STAYING THE COURSE

FOCUSED ON THE FUTURE

sembcorp marine

ANNUAL REPORT 2017

CONTENTS

CORPORATE PROFILE

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

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

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

VISION

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

MISSION

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

Our solutions, products and services focus on

4 KEY CAPABILITIES

RIGS & FLOATERS

REPAIRS & UPGRADES

OFFSHORE PLATFORMS

SPECIALISED SHIPBUILDING

CUSTOMER ALIGNMENT

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

INTEGRITY

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

INNOVATION

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

HEALTH, SAFETY & ENVIRONMENT

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

QUALITY

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

TEAMWORK

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

PEOPLE-CENTRIC

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

COMMUNITY RESPONSIBILITY

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

RIDING ON CHANGES TO MOVE UP THE VALUE CHAIN

Sembcorp Marine leverages the evolving changes in its operating environment as impetus for growth. By constantly enhancing its capabilities, the Group focuses on moving up the value chain to become the partner of choice for customers in the offshore oil, gas and energy sectors.

Sembcorp Marine is executing its first turnkey EPC project for a newbuild FPSO (hull and living quarters), to be deployed at Statoil's harsh-environment Johan Castberg field.

2017 HIGHLIGHTS

TURNOVER

$2.39 BILLION

TOTAL DIVIDEND PER ORDINARY SHARE

2 CENTS

NET PROFIT

$14 MILLION

NEW ORDERS

$2.74 BILLION

390

SHIP REPAIR AND REFIT PROJECTS, INCLUDING RECORD **16 CRUISE SHIPS** AND **34 LNG CARRIERS**

11

BALLAST WATER MANAGEMENT SYSTEM INSTALLATIONS AND RETROFITS

OUR INTEGRATED GLOBAL PLATFORM

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

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

ESTALEIRO JURONG ARACRUZ (ESPIRITO SANTO, BRAZIL)

SEMBCORP MARINE'S SINGAPORE YARDS

TUAS BOULEVARD YARD

ADMIRALTY YARD

TANJONG KLING YARD

PANDAN YARD / TUAS CRESCENT YARD

CHAIRMAN AND CEO'S REPORT

TAN SRI MOHD HASSAN MARICAN
Chairman

"Overall business conditions continued to be challenging.
The Group remained profitable and generated positive operating cash flow for the year.
We secured $2.74 billion of new orders."

WONG WENG SUN
President & CEO

"Reflecting on the nascent recovery in the offshore sector, we continue to receive enquiries and tenders for projects that will come on stream over the next few years."

DEAR SHAREHOLDERS,

At the outset, the year 2017 could be described as a year of significant adjustments for the global oil and gas industry as the international oil companies, national oil companies and service providers came to terms with average oil prices which continued to hover around their lowest levels in the past decade.

Even as OPEC and oil-producing countries maintained their production cuts, higher shale oil production kept a lid on further oil price increases. On 30 November 2017, OPEC and its partners agreed to extend their production cut to the end of 2018, continuing their plan to rebalance global inventories.

With an improving global economy, oil and energy consumption, particularly in Asia, continued to rise. Coupled with the reduction of inventories, oil prices climbed to a recent high of US$70 per barrel, before retreating to the US$60-65 per barrel range.

We believe this continued global economic growth, increase in oil demand and the reduction of inventories will result in the increase of CAPEX spend by the oil companies. We have seen an uptick in enquiries and invitations to tender in recent months, particularly in the offshore production sector. However, competition remains strong and margins remain depressed.

For Sembcorp Marine, our key focus has been: (i) active business development to secure new orders and replenish our order book; (ii) continue to strengthen our liquidity and balance sheet; and (iii) continue to build our capabilities, especially in engineering to ensure the long-term sustainability of our businesses.

In 2017, we secured a US$490 million contract from Statoil Petroleum AS for engineering, procurement and construction (EPC) of the hull and living quarters for a newbuild FPSO (floating production, storage and offloading) vessel, to be deployed in the Johan Castberg field; and hull carry-over works for the Petrobras FPSO P68 project for US$145 million.

In FY2017, we were able to replenish our order book with $2.74 billion in new orders.

NEW ORDERS

$2.74 BILLION

We signed a letter of intent (LOI) with Shell Offshore for the construction of the hull and topside as well as integration of a floating production unit (production semi-submersible newbuild) for the Vito field. In Specialised Shipbuilding, we signed an LOI with SeaOne Caribbean for the design and construction of two Compressed Gas Liquid (CGL®) carriers.

