840) restricted shares were released. For awards in relation to the performance period 2017 to 2018, a total of 296,051 (2020: 334,502) restricted shares were released. In 2020, a total of 272,303 restricted shares were released for awards in relation to the performance period 2016 to 2017.

In 2021, there were 2,265,500 (2020: 757,800) restricted shares released to non-executive directors.

The restricted shares were either released via the issuance of treasury shares or the issuance of new shares.

The total number of restricted shares outstanding, including awards achieved but not released, as at 31 December 2021, was nil (2020: 956,036).

Sembcorp Marine Challenge Bonus

In 2021 and 2020, there were no notional restricted shares awarded for the Sembcorp Marine Challenge Bonus.

(c) **Maximum Number of Shares Issuable**

The maximum number of performance shares and restricted shares which could be delivered, when aggregated with the number of new shares issued and issuable in respect of all options granted, is within the 5% limit of the share capital of the Company on the day preceding the relevant date of the grant.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2021

Audit Committee

The members of the Audit Committee during the year and at the date of this statement are:

Tan Wah Yeow Chairman
Koh Chiap Khiong
Patrick Daniel
William Tan Seng Koon

The Audit Committee held four meetings during the financial year. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee performs the functions specified in Section 201B of the Act, the Listing Manual, and the Code of Corporate Governance.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the external and internal auditors;
- financial statements of the Group (including results announcements) prior to submission to the Board;
- interested person transactions (as defined in Chapter 9 of the Listing Manual);
- 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, KPMG LLP and has recommended to the Board that KPMG LLP be nominated for re-appointment as the auditors of the Company at the forthcoming AGM 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.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board

Tan Sri Mohd Hassan Marican
Chairman

Wong Weng Sun
Director

Singapore
3 March 2022

INDEPENDENT AUDITORS' REPORT

YEAR ENDED 31 DECEMBER 2021

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 2021, 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 97 to 198.

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 1967 (the "Act"), Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the 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, right-of-use assets and intangible assets (the "shipyard assets")
(Refer to Notes 4, 5, 13 and 41 to the financial statements: Property, plant and equipment of $3,992,675,000, Right-of-use assets of $235,800,000 and Intangible assets of $198,419,000)

Impairment assessment of investments in subsidiaries
(Refer to Note 7 to the financial statements: Investments in subsidiaries of $3,585,686,000)

Risk:

The Group's shipyard assets were subject to impairment test by management owing to the continued difficult market conditions impacting the offshore and marine sector. The ongoing and evolving COVID-19 pandemic, together with the adverse impacts on global economies and the shipyard business, have also heightened the estimation uncertainties around timing of recovery. The fast spreading variants of the COVID-19 had been accompanied by a surge in infections worldwide. This had led to further delays in the recovery of global economies. Consequently, the Group's operations continued to be impacted by the ongoing disruptions that had resulted in skilled manpower shortage and supply chain constraints.

The Group's largest yard assets and facilities are (i) the integrated yards, which include the individual yard locations in Singapore, the sub-contracting yards in Indonesia and the United Kingdom (the Singapore cash generating unit) and (ii) the yard in Brazil (the Brazil cash generating unit). Such shipyard assets are measured at cost less accumulated depreciation and impairment loss. An impairment loss exists when the recoverable amount of the shipyard assets is less than the net carrying amount. The recoverable amount is defined as the higher of the asset's fair value less costs of disposal, and value in use. Management had engaged independent valuation specialists to determine fair value less costs of disposal as at 31 December 2021. The fair value less costs of disposal was estimated using discounted cash flows.

INDEPENDENT AUDITORS' REPORT

YEAR ENDED 31 DECEMBER 2021

Report on the audit of the financial statements (Cont'd)

The determination of the recoverable amounts of these cash generating units involves a high degree of judgement and is subject to significant estimation uncertainties, principally, the forecast order book and project margins. The forecast order book includes a diversified portfolio of long-term contracts whose contract pricing takes into account prevailing market conditions and the outlook of the oil and gas and renewable energy industries, while the project margins estimated considers projected costs to fulfil the forecasted order book, both of which are inherently subject to estimation uncertainties. Changes in the key assumptions applied such as project margins, discount rates, long-term growth rates and changes in the timing and quantum of new orders, can have a significant impact on the recoverable amount. As disclosed in Note 41(d) to the financial statements, the recoverable amounts are more sensitive to the assumptions relating to project margins and changes in the timing and quantum of new orders.

As global players in the energy market transform and pivot in favour of cleaner energy, and build the appropriate energy infrastructure, the projections of the Singapore and Brazil cash generating units similarly reflect the market's view of this energy transition. As this pivot to cleaner energy and energy infrastructure is still in its early stage, the Group has thus far limited track record in contract awards in this area. In addition, while the energy market transition towards cleaner and renewable energy is expected to present significant business opportunities, this may also attract new industry players which will result in increased competition to the Group.

The Brazil cash generating unit has been operational although the yard facility is not yet fully completed. As there is limited track record of historical contract awards and performance, the Group has factored in the global energy market transition as well as the long term fundamentals of the oil and gas sector in Brazil in its projection of the future order book. Accordingly, the future order book considers the projected capital expenditure of state-owned and international oil majors covering exploration and production projects that could lead to new build orders, regulations governing local content requirements, as well as forecast movements in oil prices in the foreseeable future projected by industry analysts. However, such long-term returns of the Brazil cash generating unit can be adversely impacted by political risk.

In determining the timing and the amount of new orders included in the forecasts for both cash generating units, the Group has applied judgement in determining the potential outcome of active tenders it participated in by evaluating its competitors, the status and stage of development of the tenders and the Group's competitive edge.

In determining project margins for the cash generating unit, the Group has considered historical margins of the Group, cost differentials of operating in Singapore and in Brazil, and also benchmarked against median margin of peer group.

The forecasts used to assess the valuation of the Company's investments in subsidiaries are similarly subject to the risks noted in the impairment assessments of the Group's shipyard assets.

The outcome of the impairment assessments performed by the Group on the shipyard assets and the Company's investments in subsidiaries shows that the recoverable amounts are in excess of the net carrying amounts.

Our response:

We assessed the Group's process for identifying and reviewing the cash generating units subject to impairment testing.

We, including our valuation specialists to the extent appropriate, reviewed the key assumptions and estimates supporting the fair value less costs of disposal to arrive at the recoverable amounts of these cash generating units. We compared the forecast order book to management approved budgets, prevailing industry trends, and industry analysts' reports on the growth potential in the demand for cleaner energy and energy infrastructure solutions. We compared the discount rates to market observable data including market and country risk premiums and any asset-specific risk premium. We compared the forecasted project margins to historical information to assess reasonableness. We assessed the reasonableness of the long-term growth rates by comparing the rates to market observable data on forecasted inflation rates and energy consumption rates.

We checked the forecast order book against management's guideline for orders evaluation, and enquired on the basis for management's conclusion.

We also reviewed available qualitative information from industry analysts, and for the Brazil cash generating unit, the projected capital expenditure by oil majors in Brazil supporting the projection of orders, and regulations on local content requirements. We assessed the related disclosures on key assumptions applied in determining the recoverable amounts of the cash generating units.

Report on the audit of the financial statements (Cont'd)

Our findings:

The Group has a process for identifying and reviewing the cash generating units for impairment testing. The impairment assessments have incorporated the known relevant considerations as at the reporting date.

The evolution of the COVID-19 virus had also resulted in operational disruptions, a delay in new contracts being put out for tender and consequently limited wins by the Group in the last 18 months.

In view of the limited track record of contract awards of the Singapore cash generating unit in the cleaner energy and energy infrastructure area thus far, and the limited track record of historical contract awards and performance for the Brazil cash generating unit, the determination of the timing and quantum of new orders at forecasted project margins involves a high degree of judgement and is subject to significant estimation uncertainties. Actual results are likely to be different from the forecasted financial information since anticipated events frequently do not occur as expected and the variation could be material. Unfavourable changes to any of these assumptions could lead to lower operating cash inflows and material impairment outcomes which might in turn adversely affect the financial position and performances of the Group.

We found the disclosures describing the inherent degree of estimation uncertainties and the sensitivity of the assumptions applied to be appropriate.

Recognition of revenue from construction contracts with customers and related provisions
(Refer to Notes 26 and 41 to the financial statements: Turnover of $1,862,215,000)

Risk:

One of the Group's significant revenue streams is derived from long-term construction contracts.

In accordance with SFRS(I) 15 *Revenue from Contracts with Customers*, the analysis of whether these contracts comprise one or more performance obligations, and whether the performance obligations are satisfied over time or at a point in time, are areas requiring critical judgement by the Group.

The Group accounts for revenue recognised over time from long-term construction contracts based on percentage of completion method, which involves estimation uncertainties around the stage of physical activities completed.

The ongoing and evolving COVID-19 pandemic since 2020, and the fast spreading variants of COVID-19 had led to delayed recovery of global economies. Consequently, the Group's operations continue to be impacted by skilled labour shortage and supply chain constraints, which affected contract revenues, and estimated project costs and related provisions on the Group's outstanding projects.

Further, with the continued difficult market conditions impacting the offshore and marine sector, significant judgement is involved in evaluating collectability of the contract consideration and recoverability of trade receivables and contract balances in relation to contracts with customers.

Our response:

We reviewed the Group's estimation process (including the approval of project budget, monitoring of project costs and activities, and management's review of project's stage of completion and milestones achieved with customers) used in determining the amounts of revenue recognised in the financial statements and the budgeted costs for projects.

We reviewed and challenged management's assessment of the outstanding projects' estimated costs to complete and the reasonableness of provisions for onerous contracts, where needed.

We reviewed the terms and conditions of contracts, including contract modifications, discussed with management, to assess if management's identification of performance obligations and timing of revenue recognition is fair.

We reviewed the contractual terms and work status of the projects, along with holding discussions with management and checked that contract revenue was recognised according to the percentage of completion of each project measured by the stage of completion of physical activities.

We reviewed the credit review assessment prepared by management for customers with significant new contracts, and we analysed current on-going negotiations and settlements of significant contracts subject to modifications, to identify if the collectability of contract consideration is probable.

We assessed the adequacy of disclosures in describing the areas of judgement and estimation uncertainties involving revenue recognition in relation to long-term construction contracts with customers.

INDEPENDENT AUDITORS' REPORT

YEAR ENDED 31 DECEMBER 2021

Report on the audit of the financial statements (Cont'd)

Our findings:

The Group has a process to determine the amounts of revenue recognised in the financial statements, the outstanding projects' estimated costs to complete and the reasonableness of provisions for onerous contracts.

We found the basis for identification of performance obligations and timing of satisfaction of performance obligations to be fair.

We found that the measurement of percentage of completion used by the Group for revenue recognition appropriately reflects the status and progress of the projects; and revenue was recognised when collectability of the amounts was assessed by management to be probable.

We found management's assessment of estimated costs to complete projects, and provisions for onerous contracts to be fair.

We found the disclosures describing the areas of judgement and inherent degree of estimation uncertainties involved, to be appropriate.

Recoverability of trade receivables and contract balances in relation to contracts with customers
(Refer to Notes 10, 12, 16 and 41 to the financial statements: Trade receivables of $1,512,802,000, Contract assets of $1,758,825,000 and Contract costs of $68,456,000)

Risk:

The Group has significant trade receivables, contract assets and contract costs in relation to contracts with customers. These include trade receivables balances with certain customers on deferred payment schemes, which provide the customers with credit terms of more than twelve months from the year end date, and where interest is charged on these outstanding balances.

In accordance with SFRS(I) 9 *Financial Instruments*, the Group is required to recognise loss allowances on expected credit losses on financial assets and contract assets. The determination of the loss allowances requires significant judgement and estimates to determine whether the financial asset is credit impaired, and the best estimate of the ultimate realisation of the amounts receivable from customers and contract assets from customer contracts.

Under SFRS(I) 15 *Revenue from Contracts with Customers,* contract costs are recognised up to amounts the Group expects to recover. Accordingly, judgement is required in assessing whether the customers will be able to fulfil their contractual obligations in regard to their purchase of the assets.

The assumptions about the risk of default and expected loss rates on these receivables and contract balances are highly judgemental. With the COVID-19 pandemic impacting many businesses globally including the Group's customers, any expected credit loss recognised could be subjected to significant changes recorded in profit or loss in future periods.

Our response:

We reviewed the Group's estimation process used in determining the amounts of loss allowance recognised on expected credit losses on trade receivables and contract assets.

We reviewed the significant inputs to management's assessment of the amounts of loss allowance recognised on expected credit losses on trade receivables and contract assets, and considered the reasonableness of the inputs by reference to the recent credit review assessments prepared by management.

We reviewed the re-forecast of each significant contract and enquired with management on any current on-going negotiations that may impair the recoverability of significant receivables and contract balances.

We assessed the adequacy of disclosures in describing the areas of judgement and estimation uncertainties involving recoverability of receivables and contract balances in relation to contracts with customers.

Our findings:

The Group has a process to assess credit risk and to determine the amounts of loss allowance to recognise on expected credit losses on trade receivables and contract assets.

The judgements applied by management around the recovery of receivables and contract balances were fair considering under the facts and circumstances currently available to the Group.

We found the disclosures describing the areas of judgement and inherent degree of estimation uncertainties involved, to be appropriate.

Report on the audit of the financial statements (Cont'd)

Litigation, claims and other contingencies (Refer to Note 39 to the financial statements)

Update in relation to Brazil (Refer to Note 46 to the financial statements)

Risk:

The Group is subject to operational, business and political risks in certain countries in which it operates. These risks could give rise to litigation, claims and other contingencies (collectively, the "contingencies") which could have a significant financial impact if the potential exposures were to materialise. Ad-hoc Committees, if formed for any specific purpose, may conduct independent investigations on allegations that have potential impact on the business and the Group's financial statements, and recommend decisions as considered appropriate in connection with the independent investigations.

The determination by management of whether, and how much, to provide and/or disclose for such contingencies is highly judgemental.

Update in relation to Brazil

In 2019 and 2020, the Company has made announcements in relation to ongoing investigations related to "Operacao Lava Jato" (Operation Car Wash) in Brazil.

These investigations involved allegations in Brazil of illegal payments made by Mr Guilherme Esteves De Jesus ("GDJ"), who is connected to the consultant engaged by the subsidiaries of the Company, and alleged acts of money laundering and corruption performed by GDJ and Mr Martin Cheah Kok Choon, former president of Estaleiro Jurong Aracruz Ltda, a subsidiary of the Company.

Since 2015, the Company had formed a Special Committee to conduct independent investigations on the allegations for potential impact on the business and the Group's financial statements, and recommend decisions as considered appropriate in connection with the independent investigations.

As at the date of the financial statements, investigations are still ongoing and the directors of the Company have determined that it is premature to predict the eventual outcome of this matter.

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 also reviewed the terms of reference of the Special Committee 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:

- Holding discussions with management, the Group's legal counsel, the Audit Committee and the Special Committee, and reviewing relevant documents;
- Assessment of the progress of all significant contingencies, including reviewing the Group's public announcements;
- Consideration of any evidence of legal disputes which we were made aware;
- Obtaining independent legal confirmation letters from and discussing with the Group's external lawyers to confirm the fact patterns which we have been advised;
- Inquiries with the Company's external legal counsel, together with our specialists, to understand the scope, approach and status of the investigations, and to confirm the fact patterns which we have been advised; and
- Assessed the adequacy of disclosures in the financial statements in respect of this matter.

INDEPENDENT AUDITORS' REPORT

YEAR ENDED 31 DECEMBER 2021

Report on the audit of the financial statements (Cont'd)

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 and representations obtained from management and the Special Committee, we found the disclosures on contingencies in respect of this matter to be appropriate.

Other Information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the following sections prior to the date of this auditors' report:

- Group Financial Review
- Directors' Statement

The other sections in the annual report, as listed below, are expected to be made available to us after that date:

- 2021 Highlights
- Our Integrated Global Platform
- Chairman and CEO's Joint Report
- Significant Events, Awards and Accolades
- Operations Review
- Board of Directors
- Senior Management
- Corporate Structure
- Corporate Directory
- Shareholders' Information
- Investor Relations
- Corporate Governance
- Risk Management
- Compliance
- Our Sustainability
- Supplementary Information
- Major Properties

Our opinion on the financial statements does not cover the other information and we do 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.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act, SFRS(I)s and IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Report on the audit of the financial statements (Cont'd)

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.

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.

INDEPENDENT AUDITORS' REPORT

YEAR ENDED 31 DECEMBER 2021

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Ang Fung Fung.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
3 March 2022

BALANCE SHEETS

AS AT 31 DECEMBER 2021

	Note	Group 31 December 2021 $'000	Group 31 December 2020 $'000	Company 31 December 2021 $'000	Company 31 December 2020 $'000
Non-current assets					
Property, plant and equipment	4	3,992,675	4,114,919	937	5,720
Right-of-use assets	5	235,800	251,016	1,529	2,543
Investment properties	6	–	–	38,311	47,182
Investments in subsidiaries	7	–	–	3,585,686	3,586,155
Interests in associates and joint ventures	8	16,559	15,423	–	–
Other financial assets	9	3,275	4,570	–	–
Trade and other receivables	10	1,167,376	1,105,551	1,292,700	127,700
Contract assets	12	463,517	–	–	–
Intangible assets	13	198,419	220,999	133	122
Deferred tax assets	14	196,215	117,283	29,940	16,559
		6,273,836	5,829,761	4,949,236	3,785,981
Current assets					
Inventories	15	66,963	94,361	–	–
Trade and other receivables	10	471,321	618,103	135,557	31,719
Contract costs	16	68,456	52,703	–	–
Contract assets	12	1,295,308	1,551,913	–	–
Tax recoverable		16,093	17,117	–	–
Other financial assets	9	3,778	33,840	–	–
Cash and cash equivalents	17	1,104,118	772,426	734,167	499,024
		3,026,037	3,140,463	869,724	530,743
Total assets		9,299,873	8,970,224	5,818,960	4,316,724
Current liabilities					
Trade and other payables	18	1,432,056	1,052,269	39,197	20,614
Contract liabilities	20	171,551	154,288	–	–
Provisions	21	56,386	38,005	30,673	–
Other financial liabilities	22	25,495	4,742	–	–
Current tax payable		6,092	7,056	56	12,227
Interest-bearing borrowings	23	820,581	2,121,394	50,000	50,000
Lease liabilities	5	21,094	22,100	8,899	9,073
		2,533,255	3,399,854	128,825	91,914
Net current assets/(liabilities)		492,782	(259,391)	740,899	438,829
Non-current liabilities					
Deferred tax liabilities	14	19,070	26,852	–	–
Provisions	21	205,108	142,800	126,561	85,498
Other financial liabilities	22	781	722	–	–
Interest-bearing borrowings	23	2,255,228	1,428,400	–	–
Lease liabilities	5	257,650	269,467	43,026	51,773
Other long-term payables	18	3,711	5,982	1,731	4,002
		2,741,548	1,874,223	171,318	141,273
Total liabilities		5,274,803	5,274,077	300,143	233,187
Net assets		4,025,070	3,696,147	5,518,817	4,083,537
Equity attributable to owners of the Company					
Share capital	24	4,074,215	2,575,374	4,074,215	2,575,374
Other reserves	25	(51,682)	(57,555)	(22,948)	(22,861)
Revenue reserve		(21,256)	1,149,577	1,467,550	1,531,024
		4,001,277	3,667,396	5,518,817	4,083,537
Non-controlling interests	33	23,793	28,751	–	–
Total equity		4,025,070	3,696,147	5,518,817	4,083,537

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 $'000	Group 2020 $'000
Turnover	26	1,862,215	1,510,280
Cost of sales		(2,944,605)	(2,000,743)
Gross loss		(1,082,390)	(490,463)
Other operating income		125,587	146,136
Other operating expenses		(178,078)	(143,931)
General and administrative expenses		(89,234)	(93,287)
Operating loss	27	(1,224,115)	(581,545)
Finance income	28	50,768	51,625
Finance costs	28	(82,599)	(141,802)
Non-operating income	29	–	501
Share of results of associates and joint ventures, net of tax	30	1,166	513
Loss before tax		(1,254,780)	(670,708)
Tax credit	31	79,422	83,500
Loss for the year		(1,175,358)	(587,208)
Loss attributable to:			
Owners of the Company		(1,170,558)	(582,510)
Non-controlling interests	33	(4,800)	(4,698)
Loss for the year		(1,175,358)	(587,208)
Earnings per share (cents)	34		
Basic		(6.49)	(10.57)
Diluted		(6.49)	(10.57)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 $'000	Group 2020 $'000
Loss for the year		(1,175,358)	(587,208)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		14,295	(4,814)
Net change in fair value of cash flow hedges		(5,099)	(15,761)
Net change in fair value of cash flow hedges transferred to profit or loss		(3,562)	8,719
Realisation of reserve upon disposal of subsidiaries		4	–
Other comprehensive income for the year, net of tax	32	5,638	(11,856)
Total comprehensive income for the year		(1,169,720)	(599,064)
Total comprehensive income attributable to:			
Owners of the Company		(1,164,873)	(594,431)
Non-controlling interests	33	(4,847)	(4,633)
Total comprehensive income for the year		(1,169,720)	(599,064)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2021

	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	Revenue reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group										
At 1 January 2021	2,575,374	(771)	(1,683)	(32,334)	(25,157)	2,390	1,149,577	3,667,396	28,751	3,696,147
Total comprehensive income for the year										
Loss for the year	–	–	–	–	–	–	(1,170,558)	(1,170,558)	(4,800)	(1,175,358)
Other comprehensive income										
Foreign currency translation differences for foreign operations	–	–	–	14,342	–	–	–	14,342	(47)	14,295
Net change in fair value of cash flow hedges	–	–	–	–	–	(5,099)	–	(5,099)	–	(5,099)
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	–	(3,562)	–	(3,562)	–	(3,562)
Realisation of reserve upon disposal of subsidiaries	–	–	–	260	19	–	(275)	4	–	4
Total other comprehensive income for the year	–	–	–	14,602	19	(8,661)	(275)	5,685	(47)	5,638
Total comprehensive income for the year	–	–	–	14,602	19	(8,661)	(1,170,833)	(1,164,873)	(4,847)	(1,169,720)
Transactions with owners of the Company, recognised directly in equity										
Contributions by and distributions to owners of the Company										
Purchase of treasury shares	–	(286)	–	–	–	–	–	(286)	–	(286)
Issue of treasury shares	–	1,056	–	–	(857)	–	–	199	–	199
Rights issue (Note 24)	1,498,841	–	–	–	–	–	–	1,498,841	–	1,498,841
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(111)	(111)
Total contributions by and distributions to owners of the Company	1,498,841	770	–	–	(857)	–	–	1,498,754	(111)	1,498,643
At 31 December 2021	4,074,215	(1)	(1,683)	(17,732)	(25,995)	(6,271)	(21,256)	4,001,277	23,793	4,025,070

The accompanying notes form an integral part of these financial statements.

	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	Revenue reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group										
At 1 January 2020	486,217	(771)	(1,683)	(27,455)	(24,519)	9,432	1,732,087	2,173,308	33,470	2,206,778
Total comprehensive income for the year										
Loss for the year	–	–	–	–	–	–	(582,510)	(582,510)	(4,698)	(587,208)
Other comprehensive income										
Foreign currency translation differences for foreign operations	–	–	–	(4,879)	–	–	–	(4,879)	65	(4,814)
Net change in fair value of cash flow hedges	–	–	–	–	–	(15,761)	–	(15,761)	–	(15,761)
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	–	8,719	–	8,719	–	8,719
Total other comprehensive income for the year	–	–	–	(4,879)	–	(7,042)	–	(11,921)	65	(11,856)
Total comprehensive income for the year	–	–	–	(4,879)	–	(7,042)	(582,510)	(594,431)	(4,633)	(599,064)
Transactions with owners of the Company, recognised directly in equity										
Contributions by and distributions to owners of the Company										
Issue of new shares	2,570	–	–	–	(2,104)	–	–	466	17	483
Rights issue (Note 24)	2,086,587	–	–	–	–	–	–	2,086,587	–	2,086,587
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(103)	(103)
Share-based payments	–	–	–	–	1,466	–	–	1,466	–	1,466
Total contributions by and distributions to owners of the Company	2,089,157	–	–	–	(638)	–	–	2,088,519	(86)	2,088,433
At 31 December 2020	2,575,374	(771)	(1,683)	(32,334)	(25,157)	2,390	1,149,577	3,667,396	28,751	3,696,147

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2021

	Group	
	2021	2020
	$'000	$'000
Cash flows from operating activities		
Loss for the year	(1,175,358)	(587,208)
Adjustments for:		
Finance income	(50,768)	(51,625)
Finance costs	82,599	141,802
Depreciation of property, plant and equipment, and right-of-use assets	171,525	173,800
Amortisation of intangible assets	25,056	27,929
Share of results of associates and joint ventures, net of tax	(1,166)	(513)
Loss/(gain) on disposal of property, plant and equipment, net	4,565	(947)
Loss on termination of lease liabilities	–	2
Gain on disposal of asset held for sale	–	(501)
Changes in fair value of financial instruments	35,989	(19,764)
Loss on modified cash flows of receivables	3,084	–
Impairment losses on property, plant and equipment	45,916	48,989
Impairment losses on right-of-use assets	66,477	74,191
Provision for restoration cost	21,937	–
Share-based payment expenses	–	1,461
Property, plant and equipment written off	12	43
Inventories written down, net	21,328	34,179
Impairment losses on trade receivables and contract assets, net*	2,356	9,633
Tax credit	(79,422)	(83,500)
Operating loss before working capital changes	(825,870)	(232,029)
Changes in working capital:		
Inventories	6,070	(15,432)
Contract costs	(15,753)	35,937
Contract assets	(206,912)	(89,573)
Contract liabilities	17,263	94,102
Trade and other receivables*	122,302	(119,866)
Trade and other payables*	382,421	(259,467)
Provisions*	(9,956)	(2,513)
Cash used in operations	(530,435)	(588,841)
Interest income received	9,528	9,135
Interest paid	(63,127)	(162,309)
Tax paid	(5,090)	(7,876)
Net cash used in operating activities	(589,124)	(749,891)

The accompanying notes form an integral part of these financial statements.

	Group	
	2021	2020
	$'000	$'000
Cash flows from investing activities		
Purchase of property, plant and equipment (Note (a))	(45,724)	(89,220)
Proceeds from sale of property, plant and equipment	3,917	2,025
Proceeds from disposal of asset held for sale	–	1,467
Purchase of intangible assets	(2,412)	(2,411)
Dividend received from joint venture	32	–
Net cash used in investing activities	(44,187)	(88,139)
Cash flows from financing activities		
Proceeds from borrowings	1,526,707	2,397,351
Repayment of borrowings (Note (b))	(2,038,855)	(1,736,533)
Proceeds from rights issue, net (Note (b))	1,498,841	586,587
Purchase of treasury shares	(286)	–
Payment of lease liabilities	(22,136)	(21,704)
Payment on termination of lease liabilities	–	(50)
Dividends paid to non-controlling interests of subsidiaries	(111)	(103)
Capital contribution by non-controlling interests of subsidiaries	–	17
Net cash generated from financing activities	964,160	1,225,565
Net increase in cash and cash equivalents	330,849	387,535
Cash and cash equivalents at beginning of the year	772,426	389,250
Effect of exchange rate changes on balances held in foreign currencies	843	(4,359)
Cash and cash equivalents at end of the year (Note 17)	1,104,118	772,426

* *Comparative amounts have been reclassified to conform to current year presentation. The amounts are reclassified within operating activities of consolidated statement of cash flows and do not have any effect on the balance sheets and consolidated income statement.*

Significant non-cash transactions

(a) During the year, purchase of property, plant and equipment includes payment of $2,035,000 on prior year's accrued capital expenditure (2020: includes payment of $872,000 on 2019's accrued capital expenditure).

(b) In 2020, the repayment of the subordinated loan of $1,500,000,000 was settled non-cash via offset against proceeds due from Sembcorp Industries Ltd relating to its subscription for rights shares of $1,500,000,000.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 3 March 2022.

1 Domicile and activities

Sembcorp Marine Ltd (the "Company") is a company incorporated in the Republic of Singapore and has its registered office at 80 Tuas South Boulevard, Singapore 637051.

On 14 September 2021, Startree Investments Pte. Ltd. ("Startree") subscribed for 9,277,318,151 Rights Shares under the Company's Rights Issue. The increase in aggregate shareholding by more than 1% triggered an obligation by Startree under The Singapore Code on Take-overs and Merger to make a Mandatory Conditional General Cash Offer ("MGO") for the shares of the Company that Startree and its concert parties do not already own. On 3 November 2021, Startree received valid acceptance of the MGO in respect of an aggregate of 2,500,581,339 offer shares. As a result of these events, Startree owned 54.58% of the shares in issue of the Company as at 3 November 2021. Startree and Temasek Holding (Private) Limited became the Company's immediate and ultimate holding companies, respectively.

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 42.

2 Basis of preparation

2.1 Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its debt obligations as and when they fall due within the next twelve months.

The COVID-19 pandemic and the measures adopted by the Singapore Government to mitigate the spread of the COVID-19 virus have impacted the Group. The onset of the COVID-19 pandemic in 2020 delayed the industry recovery and created severe disruptions, including reductions in capital expenditure by oil majors and disruptions in global supply chains. These disruptions have extended into 2021 with the re-imposition of COVID-19 pandemic restrictions to combat new waves of localised infections, including tighter border controls which exacerbated the shortages of skilled manpower for the Group. As a result, disruptions to yard operations have impacted the execution and completion of projects, along with deferrals of deliveries and payments by customers. This has adversely affected the Group's working capital position.

The Group's $2.1 billion rights issue completed in September 2020 had strengthened the Group's financial position and allowed the Group to continue to pursue its strategic expansion towards the renewable and clean energy segments. The proceeds were used to reduce the Group's leverage and debt servicing obligations by converting the $1.5 billion Subordinated Loan owing to Sembcorp Industries Ltd ("SCI") into equity in the Company with the balance of approximately $0.6 billion to fund ongoing operations. However, the prolonged disruptions from the COVID-19 pandemic have created further near-term liquidity challenges for the Group.

On 24 June 2021, the Group announced a renounceable underwritten rights issue to raise proceeds of approximately $1.5 billion to meet immediate funding needs, strengthen the Group's balance sheet, replenish temporary working capital depletion amidst continuing COVID-19 pandemic disruptions, and enhance the Group's liquidity position.

As at 31 December 2021, the Group recorded net current assets of $492,782,000 (2020: net current liabilities of $259,391,000), and incurred a loss of $1,175,358,000 (2020: $587,208,000) and negative operating cash flows of $589,124,000 (2020: $749,891,000) for the year ended 31 December 2021.

There is uncertainty over how the future development of the COVID-19 pandemic will impact the Group's business including customers' demand for its products. The appropriateness of the going concern basis of accounting is dependent on the continued availability of borrowings or alternative sources of capital or liquidity to meet its financial obligations as they fall due.

Management of the Group is confident that the continuing use of the going concern assumption in the preparation of the financial statements is appropriate.

2 Basis of preparation (Cont'd)

2.2 Statement of compliance

The financial statements are prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)s) and International Financial Reporting Standards (IFRSs). SFRS(I)s are issued by the Accounting Standards Council, which comprise standards and interpretations that are equivalent to IFRSs issued by the International Accounting Standards Board. All references to SFRS(I)s and IFRSs are subsequently referred to as SFRS(I)s in these financial statements unless otherwise specified.

Changes to significant accounting policies are described in Note 43.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the accounting policies below.

2.4 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.

2.5 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is discussed in Note 41.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in Note 43, which addresses changes in accounting policies.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Business combinations

Acquisitions from 1 January 2020

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3 Significant accounting policies (Cont'd)

3.1 Basis of consolidation (Cont'd)

(i) Business combinations (Cont'd)

Acquisitions from 1 January 2017

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Deferred consideration comprises obligations to pay specific amounts at future dates. Deferred consideration is recognised and measured at fair value at the acquisition date and included in the consideration transferred. The unwinding of any interest element of deferred consideration is recognised in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Acquisitions before 1 January 2017

As part of the transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

Acquisitions prior to 1 January 2010

All business combinations are accounted for using the purchase method. Under the purchase method, the cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition.

(ii) Non-controlling interests

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I).

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their own capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of net assets of the subsidiary.

Prior to 1 January 2010, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

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) Common control

Business combinations that involve entities under common control are excluded from the scope of SFRS(I) 3. Such combinations are accounted at historical costs in a manner similar to the pooling-of-interest method, in the preparation of the consolidated financial statements. Under this method of accounting, the difference between the value of the share capital issued and the value of shares received is taken to the merger reserve.

(v) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as financial asset at fair value through other comprehensive income depending on the level of influence retained.

(vi) Associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has significant influence over another entity. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

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 2021

3 Significant accounting policies (Cont'd)

3.1 Basis of consolidation (Cont'd)

(vii) Joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has joint control over the entity.

Joint ventures are accounted for using the equity method of accounting from the date that joint control commences until the date that joint control ceases.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition. Where the audited financial statements are not available, the share of results is arrived at from unaudited management financial statements made up mainly to the end of the accounting year to 31 December.

(viii) Transactions eliminated on consolidation

All intra-group balances, transactions, and unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(ix) Accounting for subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are measured in the Company's balance sheet at cost less accumulated impairment losses.

3.2 Foreign currencies

(i) Foreign currency transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. At each reporting date:

- Foreign currency monetary assets and liabilities are retranslated to the functional currency using exchange rates at that date;
- Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using exchange rate at the date of the transaction; and
- Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at exchange rates at the date the fair value was determined.

Foreign currency differences arising from the settlement or from translation of monetary items are recognised in profit or loss.

Foreign currency differences arising on retranslation are recognised directly in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:

- Equity instruments designated at fair value through other comprehensive income (FVOCI);
- 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 hedges are effective.

3 Significant accounting policies (Cont'd)

3.2 Foreign currencies (Cont'd)

(ii) Foreign operations

The results and financial positions of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at exchange rates ruling at the date of the balance sheet;
- Revenues and expenses are translated at average exchange rates; and
- All resulting foreign currency differences are taken to the foreign currency translation reserve in other comprehensive income.

Goodwill (except those relating to acquisitions of foreign operations prior to 1 January 2004) and fair value adjustments arising from the acquisition of foreign operations are translated to the presentation currency for consolidation at the rates of exchange ruling at the balance sheet date. Goodwill arising from the acquisition of foreign operations prior to 1 January 2004 are translated at foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

(iii) Net investment in a foreign operation

Foreign currency differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's profit or loss. Such differences are reclassified to the foreign currency translation reserve in the consolidated statement of comprehensive income and are released to the consolidated income statement upon disposal of the investment as part of the gain or loss on disposal.

3.3 Property, plant and equipment

(i) Owned assets

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Cost may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3 Significant accounting policies (Cont'd)

3.3 Property, plant and equipment (Cont'd)

(ii) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment is recognised in the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and its costs can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised as an expense when incurred.

Certain items of property, plant and equipment are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the costs of the next overhaul and are separately depreciated in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss.

(iii) Disposals

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

(iv) 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.

(v) Provision for restoration costs

A provision is recognised for the costs expected to be incurred to dismantle, remove and restore the asset upon expiry of the lease agreement. The estimated costs form part of the cost of the property, plant and equipment and are depreciated over the useful life of the asset.

(vi) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is recognised as an expense in profit or loss on a straight-line basis over their estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years are as follows:

Leasehold land	Lease period of 3 to 60 years
Buildings	3 to 50 years
Quays and dry docks	6 to 60 years
Marine vessels*	3 to 31 years
Cranes and floating docks	3 to 30 years

3 Significant accounting policies (Cont'd)

3.3 Property, plant and equipment (Cont'd)

(vi) Depreciation (Cont'd)

The estimated useful lives for the current and comparative years are as follows: (Cont'd)

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

* Marine vessels includes dry-docking expenditures.

The assets' depreciation methods, useful lives and residual values, if not insignificant, are reviewed annually and adjusted if appropriate.

No depreciation is provided on freehold land or construction-in-progress.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

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. This includes properties that are held as right-of-use assets, as well as properties that are owned by the Group.

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.

For properties held as right-of-use assets, refer to Note 3.21 for initial and subsequent measurement of cost.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3 Significant accounting policies (Cont'd)

3.5 Intangible assets (Cont'd)

(i) Goodwill (Cont'd)

When the excess is negative, negative goodwill is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures, respectively. An impairment loss on such investments is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investments.

Goodwill is tested for impairment on an annual basis in accordance with Note 3.12.

(ii) Intellectual property rights

Intellectual property rights are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives ranging from 10 to 15 years.

(iii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials and direct labour that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(v) Amortisation

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Financial assets

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instruments.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, in the case of financial asset not carried at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3 Significant accounting policies (Cont'd)

3.6 Financial assets (Cont'd)

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect on initial recognition to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis. The Group's equity investments are classified as FVOCI.

Financial assets at FVTPL

All other financial assets not classified as at amortised cost or FVOCI as described above are measured at FVTPL. This includes derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held because this best reflects the way the business is managed and information is provided to Management. The information considered includes:

- the stated policies and objectives for the respective financial assets and the operation of those policies in practice;
- how the performance of the respective financial assets is evaluated and reported to the Group's Management;
- the risks that affect the performance of the business model and how those risks are managed; and
- the frequency, volume and timing of disposals of investments in prior periods, the reasons for such disposals and its expectations about future activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3 Significant accounting policies (Cont'd)

3.6 Financial assets (Cont'd)

(ii) Classification and subsequent measurement (Cont'd)

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing and amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- prepayment features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. For derivatives designated as hedging instruments, see Note 9.

Financial assets at amortised cost

The assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which either substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when the Group enters into transactions whereby it transfers assets recognised in its balance sheet, but retains either all or substantially all of its risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

3 Significant accounting policies (Cont'd)

3.6 Financial assets (Cont'd)

(iii) Derecognition (Cont'd)

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset measured at amortised cost changed as a result of interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset to reflect the change that is required by interest rate benchmark reform. A change in the basis for determining the contractual cash flows is required by the interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When the changes were made to a financial asset in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first update the effective interest rate of the financial asset to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting modification to the additional changes.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand. Bank overdrafts are shown within interest-bearing borrowings in current liabilities on the balance sheet.

3.7 Impairment of financial assets and contract assets

The Group recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortised cost; and
- contract assets (as defined in SFRS(I) 15).

Loss allowance of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected credit life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified Approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General Approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3 Significant accounting policies (Cont'd)

3.7 Impairment of financial assets and contract assets (Cont'd)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without due costs or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and forward-looking information.

If the credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the financial asset remains outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- breach of contract such as a default or past due outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend;

- the restructuring of a loan or advanced by the Group on terms that the Group would not consider otherwise;

- it is probable that the debtor will enter bankruptcy or other financial reorganisation or is having significant financial difficulty; or

- the disappearance of an active market for a security because of financial difficulties.

Presentation of loss allowance for ECLs in the balance sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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 at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are re-measured at fair value and any changes in its fair value are recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant changes in the fair value depends on the nature of the item being hedged as described in Note 3.9.

3.9 Hedging activities

At inception or upon reassessment of the arrangement, the Group documents, at the inception of the transaction, the relationship between the hedging instruments and hedged items, together with the methods that will be used to assess the effectiveness of the hedge relationship as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, the economic relationship between the hedged item and the hedging instrument, including whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

(i) Fair value hedges

Where a derivative hedges the changes in fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on the hedging instrument is recognised in profit or loss. The hedged item is also measured at fair value in respect of the risk being hedged, with any changes recognised in profit or loss.

(ii) Cash flow hedges

Where a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised directly in other comprehensive income and presented in the hedging reserve in equity. The ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is reclassified from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated changes in fair value that were recognised directly in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3 Significant accounting policies (Cont'd)

3.9 Hedging activities (Cont'd)

(ii) Cash flow hedges (Cont'd)

Hedges directly affected by interest rate benchmark reform

When the basis for determining the contractual cash flows of the hedged items or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising from the cash flows of the hedged items or the hedging instrument, the Group amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform. For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

The Group amends the description of the hedging instrument only if the following conditions are met:

- it makes a change required by IBOR reform by changing the basis for determining the contractual cash flows of the hedging instrument or using another approach that is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

The Group amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by IBOR reform described above, then the Group first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, the Group amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the hedging reserve recognised in OCI for that hedging relationship is based on the alternative benchmark on which the hedged future cash flows will be based.

3.10 Inventories

Inventories consist mainly of steel and other materials used for ship and rig repair, building and conversion and are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3 Significant accounting policies (Cont'd)

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, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

3.12 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of cash generating units) and then, to reduce the carrying amount of the other assets in the cash generating unit (group of cash generating units) on a *pro rata* basis.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and as and when indicators of impairment occur.

(i) Calculation of recoverable amount

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, cash generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of cash generating units that are expected to benefit from the synergies of the combination.

(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 2021

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 classifies financial liabilities as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantively different, in which case a new financial liability based on the modified terms is recognised at fair value.

Financial assets and liabilities are offset and the net amount presented in the balance sheets when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Group first updated the effective interest rate of the financial liability to reflect the change that is required by interest rate benchmark reform. A change in the basis for determining the contractual cash flows is required by the interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When the changes were made to a financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first update the effective interest rate of the financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting modification to the additional changes.

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".

3 Significant accounting policies (Cont'd)

3.14 Employee benefits (Cont'd)

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related employment service is provided.

The amount expected to be paid is accrued when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Staff retirement benefits

Retirement benefits payable to certain categories of employees upon their retirement are provided for in the financial statements based on their entitlement under the staff retirement benefit plan or, in respect of unionised employees of a subsidiary who joined on or before 31 December 1988, based on an agreement with the union.

The Group's net obligation in respect of retirement benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected future salary increase and is discounted to its present value and the fair value of any related assets is deducted.

(v) Equity and equity-related compensation benefits

Performance Share Plan

The fair value of equity-related compensation is measured using the Monte Carlo simulation method as at the date of the grant. The method involves projecting future outcomes using statistical distributions of key random variables including the share prices and volatility of returns. This model takes into account the probability of achieving the performance conditions in the future.

The fair value of the compensation cost is measured at grant date and amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. In estimating the fair value of the compensation cost, market-based performance conditions are taken into account. From 2014 onwards, awards granted have both market-based and non-market-based performance conditions. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates, irrespective of whether this performance condition is satisfied.

The share-based payments reserve relating to the performance shares released is transferred to share capital when new shares are issued. When treasury shares are issued, the cost of treasury shares is transferred to share-based payments reserve.

Restricted Share Plan

Similar to the Performance Share Plan, the fair value of equity-related compensation is measured using the Monte Carlo simulation method as at the date of the grant. The method involves projecting future outcomes using statistical distributions of key random variables including the share prices and volatility of returns. This model takes into account the probability of achieving the performance conditions in the future.

The fair value of the compensation cost is measured at grant date and are then amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. Awards granted have non-market based performance conditions. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates.

At the balance sheet date, the Company revises its estimates of the number of performance-based restricted shares that the employees are expected to receive based on the achievement of non-market performance conditions and the number of shares ultimately given. It recognises the impact of the revision of the original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

NOTES TO THE FINANCIAL STATEMENTS

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3 Significant accounting policies (Cont'd)

3.14 Employee benefits (Cont'd)

(v) Equity and equity-related compensation benefits (Cont'd)

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 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.

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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and have therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

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.

3 Significant accounting policies (Cont'd)

3.16 Tax expense (Cont'd)

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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

3.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new ordinary shares and share options are deducted against the share capital account, net of any tax effects.

Where the Company's ordinary shares are repurchased (treasury shares), the consideration paid, excluding any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders and presented as reserve for own shares within equity, until they are cancelled, sold or reissued.

When treasury shares are cancelled, the cost of treasury shares is deducted against the share capital account, if the shares are purchased out of capital of the Company, or against the accumulated profits of the Company, if the shares are purchased out of profits of the Company.

When treasury shares are subsequently sold or reissued pursuant to the Share-based Incentive Plans, the cost of the treasury shares is reversed from the reserve for own shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related tax, is recognised as a change in equity of the Company. No gain or loss is recognised in profit or loss.

3.18 Dividends

Dividends on ordinary shares are recognised when they are approved for payments. Dividends on ordinary shares classified as equity are accounted for as movements in revenue reserve.

3.19 Revenue

(i) Contract revenue

The Group builds specialised assets for customers through fixed price contracts. Contracts relating to services for ship and rig repair, building, conversion and overhaul represents a single performance obligation ("PO"), due to the inter-dependence of services provided in these contracts.

Revenue is recognised when the control over the specialised asset has been transferred to the customer and performance obligations are fulfilled. At contract inception, the Group assesses whether the Group transfers control of the asset over time or at a point in time by determining if its performance creates an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date for ship and rig building and conversion, or where the Group's performance creates or enhances an asset that the customer controls as the asset is being created or enhanced for ship and rig repairs and overhaul.

The specialised asset has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the specialised asset. The stage of completion is typically assessed by reference to surveys of work performed (output method), which is commensurate with the pattern of transfer of control to the customer.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3 Significant accounting policies (Cont'd)

3.19 Revenue (Cont'd)

(i) Contract revenue (Cont'd)

For certain contracts where the Group does not have enforceable right to payment, revenue is recognised only when the completed specialised asset is delivered to the customers and the customers have accepted it in accordance with the contract. On signing of the contract, customers are usually required to make an advance payment that is non-refundable if the contract is cancelled. The advance payment is presented as contract liability. No financing component has been recognised on these advance payments as the payment terms are for reasons other than financing. Where extended payment terms are granted to customers, interest is charged and recognised as finance income.

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, the Group recognises a financing component using a discount rate that reflects this as a separate financing transaction with the customer at contract inception. If the period between transfer and payment is one year or less, the Group elects the practical expedient not to adjust for significant financing component.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled to in exchange for transferring the promised goods or services. The transaction price may be fixed or variable, and is adjusted for time value of money if the contract includes a significant financing component. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Certain contracts include standard warranty terms as guarantee on the performance of the asset. The warranty is recognised as a provision, based on estimated claims made from historical data, from known and expected warranty work and contractual obligation for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made.