To improve our liquidity, we recently sold all nine jack-up rigs in our inventory for approximately US$1.3 billion plus a market-based fee calculated based on an uplift in the value of rigs sold. We also announced the sale of the West Rigel semi-submersible rig for US$500 million, which is pending the fulfillment of certain conditions.

The sale of these 10 rigs amidst challenging market conditions is a testament to the market's confidence in the quality and capabilities of Sembcorp Marine's premium and high-specification drilling units. These transactions, when fully completed, will further improve our cash flow and liquidity position and strengthen our balance sheet.

As a global offshore and marine engineering company, Sembcorp Marine has weathered through several industry cycles. Over the last five decades, we have demonstrated a strong resolve to regroup, refocus and reinvent ourselves through difficult times and to grow strongly during market upturns. As we reflect on the past three years, from 2015 to 2017, we acknowledge that these have been extremely challenging years marked by severe market volatility and uncertainty. It was through prudential and proactive decision-making that we were able to navigate the many obstacles faced.

With our full spectrum of innovative offshore and marine engineering solutions, and state-of-the-art facilities and capabilities, our business is a globally competitive one. While the macro-environment remains challenging, we are beginning to see encouraging developments in global exploration and production (E&P) CAPEX spend, as well as stabilisation of day rates and utilisation of offshore drilling rigs. We remain cautiously optimistic as we position ourselves to respond strategically and seize opportunities in the evolving business landscape.

FINANCIAL PERFORMANCE

A major part of our business remains cyclical in nature, and it takes time for the improvement in E&P CAPEX spend to translate into new orders and revenue for Sembcorp Marine. Hence, even though the offshore oil and gas industry has begun to show signs of improvement, the flow of new orders remained weak, while competition within the sector intensified.

Overall business conditions continued to be challenging, which contributed to lower revenue for FY2017. We are pleased to report that the Group remained profitable and generated positive operating cash flow for the year.

GROUP REVENUE

$2.39 BILLION

Group revenue was $2.39 billion for the year ended 31 December 2017, down 33% from $3.54 billion in FY2016. Revenue for Rigs & Floaters declined 42% to $1.1 billion, compared with $1.89 billion in FY2016, reflecting the still depressed conditions for rig building. Offshore Platforms revenue also declined 34% year-on-year, from $1.12 billion to $732 million, with fewer projects on hand. Revenue from Repairs & Upgrades increased a marginal 2.5%, from $460 million to $471 million, with lower number of vessels but on average higher spending per ship.

Rigs & Floaters continued to account for the largest share of revenue at 46%. Offshore Platforms contributed 31%; Repairs and Upgrades 20%; and other activities the remaining 3%.

Group net profit in FY2017 was $14 million, against $79 million in FY2016. The reduction in overall business volume has impacted the absorption of overhead costs, resulting in

CHAIRMAN AND CEO'S REPORT

a lower operating profit for the year. Additional cost accruals made during Q42017 for some projects, which are pending finalisation with customers, further contributed to the lower net profit for FY2017.

OPERATING CASH FLOW

$144 MILLION

We generated operating cash flow of $144 million last year to support our operations and investments. Net gearing improved from 1.31 times as at the end of September 2017 to 1.11 times at 31 December 2017 (December 2016 at 1.13 times), primarily due to the initial payments received on the disposal of the jack-up rigs.

Sale of 9 Jack-up Rigs and Semi-submersible Rig

In October 2017, we announced the sale of nine Pacific Class 400 jack-up drilling rigs to Borr Drilling and its subsidiaries for approximately US$1.3 billion plus a market-based fee calculated based on an uplift in the value of the rigs sold, with an initial payment of US$500 million. The balance of about US$800 million will be paid any time within five years from the respective rig delivery dates.

Delivery of the rigs will be over 14 months, starting from 4Q2017. To date, we have delivered three rigs, with a further five scheduled for delivery this year and one in early 2019.

In December 2017, we announced an agreement for the sale of the semi-submersible drilling rig West Rigel for US$500 million. Under the terms of the agreement, the buyer will take delivery of the rig once the conditions precedent are fulfilled by both parties.

Divestment of Cosco Shipyard Group and Cosco Shipping International

We completed the sale of our 30% stake in Cosco Shipyard Group (CSG) during the year. Total net proceeds for the CSG sale were $206 million, resulting in a gain of $47 million. Following the sale of our CSG stake, we subsequently divested our equity in Singapore-listed entity Cosco Shipping International (Singapore) Co. Ltd (formerly Cosco Corporation) during the year. Total proceeds from the sale were $46 million, with a gain of $17 million.

Sete Brasil drillships

In 2012, Sembcorp Marine secured seven drillship contracts from Sete Brasil with a contract value of US$5.6 billion. We have continued to provide quarterly updates on this project in our results announcements during FY2017. To summarise, we received some $2.70 billion in progressive payments for the work performed on these projects, up until November 2014 when Sete Brasil was unable to continue with the payments. We have ceased construction work on all the drillship units and focused instead on preserving the value of the work-in-progress. We believe the $329 million provisions the Group made in FY2015 for the Sete Brasil contracts remain adequate under the present circumstances. We have since initiated arbitration proceedings against various Sete Brasil subsidiaries to safeguard our interests under the Sete Brasil contracts. The proceedings are ongoing.

On 29 April 2016, Sete Brasil filed for judicial restructuring and accordingly submitted its restructuring plan to the Brazilian court. In early March 2018, the media reported a tentative agreement between Sete Brasil and Petrobras, with Petrobras chartering four drilling units from the Sete Brasil fleet, subject to the satisfaction of certain conditions.

Without prejudice to our arbitration proceedings, we continue to engage with Sete Brasil as necessary to better understand their restructuring plan. We are monitoring the situation actively and are well prepared to respond to the developments, as appropriate.

Cash flow and liquidity management

Financial discipline and prudence are key considerations as we continue to build on the Group's globally recognised track record and capabilities in the international marine, offshore oil and gas, and energy space.

While aiming to grow our order book and product offerings, we remain committed to actively managing our balance sheet and maintaining a healthy financial position. We will focus on safe, timely and effective execution of our order book to ensure smooth progress of our projects, so as to improve our cash flows.

Sembcorp Marine generated operating cash flow of $144 million in FY2017, mainly from successfully delivering key projects, meeting the scheduled milestones of projects under execution, and the partial payment received from the sale of our rigs inventory. The majority of our order book contracts and new orders continue to be on progress payment terms to minimise our need for significant working capital. This remains a key consideration as we build up our order book.

FY2017 capital expenditure of $178 million was less than half of the $421 million we spent in the prior year, as a large part of our new yard investment programme was mostly completed, and some CAPEX was deferred as part of liquidity management measures. We expect CAPEX to trend slightly higher as we execute the final development phase of our Tuas Boulevard Yard in response to business needs in the foreseeable years. We continue to only proceed with yard CAPEX needed for execution of our secured contracts or for realising cost-savings, while deferring non-essential CAPEX.

With cash inflow from the sale of our rigs inventory and ongoing projects, our liquidity position has improved to a net gearing of 1.11 times as at end of December 2017, compared with 1.13 times at end December 2016 and 1.31 times at 9M 2017.

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

Dividend

To recognise our valued shareholders for their loyalty and support, for the year under review, the Sembcorp Marine Board has proposed a final ordinary one-tier tax-exempt cash dividend of 1.0 cent ($0.01) per share. Including the interim tax-exempt cash dividend of 1.0 cent ($0.01), the Group will be paying a total dividend of 2.0 cents ($0.02) per share for FY2017.

The proposed final cash dividend, if approved at the 55th Annual General Meeting on 18 April 2018, will be paid on 11 May 2018.

REVIEW OF BUSINESS OPERATIONS

Contracts secured in 2017 boost order book

After a relatively quiet first half, the Group secured new orders totalling $2.74 billion in the second half of FY2017. New orders for the production segment reflect our modest but encouraging success in pursuing opportunities outside the drilling and exploration segments, which continue to be challenging.

On 6 December 2017, the Group announced that it had secured a US$490 million turnkey EPC contract from Statoil Petroleum AS for a newbuild FPSO's Hull and Living Quarters. To be deployed at the Johan Castberg field development in the Barents Sea, about 240km from Hammerfest, Norway, the FPSO will have a hull approximately 55m wide and 295m long. It will be self-contained for harsh-environment operation, with living quarters accommodating up to 140 personnel. The project is scheduled for completion in the first quarter of 2020.

On 30 August 2017, Sembcorp Marine's wholly-owned Brazilian subsidiary Estaleiro Jurong Aracruz Ltda (EJA) secured US$145 million worth of hull carry-over works from Tupi B.V. for the FPSO P68 Tupi Project. Tupi B.V. had in July 2012 awarded EJA the contract for the Modules Construction and Integration of FPSO P68.