The Group accounts for modifications to the scope and price of a contract as separate contracts if the modification adds distinct goods or services at their stand-alone selling prices. For contract modifications that add distinct goods or services but not at their stand-alone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations to be satisfied. For contract modifications that do not add distinct goods or services, the Group accounts for the modifications as continuation of the original contract and recognises as a cumulative adjustment to revenue at the date of modification.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceeds the payments received, a contract asset is recognised. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional. If the payments received exceed the value of the goods transferred, a contract liability is recognised.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (e.g. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

3 Significant accounting policies (Cont'd)

3.19 Revenue (Cont'd)

(ii) Income on goods sold and services rendered

Revenue from goods sold and services rendered in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. Revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO on the basis of the relative stand-alone selling prices of the promised goods or services and excludes goods and services or other sales taxes. Trade discounts or variable considerations are allocated to one or more, but not all, of the POs if they relate specifically to those POs.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled to in exchange for transferring the promised goods or services. The transaction price may be fixed or variable, and is adjusted for time value of money if the contract includes a significant financing component. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue may be recognised at a point in time or over time following the satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of the PO.

(iii) Charter hire and rental income

Charter hire and rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

3.20 Dividend and finance income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance income is recognised in profit or loss as it accrues, using the effective interest rate method.

3.21 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

NOTES TO THE FINANCIAL STATEMENTS

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3 Significant accounting policies (Cont'd)

3.21 Leases (Cont'd)

(i) The Group as lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Right-of-use assets are depreciated from the commencement date over the shorter of the asset's useful life and the lease term on a straight-line basis. The estimated useful lives of the assets are determined on the same basis as those of property, plant and equipment. In addition, the assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liabilities.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The Group determines the lessee's incremental borrowing rate by making certain adjustments to its interest rates on its issued notes to reflect the terms of the lease and security over the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments);
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and payments of penalties for early termination unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

From 1 January 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of equipment that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

3 Significant accounting policies (Cont'd)

3.21 Leases (Cont'd)

(i) The Group as lessee (Cont'd)

COVID-19-related rent concessions

The Group has applied *COVID-19-Related Rent Concessions – Amendment to SFRS(I) 16*. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions is $nil (2020: $106,000).

(ii) The Group as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases in profit or loss on a straight-line basis over the lease term. Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

3.22 Finance costs

Finance costs comprise of interest expense on borrowings, amortisation of capitalised transaction costs and transaction costs written off. Interest expense and similar charges are expensed in profit or loss in the period using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset. The interest component of finance lease payments is recognised in profit or loss using the effective interest method. Termination of interest rate swaps are recognised in profit or loss.

In calculating the interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to gross basis.

3.23 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3 Significant accounting policies (Cont'd)

3.24 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's President & CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.25 Financial guarantee contracts

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Company will be required to make a payment under the guarantee. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

3.26 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.27 Assets held for sale

Non-current assets are classified as assets held for sale and measured at the lower of carrying amount and fair value less costs of disposal 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 of disposal 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							
	Freehold	Leasehold	Construction-in-progress[1]	Docks and quays	Marine vessels[2], [3]	Plant, machinery and tools	Others[4]	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Cost								
Balance at 1 January 2020	315,747	1,079,726	948,241	1,564,130	326,785	1,545,488	191,176	5,971,293
Translation adjustments	(4,733)	(2,043)	(7,931)	(5,135)	(3,050)	(3,210)	(324)	(26,426)
Additions	–	413	80,762	–	–	1,543	2,343	85,061
Reclassifications	25,354	9,934	(259,748)	6,610	(21,157)	230,620	8,387	–
Disposals	(1,349)	(575)	–	–	(284)	(452)	(218)	(2,878)
Write off[5]	–	(24)	–	–	(847)	(54)	(111)	(1,036)
Balance at 31 December 2020	335,019	1,087,431	761,324	1,565,605	301,447	1,773,935	201,253	6,026,014
Balance at 1 January 2021	335,019	1,087,431	761,324	1,565,605	301,447	1,773,935	201,253	6,026,014
Translation adjustments	14,025	3,284	7,242	8,871	5,280	5,508	487	44,697
Additions	–	1,041	38,831	138	703	1,600	1,297	43,610
Reclassifications	409,724	1,850	(441,732)	186	–	12,180	17,792	–
Disposals	–	(509)	–	–	(5,728)	(16,125)	(622)	(22,984)
Write off[5]	–	(13,401)	–	(120,977)	–	(1,886)	(312)	(136,576)
Balance at 31 December 2021	758,768	1,079,696	365,665	1,453,823	301,702	1,775,212	219,895	5,954,761

4 Property, plant and equipment (Cont'd)

	Land and buildings							
	Freehold $'000	Leasehold $'000	Construction-in-progress[1] $'000	Docks and quays $'000	Marine vessels[2], [3] $'000	Plant, machinery and tools $'000	Others[4] $'000	Total $'000
Group								
Accumulated depreciation and impairment losses								
Balance at 1 January 2020	21,882	349,128	–	357,516	85,497	769,157	137,142	1,720,322
Translation adjustments	(500)	(1,101)	–	(625)	(2,525)	(1,141)	(211)	(6,103)
Depreciation for the year	7,453	25,379	–	31,261	10,189	62,248	14,150	150,680
Reclassifications	–	–	–	–	(335)	335	–	–
Disposals	(579)	(535)	–	–	(124)	(364)	(198)	(1,800)
Write off[5]	–	(24)	–	–	(805)	(53)	(111)	(993)
Impairment losses	–	–	–	–	48,989	–	–	48,989
Balance at 31 December 2020	28,256	372,847	–	388,152	140,886	830,182	150,772	1,911,095
Balance at 1 January 2021	28,256	372,847	–	388,152	140,886	830,182	150,772	1,911,095
Translation adjustments	727	1,561	–	950	3,709	1,762	317	9,026
Depreciation for the year	7,965	25,198	–	31,192	8,356	61,127	13,277	147,115
Reclassifications	–	66	–	(131)	–	(45)	110	–
Disposals	–	(452)	–	–	(5,483)	(7,990)	(577)	(14,502)
Write off[5]	–	(13,398)	–	(120,977)	–	(1,880)	(309)	(136,564)
Impairment losses	–	–	–	–	45,718	198	–	45,916
Balance at 31 December 2021	36,948	385,822	–	299,186	193,186	883,354	163,590	1,962,086
Carrying amounts								
At 1 January 2020	293,865	730,598	948,241	1,206,614	241,288	776,331	54,034	4,250,971
At 31 December 2020	306,763	714,584	761,324	1,177,453	160,561	943,753	50,481	4,114,919
At 31 December 2021	721,820	693,874	365,665	1,154,637	108,516	891,858	56,305	3,992,675

4 Property, plant and equipment (Cont'd)

	Docks $'000	Plant, machinery and tools $'000	Others[4] $'000	Total $'000
Company				
Cost				
Balance at 1 January 2020	134,605	2,240	37,505	174,350
Additions	–	–	90	90
Balance at 31 December 2020	134,605	2,240	37,595	174,440
Balance at 1 January 2021	134,605	2,240	37,595	174,440
Additions	–	–	414	414
Write off[5]	(121,054)	–	–	(121,054)
Balance at 31 December 2021	13,551	2,240	38,009	53,800
Accumulated depreciation				
Balance at 1 January 2020	134,605	2,234	26,224	163,063
Depreciation for the year	–	1	5,656	5,657
Balance at 31 December 2020	134,605	2,235	31,880	168,720
Balance at 1 January 2021	134,605	2,235	31,880	168,720
Depreciation for the year	–	–	5,197	5,197
Write off[5]	(121,054)	–	–	(121,054)
Balance at 31 December 2021	13,551	2,235	37,077	52,863
Carrying amounts				
At 1 January 2020	–	6	11,281	11,287
At 31 December 2020	–	5	5,715	5,720
At 31 December 2021	–	5	932	937

The property, plant and equipment comprise mainly shipyard 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 right-of-use assets and certain intangible assets, were tested for impairment and described in Note 41.

(1) During the year, interest charge of $24,214,000 (2020: $28,510,000) was capitalised as construction-in-progress.

(2) *Accommodation vessel*

Due to the increasingly challenging and competitive market environment, worsened by the impact from the COVID-19 pandemic, management assessed that there were indicators of impairment for the vessel in the current year.

As the Group expects to recover the value of the accommodation vessel through continuing use on a charter basis, the Group used the discounted cash flow projections to determine the recoverable amount. The cash flows projection considered different outcomes that took into account the expected renewal rates based on prevailing and foreseeable market conditions. The renewal rates (taking into consideration prevailing rates) have been adjusted downwards, assuming a certain level of discount from the contractual rates under the last long term charter contract, but factored a 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 average utilisation rate is assumed at 85% (per assessment performed as at 31 December 2020); 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 pre-tax weighted average cost of capital determined to be at 8.14% as at 30 June 2021 (31 December 2020: 9.13%).

Based on the Group's assessment of the recoverable amount of the marine vessel of $79,919,000 (31 December 2020: $129,716,000) using a range of probability-weighted possible outcomes as at 30 June 2021, an impairment loss of $45,718,000 (2020: $48,989,000) was recognised in profit or loss.

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4 Property, plant and equipment (Cont'd)

(2) *Accommodation vessel (Cont'd)*

As at 31 December 2021, the Group assessed the recoverable amount using the same assumptions except for pre-tax weighted average cost of capital determined to be at 8.58% and revision to the timing of forecasted cash flows from long term charters. No additional impairment loss was recognised.

The above assumptions are inherently judgemental. The forecasted charter rates and utilisation assumed in the value in use calculation is subject to estimation uncertainties. A further 5% decrease in charter rate and utilisation rate throughout the cash flow periods from the weighted outcomes would lead to additional impairment of $5,578,000 and $2,908,000 respectively.

(3) Marine vessels includes dry-docking expenditures.

(4) Others comprise motor vehicles, furniture and office equipment, utilities and fittings, and computer equipment.

(5) During the year, the Group has written off fully depreciated property, plant and equipment of $134,447,000 (2020: $nil) relating to Tanjong Kling and Tuas Crescent Yard.

5 Right-of-use assets and leases

As a lessee

The Group leases many assets including land and buildings and tugboats. Information about leases for which the Group is a lessee is presented below:

Right-of-use assets	Land and buildings[1] $'000	Marine vessels[2] $'000	Others[3] $'000	Total $'000
Group				
Balance at 1 January 2020	197,502	51,691	4,111	253,304
Translation adjustments	(252)	–	–	(252)
Additions during the year	94,287	1,648	–	95,935
Depreciation charge for the year	(18,364)	(3,613)	(1,143)	(23,120)
Termination of lease	(660)	–	–	(660)
Impairment losses	(74,191)	–	–	(74,191)
Balance at 31 December 2020	198,322	49,726	2,968	251,016
Balance at 1 January 2021	198,322	49,726	2,968	251,016
Translation adjustments	645	–	1	646
Additions during the year	75,012	24	9	75,045
Depreciation charge for the year	(19,537)	(3,734)	(1,139)	(24,410)
Termination of lease	(20)	–	–	(20)
Impairment losses	(66,477)	–	–	(66,477)
Balance at 31 December 2021	187,945	46,016	1,839	235,800

5 Right-of-use assets and leases (Cont'd)

As a lessee (Cont'd)

	Others(3) $'000	Total $'000
Company		
Balance at 1 January 2020	3,556	3,556
Depreciation charge for the year	(1,013)	(1,013)
Balance at 31 December 2020	2,543	2,543
Balance at 1 January 2021	2,543	2,543
Depreciation charge for the year	(1,014)	(1,014)
Balance at 31 December 2021	1,529	1,529

(1) The leases for land and buildings typically run for a period of 1 to 30 years with options to renew the lease for an additional period of the same duration after the end of the contract term. The Group had determined that it is reasonably certain to exercise the extension option for certain leases.

(2) The Group leases tugboats with lease terms of 8 years, and options to purchase the asset at the end of the lease term. The Group had determined that it is reasonably certain to exercise the purchase option.

(3) Others comprise furniture and office equipment.

During the year, right-of-use assets included additional provision for restoration costs amounting to $74,719,000 (2020: $69,842,000) (Note 21).

As part of the Group's transformation and yard consolidation strategy, the Group is scheduled to restore the yard at Tanjong Kling Road ("Tanjong Kling Yard") and return the land to the Singapore Government by 2025. Accordingly, an impairment loss of $66,477,000 (2020: $74,191,000) was recognised as the lease is determined to be onerous once the restoration works commence.

	2021 $'000	2020 $'000
Group		
Amounts recognised in profit or loss		
Interest on lease liabilities	12,872	16,410
Expenses relating to short-term leases	1,418	2,223
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	990	987
Amounts recognised in the statement of cash flows		
Total cash outflow for leases	26,822	26,985

Extension options

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. The extension options held are exercisable by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $27,342,000 (2020: $21,072,000).

As a lessor

The Group leases out its marine vessel and has classified these leases as operating leases, because they do not transfer substantially all the risk and rewards incidental to the ownership of the vessel.

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5 Right-of-use assets and leases (Cont'd)

As a lessor (Cont'd)

The table below sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	2021 $'000	2020 $'000
Within 1 year	6,112	2,601
Between 1 to 2 year	4,280	–
	10,392	2,601

6 Investment properties

	Owned assets $'000	Right-of-use assets $'000	Total $'000
Company			
Cost			
Balance at 1 January 2020	60,669	78,609	139,278
Additions	–	82,771	82,771
Balance at 31 December 2020	60,669	161,380	222,049
Additions	–	66,640	66,640
Write off	(353)	–	(353)
Balance at 31 December 2021	60,316	228,020	288,336
Accumulated depreciation			
Balance at 1 January 2020	54,636	36,947	91,583
Depreciation for the year	257	8,836	9,093
Impairment losses	–	74,191	74,191
Balance at 31 December 2020	54,893	119,974	174,867
Depreciation for the year	257	8,777	9,034
Impairment losses	–	66,477	66,477
Write off	(353)	–	(353)
Balance at 31 December 2021	54,797	195,228	250,025
Carrying amounts			
At 1 January 2020	6,033	41,662	47,695
At 31 December 2020	5,776	41,406	47,182
At 31 December 2021	5,519	32,792	38,311

Investment properties comprise owned assets and land leases held as right-of-use assets. 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 or right-of-use assets at the Group.

As at the reporting date, an impairment loss of $66,477,000 (2020: $74,191,000) was recognised relating to the yard at Tanjong Kling Road as described in Note 5.

6 Investment properties (Cont'd)

The following amounts are recognised in profit or loss:

	Company	
	2021	2020
	$'000	$'000
Rental income	(15,138)	(14,065)
Operating expenses arising from rental of investment properties	14,800	13,668

7 Investments in subsidiaries

	Company	
	2021	2020
	$'000	$'000
Unquoted shares, at cost	3,585,686	3,586,155

Details of the Company's subsidiaries are set out in Note 42. Investments in subsidiaries were tested for impairment and described in Note 41.

8 Interests in associates and joint ventures

	Group	
	2021	2020
	$'000	$'000
Interests in associates	777	733
Less: allowance for impairment loss	(342)	(342)
	435	391
Interests in joint ventures	16,124	15,032
	16,559	15,423

In 2021, the Group received dividends of $32,000 (2020: $nil) from its investments in associates and joint ventures.

Associates

The Group has a number of associates that are individually immaterial to the Group. All are equity accounted. Summarised financial information of associates presented in aggregate, representing the Group's share, is as follows:

	2021	2020
	$'000	$'000
Carrying amount	435	391
Profit for the year	44	38
Other comprehensive income	–	–
Total comprehensive income	44	38

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8 Interests in associates and joint ventures (Cont'd)

Joint ventures

The Group has a number of joint ventures that are individually immaterial to the Group. All are equity accounted. Summarised financial information of joint ventures presented in aggregate, representing the Group's share, is as follows:

	2021 $'000	2020 $'000
Carrying amount	16,124	15,032
Profit for the year	1,122	475
Other comprehensive income	2	23
Total comprehensive income	1,124	498

9 Other financial assets

		Group	
		2021 $'000	2020 $'000
(a)	**Non-current assets**		
	Financial assets at fair value through other comprehensive income:		
	- Unquoted equity shares	2,642	2,642
	Cash flow hedges:		
	- Forward foreign currency contracts	–	1,928
	- Interest rate swaps	633	–
		3,275	4,570
(b)	**Current assets**		
	Cash flow hedges:		
	- Forward foreign currency contracts	1,106	14,100
	- Interest rate swaps	2,010	–
	Financial assets at fair value through profit or loss:		
	- Forward foreign currency contracts	662	19,740
		3,778	33,840

10 Trade and other receivables

	Note	2021 Non-current $'000	2021 Current $'000	2021 Total $'000	2020 Non-current $'000	2020 Current $'000	2020 Total $'000
Group							
Trade receivables		1,148,627	364,175	1,512,802	1,085,818	422,629	1,508,447
Amounts due from related parties	11	22,500	5,246	27,746	25,000	4,860	29,860
Staff loans	(a)	–	106	106	–	22	22
Interest receivable		–	1	1	–	1	1
Deposits		–	13,480	13,480	–	3,709	3,709
Sundry receivables		–	12,660	12,660	–	15,526	15,526
Unbilled receivables		–	13,428	13,428	–	12,245	12,245
Recoverable		–	20,391	20,391	–	4,461	4,461
		1,171,127	429,487	1,600,614	1,110,818	463,453	1,574,271
Loss allowance		(4,246)	(10,981)	(15,227)	(5,267)	(9,902)	(15,169)
Financial assets at amortised cost		1,166,881	418,506	1,585,387	1,105,551	453,551	1,559,102
Prepayments and advances		495	34,725	35,220	–	127,795	127,795
GST refundable		–	16,548	16,548	–	13,957	13,957
Grant receivables		–	1,542	1,542	–	22,800	22,800
		1,167,376	471,321	1,638,697	1,105,551	618,103	1,723,654

(a) Staff loans

Staff loans are unsecured and bear interest at 3.0% (2020: 3.0%) per annum.

The impairment losses on trade receivables are as follows:

	2021 Gross $'000	2021 Impairment $'000	2021 Total $'000	2020 Gross $'000	2020 Impairment $'000	2020 Total $'000
Group						
Trade receivables	1,512,802	(10,604)	1,502,198	1,508,447	(10,572)	1,497,875

In 2020, arising from the settlement agreement which was finalised during the year with the Group's customer who had undergone financial restructuring, the outstanding trade receivables of $145,120,000 had been written off.

10 Trade and other receivables (Cont'd)

		2021			2020		
	Note	Non-current	Current	Total	Non-current	Current	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Company							
Amounts due from related parties	11	1,292,700	123,239	1,415,939	127,700	20,327	148,027
Sundry deposits		–	2	2	–	1	1
Sundry receivables		–	9,743	9,743	–	9,753	9,753
Financial assets at amortised cost		1,292,700	132,984	1,425,684	127,700	30,081	157,781
Prepayments and advances		–	2,376	2,376	–	278	278
GST refundable		–	197	197	–	19	19
Grant receivables		–	–	–	–	1,341	1,341
		1,292,700	135,557	1,428,257	127,700	31,719	159,419

11 Amounts due from related parties

		Associates and joint ventures		Related companies		Total	
	Note	2021	2020	2021	2020	2021	2020
		$'000	$'000	$'000	$'000	$'000	$'000
Group							
Amounts due from:							
- Trade	(a)	195	194	428	69	623	263
- Loans and advances	(c)	22,500	25,000	–	–	22,500	25,000
		22,695	25,194	428	69	23,123	25,263
Amount due within 1 year	10	(195)	(194)	(428)	(69)	(623)	(263)
	10	22,500	25,000	–	–	22,500	25,000

11 Amounts due from related parties (Cont'd)

	Note	Subsidiaries 2021 $'000	Subsidiaries 2020 $'000	Associates and joint ventures 2021 $'000	Associates and joint ventures 2020 $'000	Related companies 2021 $'000	Related companies 2020 $'000	Total 2021 $'000	Total 2020 $'000
Company									
Amounts due from:									
- Trade	(a)	8,047	7,015	10	21	8	8	8,065	7,044
- Non-trade	(b)	15,174	13,283	–	–	–	–	15,174	13,283
- Loans and advances	(c)	1,392,700	127,700	–	–	–	–	1,392,700	127,700
		1,415,921	147,998	10	21	8	8	1,415,939	148,027
Amount due within 1 year	10	(123,221)	(20,298)	(10)	(21)	(8)	(8)	(123,239)	(20,327)
	10	1,292,700	127,700	–	–	–	–	1,292,700	127,700

(a) The trade amounts due from related parties are unsecured, repayable on demand and interest-free.

(b) The non-trade amounts due from related parties comprise mainly payments made on their behalf which are unsecured, repayable on demand and interest-free.

(c) At the Group and Company level, the loans and advances to related parties are unsecured and interest-free, except for $22,500,000 (2020: $25,000,000) of loan to a joint venture that bears interest rates ranging from 0.19% to 0.35% (2020: 0.18% to 1.53%) per annum. The loans and advances to related parties are repayable on demand, and settlement of loans and advances to these related parties is neither planned nor likely to occur in the foreseeable future.

The impairment losses on amounts due from associates and joint ventures are as follows:

	2021 Gross $'000	2021 Impairment $'000	2021 Total $'000	2020 Gross $'000	2020 Impairment $'000	2020 Total $'000
Group						
Amounts due from associates and joint ventures	27,318	(4,623)	22,695	29,791	(4,597)	25,194

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12 Contract assets

	2021			2020		
	Non-current $'000	Current $'000	Total $'000	Non-current $'000	Current $'000	Total $'000
Group						
Contract assets	463,517	1,298,268	1,761,785	–	1,552,526	1,552,526
Loss allowance	–	(2,960)	(2,960)	–	(613)	(613)
	463,517	1,295,308	1,758,825	–	1,551,913	1,551,913

The contract assets mainly relate to the Group's rights to consideration for work completed but not yet billed at reporting date on the long-term contracts for ship and rig building, conversion and repair & upgrades. The contract assets are transferred to trade receivables when the rights become unconditional.

During the year, the Group entered into amendment agreements with a customer to reschedule its delivery of its vessels and defer payments initially due on delivery under the original contract. Under the amendment agreements, the customer will make partial payment upon delivery followed by quarterly instalments of the balance amounts with accrued interest within five years of the delivery dates. All amounts are secured with the customer's parent company guarantee and a mortgage over a vessel.

Significant changes in the contract assets balances during the year are as follows:

	2021 $'000	2020 $'000
Transfer from contract assets recognised at the beginning of the year to receivables	(517,143)	(458,200)
Recognition of revenue, net of recognised in receivables	726,402	548,273
Impairment loss on contract assets	(2,347)	(613)

13 Intangible assets

	Goodwill $'000	Club memberships $'000	Intellectual property rights $'000	Designs under development $'000	Total $'000
Group					
Cost					
Balance at 1 January 2020	14,537	590	297,722	49,511	362,360
Translation adjustments	(38)	–	49	–	11
Additions	–	–	–	2,589	2,589
Balance at 31 December 2020	14,499	590	297,771	52,100	364,960
Balance at 1 January 2021	14,499	590	297,771	52,100	364,960
Translation adjustments	65	–	(3)	–	62
Additions	–	11	–	2,401	2,412
Dissolution of a subsidiary	(345)	–	–	–	(345)
Balance at 31 December 2021	14,219	601	297,768	54,501	367,089
Accumulated amortisation and impairment losses					
Balance at 1 January 2020	2,559	468	112,992	–	116,019
Translation adjustments	(5)	–	18	–	13
Amortisation for the year	–	–	27,929	–	27,929
Balance at 31 December 2020	2,554	468	140,939	–	143,961
Balance at 1 January 2021	2,554	468	140,939	–	143,961
Translation adjustments	(1)	–	(1)	–	(2)
Amortisation for the year	–	–	25,056	–	25,056
Dissolution of a subsidiary	(345)	–	–	–	(345)
Balance at 31 December 2021	2,208	468	165,994	–	168,670
Carrying amounts					
At 1 January 2020	11,978	122	184,730	49,511	246,341
At 31 December 2020	11,945	122	156,832	52,100	220,999
At 31 December 2021	12,011	133	131,774	54,501	198,419

	Club memberships	
	2021 $'000	2020 $'000
Company		
Cost		
Balance at 1 January	590	590
Additions	11	–
Balance at 31 December	601	590
Accumulated impairment losses		
Balance at 1 January and 31 December	468	468
Carrying amounts		
At 1 January	122	122
At 31 December	133	122

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13 Intangible assets (Cont'd)

Amortisation

The amortisation of intangible assets amounting to $25,052,000 (2020: $27,925,000) 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	
	2021	2020
	$'000	$'000
Rigs and floaters, repairs & upgrades, offshore platforms, and specialised shipbuilding	10,988	10,922
Others	1,023	1,023
Total	12,011	11,945

Intellectual property rights

Intellectual property rights relate to acquired patents for the Jurong Espadon Drillship, Satellite Services Platform offshore designs, re-deployable modularised LNG and LPG solutions, and geostationary cylindrical hull design.

Impairment test assessment

The goodwill, intellectual property rights and designs under development 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 41. Such goodwill, intellectual property rights and designs under development are attributed to the Singapore cash generating unit.

14 Deferred tax assets and liabilities

	At 1 January 2020 $'000	Recognised in profit or loss (Note 31) $'000	Recognised in other comprehensive income (Note 32) $'000	Translation adjustments/ Others $'000	At 31 December 2020 $'000	Recognised in profit or loss (Note 31) $'000	Recognised in other comprehensive income (Note 32) $'000	Translation adjustments/ Others $'000	At 31 December 2021 $'000
Group									
Deferred tax liabilities									
Property, plant and equipment	88,782	(16,055)	–	–	72,727	(14,993)	–	(1)	57,733
Other financial assets	2,289	–	(1,537)	–	752	–	(547)	–	205
Unutilised tax losses, capital and investment allowances	15	(15)	–	–	–	–	–	–	–
Intangible assets	31,372	(3,621)	–	–	27,751	(3,317)	–	–	24,434
Provisions	613	247	–	–	860	(860)	–	–	–
Other items	10	1,811	–	(57)	1,764	(292)	–	16	1,488
	123,081	(17,633)	(1,537)	(57)	103,854	(19,462)	(547)	15	83,860
Deferred tax assets									
Property, plant and equipment	(3,090)	468	–	9	(2,613)	885	–	(34)	(1,762)
Trade and other receivables	(325)	(1,271)	–	29	(1,567)	227	–	(21)	(1,361)
Trade and other payables	(17,168)	(10,216)	–	3	(27,381)	(4,756)	–	(2)	(32,139)
Unutilised tax losses, capital and investment allowances	(86,469)	(45,447)	–	229	(131,687)	(44,790)	–	81	(176,396)
Provisions	(15,996)	(8,860)	–	(4)	(24,860)	(12,960)	–	(32)	(37,852)
Other financial liabilities	–	–	(136)	–	(136)	–	(1,688)	–	(1,824)
Other items	(239)	(5,802)	–	–	(6,041)	(3,630)	–	–	(9,671)
	(123,287)	(71,128)	(136)	266	(194,285)	(65,024)	(1,688)	(8)	(261,005)
Net deferred tax (assets)/liabilities	(206)	(88,761)	(1,673)	209	(90,431)	(84,486)	(2,235)	7	(177,145)
Company									
Deferred tax liabilities									
Property, plant and equipment	1,636	(788)	–	–	848	(771)	–	–	77
Deferred tax assets									
Trade and other payables	(469)	(2,403)	–	–	(2,872)	(415)	–	–	(3,287)
Provisions	(4,549)	(9,986)	–	–	(14,535)	(12,195)	–	–	(26,730)
	(5,018)	(12,389)	–	–	(17,407)	(12,610)	–	–	(30,017)
Net deferred tax (assets)/liabilities	(3,382)	(13,177)	–	–	(16,559)	(13,381)	–	–	(29,940)

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14 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	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Deferred tax liabilities	19,070	26,852	–	–
Deferred tax assets	(196,215)	(117,283)	(29,940)	(16,559)
	(177,145)	(90,431)	(29,940)	(16,559)

As at 31 December 2021, a deferred tax liability of $577,000 (2020: $6,042,000) for temporary difference of $6,338,000 (2020: $57,203,000) 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 by certain subsidiaries in respect of the following items:

	Group	
	2021	2020
	$'000	$'000
Deductible temporary differences	–	263
Tax losses	1,305,903	805,115
Capital allowances	217	307
	1,306,120	805,685

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, subject to the tax provisions and agreement by the relevant tax authorities of the various jurisdictions, will be available against which certain subsidiaries of the Group can utilise the benefits.

During the year, the Group recognised deferred tax assets of $66,712,000 (2020: $71,264,000) relating to unutilised tax losses, investment allowances and deductible temporary differences.

The recognition of such deferred tax assets is presumed on the Group's ability to generate future taxable profits in the foreseeable future against which the deferred tax assets will be utilised. Although the Group has been in losses in recent years, the Group has certain subsidiaries who have been in taxable profits and have been utilising these tax losses and credits. The Group has relied on the financial forecast of these subsidiaries to estimate the future taxable profits against which the deferred tax assets recognised will be utilised. Such forecasts are however subject to estimation uncertainty.

Information about the sources of estimation uncertainty are disclosed in Note 41(b) and Note 41(d).

15 Inventories

	Group 2021 $'000	Group 2020 $'000
Raw materials	66,757	93,895
Finished goods	206	466
	66,963	94,361

In 2021, raw materials and changes in finished goods included as cost of sales amounted to $544,317,000 (2020: $661,626,000). During the year, there was a net write-down of inventories to net realisable value of $21,328,000 (2020: write-down of $34,179,000) relating to raw materials, included in cost of sales.

16 Contract costs

	Group 2021 $'000	Group 2020 $'000
Current assets		
Contract costs		
- Fulfilment cost	68,456	52,703

Under SFRS(I) 15, costs incurred relating to contracts with customers had been capitalised as fulfilment cost for future performance obligations. These costs are expected to be recoverable and are amortised to the profit or loss when the related revenue is recognised. In 2021, $127,811,000 (2020: $169,849,000) was amortised and no impairment loss (2020: $nil) had been recognised.

17 Cash and cash equivalents

	Note	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Fixed deposits	(a)	2,786	5,747	–	–
Cash and bank balances	(b)	1,101,332	766,679	734,167	499,024
Cash and cash equivalents		1,104,118	772,426	734,167	499,024

(a) Fixed deposits with banks of the Group earn interest at rates ranging from 1.89% to 7.69% (2020: 1.20% to 4.38%) per annum.

(b) Included in the Group's cash and bank balances at the balance sheet date are amounts of $619,702,737 (2020: $512,605,150) 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 0.14% to 0.226% (2020: 0.136% to 1.199%) 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 0.55% (2020: up to 1.55%) and up to 0.15% (2020: up to 0.55%) 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 $405,314,000 (2020: $nil) placed with a related corporation. The Company's cash and bank balances of $128,069,000 (2020: $nil) are also placed with a related corporation.

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18 Trade and other payables

		Note	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
(a)	**Current liabilities**					
	Trade and accrued payables[1]		1,404,176	1,000,300	12,370	6,258
	Amounts due to related parties - Trade	19	2,828	3,072	16,646	2,081
			1,407,004	1,003,372	29,016	8,339
	Deposits received		1,625	1,759	–	–
	GST payables		191	812	–	–
	Interest payable[2]		9,265	10,340	139	134
	Other creditors		6,045	10,317	392	437
	Deferred grant income[3]		4,006	18,666	–	1,892
	Accrued capital expenditure		3,920	6,646	–	–
	Amounts due to related parties - Non-trade	19	–	357	9,650	9,812
			25,052	48,897	10,181	12,275
	Total		1,432,056	1,052,269	39,197	20,614
(b)	**Non-current liabilities**					
	Other long-term payables[4]		3,711	5,982	1,731	4,002

(1) Included in the Group's accrued payables are amounts of $11,000,000 (2020: $11,000,000) relating to an assumption of liabilities on behalf of a joint venture.

(2) Included in the Group's interest payable are amounts of $1,611,000 (2020: $nil) payable to a related corporation.

(3) In 2020, the Group was awarded government grants under the Jobs Support Scheme and Enhanced Wage Credit Scheme, which provided wage support to the Group employees to help the Group retain local employees as part of the COVID-19 Government Relief Measure. Grant income from the Jobs Support Scheme is recognised in profit or loss on a systematic basis over the 20-month period from April 2020 to November 2021 in which the Group recognises the related salary costs.

(4) Other long-term payables include deferred grant income and long-term employee benefits.

19 Amounts due to related parties

	Note	Associates and joint ventures 2021 $'000	Associates and joint ventures 2020 $'000	Related companies 2021 $'000	Related companies 2020 $'000	Total 2021 $'000	Total 2020 $'000
Group							
Amounts due to:							
- Trade		2,427	1,037	401	2,035	2,828	3,072
- Non-trade		–	357	–	–	–	357
	18	2,427	1,394	401	2,035	2,828	3,429

	Note	Subsidiaries 2021 $'000	Subsidiaries 2020 $'000	Related companies 2021 $'000	Related companies 2020 $'000	Total 2021 $'000	Total 2020 $'000
Company							
Amounts due to:							
- Trade		16,644	2,081	2	–	16,646	2,081
- Non-trade		9,650	9,812	–	–	9,650	9,812
	18	26,294	11,893	2	–	26,296	11,893

The trade and non-trade amounts due to related parties are unsecured, repayable on demand and interest-free.

20 Contract liabilities

	Group	
	2021 $'000	2020 $'000
Current liabilities		
Contract liabilities	171,551	154,288

The contract liabilities primarily relate to the advance consideration received from customers amounting to $78,269,000 (2020: $109,124,000) for which revenue is recognised over time, and $93,282,000 (2020: $45,164,000) for which revenue is recognised at point in time.

Significant changes in the contract liabilities balances during the year are as follows:

	2021 $'000	2020 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	(67,714)	(36,432)
Increases due to cash received, excluding amounts recognised as revenue during the year	85,068	131,827

21 Provisions

	Retirement gratuities $'000	Warranty $'000	Restoration costs $'000	Onerous contract $'000	Total $'000
Group					
2021					
Balance at 1 January	1,067	32,371	145,848	1,519	180,805
Translation adjustments	1	106	305	–	412
Provision made during the year	–	1,731	96,655	483	98,869
Provision reversed during the year	(64)	(10,505)	–	–	(10,569)
Provision utilised during the year	(169)	(7,953)	(875)	(1,038)	(10,035)
Unwind of discount on restoration costs	–	–	2,012	–	2,012
Balance at 31 December	835	15,750	243,945	964	261,494
Provisions due:					
- within 1 year	48	14,178	41,196	964	56,386
- after 1 year but within 5 years	126	1,572	156,976	–	158,674
- after 5 years	661	–	45,773	–	46,434
	835	15,750	243,945	964	261,494
2020					
Balance at 1 January	1,242	42,104	79,908	–	123,254
Translation adjustments	(34)	(12)	(86)	–	(132)
Provision made during the year	115	3,889	69,842	1,811	75,657
Provision reversed during the year	(97)	(11,548)	(1,676)	–	(13,321)
Provision utilised during the year	(159)	(2,062)	(3,287)	(292)	(5,800)
Unwind of discount on restoration costs	–	–	1,147	–	1,147
Balance at 31 December	1,067	32,371	145,848	1,519	180,805
Provisions due:					
- within 1 year	155	32,371	4,510	969	38,005
- after 1 year but within 5 years	149	–	101,642	550	102,341
- after 5 years	763	–	39,696	–	40,459
	1,067	32,371	145,848	1,519	180,805

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21 Provisions (Cont'd)

	Restoration costs	
	2021	2020
	$'000	$'000
Company		
Balance at 1 January	85,498	26,759
Provision made during the year	71,642	58,570
Provision utilised during the year	(796)	–
Unwind of discount	890	169
Balance at 31 December	157,234	85,498
Provisions due:		
- within 1 year	30,673	–
- after 1 year but within 5 years	126,561	85,498
	157,234	85,498

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.

22 Other financial liabilities

		Group	
		2021	2020
		$'000	$'000
(a)	**Current liabilities**		
	Cash flow hedges:		
	- Forward foreign currency contracts	15,560	3,235
	- Interest rate swaps	–	819
	Financial liabilities at fair value through profit or loss:		
	- Forward foreign currency contracts	9,935	688
		25,495	4,742
(b)	**Non-current liabilities**		
	Financial liabilities at fair value through profit or loss:		
	- Forward foreign currency contracts	781	722
		781	722

23 Interest-bearing borrowings

	Note	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Current liabilities					
Unsecured term loans					
- Floating rate		161,394	1,295,746	–	–
- Fixed rate		659,187	825,648	50,000	50,000
		820,581	2,121,394	50,000	50,000
Non-current liabilities					
Unsecured term loans	(a)				
- Floating rate		1,932,784	1,103,400	–	–
- Fixed rate		322,444	325,000	–	–
		2,255,228	1,428,400	–	–
		3,075,809	3,549,794	50,000	50,000

Of the Group's interest-bearing borrowings, $656,750,000 (2020: $nil) were borrowed from a related corporation.

Effective interest rates and maturity of liabilities

	Group 2021 %	Group 2020 %
Floating rate loans	1.39 – 2.24	1.26 – 4.66
Fixed rate loans	1.33 – 2.50	0.25 – 3.02
Notes	3.85	2.95 – 3.85

	Group 2021 $'000	Group 2020 $'000
Within 1 year	820,581	2,121,394
After 1 year but within 5 years	1,932,784	1,103,400
After 5 years	322,444	325,000
Total borrowings	3,075,809	3,549,794

(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.

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23 Interest-bearing borrowings (Cont'd)

(a) Unsecured term loans (Cont'd)

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

In 2021, the medium term notes amounting to $275,000,000 has matured.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Interest–bearing borrowings $'000	Lease liabilities $'000	Total $'000
Group			
Balance at 1 January 2021	3,549,794	291,567	3,841,361
Cash flows			
Cash payments*	(2,038,855)	(26,822)	(2,065,677)
Cash proceeds	1,526,707	–	1,526,707
Non-cash items			
Additions	–	326	326
Capitalised borrowing cost	18,698	12,872	31,570
Termination	–	(20)	(20)
Foreign exchange movement	19,465	821	20,286
Balance at 31 December 2021	3,075,809	278,744	3,354,553
Balance at 1 January 2020	4,400,792	278,098	4,678,890
Cash flows			
Cash payments*	(1,736,533)	(26,985)	(1,763,518)
Cash payments on termination	–	(50)	(50)
Cash proceeds	2,397,351	–	2,397,351
Non-cash items			
Settled by issue of rights shares	(1,500,000)	–	(1,500,000)
Additions	–	25,237	25,237
Capitalised borrowing cost	–	16,410	16,410
Termination	–	(658)	(658)
Foreign exchange movement	(11,816)	(485)	(12,301)
Balance at 31 December 2020	3,549,794	291,567	3,841,361

* Cash payments includes $4,686,000 (2020: $5,281,000) of interest paid for lease liabilities.

24 Share capital

	Group and Company No. of ordinary shares	
	2021	2020
Issued and fully paid, with no par value:		
Balance at 1 January	12,555,645,884	2,090,904,569
Restricted shares released	–	2,050,445
Rights issue	18,833,459,491	10,462,690,870
Balance at 31 December	31,389,105,375	12,555,645,884

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company's residual assets.

The Company issued 3,420,217 (2020: nil) treasury shares during the year pursuant to its share based incentive plans (Note 36).

Rights issue

On 11 September 2020, the Company issued 5 rights shares for every 1 existing ordinary share in the capital of the Company at $0.20 per rights share held by the shareholders of the Company. The Company raised gross proceeds of $2,092,538,000 and recognised transaction costs of $5,951,000 from the rights issue in equity, with SCI subscribing $1,500,000,000 of rights shares from the rights issue which was settled via set off against the $1,500,000,000 outstanding under its subordinated loan extended to the Company. After the completion of rights issue, SCI distributed its stake in the Company to its shareholders on a *pro rata* basis as dividends, resulting in a demerger of the Company from SCI.

On 22 September 2021, the Company issued 3 rights shares for every 2 existing ordinary shares in the capital of the Company at $0.08 per rights share held by the shareholders of the Company. The Company raised gross proceed of $1,506,677,000 and recognised transaction costs of $7,835,000 from the rights issue in equity.

25 Other reserves

		Group		Company	
	Note	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Distributable					
Reserve for own shares	(a)	(1)	(771)	(1)	(771)
Non-distributable					
Currency translation reserve	(b)	(17,732)	(32,334)	–	–
Share-based payments reserve	(c)	(25,995)	(25,157)	(23,907)	(23,050)
Hedging reserve	(d)	(6,271)	2,390	–	–
Capital reserves	(e)	(1,683)	(1,683)	960	960
		(51,682)	(57,555)	(22,948)	(22,861)

(a) Reserve for own shares comprises the cost of the Company's shares held by the Company. As at 31 December 2021, the Company holds 6,223 (2020: 416,840) 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.

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25 Other reserves (Cont'd)

(d) 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.

(e) Capital reserves comprise mainly reserves arising from acquisition and disposals of non-controlling interests that do not result in a change of control.

26 Turnover

Turnover represents sales from the various activities described in Note 1 and Note 42, including the revenue recognised on contracts relating to rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding.

	Group	
	2021	2020
	$'000	$'000
Contract revenue	1,839,938	1,485,290
Charter hire income	18,443	22,492
Sale of goods	3,834	2,498
	1,862,215	1,510,280

(a) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major product and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 44).

	Reportable segments			
	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding	Ship chartering	Others	Total
	$'000	$'000	$'000	$'000
Primary geographical markets				
2021				
Singapore	211,073	11,624	3,834	226,531
Rest of Asia, Australia & India	108,337	–	–	108,337
Qatar	223,616	–	–	223,616
Rest of Middle East & Africa	1,141	–	–	1,141
United Kingdom	208,114	–	–	208,114
Norway	263,340	–	–	263,340
The Netherlands	21,857	6,819	–	28,676
Rest of Europe	277,488	–	–	277,488
Brazil	144,106	–	–	144,106
U.S.A.	380,581	–	–	380,581
Other countries	285	–	–	285
Total	1,839,938	18,443	3,834	1,862,215

26 Turnover (Cont'd)

(a) Disaggregation of revenue from contracts with customers (Cont'd)

	Reportable segments			
	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Total $'000
Primary geographical markets				
2020				
Singapore	228,101	7,111	2,498	237,710
Rest of Asia, Australia & India	214,233	–	–	214,233
Middle East & Africa	62,711	–	–	62,711
United Kingdom	120,678	–	–	120,678
Norway	207,971	–	–	207,971
The Netherlands	8,084	15,381	–	23,465
Rest of Europe	217,107	–	–	217,107
Brazil	148,484	–	–	148,484
U.S.A.	274,357	–	–	274,357
Other countries	3,564	–	–	3,564
Total	1,485,290	22,492	2,498	1,510,280
Major product and service lines				
2021				
Ship and rig building or conversion	803,940	–	–	803,940
Repair, maintenance and related services	395,695	–	–	395,695
Offshore platforms	573,475	–	–	573,475
Specialised shipbuilding	32,701	–	–	32,701
Charter hire	–	18,443	–	18,443
Sale of goods	–	–	3,834	3,834
Others	34,127	–	–	34,127
Total	1,839,938	18,443	3,834	1,862,215
Timing of revenue recognition				
Control transferred over time	1,835,520	18,443	–	1,853,963
Control transferred at a point in time	4,418	–	3,834	8,252
Total	1,839,938	18,443	3,834	1,862,215
Major product and service lines				
2020				
Ship and rig building or conversion	673,763	–	–	673,763
Repair, maintenance and related services	424,639	–	–	424,639
Offshore platforms	310,067	–	–	310,067
Specialised shipbuilding	55,481	–	–	55,481
Charter hire	–	22,492	–	22,492
Sale of goods	–	–	2,498	2,498
Others	21,340	–	–	21,340
Total	1,485,290	22,492	2,498	1,510,280
Timing of revenue recognition				
Control transferred over time	1,440,072	22,492	–	1,462,564
Control transferred at a point in time	45,218	–	2,498	47,716
Total	1,485,290	22,492	2,498	1,510,280

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26 Turnover (Cont'd)

(b) Transaction price allocated to remaining performance obligation

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at reporting date:

Reportable segments	Estimated based on expected project progress Within the next 12 months $'000	Between 1 to 5 years $'000	More than 5 years $'000	Total $'000
2021				
Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding	801,226	268,961	–	1,070,187
2020				
Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding	1,313,110	193,337	–	1,506,447

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about remaining performance obligations that have an original expected duration of one year or less, as allowed by SFRS(I) 15.

27 Operating loss

Detailed below are the key amounts recognised in arriving at operating loss:

	Note	Group 2021 $'000	2020 $'000
Amortisation of intangible assets	13	25,056	27,929
Audit fees paid/payable			
- auditors of the Company		927	656
- other member firms of KPMG International		222	369
Non-audit fees paid/payable			
- auditors of the Company		24	35
- other member firms of KPMG International		30	42
Impairment losses on trade receivables and contract assets, net		2,356	9,633
Depreciation of property, plant and equipment, and right-of-use assets	4, 5	171,525	173,800
Changes in fair value of financial instruments		35,989	(19,764)
Foreign currency exchange (gain)/loss, net		(40,522)	20,579
Loss/(gain) on disposal of property, plant and equipment, net		4,565	(947)
Loss on modified cash flows of receivables		3,084	–
Impairment losses on property, plant and equipment	4	45,916	48,989
Impairment losses on right-of-use assets	5	66,477	74,191
Provision for restoration costs		21,937	–
Inventories written down, net	15	21,328	34,179
Property, plant and equipment written off		12	43
Government grants		(42,716)	(95,685)
Staff costs	(a)	429,605	353,812

(a) Staff costs

	2021 $'000	2020 $'000
Salaries and bonus	348,663	284,203
Defined contribution plan	29,641	28,689
Equity-settled share-based payments	–	1,466
Cash-settled share-based payments	–	(5)
Directors' fee	1,633	1,970
Other employee benefits	49,668	37,489
	429,605	353,812

28 Finance income and finance costs

	Group	
	2021	2020
	$'000	$'000
Finance income		
Interest income from:		
- Trade receivables and contracts with customers	49,376	49,466
- Fixed deposits and bank balances	1,334	1,957
- Joint venture	58	202
	50,768	51,625
Finance costs		
Interest expense on lease liabilities	12,872	16,410
Interest paid and payable to bank and others	57,535	113,298
Amortisation of capitalised transaction costs	10,180	10,947
Unwind of discount on restoration costs	2,012	1,147
	82,599	141,802

29 Non-operating income

	Group	
	2021	2020
	$'000	$'000
Non-operating income:		
Gain on disposal of asset held for sale	–	501

30 Share of results of associates and joint ventures

		Group	
	Note	2021	2020
		$'000	$'000
Share of profit before tax for the year		1,792	948
Share of tax for the year		(626)	(435)
	31	1,166	513

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31 Tax credit

	Note	Group 2021 $'000	Group 2020 $'000
Current tax expense			
Current year		4,785	4,028
Under provided in prior years		279	1,233
		5,064	5,261
Deferred tax credit			
Movements in temporary differences		(86,407)	(89,709)
Under provided in prior years		1,921	948
		(84,486)	(88,761)
Tax credit		(79,422)	(83,500)

Reconciliation of effective tax rate

	Note	2021 $'000	2020 $'000
Loss for the year		(1,175,358)	(587,208)
Tax credit		(79,422)	(83,500)
Share of results of associates and joint ventures	30	(1,166)	(513)
Loss before share of results of associates and joint ventures, and tax credit		(1,255,946)	(671,221)
Tax calculated using Singapore tax rate of 17% (2020: 17%)		(213,511)	(114,108)
Exempt income, capital gains and tax incentives/concessions		(13,129)	(15,258)
Effect of different tax rates in foreign jurisdictions		13,297	(11,268)
Tax adjustment on changes in undistributed profits from foreign entities		(64,155)	(82,767)
Effect on utilisation of deferred tax assets not previously recognised		(4,661)	(103)
Non-deductible expenses		92,535	30,814
Under provided in prior years		2,200	2,181
Deferred tax assets not recognised		108,000	106,990
Others		2	19
Tax credit		(79,422)	(83,500)

As at 31 December 2021, certain subsidiaries have unutilised tax losses and capital and investment allowances of $1,306,120,000 (2020: $805,422,000) and other deductible temporary differences of $nil (2020: $263,000) that have not been recognised and are available for set-off against future taxable income subject to the tax provisions and agreement by the relevant tax authorities of the various jurisdictions.