As at 31 December 2017, the Group's net order book backlog totalled $7.58 billion. Excluding the Sete Brasil drillships, the order backlog remains reasonably robust at $4.45 billion.

NET ORDER BOOK
AS AT 31 DECEMBER 2017

$7.58
BILLION

Rigs & Floaters

Building on its established track record, Sembcorp Marine Rigs & Floaters delivered the Pioneiro de Libra FPSO, its first full EPC FPSO conversion, to joint owners Odebrecht Oil and Gas and Teekay Offshore Partners in March 2017. The FPSO was deployed at Brazil's giant Libra field, achieving first oil in November last year.

Converted from the Navion Norvegia shuttle tanker, the FPSO is equipped with the capacity to produce 50,000 barrels of oil and four million cubic metres of gas per day. The vessel can operate in water depths of up to 2,400 metres. It is chartered to the consortium formed by Petrobras (the field operator, with 40% ownership), Total (20%), Shell (20%), CNPC (10%) and CNOOC (10%) for a period of 12 years, and will conduct Early Well Tests in the Libra block.

CHAIRMAN AND CEO'S REPORT

Pioneiro de Libra FPSO, Sembcorp Marine's first full EPC FPSO conversion, was delivered to joint owners Odebrecht Oil and Gas and Teekay Offshore Partners in March 2017

The Randgrid FSO was completed and delivered in July 2017 to Teekay for a charter under Statoil

In July last year, the Randgrid FSO was successfully delivered to Teekay for a charter with Statoil's Gina Krog oil and gas field in the North Sea. The vessel was converted from one of Teekay's shuttle tankers into an FSO (floating storage and offloading) vessel. The unit was designed for a minimum of 15 years of uninterrupted operations, without the need to leave the field for dry docking.

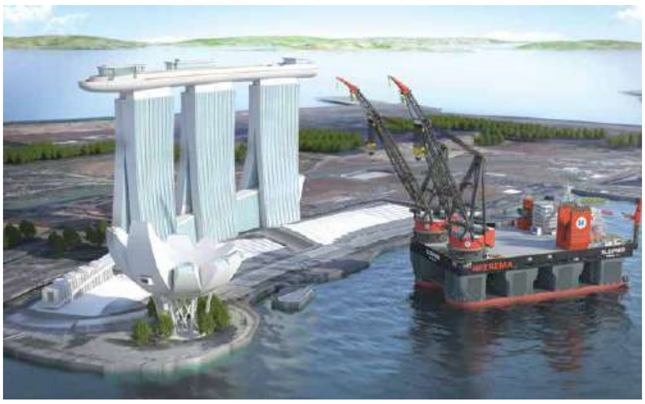
Following the sale of the nine Pacific Class 400 jack-up rigs to Borr Drilling, we delivered three of the rigs on 15 November 2017, 4 January 2018 and 23 February 2018 respectively. Five more rigs are scheduled for delivery in 2018 and another in 2019.

Sembcorp Marine's Pacific Class 400 jack-up

Projects in Progress

In 2017, Sembcorp Marine Rigs and Floaters continued with the execution of its existing order book. Following strike steel for Heerema's semi-submersible crane vessel (SSCV) Sleipnir in March 2016 and keel-laying in September 2016, the project advanced quickly throughout the year, with upper hull work now in progress after the launch of the vessel for quayside work in December 2017.

At 220m long, 102m wide and with a displacement of 273,700 MT, Sleipnir will be the largest and first dual-fuel (LNG and MGO) SSCV in the world when completed. It is designed for the installation and decommissioning of major offshore facilities worldwide, with two Huisman offshore cranes of 10,000-tonne lifting capacity each and a large reinforced work deck area.



Artist's impression of SSCV Sleipnir (courtesy of Heerema): When fully extended, the vessel's 10,000-tonne capacity Huisman cranes will be as tall as the Marina Bay Sands in Singapore

Sleipnir's dynamic ballast and de-ballast system is a joint-engineering effort by Sembcorp Marine and Heerema. Its Liquefied Natural Gas (LNG) system is the world's first Type-C LNG tank installed in an enclosed column. We also provided in-house detailed engineering analyses that allow us to customise the vessel based on site and project requirements. Our engineering team is now working with engine makers MAN and Wartsila to install a prototype engine and thruster design on the vessel.