32 Other comprehensive income

Tax effects relating to each component of other comprehensive income are set out below:

	2021			2020		
	Before tax $'000	Tax expense $'000	Net of tax $'000	Before tax $'000	Tax expense $'000	Net of tax $'000
Group						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation differences for foreign operations	14,295	–	14,295	(4,814)	–	(4,814)
Net change in fair value of cash flow hedges	(6,604)	1,505	(5,099)	(19,220)	3,459	(15,761)
Net change in fair value of cash flow hedges transferred to profit or loss	(4,292)	730	(3,562)	10,505	(1,786)	8,719
Realisation of reserve upon disposal of a subsidiary	4	–	4	–	–	–
Other comprehensive income	3,403	2,235	5,638	(13,529)	1,673	(11,856)

33 Non-controlling interests

The following subsidiaries have material non-controlling interests:

Name of company	Place of incorporation and business	Operating segment	Ownership interests held by non-controlling interests 2021 %	2020 %
Gravifloat AS	Norway	Engineering and related services	44	44

The following summarised financial information of each of the Group's subsidiaries with material non-controlling interest, based on their respective (consolidated) financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

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33 Non-controlling interests (Cont'd)

	Gravifloat AS $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'000
31 December 2021				
Revenue	–			
Loss for the year	(10,507)			
Other comprehensive income	–			
Total comprehensive income	(10,507)			
Attributable to non-controlling interests:				
Loss for the year	(4,623)	(177)	–	(4,800)
Other comprehensive income	–*	(47)	–	(47)
Total comprehensive income	(4,623)	(224)	–	(4,847)
Non-current assets	56,002			
Current assets	40			
Non-current liabilities	(12,333)			
Current liabilities	(63)			
Net assets	43,646			
Net assets attributable to non-controlling interests	19,204	4,589	–	23,793
Cash flows from operating activities	–*			
Cash flows from investing activities	–*			
Cash flows from financing activities	–*			
Net decrease in cash and cash equivalents	–*			
31 December 2020				
Revenue	–			
Loss for the year	(10,481)			
Other comprehensive income	1			
Total comprehensive income	(10,480)			
Attributable to non-controlling interests:				
Loss for the year	(4,612)	(86)	–	(4,698)
Other comprehensive income	–*	65	–	65
Total comprehensive income	(4,612)	(21)	–	(4,633)
Non-current assets	69,450			
Current assets	46			
Non-current liabilities	(15,293)			
Current liabilities	(59)			
Net assets	54,144			
Net assets attributable to non-controlling interests	23,824	4,927	–	28,751
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.

34 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the loss attributable to owners of the Company of $1,170,558,000 (2020: $582,510,000) by the weighted average number of ordinary shares outstanding of 18,033,907,000 (2020*: 5,510,629,000) as follows:

	Note	Group 2021 $'000	Group 2020 $'000
Loss attributable to owners of the Company		(1,170,558)	(582,510)
		No. of shares '000	**No. of shares* '000**
Weighted average number of ordinary shares			
Issued ordinary shares at 1 January	24	12,555,646	2,090,905
Effect of performance shares and restricted shares released		574	1,025
Effect of own shares held		(854)	(417)
Effect of rights issue		4,708,365	2,615,673
Effect of bonus factor		770,176	803,443
Weighted average number of ordinary shares during the year		18,033,907	5,510,629

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the loss attributable to owners of the Company of $1,170,558,000 (2020: $582,510,000) by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 18,033,907,000 (2020*: 5,510,629,000) as follows:

	Group 2021 $'000	Group 2020 $'000
Loss attributable to owners of the Company	(1,170,558)	(582,510)
	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	18,033,907	5,510,629
Effect of dilutive shares	–^	–^
Weighted average number of ordinary shares during the year	18,033,907	5,510,629

* With the completion of the issuance of rights shares on 22 September 2021, prior year comparatives for earnings per share were restated per SFRS(I)1-33 through retrospective application of a bonus factor to the weighted average number of shares. The bonus factor is derived from the division of fair value per share immediately before the exercise of rights by the theoretical ex-rights fair value.

^ Effect of dilutive shares is immaterial to meaningfully disclose it.

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.

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35 Dividends

No dividends had been declared or proposed in respect of the year ended 31 December 2021 and 31 December 2020.

36 Share-based incentive plans

Following the expiry of the Company's Performance Share Plan 2010 ("SCM PSP 2010") and Restricted Share Plan ("SCM RSP 2010"), the Company's Performance Share Plan ("SCM PSP 2020") and Restricted Share Plan ("SCM RSP 2020") (collectively, the "2020 Share Plans") were approved and adopted by the shareholders at the Annual General Meeting of the Company held on 20 May 2020.

The SCM RSP 2020 is the incentive scheme for directors and employees of the Company and its subsidiaries (the "Group") whereas the SCM PSP 2020 is aimed primarily at key executives of the Group.

The 2020 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 2020 Share Plans will strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives.

The SCM RSP 2020 is intended to apply to a broad base of senior executives as well as to the non-executive directors, while the SCM PSP 2020 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 2020 and the SCM PSP 2020 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

The 2020 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 2020 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 2020 Share Plans aim to foster a greater ownership culture within the Group which will align the interests of participants with the interests of shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment.

The 2020 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 2020 Share Plans will be effective tools in motivating key senior management and senior executives to strive to deliver long-term shareholder value.

While the 2020 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 2020 Share Plans will be determined at the sole discretion of the Committee. In considering an award to be granted to a participant, the Committee may take into account, *inter alia*, the participant's performance during the relevant period, and his capability, entrepreneurship, scope of responsibility and skill set.

Other information regarding the 2020 Share Plans is as follows:

(a) Performance Share Plan

During the year, the Group charged $nil (2020: $756,000) to profit or loss based on the fair value of the performance shares at the grant date being expensed over the vesting period.

(b) Restricted Share Plan

During the year, the Group charged $nil (2020: $710,000) to profit or loss based on the fair value of restricted shares at the grant date being expensed over the vesting period.

(c) Sembcorp Marine Challenge Bonus

During the year, the Group wrote-back charges of $nil (2020: $5,000) to profit or loss based on the market values of the shares at the balance sheet date. The fair value of the compensation cost is based on the notional number of restricted shares awarded for the Sembcorp Marine Challenge Bonus and the market price at the vesting date.

37 Related parties

(a) Related party transactions

In addition to those disclosed elsewhere in the financial statements, the Group had the following outstanding balances and significant transactions with related parties during the year:

	Outstanding balances Group		Significant transactions Group	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Related corporations				
Sales	428	71	–	583
Purchases	(401)	(2,035)	(42,187)	(27,692)
Finance income	–	–	148	484
Finance costs	(1,611)	–	(2,783)	(55,173)
Others	–	–	(256)	(121)
Associates and joint ventures				
Sales	183	194	4	5
Purchases	(2,170)	(1,037)	(5,269)	(6,400)
Rental income	–	–	4	–
Finance income	12	–	58	202
Others	(257)	(357)	43	51

(b) Compensation of key management personnel

During the year and in prior year, the Group considers the directors of the Company (including the President & Chief Executive Officer of the Company), the Executive Vice President & Head of Operations, the Group Finance Director, the Senior Vice President & Head of Rigs & Floaters, the Chief Risk Officer and the Chief Human Resource Officer of the Company to be key management personnel in accordance with SFRS(I) 1-24 *Related Party Disclosures*.

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	
	2021 $'000	2020 $'000
Directors' fees and remuneration	2,334	2,978
Other key management personnel remuneration	2,066	2,348
	4,400	5,326
Fair value of share-based compensation	–	742

Remuneration includes salary (which includes allowances, fees and other emoluments) and bonuses (which includes AWS, discretionary bonus and performance targets bonus).

In addition to the above, the Company provides medical benefits to all employees including key management personnel.

The Group adopts an incentive compensation plan, which is tied to the creation of Economic Value Added ("EVA"), as well as to attainment of individual and Group performance goals for its key executives. A "bonus bank" is used to hold incentive compensation credited in any year. Typically, one-third of the available balance is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank in future will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the bonus bank.

The fair value of share-based compensation relates to performance shares and restricted shares granted that were charged to profit or loss.

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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's treasury policies and financial authority limits are documented and reviewed periodically. The policies set out the parameters for management of Group liquidity, counterparty risk, foreign exchange and derivative transactions and financing.

The Group utilises foreign exchange contracts, interest rate swaps and various financial instruments to manage exposures to interest rate and foreign exchange risks arising from operating, financing and investment activities. Exposures to foreign currency risks are also hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount where possible. All such transactions must involve underlying assets or liabilities and no speculative transactions are allowed.

The financial authority limits seek to limit and mitigate transactional risks by setting out the threshold of approvals required for the entry into contractual obligations and investments.

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and reduce market risk exposures within acceptable parameters.

(i) Interest rate risk

The Group's exposure to market risk for changes in interest rate environment relates mainly to its debt obligations.

The Group's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts and long-term and short-term borrowings.

The Group's risk management policy is to ensure that at least 50% of its debt portfolio is at fixed interest rates. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps to hedge the variability in cash flows attributable to the floating interest rates.

The Group designates the interest rate swaps in their entirety to hedge its interest rate risk and applies a hedge ratio of 1:1. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item by looking at the critical terms.

In these hedge relationships, the main source of ineffectiveness is the effect of the counterparties' and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates.

Hedging relationships that are impacted by IBOR reform may experience ineffectiveness because of a timing mismatch between the hedged item and the hedging instrument regarding IBOR transition. For further details, see 'Managing interest rate benchmark reform and associated risks' below.

At 31 December 2021, the Group had interest rate swaps with an aggregate notional amount of $348,060,000 (2020: $283,680,000). The Group receives a variable interest rate and pays a fixed rate interest ranging from 1.87% to 2.05% (2020: 2.05% to 3.02%) per annum on the notional amount. Interest rate swaps with notional amounts of $75,000,000 (2020: $nil) were entered with a related corporation. Of the Group's interest-bearing borrowings, approximately 50% (2020: over 50%) are not subjected to interest rate repricing risk.

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 2021				
Variable rate financial instruments	(2,908)	2,908	2,281	(2,308)
31 December 2020				
Variable rate financial instruments	(1,439)	1,439	534	(540)
Company				
31 December 2021				
Variable rate financial instruments	3,670	(3,670)	–	–
31 December 2020				
Variable rate financial instruments	2,477	(2,477)	–	–

(ii) Foreign currency risk

The Group operates globally and is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company and its subsidiaries. The currencies in which these transactions are primarily denominated in are Singapore dollars ("SGD"), United States dollars ("USD"), Euros ("EUR"), Pounds sterling ("GBP") and Brazilian Real ("BRL"). Such risks are hedged either by forward foreign currency contracts in respect of actual or forecasted currency exposures which are reasonably certain or hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount. Forward foreign currency contracts with notional amounts of $934,118,000 (2020: $nil) were entered with a related corporation.

The Group's risk management policy is to hedge 50% to 100% of its estimated net foreign currency exposure in respect of its forecasted project cash inflows and outflows over the lifespans of the projects.

The Group designates the forward foreign currency contracts in their entirety to hedge its foreign currency risk and applies a hedge ratio of 1:1. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item by looking at the critical terms.

In these hedge relationships, the main sources of ineffectiveness may be due to:

- the effect of the counterparties' and the Group's own credit risk on the fair value of the forward foreign currency contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and

- changes in the timing of the hedged transactions.

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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							
31 December 2021							
Financial assets							
Cash and cash equivalents	6,839	136,822	50,154	800	2,859	4,380	201,854
Trade and other receivables	132,716	2,827,661	65,592	2,037	36,339	30,246	3,094,591
	139,555	2,964,483	115,746	2,837	39,198	34,626	3,296,445
Financial liabilities							
Trade and other payables	(106,373)	(876,370)	(86,143)	(15,002)	(71,800)	(42,564)	(1,198,252)
Interest-bearing borrowings	(120,000)	(520,343)	–	–	–	–	(640,343)
Lease liabilities	(12,859)	(36,956)	–	–	(4)	–	(49,819)
	(239,232)	(1,433,669)	(86,143)	(15,002)	(71,804)	(42,564)	(1,888,414)
Net financial assets/(liabilities)	(99,677)	1,530,814	29,603	(12,165)	(32,606)	(7,938)	1,408,031
Add: Contract assets	–	817,116	68,195	–	–	15,762	901,073
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(1,367)	2,846	(88,576)	13,997	–	(54,842)	(127,942)
Less: Foreign currency forward contracts	–	(1,636,969)	(53,453)	–	–	–	(1,690,422)
Net currency exposure	(101,044)	713,807	(44,231)	1,832	(32,606)	(47,018)	490,740
31 December 2020							
Financial assets							
Cash and cash equivalents	8,941	51,770	4,765	11,848	5,751	4,492	87,567
Trade and other receivables	277,322	2,065,363	60,059	24,967	45,234	13,000	2,485,945
	286,263	2,117,133	64,824	36,815	50,985	17,492	2,573,512
Financial liabilities							
Trade and other payables	(114,658)	(389,775)	(87,750)	(12,015)	(66,940)	(25,653)	(696,791)
Interest-bearing borrowings	(120,001)	(379,651)	–	–	–	–	(499,652)
Lease liabilities	(17,352)	(42,987)	–	–	(13)	–	(60,352)
	(252,011)	(812,413)	(87,750)	(12,015)	(66,953)	(25,653)	(1,256,795)
Net financial (liabilities)/assets	34,252	1,304,720	(22,926)	24,800	(15,968)	(8,161)	1,316,717
Add: Contract assets	–	1,074,761	107,998	–	–	16,527	1,199,286
Add: Firm commitments and highly probable forecast transactions in foreign currencies	621	371,170	(83,918)	1,991	–	(47,184)	242,680
Less: Foreign currency forward contracts	(133,680)	(1,708,104)	(112,612)	–	–	–	(1,954,396)
Net currency exposure	(98,807)	1,042,547	(111,458)	26,791	(15,968)	(38,818)	804,287

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			
31 December 2021			
Financial assets			
Cash and cash equivalents	597	–	597
Trade and other receivables	1	9,721	9,722
	598	9,721	10,319
Financial liabilities			
Trade and other payables	(1,335)	–	(1,335)
Net financial (liabilities)/assets	(737)	9,721	8,984
31 December 2020			
Financial assets			
Cash and cash equivalents	2	–	2
Trade and other receivables	537	9,626	10,163
	539	9,626	10,165
Financial liabilities			
Trade and other payables	(1,550)	–	(1,550)
Net financial (liabilities)/assets	(1,011)	9,626	8,615

Sensitivity analysis

A 10% strengthening of the following currencies against the functional currencies of the Company and its subsidiaries at the balance sheet date would have increased/(decreased) equity and profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of firm commitments (not subject to fair value hedges) and highly probable forecast transactions in foreign currencies. The analysis is performed on the same basis for 2020.

	Group		Company	
	Equity $'000	Profit before tax $'000	Equity $'000	Profit before tax $'000
2021				
SGD	–	(9,968)	–	–
USD	(100,060)	189,117	–	(74)
EUR	(4,369)	9,780	–	–
GBP	–	(1,217)	–	–
BRL	–	(3,261)	–	–
Others	–	782	–	972
2020				
SGD	–	(10,003)	–	–
USD	(90,791)	179,962	–	(101)
EUR	(9,567)	8,507	–	–
GBP	–	2,479	–	–
BRL	–	(1,597)	–	–
Others	–	836	–	963

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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38 Financial instruments (Cont'd)

(a) Market risk (Cont'd)

(iii) Cash flow hedges

At the reporting date, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates:

	Forward contract rate $	Interest rate %	Maturity Within 1 year $'000	Maturity Between 1 to 5 years $'000	Maturity More than 5 years $'000
2021					
Foreign currency risk					
Forward foreign currency contracts (Buy/Sell)					
- SGD/USD	1.32 – 1.39	–	1,190,270	–	–
- SGD/EUR	1.54 – 1.59	–	53,453	–	–
Interest rate risk					
Interest rate swaps					
- Float-to-fixed	–	1.87 – 2.05	–	348,060	–
2020					
Foreign currency risk					
Forward foreign currency contracts (Buy/Sell)					
- SGD/USD	1.33 – 1.43	–	1,638,348	202,675	–
- USD/SGD	0.75	–	266,599	–	–
- SGD/EUR	1.54 – 1.64	–	112,612	–	–
Interest rate risk					
Interest rate swaps					
- Float-to-fixed	–	2.05 – 3.02	150,000	133,680	–

The amounts at the reporting date relating to items designated as hedged items were as follows:

	Cash flow hedge reserve for continuing hedges $'000
2021	
Foreign currency risk	
Sales receipts	(8,787)
Interest rate risk	
Variable rate borrowings	2,516
2020	
Foreign currency risk	
Sales receipts	3,135
Interest rate risk	
Variable rate borrowings	(745)

38 Financial instruments (Cont'd)

(a) Market risk (Cont'd)

(iii) Cash flow hedges (Cont'd)

The amounts related to items designated as hedging instruments and hedge ineffectiveness were as follows:

	2021				During the year 2021				
	Nominal amount $'000	Assets $'000	Liabilities $'000	Line item in the balance sheet where the hedging instrument is included	Change in value of hedging instrument recognised in OCI $'000	Hedge ineffectiveness recognised in profit or loss $'000	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from hedging reserve to profit or loss $'000	Line item affected in profit or loss because of the reclassification
Foreign currency risk									
Forward foreign currency contracts	1,243,723	1,106	15,560	Other financial assets, Other financial liabilities	(7,878)	(5,191)	Other operating income, Other operating expenses	1,147	Other operating income, Other operating expenses
Interest rate risk									
Interest rate swaps	348,060	2,643	–	Other financial assets, Other financial liabilities	2,779	–	Other operating income, Other operating expenses	482	Other operating income, Other operating expenses

	2020				During the year 2020				
	Nominal amount $'000	Assets $'000	Liabilities $'000	Line item in the balance sheet where the hedging instrument is included	Change in value of hedging instrument recognised in OCI $'000	Hedge ineffectiveness recognised in profit or loss $'000	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from hedging reserve to profit or loss $'000	Line item affected in profit or loss because of the reclassification
Foreign currency risk									
Forward foreign currency contracts	1,221,926	16,028	3,235	Other financial assets, Other financial liabilities	(18,879)	9,069	Other operating income, Other operating expenses	(2,012)	Other operating income, Other operating expenses
Interest rate risk									
Interest rate swaps	283,680	–	819	Other financial assets, Other financial liabilities	3,118	–	Other operating income, Other operating expenses	1,662	Other operating income, Other operating expenses

38 Financial instruments (Cont'd)

(a) Market risk (Cont'd)

(iii) Cash flow hedges (Cont'd)

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting:

	$'000
Cash flow hedge reserve	
Balance at 1 January 2021	2,390
Changes in fair value:	
Foreign currency risk	(9,491)
Interest rate risk	2,887
Amount reclassified to profit or loss:	
Foreign currency risk	(4,872)
Interest rate risk	580
Tax on movements on reserves during the year	2,235
Balance at 31 December 2021	(6,271)
Balance at 1 January 2020	9,432
Changes in fair value:	
Foreign currency risk	(22,747)
Interest rate risk	3,527
Amount reclassified to profit or loss:	
Foreign currency risk	10,505
Tax on movements on reserves during the year	1,673
Balance at 31 December 2020	2,390

(b) Credit risk

The Group monitors its exposure to credit risks arising from sales to trade customers on an on-going basis, and credit evaluations are done on customers that require credit. The credit quality of customers is assessed after taking into account its financial position and past experience with the customers.

The Group only deals with pre-approved customers and financial institutions with good credit rating. To minimise the Group's counterparty risk, the Group enters into derivative transactions only with creditworthy institutions. Cash and fixed deposits are placed in banks and financial institutions with good credit rating.

The Group assumes that credit risk of a financial asset has increased significantly when the financial asset remains outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend.

The Group's and the Company's maximum exposure to credit risk, before taking into account any collateral held, is the carrying amount of each financial asset, including derivatives, in the balance sheets.

The carrying amount of receivables from the Group's most significant customer was $1,148,625,000 as at 31 December 2021 (2020: $1,086,652,000).

38 Financial instruments (Cont'd)

(b) Credit risk (Cont'd)

Deferment of receivables

Prior to 2020, payment on the outstanding receivables for the assets delivered to this customer was deferred and due only between November 2022 to January 2024. Interest is charged on the principal amount deferred. The receivable is secured over a right to repossess and to re-sell the assets delivered in the event of default by the customer.

In 2020, the Group entered into an amendment agreement with this customer to defer certain portions of the interest payments to January 2022, with interest being charged on the deferred interest payments.

In 2021, a second amendment was entered into to further defer certain portions of the interest payments to March 2023, with the principal amount to be paid on May 2023 instead of the original agreed period of November 2022 to January 2024. Interest continues to be charged on the deferred principal and interest payments and all amounts due from the customer continue to be secured by first priority mortgages with legal rights to repossess and to re-sell the assets delivered in the event of default by this customer.

As at 31 December 2021, the Group had agreed in-principle to further defer the maturity date of the amount due from the customer to 1 May 2025 if the customer managed to refinance or extend its maturities of its other credit facilities and convertible bond to 2025 or later. The customer had also agreed to pay the Group an extension fee and make earlier payments of part of the capitalised interest previously due in first quarter of 2023. The remaining capitalised interest will be repaid in quarterly instalments in 2023 and 2024 and interest will continue to be charged.

The above amendments to the outstanding receivables with this customer are not expected to have a detrimental impact on the estimated future cash flows of the receivables. All amounts due from the customer continue to be secured by first priority mortgages with legal rights to repossess and to re-sell the assets delivered in the event of default by this customer.

In 2020, the credit risk ratings of the customer had increased and an impairment loss of $5,266,000 was recognised on the receivable from this customer. In 2021, the credit risk ratings remained similar to 2020 and as a result, no further impairment was recognised. There is no concentration of customer's credit risk at the Company level.

The Group's and the Company's maximum exposure to credit risk for financial assets at amortised cost and contract assets at the balance sheet date is as follows:

		Group		Company	
	Note	2021	2020	2021	2020
		$'000	$'000	$'000	$'000
By business activity					
Rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding		3,334,123	3,096,908	–	–
Ship chartering		4,566	4,792	–	–
Others		5,523	9,315	1,425,684	157,781
		3,344,212	3,111,015	1,425,684	157,781
Financial assets at amortised cost and contract assets					
Non-current*	10, 12	1,630,398	1,105,551	1,292,700	127,700
Current	10, 12	1,713,814	2,005,464	132,984	30,081
		3,344,212	3,111,015	1,425,684	157,781

* *Not past due.*

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38 Financial instruments (Cont'd)

(b) Credit risk (Cont'd)

The age analysis of financial assets at amortised cost and contract assets for the Group and Company is as follows:

	Gross 2021 $'000	Impairment 2021 $'000	Gross 2020 $'000	Impairment 2020 $'000
Group				
Not past due	3,276,735	7,215	3,075,448	5,880
Past due 0 to 3 months	23,612	69	39,859	2
Past due 3 to 6 months	32,529	882	17,974	1,666
Past due 6 to 12 months	11,118	211	9,963	393
More than 1 year	18,405	9,810	20,310	7,841
	3,362,399	18,187	3,163,554	15,782
Company				
Not past due	1,422,682	–	155,698	–
Past due 0 to 3 months	2,857	–	621	–
Past due 3 to 6 months	16	–	30	–
Past due 6 to 12 months	117	–	1	–
More than 1 year	12	–	1,431	–
	1,425,684	–	157,781	–

Expected credit loss (ECL) assessment for customers with credit ratings (or equivalent)

The Group allocates exposure from key customers to a credit risk grade based on data that is determined to be indicative of the risk of loss (including but not limited to external ratings if available, audited financial statements to calculate the internal risk rating using the Altman Z-score method, and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from Standards and Poor's.

ECL rate is calculated based on probabilities of default and loss given default. Lifetime probabilities of default for individual customers are based on external ratings from Bloomberg L.P. adjusted for time horizon of the credit exposure, or historical data supplied by Standards and Poor's for each credit rating. The Group monitors changes in credit risk through on-going review of customer credit worthiness and by tracking published external credit ratings.

Loss rates are adjusted for current conditions and the Group's view of economic conditions over the expected lives of the receivables only if these factors have a significant impact to the credit loss.

38 Financial instruments (Cont'd)

(b) Credit risk (Cont'd)

The following table provides information about the exposure to credit risk and ECLs for financial assets at amortised cost and contract assets for customers with credit ratings (or equivalent):

	Credit impaired	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
2021				
Group				
Receivables measured at lifetime ECL				
- Trade receivables and contract assets	No	3,199,556	8,348	3,191,208
Company				
Receivables measured at lifetime ECL				
- Trade receivables	No	–	–	–
2020				
Group				
Receivables measured at lifetime ECL				
- Trade receivables and contract assets	No	3,031,906	7,777	3,024,129
Company				
Receivables measured at lifetime ECL				
- Trade receivables	No	–	–	–

Expected credit loss assessment for customers (allowance matrix)

The Group uses an allowance matrix to measure the ECLs of trade receivables for customers not allocated specific credit ratings, which comprises large number of small balances.

Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through succession stages of delinquency to write-off.

Loss rates are based on actual credit loss experience over the past 5 years adjusted for current conditions and the Group's view of economic conditions over the expected lives of the receivables only if these factors have a significant impact to the credit loss.

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38 Financial instruments (Cont'd)

(b) Credit risk (Cont'd)

The following table provides information about the exposure to credit risk and ECLs for financial assets at amortised cost and contract assets for customers with no credit rating or no representative credit rating or equivalent:

	Credit impaired	Weighted average loss rate %	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
2021					
Group					
Not past due	No	0.03	123,576	41	123,535
Past due 0 to 3 months	No	–	1,048	–	1,048
Past due 3 to 6 months	No	–	22,601	–	22,601
Past due 6 to 12 months	No	9.37	1,548	145	1,403
More than 1 year	No	68.61	14,070	9,653	4,417
Total			162,843	9,839	153,004
Company					
Not past due	No	–	1,422,682	–	1,422,682
Past due 0 to 3 months	No	–	2,857	–	2,857
Past due 3 to 6 months	No	–	16	–	16
Past due 6 to 12 months	No	–	117	–	117
More than 1 year	No	–	12	–	12
Total			1,425,684	–	1,425,684
2020					
Group					
Not past due	No	0.01	110,224	10	110,214
Past due 0 to 3 months	No	–	2,770	–	2,770
Past due 3 to 6 months	No	–	948	–	948
Past due 6 to 12 months	No	14.01	2,763	387	2,376
More than 1 year	No	50.91	14,943	7,608	7,335
Total			131,648	8,005	123,643
Company					
Not past due	No	–	155,698	–	155,698
Past due 0 to 3 months	No	–	621	–	621
Past due 3 to 6 months	No	–	30	–	30
Past due 6 to 12 months	No	–	1	–	1
More than 1 year	No	–	1,431	–	1,431
Total			157,781	–	157,781

38 Financial instruments (Cont'd)

(b) Credit risk (Cont'd)

Movements in the allowance for impairment of financial assets at amortised cost and contract assets are as follows:

	Group Lifetime ECL $'000
Balance at 1 January 2021	15,782
Currency translation difference	114
Impairment loss recognised:	
- Financial assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired	3,586
- Remaining financial assets	191
Loss allowance written back	(1,421)
Allowance utilised	(65)
Balance at 31 December 2021	18,187
Balance at 1 January 2020	156,047
Currency translation difference	(1,919)
Impairment loss recognised:	
- Financial assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired	9,767
- Remaining financial assets	79
Loss allowance written back	(213)
Allowance utilised	(147,979)
Balance at 31 December 2020	15,782

The total net impairment loss of $2,356,000 (2020: net impairment loss of $9,633,000) have been recognised in the general and administrative expenses.

Arising from the COVID-19 pandemic, many businesses globally, including the Group's customers, have been impacted. This has resulted in increased credit risk ratings on the Group's customers. The customers are not considered credit impaired as the Group does not expect the increased credit risk ratings to have a detrimental impact on the estimated future cash flows of the receivables.

Non-trade amounts due from subsidiaries

The Company held non-trade receivables from its subsidiaries of $15,174,000 (2020: $13,283,000). These balances are amounts lent to subsidiaries to satisfy short-term funding requirements. The Company uses a similar approach for assessment of ECLs for these receivables to those used for debt investments. Impairment on these balances has been measured on the lifetime ECL basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

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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 Group will continue to take steps to manage cost, cash flows and gearing to address its financial position. While the majority of contracts and new orders are secured on progressive payment terms, future new orders may result in increased working capital needs.

The table below analyses the maturity profile of the Group's and Company's financial instruments (including derivatives) based on contractual undiscounted cash inflows/(outflows), including estimated interest payments and excluding the impact of netting agreements:

		Cash flows			
	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000
Group					
31 December 2021					
Derivative financial liabilities					
Forward foreign currency contracts	(26,276)				
- Inflow		2,035,703	1,899,833	135,870	–
- Outflow		(2,061,979)	(1,925,328)	(136,651)	–
Derivative financial assets					
Interest rate swaps	2,643	2,036	(121)	2,157	–
Forward foreign currency contracts	1,768				
- Inflow		200,807	200,807	–	–
- Outflow		(199,039)	(199,039)	–	–
Non-derivative financial liabilities					
Trade and other payables*#	(1,416,969)	(1,416,969)	(1,416,969)	–	–
Interest-bearing borrowings#	(3,085,074)	(3,276,940)	(848,001)	(2,066,367)	(362,572)
Lease liabilities	(278,744)	(668,231)	(24,778)	(87,195)	(556,258)
	(4,802,652)	(5,384,612)	(2,313,596)	(2,152,186)	(918,830)
31 December 2020					
Derivative financial liabilities					
Interest rate swaps	(819)	(828)	(828)	–	–
Forward foreign currency contracts	(4,645)				
- Inflow		588,187	468,715	119,472	–
- Outflow		(592,832)	(472,638)	(120,194)	–
Derivative financial assets					
Forward foreign currency contracts	35,768				
- Inflow		1,632,791	1,549,588	83,203	–
- Outflow		(1,597,023)	(1,515,748)	(81,275)	–
Non-derivative financial liabilities					
Trade and other payables*#	(1,020,692)	(1,020,692)	(1,020,692)	–	–
Interest-bearing borrowings#	(3,560,134)	(3,729,371)	(2,168,488)	(1,185,799)	(375,084)
Lease liabilities	(291,567)	(693,644)	(26,550)	(101,250)	(565,844)
	(4,842,089)	(5,413,412)	(3,186,641)	(1,285,843)	(940,928)

* *Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grant income and long-term employee benefits.*

\# *The carrying amount of trade and other payables excludes finance costs payable while the interest-bearing borrowings and subordinated loan include finance costs payable, for the purposes of presentation of this liquidity table.*

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					
31 December 2021					
Non-derivative financial liabilities					
Trade and other payables*#	(39,058)	(39,058)	(39,058)	–	–
Interest-bearing borrowings#	(50,139)	(50,384)	(50,384)	–	–
Lease liabilities	(51,925)	(59,377)	(10,785)	(32,316)	(16,276)
	(141,122)	(148,819)	(100,227)	(32,316)	(16,276)
31 December 2020					
Non-derivative financial liabilities					
Trade and other payables*#	(18,588)	(18,588)	(18,588)	–	–
Interest-bearing borrowings#	(50,134)	(50,367)	(50,367)	–	–
Lease liabilities	(60,846)	(70,471)	(11,275)	(38,005)	(21,191)
	(129,568)	(139,426)	(80,230)	(38,005)	(21,191)

* *Excludes deposits received, Goods and Services Tax, deferred grant income 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.*

The following table indicates the periods in which the cash flow associated with derivatives that are cash flow hedges are expected to impact profit or loss and the fair value of the related hedging instruments:

	Carrying amount $'000	Cash flows: Contractual cash flows $'000	Less than 1 year $'000	Between 1 and 5 years $'000
Group				
31 December 2021				
Derivative financial liabilities				
Forward foreign currency contracts	(15,560)			
- Inflow		1,179,659	1,179,659	–
- Outflow		(1,195,219)	(1,195,219)	–
Derivative financial assets				
Interest rate swaps	2,643	2,036	(121)	2,157
Forward foreign currency contracts	1,106			
- Inflow		64,064	64,064	–
- Outflow		(62,958)	(62,958)	–
	(11,811)	(12,418)	(14,575)	2,157
31 December 2020				
Derivative financial liabilities				
Interest rate swaps	(819)	(828)	(828)	–
Forward foreign currency contracts	(3,235)			
- Inflow		321,764	321,764	–
- Outflow		(324,999)	(324,999)	–
Derivative financial assets				
Forward foreign currency contracts	16,028			
- Inflow		900,161	816,958	83,203
- Outflow		(884,133)	(802,858)	(81,275)
	11,974	11,965	10,037	1,928

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YEAR ENDED 31 DECEMBER 2021

38 Financial instruments (Cont'd)

(d) Estimation of fair values

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – Fair values are measured based on quoted prices (unadjusted) from active markets for identical financial instruments.
- Level 2 – Fair values are measured using inputs, other than those used for Level 1, that are observable for the financial instruments either directly (prices) or indirectly (derived from prices).
- Level 3 – Fair values are measured using inputs which are not based on observable market data (unobservable input).

Securities

The fair value of financial assets at fair value through profit or loss, and fair value through other comprehensive income, is based on quoted market prices (bid price) in an active market at the balance sheet date without any deduction for transaction costs. If the market for a quoted financial asset is not active, and for unquoted financial assets, the Group establishes fair value by using other valuation techniques.

Derivatives

The fair value of forward exchange contracts is accounted for based on the difference between the contractual price and the current market price.

The fair value of interest rate swaps is the indicative amount that the Group is expected to receive or pay to terminate the swap with the swap counterparties at the balance sheet date.

Non-derivative non-current financial assets and liabilities

Fair values determined for non-derivative non-current financial assets and liabilities are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date. This includes determination for fair value disclosure purpose as well.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

For financial instruments that are not actively traded in the market, the fair value is determined by independent third party or using valuation techniques where applicable. The Group may use a variety of methods and make assumptions that are based on existing market conditions at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used to estimate the fair value for medium term notes for disclosure purpose. Other techniques, such as estimated discounted cash flows, are used to determine the fair value for the remaining financial instruments. Where discounted cash flow techniques are used, the management will estimate the future cash flows and use relevant market rate as the discount rate at the balance sheet date.

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.

38 Financial instruments (Cont'd)

(d) Estimation of fair values (Cont'd)

Fair value hierarchy

The following table sets forth by level within the fair value hierarchy of the financial assets and liabilities that were accounted for at fair value on a recurring basis as of 31 December 2021. 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	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Group				
At 31 December 2021				
Financial assets at fair value through other comprehensive income - Unquoted equity shares	–	–	2,642	2,642
Derivative financial assets	–	4,411	–	4,411
Derivative financial liabilities	–	(26,276)	–	(26,276)
Total	–	(21,865)	2,642	(19,223)
At 31 December 2020				
Financial assets at fair value through other comprehensive income - Unquoted equity shares	–	–	2,642	2,642
Derivative financial assets	–	35,768	–	35,768
Derivative financial liabilities	–	(5,464)	–	(5,464)
Total	–	30,304	2,642	32,946

In 2021 and 2020, there were no transfers between the different levels of the fair value hierarchy.

*Assets and liabilities not carried at fair value but for which fair values are disclosed**

	Fair value measurement using:			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Group				
At 31 December 2021				
Interest-bearing borrowings	–	(2,254,245)	–	(2,254,245)
At 31 December 2020				
Interest-bearing borrowings	–	(1,417,688)	–	(1,417,688)

* *Excludes financial assets and liabilities whose carrying amounts measured on the amortised cost basis that approximate their fair values due to their short-term nature, frequent repricing, and/or where the effect of discounting is immaterial.*

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	Mandatorily at FVTPL $'000	Fair value – hedging instruments $'000	FVOCI – Unquoted equity shares $'000	Financial assets at amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
Group								
At 31 December 2021								
Cash and cash equivalents	17	–	–	–	1,104,118	–	1,104,118	1,104,118
Trade and other receivables*	10	–	–	–	1,585,387	–	1,585,387	1,585,387
Financial assets at fair value through other comprehensive income								
- Unquoted equity shares	9(a)	–	–	2,642	–	–	2,642	2,642
Cash flow hedges								
- Forward foreign currency contracts	9(b)	–	1,106	–	–	–	1,106	1,106
- Interest rate swaps	9(a)&(b)	–	2,643	–	–	–	2,643	2,643
Financial assets at fair value through profit or loss								
- Forward foreign currency contracts	9(b)	662	–	–	–	–	662	662
		662	3,749	2,642	2,689,505	–	2,696,558	2,696,558
Trade and other payables**	18	–	–	–	–	1,426,234	1,426,234	1,426,234
Cash flow hedges								
- Forward foreign currency contracts	22(a)&(b)	–	15,560	–	–	–	15,560	15,560
Financial liabilities at fair value through profit or loss								
- Forward foreign currency contracts	22(a)&(b)	10,716	–	–	–	–	10,716	10,716
Interest-bearing borrowings								
- Short-term borrowings	23	–	–	–	–	820,581	820,581	820,581
- Long-term borrowings	23	–	–	–	–	2,255,228	2,255,228	2,254,245
		10,716	15,560	–	–	4,502,043	4,528,319	4,527,336

* *Excludes Goods and Services Tax and grant receivables.*

** *Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grant income and long-term employee benefits.*

38 Financial instruments (Cont'd)

(e) Fair value versus carrying amounts (Cont'd)

	Note	Mandatorily at FVTPL $'000	Fair value – hedging instruments $'000	FVOCI – Unquoted equity shares $'000	Financial assets at amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
Group								
At 31 December 2020								
Cash and cash equivalents	17	–	–	–	772,426	–	772,426	772,426
Trade and other receivables*	10	–	–	–	1,559,102	–	1,559,102	1,559,102
Financial assets at fair value through other comprehensive income								
- Unquoted equity shares	9(a)	–	–	2,642	–	–	2,642	2,642
Cash flow hedges								
- Forward foreign currency contracts	9(a)&(b)	–	16,028	–	–	–	16,028	16,028
Financial assets at fair value through profit or loss								
- Forward foreign currency contracts	9(a)&(b)	19,740	–	–	–	–	19,740	19,740
		19,740	16,028	2,642	2,331,528	–	2,369,938	2,369,938
Trade and other payables**	18	–	–	–	–	1,031,032	1,031,032	1,031,032
Cash flow hedges								
- Forward foreign currency contracts	22(a)&(b)	–	3,235	–	–	–	3,235	3,235
- Interest rate swaps	22(a)&(b)	–	819	–	–	–	819	819
Financial liabilities at fair value through profit or loss								
- Forward foreign currency contracts	22(a)&(b)	1,410	–	–	–	–	1,410	1,410
Interest-bearing borrowings								
- Short-term borrowings	23	–	–	–	–	2,121,394	2,121,394	2,121,394
- Long-term borrowings	23	–	–	–	–	1,428,400	1,428,400	1,417,688
		1,410	4,054	–	–	4,580,826	4,586,290	4,575,578

* *Excludes Goods and Services Tax and grant receivables.*

** *Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grant income, accrued land lease and long-term employee benefits.*

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38 Financial instruments (Cont'd)

(e) Fair value versus carrying amounts (Cont'd)

	Note	Financial assets at amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
Company					
At 31 December 2021					
Cash and cash equivalents	17	734,167	–	734,167	734,167
Trade and other receivables*	10	1,425,684	–	1,425,684	1,425,684
		2,159,851	–	2,159,851	2,159,851
Trade and other payables**	18	–	39,197	39,197	39,197
Interest-bearing borrowings					
- Short-term borrowings	23	–	50,000	50,000	50,000
		–	89,197	89,197	89,197
At 31 December 2020					
Cash and cash equivalents	17	499,024	–	499,024	499,024
Trade and other receivables*	10	157,781	–	157,781	157,781
		656,805	–	656,805	656,805
Trade and other payables**	18	–	18,722	18,722	18,722
Interest-bearing borrowings					
- Short-term borrowings	23	–	50,000	50,000	50,000
		–	68,722	68,722	68,722

* *Excludes Goods and Services Tax and grant receivables.*

** *Excludes deposits received, Goods and Services Tax, deferred grant income and long-term employee benefits.*

(f) Capital management

The Group aims to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders. The Group monitors Economic Value Added attributable to shareholders, which the Group defines as net operating profit after tax less capital charge excluding non-controlling interests. Management also monitors the level of dividends paid to ordinary shareholders.

The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Capital is defined as equity attributable to the equity holders. The Group's debt to capitalisation ratio as at the balance sheet date was as follows:

	Group 2021 $'000	Group 2020 $'000
Debt	3,075,809	3,549,794
Total equity	4,025,070	3,696,147
Total debt and equity	7,100,879	7,245,941
Debt-to-capitalisation ratio	0.43	0.49

38 Financial instruments (Cont'd)

(f) Capital management (Cont'd)

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.

In 2019, the Group had obtained the consent of its bondholders to revise the definition of its debt covenant to exclude the $2 billion subordinated loan facility from the Group's net debt to improve its financial flexibility. This externally imposed capital requirement has been complied with at each quarter in the financial year ended 31 December 2020. In 2020, the $1.5 billion subordinated loan was settled by issuance of rights shares.

(g) Managing interest rate benchmark reform and associated risks

A fundamental review and reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be reformed as part of these market-wide initiatives. The Group's main IBOR exposure at the reporting date is indexed to Singapore swap offer rates (SORs) and US dollar LIBOR. In Singapore, the Steering Committee for SOR and SIBOR transition to SORA (SC-STS) together with the Associate of Banks in Singapore (ABS) and Singapore Foreign Exchange Market Committee (SFEMC), has recommended the discontinuation of SOR and a shift towards the use of Singapore Overnight Rate Average (SORA) as the alternative interest rate benchmark in Singapore. The timeline for SORA to replace SOR is by end June 2023. Although US dollar LIBOR was planned to be discontinued by the end of 2021, in November 2020 the ICE Benchmark Administration (IBA), the FCA-regulated and authorised administrator of LIBOR, announced that it had started to consult on its intention to cease the publication of certain US dollar LIBORs after June 2023. As at 31 December 2021, it is still unclear when the announcement that will set a date for the termination of the publication of US dollar LIBOR will take place. The Group plans to finish the process of amending contractual terms or implementing appropriate fallback provisions in response to IBOR reform by the end of 2022.

The risk management committee monitors and manages the Group's transition to alternative rates. The committee evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The committee reports to the Group's board of directors quarterly and collaborates with other business functions as needed. It provides periodic reports to management on interest rate risk and risks arising from IBOR reform.

Non-derivative financial assets and liabilities

The Group's IBOR exposure to non-derivative financial assets and liabilities as at 31 December 2021 were interest for trade receivables, secured bank loans and interest rate swaps indexed to the US dollar LIBOR and SOR. It is unclear when the announcement that will set a date for the termination of the publication of US dollar LIBOR will take place. The Group is still in the process of communication with the counterparties and specific changes have yet been agreed.

Hedge accounting

The Group has evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by interest rate benchmark reform as at 31 December 2021. The Group's hedged items and hedging instruments continued to be indexed to IBOR benchmark rates which are US dollar LIBOR and SOR. These benchmark rates are quoted each day and the IBOR cash flows are exchanged with its counterparties as usual.

The Group's US dollar LIBOR and SOR cash flow hedging relationships extend beyond the anticipated cessation date for the respective rates. The Group is still in the process of communication with the counterparties for all US dollar LIBOR and SOR indexed exposures and the relevant hedging instruments and hedged items have not been amended to transition from US dollar LIBOR or SOR. The Group has evaluated that there is uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments and how such uncertainty may impact the hedging relationships. The Group continues to apply the amendments to SFRS(I) 9 issued in December 2020 (Phase 1) to those hedging relationships directly affected by interest rate benchmark reform.

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38 Financial instruments (Cont'd)

(g) Managing interest rate benchmark reform and associated risks (Cont'd)

Hedge accounting (Cont'd)

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur for the relevant hedged items and hedging instruments. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness. The Group has measured its hedging instruments indexed to US dollar LIBOR or SOR using available quoted market rates for LIBOR-based and SOR-based instruments of the same tenor and similar maturity and has measured the cumulative change in the present value of hedged cash flows attributable to changes in US dollar LIBOR and SOR on a similar basis.

Managing risk

The Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with cessation of the existing IBOR (referred to as an 'unreformed contract').

The following table shows the total amounts of unreformed contracts and those with appropriate fallback language as at 31 December 2021. The amounts of financial assets and liabilities are shown at their carrying amounts and derivatives are shown at their nominal amounts.