The Sleipnir is on track for delivery in 2019. We are pleased to have won this engineering and construction project in July 2015 on the strength of our all-round engineering, design and construction capabilities, and our flagship Tuas Boulevard Yard's ability to support massive offshore structures, especially with its dedicated offshore dry-dock and automated high-capacity steel fabrication facility.

Launch of SSCV Sleipnir from Tuas Boulevard's offshore dry dock for quayside work

Sembcorp Marine's construction of the FSO Ailsa reached another milestone with the launch of the vessel in September 2017. Work commenced in November 2015 and the FSO is scheduled for delivery in 2018.

FSO Ailsa is being built at Tuas Boulevard Yard for MODEC Offshore Production Systems (Singapore) Pte. Ltd., a subsidiary of MODEC, Inc. It is Sembcorp Marine's first full turnkey FSO newbuilding project that includes Engineering, Procurement, Construction and Commissioning (EPCC).

The vessel will be able to operate continuously for 25 years without the need to dry dock, and has a 40-year hull lifespan. When completed, it will be deployed at Maersk Oil's Culzean field.

FSO Ailsa is Sembcorp Marine's first turnkey FSO newbuilding project, including Engineering, Procurement, Construction and Commissioning

The FSO Ailsa will be part of Sembcorp Marine's modern integrated solutions for the harsh-environment Culzean field in the UK North Sea. Our solutions include three topsides (a central processing facility, wellhead platform and utilities & living quarters), two connecting bridges, and a high-specification jack-up rig (Maersk Highlander).

Meanwhile, we continue to make good strides in other ongoing Rigs & Floaters projects. These include:

- Conversion of Saipem's FPSO Kaombo Norte and FPSO Kaombo Sul for operations in offshore Angola;
- Construction of two units of proprietary Jurong Espadon III high-specification ultra-deepwater drillships for Transocean; and
- Four newbuild Pacific Class 400 jack-up drilling rigs under construction for delivery to Borr Drilling (three units), and one which was completed and delivered in 1Q2018 to BOT Leasing.

Repairs & Upgrades

Under our Repairs and Upgrades business, we performed a total of 390 dry-dockings, repairs and upgrades in FY2017. Revenue per vessel for the year was higher than 2016, mainly attributed to higher value works and improved vessel mix.

Sembcorp Marine repaired and upgraded a record of 16 cruise ships during the year, including the completion of Star Legend from Star Cruises in December 2017. We have exclusive Favoured Customer Contracts (FCC) with Carnival Corporation and Royal Caribbean Cruises – the world's top two cruise companies – as well as strong working relationships with Asia's leading cruise line Star Cruises and other major cruise companies. With the steady growth of global cruise tourism especially in Asia, we are well-positioned to capitalise on the boom in this niche market.

CHAIRMAN AND CEO'S REPORT

Princess Cruises vessel Diamond Princess undergoing repairs and refits at Sembcorp Marine Admiralty Yard

In the LNG repairs and upgrades segment, Sembcorp Marine topped the list globally for the fifth time with a total of 34 LNG ships repaired and upgraded in 2017. We have continuously enhanced and broadened our LNG engineering solutions, repair and upgrade capabilities and facilities to provide holistic solutions to LNG owners and managers.

Concurrent repairs of LNG carriers Arkat and Sevilla Knutsen at Sembcorp Marine Tuas Boulevard Yard

Despite the deferment of the Ballast Water Management Convention to 2019, we completed 11 installations and retrofits of different types of ballast water management systems (BWMS) in 2017 for various owners.

The BWMS installations and retrofits are offered under Sembcorp Marine's Green Technology Retrofit (GTR) Solutions, which include our own award-winning Semb-Eco LUV Ballast Water Management System. Utilising ultra-violet and patented bio-fouling control technology to disinfect invasive species in challenging water conditions, the chemical-free and highly energy-efficient Semb-Eco LUV BWMS received the Outstanding Maritime R&D and Technology Award at the 2017 Singapore International Maritime Awards. This prestigious accolade reflects Sembcorp Marine's successful innovation and inroads into the green solutions markets.

Sembcorp Marine achieved another milestone in our BWMS development with the successful completion of US Coast Guard shipboard tests

Offshore Platforms

Sembcorp Marine Offshore Platforms focused on the work-in-progress of the Maersk Oil Culzean topsides project during the year. Valued at over US$1 billion, Sembcorp Marine won this EPC contract from Maersk Oil North Sea UK Limited in September 2015 and is on schedule to complete the project in June 2018.