	SOR		LIBOR	
	Total amount of unreformed contracts $'000	Amount with appropriate fallback clause $'000	Total amount of unreformed contracts $'000	Amount with appropriate fallback clause $'000
Group				
31 December 2021				
Financial assets				
Trade receivables	–	–	1,028,480	–
Financial liabilities				
Secured bank loans	565,000	–	819,180	–
Derivatives				
Interest rate swaps	–	–	273,060	–

39 Contingent liabilities

The Group is subject to various litigation, regulatory and arbitration matters in the normal course of business.

The Group rigorously defends the claims and, in the opinion of management, the resolution of these matters will not have a material effect on the financial position of the Group.

Electoral Suit in Brazil

The Brazilian Public Prosecutors filed a complaint before the Electoral Courts in Aracruz, Espirito Santo, against the Company's subsidiary in Brazil, Estaleiro Jurong Aracruz Ltda ("EJA") in 2015 alleging that political donations were made in 2014 (in total BRL 1.75 million or equivalent to approximately SGD 470,000 as at June 2021) which exceeded the threshold permitted by law.

39 Contingent liabilities (Cont'd)

Electoral Suit in Brazil (Cont'd)

The dispute arises from the interpretation of the Art. 81, paragraph 1, of the Brazilian Law n. 9,504/97 (effective as at the time of the donation) that prescribed that the donation was subject to a limit of two percent of the Company's gross revenue in the year preceding the elections. As the definition of "gross revenue" is not clearly defined under the Electoral Code, there was disagreement as to whether a narrow definition of the "gross revenue" for tax purposes, or a broad definition of total revenue should apply as has already been decided by the Superior Electoral Tribunal (TSE) (the highest court in Brazilian electoral justice system) in similar cases.

In late June 2021, EJA was notified of a decision rendered by the local court of Aracruz where the judge took the narrow interpretation and applied a fine of an amount which corresponds to half of the Prosecutor's request. The fine was BRL 8.57 million, equivalent to SGD 2.33 million as at June 2021.

EJA denies all allegations that it has breached the relevant laws and will appeal against the decision, which contradicts precedents from the Superior Electoral Tribunal (TSE).

Receipt of Notice of Arbitration

On 24 December 2021, the Company's wholly-owned subsidiary, Jurong Shipyard Pte Ltd ("JSPL") has received a notice of commencement of four arbitrations from a vendor (the "Vendor") under four separate contracts for the supply of certain equipment for some of its projects.

JSPL maintains that the contracts for the supply of equipment were validly suspended or terminated. Parties have been in discussions over the payment claims from the Vendor for such suspension or termination, but have yet to reach an agreement.

The Vendor has now commenced arbitration proceedings making allegations of breach and for payment. The amounts purportedly claimed are for invoices of approximately USD 76 million, equivalent to approximately SGD 103 million plus other costs and interests under the four contracts, all of which remain to be proved by the Vendor. JSPL has engaged legal advisers for the four arbitrations proceedings and will defend all claims made against it. The Company will provide updates on material developments on this matter as appropriate.

Corporate guarantees

	Corporate guarantees	
	2021	2020
	$'000	$'000
Company		
Unsecured corporate guarantees granted in respect of:		
- Performance of subsidiaries	5,342,011	4,287,145
- Unsecured term loans by subsidiaries	651,530	655,052
- Unsecured revolving credit facilities by subsidiaries	1,469,180	1,612,236
- Unsecured bonds issued by a subsidiary	325,000	600,000

The Company has provided guarantees to banks to secure banking facilities provided to its wholly-owned subsidiaries, Jurong Shipyard Pte Ltd, Estaleiro Jurong Aracruz Ltda and Sembcorp Marine Financial Services Pte. Ltd.. These financial guarantee contracts are accounted for as insurance contracts.

The principal risk to which the Company is exposed to 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 risk and has established processes including performing credit evaluations of the parties it is providing the guarantees 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 2021

40 Commitments

Commitments not provided for in the financial statements are as follows:

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Approved capital commitment:				
- Approved capital expenditure commitment	22,505	32,574	–	17

41 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 41(d).

(b) Taxes

Current tax

The Group is subject to taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for taxes. In determining the amount of current and deferred taxes, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due.

There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. The Group believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the taxes and deferred tax provisions in the period in which such determination is made. The tax expense is disclosed in Note 31.

Deferred tax assets

Certain subsidiaries of the Group have tax benefits arising from unutilised tax losses, tax credits and deductible temporary differences, which are available for set-off against future taxable profits. Of these, the utilisation of these tax benefits, for which deferred tax asset was recognised, is presumed on the ability of the Group's subsidiaries to generate taxable profits in the foreseeable future.

41 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.

(d) Impairment assessment of property, plant and equipment and intangible assets

Impairment assessment of the Group's shipyards

Owing to the continuing difficult market conditions impacting the offshore and marine sector, and the negative impact to the Group's financial performance and liquidity arising from the outbreak of the COVID-19 pandemic and the measures adopted by the Singapore government to mitigate the pandemic's spread, there were indications that the Group's shipyards (the "cash generating units") might be impaired. Under the Group's formal impairment assessment of the individual cash generating units in: (i) Singapore (yards in Singapore, together with their sub-contracting yards in Indonesia and the United Kingdom); and (ii) Brazil, the recoverable amounts for the Group's individual cash generating units were based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation technique used.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends of the industry.

The discount rate was a post-tax measure estimated based on historical industry average weighted average cost of capital. The discount rates for the Singapore and Brazil cash generating units are 7% to 8.5% and 10% to 11.5%, respectively.

The discounted cash flow projections included management's assessment of the forecasted order book over a period of 10 years for Singapore and Brazil (the "projection periods"), with applicable growth rates for Singapore and Brazil beyond the projection periods to 48 years and 50 years respectively. The range of long term growth rates for Singapore at 1.5% to 2.5% was determined based on long term inflation and considering global growth. Long term growth rate of 4% for Brazil was determined based on Brazil's long term inflation forecast and risk free rate in USD.

The cash flows in the projection period are primarily driven by forecasted order book and project margins. The near term cash flows reflect the most recent developments on the economic impacts of the COVID-19 pandemic on gross domestic product and inflation as at the reporting date. Due to the high level of uncertainty, it was very challenging to predict the full extent and duration of the COVID-19 pandemic's impact on the Group's operations.

The cash flows are projected based on the Group's estimate of pipeline revenue, market observable data surrounding the state-owned and international oil majors' capital commitment and projected capital expenditures in oil and gas production and exploration activities, market expectations and developments for contract order prices, and other external analysts' forecast reports in oil price movements and demands for production solutions. The Brazil cash generating unit is substantially complete, and the yard will gradually ramp up to its full operational capacity over the projection period. The Group has factored in the long-term fundamentals of the oil and gas industry in Brazil in their projection.

As the Group pivots to also support the energy transition to renewable energy, the cash flow in the projection period included forecast orders in renewable solutions. For the Singapore cash generating unit, the projections are based on the Group's past experience in this area, market developments on financial support for renewable energy infrastructure, and other analysts' forecast reports on renewable energy demand and growth. For the Brazil cash generating unit, cash flows from year 5 of the projection period are augmented by expectation of active tenders of projects in renewable energy and gas solutions.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

41 Significant accounting estimates and judgements (Cont'd)

Key sources of estimation uncertainty (Cont'd)

(d) Impairment assessment of property, plant and equipment and intangible assets (Cont'd)

Impairment assessment of the Group's shipyards (Cont'd)

Project margins are projected with reference to historical experience and taking into account planned recoveries by management.

Based on the fair value less costs of disposal, the Group assessed that no impairment loss is required for these individual cash generating units.

The forecasted order book and the margins assumed in the discounted cash flows are, however, subject to estimation uncertainties that may have a significant risk of resulting in material adjustments in future periods. Changes to the assumptions used in the recoverable amount could lead to material impairment losses if the forecast order book and the forecasted margins in the near term were to deviate from the original forecast. The recoverable amount of the Brazil cash generating unit is further subject to political risk and will be reviewed at regular intervals.

For the Singapore cash generating unit, based on a mid-point discount rate of 7.75% and long term growth rates for Singapore of 1.5%, a 10% decrease in order book or 2% decrease in forecasted project margins throughout the cash flow periods would significantly reduce the recoverable amount but not likely to cause the recoverable amount to be below carrying amount.

For the Brazil cash generating unit, based on a mid-point discount rate of 10.75%, a 13.1% decrease in order book or 2.9% decrease in forecasted project margins throughout the cash flow periods would be required for the recoverable amount to equal the carrying amount.

In 2020, the recoverable amounts for the Group's individual cash generating units were based on value in use calculations. The value in use calculations included management's assessment of the forecasted order book over a period of 5 years for Singapore and Brazil (the "projection periods"), with applicable growth rates for Singapore and Brazil beyond the projection periods up to a maximum of 40 years. The long term growth rates assumed was less than 5%. The cash flows were discounted using the applicable discount rates based on their pre-tax weighted average cost of capital of 7.40% and 12.46% for the Singapore cash generating unit and Brazil cash generating unit respectively.

(e) Provisions and contingent liabilities

Estimates of the Group's obligations arising from contracts that exist as at balance sheet date may be affected by future events, which cannot be predicted with any certainty. The assumptions and estimates are made based on the management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates.

Warranty

The provision for warranty is based on estimates from known and expected warranty work and contractual obligation for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made. Movements in provision for warranty are detailed in Note 21.

Site restoration costs

The provision for site restoration costs arising from operating leases is based on the best estimate of the costs to be incurred beyond the 12 months period provided by external consultants and the scope of works to be agreed with the lessors. 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.

At the reporting date, the Group remains in discussion with the Singapore Government on the extent of work required for the restoration of land at Tanjong Kling Yard. Depending on the outcome of the discussion, the provision required may vary significantly from amounts recorded.

41 Significant accounting estimates and judgements (Cont'd)

Key sources of estimation uncertainty (Cont'd)

(e) Provisions and contingent liabilities (Cont'd)

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.

(f) Determination of net realisable value of inventories

The net realisable value of inventories is estimated by reference to contract prices. However, such net realisable value may not be the actual realisable value, arising from contract modifications, if any, which may result in other variable considerations. Such contract modifications may significantly affect the eventual realisable value of inventories; and there is a significant risk of resulting in a material adjustment to the carrying amounts of inventories in future periods.

(g) Determination of the appropriate rate to discount lease payments

The Group is required to exercise considerable judgement in determining the discount rate by taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and the effective date of any lease modification.

(h) Impairment assessment of the Company's investment in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimate of the recoverable amount of the subsidiaries. Estimating the recoverable amount requires the Company to make an estimate of the future cash flows expected from its investment and of an appropriate discount rate in order to calculate the present value of these cash flows. The forecasts used to estimate the future cash flows are subject to the risks noted in the impairment assessments of the Group's shipyards. Information about the assumptions and risk factors are disclosed in Note 41(d).

Based on the Company's assessment, no impairment loss is required as at 31 December 2021 and 31 December 2020 as the recoverable amounts assessed were in excess of the carrying amounts of the investment in subsidiaries.

Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

(a) Revenue recognition and assessment of risk of foreseeable losses on long term construction contracts

The Group has assessed its contracts relating to services for ship and rig repair, building, conversion and overhaul as a single performance obligation due to the inter-dependence of services provided in these contracts.

Significant judgement is required in determining whether the performance obligations are distinct. Such considerations include the Group's assessment of whether the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customers and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contracts.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

41 Significant accounting estimates and judgements (Cont'd)

Critical accounting judgements in applying the Group's accounting policies (Cont'd)

(a) Revenue recognition and assessment of risk of foreseeable losses on long term construction contracts (Cont'd)

For contracts with variable considerations (such as liquidated damages and discounts), the Group has applied judgement in determining the transaction price for the recognition of revenue. Such judgement includes assessment of the evaluation of any potential risks and factors which may affect the timely completion of the project as well as the quality of the output delivered to the customer.

The Group has recognised revenue on construction contracts, rigs & floaters, repairs & upgrades and offshore platforms based on the percentage of completion method in proportion to the stage of completion. The percentage of completion is assessed by reference to surveys of work performed. Significant judgement is required in determining the appropriate stage of completion for revenue recognition; and likewise, judgement is required in determining the triggering point of suspension of revenue recognition when it is no longer probable that inflow of economic benefits associated with the contracts will occur. Such considerations include the Group's assessment of the credit-worthiness of customers and an evaluation of the contract performance obligations discharged by the customers.

The Group conducts critical review of all its long term construction contracts regularly. Allowance is made where necessary to account for onerous contracts. To determine the total costs, the Group monitors and reviews constantly the progress of all long term construction contracts taking into consideration all inputs from both internal project managers and external customers. The review includes evaluating any potential risks and factors which may affect the contract price and timely completion of the construction contracts. The review also encompasses the cost analysis process whereby both actual costs incurred and future costs to complete are critically examined.

(b) Contract costs – fulfilment costs

For ship and rig building contracts with customers where revenue is recognised at a point in time (i.e. upon delivery to customer), the costs incurred during the construction phase are recognised as an asset (i.e. contract costs – fulfilment). Upon fulfilment of the performance obligation and recognition of revenue, these costs will be recognised in profit or loss. Significant judgement is required to determine if the contract costs recognised are expected to be recovered. Such judgement includes assessment of the evaluation of any potential risks and factors which may affect the customer ability to take delivery of the ship and rig. The review also encompasses the analysis of the industry outlook and the customers' financial health.

(c) Impairment of financial assets and contract assets

The Group follows the guidance of SFRS(I) 9 *Financial Instruments* in recognising loss allowances for expected credit losses on financial assets and contract assets.

The loss allowances for financial assets and contract assets are based on assumptions about risk of default and expected loss rates to be applied for the respective category of the financial assets and contract assets. The Group uses judgement in making these assumptions and selecting the input to the impairment calculation including credit default ratings, evaluation of the Group's past history of loss rate, existing market conditions as well as forward looking estimates at the end of each reporting period. The Group also evaluates, among other factors, financial restructuring (where relevant), credit-worthiness and financial health of and near-term business outlook of its customers, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

For certain financial assets and contract assets, the Group has a right to repossess or retain title, and to re-sell the assets delivered in the event of default by the customer. The Group has assessed and considered the value of the repossessed assets and applied a range of probability weighted possible outcomes in determining the expected credit loss.

In assessing the segmenting of the customers for the loss allowance, judgement is involved in determining the credit-worthiness and financial health of its customers whose conditions are subject to changes, which may require changes in the customers' segmentation, which in turn may affect the level of loss allowance in future periods.

41 Significant accounting estimates and judgements (Cont'd)

Critical accounting judgements in applying the Group's accounting policies (Cont'd)

(c) Impairment of financial assets and contract assets (Cont'd)

The carrying amounts of financial assets and contract assets are disclosed in the following notes:

- Note 9 – Other financial assets
- Note 10 – Trade and other receivables
- Note 12 – Contract assets

(d) Exercise of extension option, purchase option and termination option

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, purchase option or option to terminate. Extension options (or periods after an optional termination date) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows are not included in the lease liability if it is not reasonably certain that the leases will be extended (or not terminated) or that purchase options will be exercised. The assessment is reviewed if a significant event or a significant change in circumstances that is within the control of the lessee occurs and affects this assessment.

(e) Hedging accounting relationships

The Group determines whether an economic relationship exists between the cash flows of the hedged item and hedging instrument based on an evaluation of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Group considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The Group evaluates whether the cash flows of the hedged item and the hedging instrument respond similarly to the hedged risk, such as the benchmark interest rate or foreign currency. For cash flow hedging relationships directly impacted by IBOR reform (i.e. hedges of SOR and LIBOR), the Group assumes that the cash flows of the hedged item and hedging instrument will not be altered as a result of IBOR reform. The Group further supports this qualitative assessment by using regression analysis to assess whether the hedging instrument is expected to be and has been highly effective in offsetting changes in the present value of the hedged item.

Significant accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the variability of interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 31 December 2021.

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations for when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness. The Group has applied its best judgement to analyse market expectations when determining the fair value of the hedging instrument and present value of estimated cash flows of the hedged item.

(f) Capitalisation of development costs

Significant managerial judgement and detailed evaluation is required to determine whether it is appropriate to capitalise or to continue to carry costs associated with the development of engineering designs for offshore solutions on the balance sheet. Such costs remain on the balance sheet while additional review and feasibility studies are performed on the designs. All such carried costs are subject to regular technical, commercial and management review on at least an annual basis to confirm the continued intent to develop. Where there is no longer an intention to continue the development, the costs are immediately expensed. The Group remains committed to developing the engineering designs and expects to carry the capitalised costs on its balance sheet.

The carrying amount of engineering designs under development is included in Note 13. When available for use, the costs capitalised will be reclassified within intangible assets and commence amortisation.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

42 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 2021 %	Effective equity held by the Group 2020 %
Subsidiaries				
Dolphin Shipping Company Private Limited.[1]	Singapore	Ship owning and chartering	100	100
Gravifloat AS[2]	Norway	Engineering and related services	56	56
Jurong Shipbuilders Private Limited[1]	Singapore	Investment holding	100	100
Jurong Shipyard Pte Ltd[1]	Singapore	Ship and rig repair, building, conversion and related services	100	100
PPL Shipyard Pte Ltd[1]	Singapore	Rig building, repair and related services	100	100
Sembcorp Marine Financial Services Pte. Ltd.[1]	Singapore	Acting as the finance and treasury centre for the Group	100	100
Sembcorp Marine Integrated Yard Pte. Ltd.[1]	Singapore	Ship and rig repair, building, conversion, offshore engineering and related services	100	100
SML Shipyard Pte Ltd[1]	Singapore	Ship repair and related services	100	100
Subsidiaries 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[3]	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 do Brasil Prestacao de Servicos Ltda[3]	Brazil	Ship and rig repair, building, conversion and related services	100	100
Jurong Marine Contractors Private Limited[1]	Singapore	Provision of contract services	100	100
Jurong Netherlands B.V.[4]	Netherlands	Investment holding	100	100
Jurong Offshore Pte. Ltd.[1]	Singapore	Investment holding	100	100
Sembmarine SSP Inc[4]	United States of America	In the business of engineering design, research and development, marketing and client services support centre	100	100

42 Group entities (Cont'd)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group 2021 %	Effective equity held by the Group 2020 %
Subsidiaries of PPL Shipyard Pte Ltd				
Baker Marine Pte Ltd[1]	Singapore	Rig enhancement and upgrading services, engineering consultancy and project management, and supply of rig equipment and parts	100	100
Baker Marine Services (HK) Limited[2]	Hong Kong	Provision of rig designs	100	100
Baker Marine Technology Inc.[4]	United States of America	Engineering design, research and development, marketing and client services support centre	100	100
Subsidiaries, associates and joint ventures of Sembcorp Marine Integrated Yard Pte. Ltd.				
Aquarius Brasil B.V.[3]	Netherlands	Shipowner	100	100
Aragon AS[2]	Norway	Process design and engineering	50	50
Bulk Trade Pte Ltd[1]	Singapore	Bulk trading	100	100
HiLoad LNG AS[2]	Norway	Design, development and engineering of LNG related offshore solutions	100	100
Joint Shipyard Management Services Pte Ltd[1]	Singapore	Managing dormitories	32	32
JPL Concrete Products Pte Ltd[1]	Singapore	Production of concrete products	85.8	85.8
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
Karimun Shiprepair & Engineering Pte Ltd[1]	Singapore	Investment holding	100	100
LMG Marin AS[2]	Norway	Ship design and engineering	100	100
LMG Marin France[3]	France	Ship design and engineering	60	60
LMG Oilcraft AS[4]	Norway	Ship design and engineering	100	100
Marine Housing Services Pte. Ltd.[3]	Singapore	Provision of dormitory housing services	50	50
Midcon Designer Sp. Z.o.o.[4]	Poland	Ship design and engineering	72.4	72.4
Pegasus Marine & Offshore Pte. Ltd.[1]	Singapore	Marine services	100	100
PT. Karimun Sembawang Shipyard[3]	Indonesia	Ship repair and related services	100	100
P.T. SMOE Indonesia[2]	Indonesia	Engineering, construction and fabrication of offshore structures	90	90
Semb-Eco Pte. Ltd.[1]	Singapore	Investment holding	100	100
Semb-Eco R&D Pte. Ltd.[1]	Singapore	Research and development, holding of patents	100	100
Semb-Eco Technology Pte. Ltd.[1]	Singapore	Manufacturing and commercialisation of patents	100	100
Sembawang Shipyard (S) Pte Ltd[1]	Singapore	Investment holding	100	100
Sembmarine Kakinada Limited[3]	India	In process of liquidation	35.8	35.8
Sembcorp Marine Contractors Pte. Ltd.[1]	Singapore	Provision of contract services	100	100
Sembcorp Marine Offshore Platforms Pte. Ltd.[1]	Singapore	Engineering, construction and fabrication of offshore structures	100	100
Sembcorp Marine Repairs & Upgrades Pte. Ltd.[1]	Singapore	Ship repair and related services	100	100
Sembcorp Marine Rigs & Floaters Pte. Ltd.[1]	Singapore	Ship and rig building, conversion and related services	100	100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

42 Group entities (Cont'd)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group 2021 %	Effective equity held by the Group 2020 %
Subsidiaries, associates and joint ventures of Sembcorp Marine Integrated Yard Pte. Ltd. (Cont'd)				
Sembcorp Marine Solutions Pte. Ltd.(1)	Singapore	Provision of management and technical services	100	100
Sembcorp Marine Specialised Shipbuilding Pte. Ltd.(1)	Singapore	Shipbuilding, ship repair and related services	100	100
Sembmarine SLP Limited(3)	United Kingdom	Design, engineering, fabrication and installation of offshore platforms, modules and structures for the oil, gas and renewable energy industry	100	100
SES Engineering (M) Sdn Bhd(2)	Malaysia	In process of being struck off	100	100
SES Marine Services (Pte) Ltd(1)	Singapore	Marine services	100	100
Sevan SSP AS(2)	Norway	Design, development, engineering and consulting related to offshore solutions	100	100
Shenzhen Chiwan Offshore Petroleum Engineering Company Ltd(3)	People's Republic of China	Equipment inspection, repair and maintenance services for oil reconnoiter and exploitation in South China Sea	35	35
Straits Offshore Pte. Ltd.	Singapore	Struck off on 6 May 2021	–	100
Straits Overseas Pte. Ltd.(1)	Singapore	Investment holding and engineering, construction and fabrication of offshore marine structures	100	100

(1) Audited by KPMG LLP, Singapore

(2) Audited by member firms of KPMG International in the respective countries

(3) Audited by other firms and not significant

(4) These companies are not required to be audited under the laws of their country of incorporation and not significant

43 Changes in accounting policies

***Interest Rate Benchmark Reform – Phase 2* (Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16)**

The Group has initially adopted *Interest Rate Benchmark Reform – Phase 2* (Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16) from 1 January 2021.

The Group applied Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate the prior period to reflect the application of these amendments. Since the Group had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2020, there is no impact on equity balances as a result of retrospective application.

The Phase 2 amendments provide practical relief from certain requirements in SFRS(I) Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark.

43 **Changes in accounting policies (Cont'd)**

Interest Rate Benchmark Reform – Phase 2 **(Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16) (Cont'd)**

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When the changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark form, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Subsequently, the Group applies the policies on accounting for modifications set out above to the additional changes.

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

Finally, the Phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permit the hedge relationship to be continued without interruption. The Group applied the following reliefs as and when uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedge item or hedging instrument:

- the Group, amends the designation of a hedging relationship to reflect changes that are required by the reform without discontinuing the hedging relationship; and
- when a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

While uncertainty persists in the timing or amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, the Group continues to apply the existing accounting policies.

Covid-19-Related Rent Concessions

The Group has early adopted Amendment to SFRS(I) 16: *Covid-19-Related Rent Concessions beyond 30 June 2021* issued on 31 March 2021. The amendment offers a one-year extension to the practical expedient under SFRS(I) 16 *Leases* which the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The amendment is a response to the ongoing economic challenges resulting from COVID-19 pandemic.

44 **Operating segments**

(a) Business segments

The Group has two reportable segments, which are the Group's strategic business units. They are: (i) rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding; and (ii) ship chartering. The strategic business units are managed separately because of their different business activities. The results of all projects related to shipbuilding and repairs are reviewed as a whole and form the basis for resource allocation decisions of the shipyard activities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

44 Operating segments (Cont'd)

(a) Business segments (Cont'd)

The accounting policies are described in Note 3. Inter-segment sales and transfers are carried out on an arm's length basis. Segment assets consist primarily of property, plant and equipment, intangible assets, current assets and exclude inter-segment balances. Segment liabilities comprise mainly operating liabilities and exclude inter-segment balances. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's President & CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Other operations include bulk trading in marine engineering related products; provision of harbour tug services to port users; collection and treatment of used copper slag, and the processing and distribution of copper slag for blast cleaning purposes.

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Eliminations $'000	Total $'000
31 December 2021					
Turnover					
Sales to external parties	1,839,938	18,443	3,834	–	1,862,215
Inter-segment sales	–	–	56,861	(56,861)	–
Total	1,839,938	18,443	60,695	(56,861)	1,862,215
Results					
Segment results	(1,171,565)	(50,036)	(2,514)	–	(1,224,115)
Finance income	59,757	–	61,927	(70,916)	50,768
Finance costs	(112,750)	(1,633)	(39,132)	70,916	(82,599)
Share of results of associates and joint ventures, net of tax	(56)	–	1,222	–	1,166
(Loss)/profit before tax	(1,224,614)	(51,669)	21,503	–	(1,254,780)
Tax credit/(expense)	83,454	(866)	(3,166)	–	79,422
(Loss)/profit for the year	(1,141,160)	(52,535)	18,337	–	(1,175,358)
Assets					
Segment assets	9,200,954	182,756	3,245,910	(3,558,614)	9,071,006
Investments in associates and joint ventures	4,123	–	12,436	–	16,559
Deferred tax assets	196,144	71	–	–	196,215
Tax recoverable	16,093	–	–	–	16,093
Total assets	9,417,314	182,827	3,258,346	(3,558,614)	9,299,873

44 Operating segments (Cont'd)

(a) Business segments (Cont'd)

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Eliminations $'000	Total $'000
31 December 2021					
Liabilities					
Segment liabilities	6,894,856	43,073	1,870,326	(3,558,614)	5,249,641
Deferred tax liabilities	18,878	84	108	–	19,070
Current tax payable	858	1,687	3,547	–	6,092
Total liabilities	6,914,592	44,844	1,873,981	(3,558,614)	5,274,803
Capital expenditure	39,962	5,894	166	–	46,022
Significant non-cash items					
Depreciation and amortisation	183,721	12,308	552	–	196,581
Changes in fair value of financial instruments	5,331	–	30,658	–	35,989
Impairment losses on property, plant and equipment	–	45,718	198	–	45,916
Impairment losses on right-of-use assets	66,477	–	–	–	66,477
Provision for restoration costs	21,937	–	–	–	21,937
Property, plant and equipment written off	12	–	–	–	12
Inventories written down/ (back), net	21,361	–	(33)	–	21,328
Impairment losses on trade receivables and contract assets, net	2,356	–	–	–	2,356

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

44 Operating segments (Cont'd)

(a) Business segments (Cont'd)

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Eliminations $'000	Total $'000
31 December 2020					
Turnover					
Sales to external parties	1,485,290	22,492	2,498	–	1,510,280
Inter-segment sales	–	–	74,032	(74,032)	–
Total	1,485,290	22,492	76,530	(74,032)	1,510,280
Results					
Segment results	(519,985)	(57,252)	(4,308)	–	(581,545)
Finance income	79,208	–	99,310	(126,893)	51,625
Finance costs	(184,386)	(1,935)	(82,374)	126,893	(141,802)
Non-operating income	501	–	–	–	501
Share of results of associates and joint ventures, net of tax	102	–	411	–	513
(Loss)/profit before tax	(624,560)	(59,187)	13,039	–	(670,708)
Tax credit/(expense)	85,998	25	(2,523)	–	83,500
(Loss)/profit for the year	(538,562)	(59,162)	10,516	–	(587,208)
Assets					
Segment assets	9,493,478	240,673	2,134,105	(3,047,855)	8,820,401
Investments in associates and joint ventures	4,209	–	11,214	–	15,423
Deferred tax assets	116,578	705	–	–	117,283
Tax recoverable	17,117	–	–	–	17,117
Total assets	9,631,382	241,378	2,145,319	(3,047,855)	8,970,224
Liabilities					
Segment liabilities	6,212,052	53,514	2,022,458	(3,047,855)	5,240,169
Deferred tax liabilities	25,952	900	–	–	26,852
Current tax payable	3,448	609	2,999	–	7,056
Total liabilities	6,241,452	55,023	2,025,457	(3,047,855)	5,274,077
Capital expenditure	79,087	8,549	14	–	87,650
Significant non-cash items					
Depreciation and amortisation	186,985	14,115	629	–	201,729
Changes in fair value of financial instruments	(3,253)	–	(16,511)	–	(19,764)
Impairment losses on property, plant and equipment	–	48,989	–	–	48,989
Impairment losses on right-of-use assets	74,191	–	–	–	74,191
Property, plant and equipment written off	1	42	–	–	43
Inventories written down, net	34,148	–	31	–	34,179
Impairment losses on trade receivables and contract assets, net	9,633	–	–	–	9,633

44 Operating segments (Cont'd)

(b) Geographical segments

The Group operates in 12 (2020: 12) countries and principally in the Republic of Singapore.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Turnover from external customers $'000	Non-current assets[1] $'000	Total assets $'000	Capital expenditure $'000
31 December 2021				
Singapore	226,531	4,281,078	7,347,040	18,294
Rest of Asia, Australia & India	108,337	114,292	151,934	857
Qatar	223,616	–	–	–
Middle East & Africa	1,141	–	–	–
United Kingdom	208,114	2,008	4,928	17
Norway	263,340	28,227	38,331	8
The Netherlands	28,676	80,398	84,425	–
Rest of Europe	277,488	155	2,477	89
Brazil	144,106	1,568,010	1,670,374	26,757
U.S.A.	380,581	178	364	–
Other countries	285	–	–	–
Total	1,862,215	6,074,346	9,299,873	46,022
31 December 2020				
Singapore	237,710	3,874,972	6,959,615	51,900
Rest of Asia, Australia & India	214,233	122,299	157,200	704
Middle East & Africa	62,711	–	–	–
United Kingdom	120,678	2,315	4,345	5
Norway	207,971	46,050	55,848	13
The Netherlands	23,465	128,179	134,147	–
Rest of Europe	217,107	161	3,070	90
Brazil	148,484	1,533,461	1,654,327	34,938
U.S.A.	274,357	471	1,672	–
Other countries	3,564	–	–	–
Total	1,510,280	5,707,908	8,970,224	87,650

(1) Non-current assets presented consist of property, plant and equipment, right-of-use assets, investments in associates and joint ventures, trade and other receivables and intangible assets.

(c) Major customers

In 2021, turnover from two (2020: two) customers of the Group's rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding segment represents approximately 24 per cent (2020: 20 per cent) of the Group's total turnover.

45 New standards and interpretations not adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The new SFRS(I)s, amendments to and interpretations of SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

The following new SFRS(I)s, amendments to and interpretations of SFRS(I)s are effective for annual periods beginning after 1 January 2021:

Applicable to 2022 financial statements

- *Reference to the Conceptual Framework (Amendments to SFRS(I) 3)*
- *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to SFRS(I) 1-16)*
- *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to SFRS(I) 1-37)*
- *Annual Improvements to SFRS(I)s 2018-2020*

Applicable to 2023 financial statements

- SFRS(I) 17 *Insurance Contracts* and amendments to SFRS(I) 17 *Insurance Contracts*
- *Classification of Liabilities as Current or Non-current (Amendments to SFRS(I) 1-1)*
- *Disclosure of Accounting Policies (Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2)*
- *Definition of Accounting Estimates (Amendments to SFRS(I) 1-8)*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to SFRS(I) 1-12)*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SFRS(I) 10 and SFRS(I) 1-28)*

46 Update in relation to Brazil

The Company refers to its earlier announcements on 3 July 2019, 8 July 2019, 3 February 2020, 21 February 2020 and 4 June 2020 in relation to ongoing investigations related to Operacao Lava Jato ("Operation Car Wash") in Brazil.

Charges have been filed against Mr Guilherme Esteves de Jesus ("GDJ") for money laundering and ex-employee Mr Martin Cheah Kok Choon ("MCKC") for money laundering and corruption in connection with certain drilling rig construction contracts entered into in 2012 by subsidiaries of the Company with subsidiaries of Sete Brasil ("Contracts"). GDJ has been convicted by the Federal Courts of Curitiba of the crimes of corruption, money laundering and participation in a criminal organisation.

MCKC is the former President of Estaleiro Jurong Aracruz Ltda ("EJA"), the Company's Brazilian subsidiary. MCKC's employment with the Group was terminated in June 2015. Companies connected to GDJ were engaged by the Company's subsidiaries as consultants, with all such consultancy contracts having been suspended, and remain suspended, by the SCM group indefinitely.

The above charges filed against MCKC and GDJ by the Ministerio Publico Federal ("MPF") are in their personal capacities and not against EJA.

The Group continues to cooperate fully with the Brazilian authorities investigating the above matter.

As at the date of these financial statements, proceedings are ongoing and it is premature to predict and the Group cannot reliably determine the eventual outcome to this matter. The timeline for resolution of this matter also cannot be determined presently.

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2021

(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 2021

Name of Director	Salary [1] $'000	Bonus Earned [2] $'000	Fair value of share-based compensation granted for the year [3] $'000	Directors' Fees [4] Cash - based $'000	Directors' Fees [4] Share - based $'000
Payable by the Company:					
Tan Sri Mohd Hassan Marican	–	–	–	378	162
Yap Chee Keong	–	–	–	21	9
Wong Weng Sun	482	–	–	–	–
Eric Ang Teik Lim	–	–	–	178	–
Bob Tan Beng Hai	–	–	–	155	66
Gina Lee-Wan	–	–	–	106	45
William Tan Seng Koon	–	–	–	129	56
Patrick Daniel	–	–	–	115	50
Tan Wah Yeow	–	–	–	122	52
Koh Chiap Khiong	–	–	–	156	–

Name of Key Executive	Salary [1] %	Bonus Earned [2] %	Fair value of share-based compensation granted for the year [3] %	Total Compensation [2] %
Above $250,000 to $500,000				
Goh Khor Boon William	100	–	–	100
Wang Zijian	100	–	–	100
William Gu	100	–	–	100
Chua San Lye	100	–	–	100
Tan Cheng Tat	100	–	–	100
Total for Key Executives				$1,917,244

Notes:

1. The amount shown is inclusive of basic salary, fixed allowances, AWS and other emoluments.
2. In 2021, there was no bonus earned for the year for the key executives. In terms of the total compensation paid to the President and CEO and the top five key executives in 2021, it is 14% lower compared to the total compensation paid in 2020.
3. 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 executives, will not be vested with any shares. In 2021, no share was granted to these key executives.
4. Save for Mr Koh Chiap Khiong (whose fee is paid wholly in cash to Sembcorp Industries Ltd), the directors' fees for the non-executive directors comprise a cash component and a share component, with up to 30% being delivered in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2020. These awards 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 (including shares obtained by other means) worth at least the value of the basic retainer fee of $75,000. Any excess may be disposed of as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

   The actual number of shares awarded to each non-executive director holding office at the time of the payment will be determined by reference to the volume-weighted average price of a share on the Singapore Exchange Securities Trading Limited 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") in 2022 (or, if no final dividend is proposed at the AGM, or the resolution to approve the final dividend is not approved at the AGM, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. A non-executive director who steps down before the delivery of the share component will receive all of his director's fee in cash.

Details on performance shares and restricted shares granted to the directors are set out on pages 84 to 87 of the Sembcorp Marine Annual Report 2021.

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2021

(Under SGX-ST Listing Manual requirements)

B. Interested Person Transactions

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than $100,000)	
		2021 $'000	2020 $'000	2021 $'000	2020 $'000
Transaction for the Purchase of Goods and Services					
SembWaste Pte. Ltd.	Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company.	–	–	–	341
Total Interested Person Transactions		**–**	**–**	**–**	**341**

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2021

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION/RE-APPOINTMENT

NAME OF DIRECTOR	WONG WENG SUN (“MR WONG”)	GINA LEE-WAN (“MRS WAN”)
Date of appointment	1 May 2009	20 April 2015
Date of last re-appointment	16 April 2019	16 April 2019
Age	60	65
Country of principal residence	Singapore	Singapore
The Board’s comments on this appointment (including rationale, selection criteria, board diversity considerations and the search and nomination process).	The Board considered the Nominating Committee’s recommendation and assessment on Mr Wong’s background, knowledge, expertise, experience and commitment in the discharge of his duties as a director of Sembcorp Marine Ltd (“SCM”), as well as the overall size and composition of the Board, and is satisfied that he will continue to contribute to the Board, and to the combination of skills, talents, experience and diversity required on the Board in order to serve the needs and plans of SCM.	The Board considered the Nominating Committee’s recommendation and assessment on Mrs Wan’s background, knowledge, expertise, experience and commitment in the discharge of her duties as a director of SCM, as well as the overall size and composition of the Board, and is satisfied that she will continue to contribute to the Board, and to the combination of skills, talents, experience and diversity required on the Board in order to serve the needs and plans of SCM.
Whether appointment is executive, and if so, the area of responsibility	Executive, President & CEO of SCM	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive and Non-Independent Director President & CEO Member of the Executive Committee	Non-Executive and Independent Director Member of the Board Risk Committee Member of the Special Committee
Professional qualifications	Mr Wong holds a Bachelor of Mechanical Engineering (Marine) from Universiti Teknologi Malaysia and a Master of Business Administration from Oklahoma City University, USA.	Mrs Wan graduated from the University of Kent at Canterbury with B.A. Law (Honours). She was admitted to the Bar in England and Wales, Gray’s Inn in 1980 and thereafter the Singapore Bar in 1981.
Working experience and occupation(s) during the past 10 years	President & CEO of SCM	Consultant of Allen & Gledhill LLP
Shareholding interest in the listed issuer and its subsidiaries	Mr Wong holds 25,425,714 ordinary shares in SCM.	Mrs Wan holds 2,791,800 ordinary shares in SCM.

PATRICK DANIEL (“MR DANIEL”)	TAN WAH YEOW (“MR TAN”)	YAP CHEE KEONG (“MR YAP”)
20 April 2018	10 December 2018	8 December 2021
16 April 2019	16 April 2019	N.A.
67	61	62
Singapore	Singapore	Singapore
The Board considered the Nominating Committee’s recommendation and assessment on Mr Daniel’s background, knowledge, expertise, experience and commitment in the discharge of his duties as a director of SCM, as well as the overall size and composition of the Board, and is satisfied that he will continue to contribute to the Board, and to the combination of skills, talents, experience and diversity required on the Board in order to serve the needs and plans of SCM.	The Board considered the Nominating Committee’s recommendation and assessment on Mr Tan’s background, knowledge, expertise, experience and commitment in the discharge of his duties as a director of SCM, as well as the overall size and composition of the Board, and is satisfied that he will continue to contribute to the Board, and to the combination of skills, talents, experience and diversity required on the Board in order to serve the needs and plans of SCM.	The Board considered the Nominating Committee’s recommendation and assessment on Mr Yap’s background, knowledge, expertise, experience and commitment in the discharge of his duties as a director of SCM, as well as the overall size and composition of the Board, and is satisfied that he will continue to contribute to the Board, and to the combination of skills, talents, experience and diversity required on the Board in order to serve the needs and plans of SCM.
Non-Executive	Non-Executive	Non-Executive
Non-Executive and Independent Director Member of the Executive Committee Member of the Audit Committee Member of the Executive Resource & Compensation Committee Member of the Nominating Committee	Non-Executive and Independent Director Chairman of the Audit Committee Member of the Board Risk Committee	Non-executive and Independent Director Deputy Chairman of the Board Member of the Executive Committee
Mr Daniel holds a BA (Honours) in Engineering Science and Economics from University College, Oxford and a Master of Public Administration from the John F. Kennedy School of Government at Harvard University.	Mr Tan holds a Bachelor of Science in Economics from the London School of Economics and Political Science. He is a Fellow of the Institute of Chartered Accountants of England & Wales, the Singapore Institute of Directors and the Institute of Singapore Chartered Accountants.	Mr Yap holds a Bachelor of Accountancy from the National University of Singapore and is a Fellow of the Institute of Singapore Chartered Accountants, CPA Australia and Singapore Institute of Directors.
Singapore Press Holdings: - Editor-in-Chief, English/Malay/Tamil Media Group - Deputy Chief Executive Officer SPH Media Trust: - Interim CEO	- Deputy Managing Partner of KPMG Singapore - Head of KPMG Asia-Pacific Healthcare - Head of KPMG Asia-Pacific Management Consulting - Member of KPMG Global Think Tank Group - Head of Markets at KPMG Singapore	- Executive Director of The Straits Trading Company - Chief Financial Officer of Singapore Power Limited
Mr Daniel holds 1,613,800 ordinary shares in SCM.	Mr Tan holds 1,304,200 ordinary shares in SCM.	Mr Yap holds 897,485 ordinary shares in SCM.

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2021

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION/RE-APPOINTMENT (Cont'd)

NAME OF DIRECTOR	WONG WENG SUN ("MR WONG")	GINA LEE-WAN ("MRS WAN")
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other principal commitments (including directorships)		
Past (for the last 5 years)	- International Advisory Panel on Decarbonisation in the Singapore Maritime Sector - Marine and Offshore Sectoral Tripatite Committee	Nil
Present	Please refer to Mr Wong's profile on page 39 of the Annual Report 2021.	Please refer to Mrs Wan's profile on page 40 of the Annual Report 2021.
Information required pursuant to Listing Rule 704(7):		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No

PATRICK DANIEL ("MR DANIEL")	TAN WAH YEOW ("MR TAN")	YAP CHEE KEONG ("MR YAP")
None	None	None
Nil	Nil	Nil
Yes	Yes	Yes
- Subsidiaries of Singapore Press Holdings Limited - Singapore University of Technology and Design - XiHe Holdings Pte Ltd - XiHe Capital Pte Ltd - MKC Holdings Pte Ltd	- PUB Consultants Private Limited - Viva Foundation for Children with Cancer - Gardens by the Bay	- Maxeon Solar Technologies Ltd - Certis CISCO Security Pte Ltd - Citibank Singapore Limited
Please refer to Mr Daniel's profile on page 41 of the Annual Report 2021.	Please refer to Mr Tan's profile on page 42 of the Annual Report 2021.	Please refer to Mr Yap's profile on page 38 of the Annual Report 2021.
No	No	No
No	No	No
No	No	No

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2021

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION/RE-APPOINTMENT (Cont'd)

NAME OF DIRECTOR	WONG WENG SUN ("MR WONG")	GINA LEE-WAN ("MRS WAN")
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

PATRICK DANIEL ("MR DANIEL")	TAN WAH YEOW ("MR TAN")	YAP CHEE KEONG ("MR YAP")
No	No	No
No	No	No
No	No	No
No	No	No
No	No	No
No	No	No

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2021

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION/RE-APPOINTMENT (Cont'd)

NAME OF DIRECTOR	WONG WENG SUN ("MR WONG")	GINA LEE-WAN ("MRS WAN")
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

PATRICK DANIEL (“MR DANIEL”)	TAN WAH YEOW (“MR TAN”)	YAP CHEE KEONG (“MR YAP”)
No	No	No
No	No	No
No	No	No
No	No	No
No	No	No

MAJOR PROPERTIES

Location	Description & Approximate Land Area	Tenure	Usage
Singapore Yards			
• Tanjong Kling Road*	Land area: 491,247.70m^2 Buildings, workshops, drydocks and quays	5 years tenancy	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydock, berthage and workshops
• Admiralty Road East/ Admiralty Road West	Land area: 866,699m^2 Buildings, workshops, drydocks and quays	22 years leasehold	Ship repairs, ship conversion, offshore engineering and rig building including docks, berthage and workshops
• Pandan Road	Land area: 141,791m^2	5 years leasehold (JTC Land)	Rig building, repairs, upgrading and fabrication including berthage and workshops
• Pandan Road	Land area: 9,182m^2	30 years leasehold (JTC Land)	Steel fabrication and precision machining of components for offshore jack-up oil rigs
• Tuas Crescent*	Land area: 58,226m^2	3 months lease (JTC Land)	Reinstatement works
• Shipyard Road*	Land area: 28,959 m^2 Buildings, workshops and drydocks	2 years Temporary Occupation License	Reinstatement works
• Tuas Road*	Land area: 5,242m^2	1 year lease	Reinstatement Works
• Tuas South Boulevard Phase I	Land area: 761,502m^2 Docks, quays, workshops, buildings and berthage	30 plus 30 years leasehold (JTC land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydocks, berthage and workshops
• Tuas South Boulevard Phase II	Land area: 345,600m^2	30 plus 30 years leasehold (JTC land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydocks, berthage and workshops
• Tuas South Boulevard Phase IIIa	Land area: 411,131m^2 (Pending final survey of land by JTC)	30 plus 30 years leasehold (JTC land)	Marine engineering activities including repair, conversion, upgrading and building of rigs, ships and offshore structures

* The properties are being prepared to be handed back to JTC following expiry of tenure.

Location	Description & Approximate Land Area	Tenure	Usage
Overseas Yards			
PT. Karimun Sembawang Shipyard			
• Karimun Island, Indonesia	Land area: 307,650m^2 Buildings, workshops and wharves	30 years leasehold (extendable for 20 years and renewable for 30 years)	Ship repair and fabrication including berthage and workshop
Estaleiro Jurong Aracruz			
• Municipality of Aracruz, State of Espirito Santo, Brazil	Land area: 825,000m^2 Slipways, berthing quays, drydock, ancillary steel and piping facilities	Freehold	Drill ships 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: 815,036m^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: 27,783m^2	30 years leasehold (JTC Land)	Copper slag recycling
Sembmarine SLP Ltd			
• Lowestoft, Suffolk, UK	Land area: 14,285m^2 Workshops and office building	Leasehold land ranging from 22 to 99 years	Storage, workshops, and light assembly works
Mendon Spring			
• Pasir Panjang	Nine units of 3-room apartment with built-in area of 99m^2 per unit	Freehold	Residential properties

SEMBCORP MARINE LTD
Co. Reg. No. 196300098Z

80 Tuas South Boulevard, Singapore 637051
Tel: +65 6265 1766
www.sembmarine.com