Maersk Oil's Utilities & Living Quarters topside for the Culzean field

Other projects completed and in progress at Sembcorp Marine's overseas yards

These include:

- Completed fabrication of Yamal LNG modules at PT SMOE Indonesia;
- Ongoing construction of a power generation module and other infrastructure (part of our EPC project with Maersk Oil) at Sembmarine SLP yard in the UK;
- Ongoing hull carry-over works for the P68 FPSO; as well as topside modules construction and integration for P68 and P71 FPSOs in our Estaleiro Jurong Aracruz (EJA) yard in Brazil for the Tupi Project.

Sembmarine SLP is constructing a power generation module for Maersk Oil's Culzean field

OUR TRANSFORMATION JOURNEY CONTINUES

In line with Sembcorp Marine's 'Transformation for Growth', which began in 2013, we continue to consolidate, renew and refresh the Group's strategic direction towards sustainable growth.

All business units in the Group have been reorganised into 'One Sembcorp Marine' since July 2015, enabling us to harness the combined scale and expertise of our global operations to become more flexible, innovative and responsive. With our pooled resources, we are achieving the vital synergies to take on projects of any scale and complexity and in any location.

Strategic acquisitions, consolidation and divestments

Given the continuing challenges in the offshore, marine and energy markets, Sembcorp Marine must evolve and adapt in tandem by enhancing our capacities and capabilities and fine-tuning our business strategies to remain abreast of the changes.

In 2017, our key acquisitions made in the previous year had already begun to contribute further value to the Group. The acquisition of full ownership of **PPL Shipyard** helped pave the way for the successful sale of the nine jack-up rigs, completed and under construction at the yard, to Borr Drilling. These rigs were built to our own proprietary Pacific 400 design, which has a strong reputation in the market for high reliability and low downtime.

Over the years, PPL has helped propel the Group into a global player in the design and construction of jack-up and semi-submersible rigs. Having full control of PPL Shipyard has enabled us to fully align its business management and corporate strategies with the Group for sustainable returns.

Several years ago, we identified the market potential for offering innovative solutions to the gas value chain. Gas, as a cleaner fuel, is expected to be increasingly used for power generation and bunkering, amongst other applications.

In September 2017, our subsidiary Sembcorp Marine Specialised Shipbuilding and SeaOne Caribbean LLC (SeaOne) of USA signed an LOI for the design and construction of two large Compressed Gas Liquid (CGL®) carriers. These vessels will be deployed for SeaOne's Caribbean Fuels Supply Project. Sembcorp Marine will provide a unique design for the neo-panamax CGL carriers based on SeaOne's single gas and liquids cargo delivery requirements.

The design will incorporate proprietary ship component ideas from Sembcorp Marine subsidiary **LMG Marin**, a leading naval architect and ship design house in Europe. Front-end engineering design (FEED) studies for the project are in progress.

A small-scale offshore LNG power plant, designed by LMG Marin

CHAIRMAN AND CEO'S REPORT

Acquired in 2016, LMG Marin brings to the Group a cache of design patents and more than 70 years of experience in designing drillships, offshore production and storage floaters, OSVs, LNG carriers, LNG-powered ships, car ferries and cruise ships. The firm has also developed an extensive portfolio of vessel designs tailored for ice environments. Synergising LMG Marin's experience and Sembcorp Marine's track record in delivering sophisticated vessels, the Group's arctic marine engineering and ship design capabilities will be important for future business growth.

Following our acquisition of an additional 44% stake in **Gravifloat** in March 2016, which raised our stake to 56%, we are in active discussions with potential customers to customise the cost-effective, modular, scalable and gas-based Gravifloat terminal solutions for gas-based import and export and power-generation projects.

These re-deployable and versatile near-shore gravity-based solutions include import and export terminal infrastructure for treatment, storage, liquefaction, re-gasification and offloading of LNG and LPG, as well as for the installation of offshore power plants.

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

A Gravifloat solution of CCGT plants with integrated LNG storage, regasification and terminal functions

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

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

Sembcorp Marine Tuas Boulevard Yard Phase II development swung quickly into a busy schedule upon its completion in January 2017. The dedicated offshore dry-dock was actively deployed with the Heerema SSCV Sleipnir project.

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

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

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

Memorandum of Understanding on Disruptive Technologies

On 9 November 2017, Sembcorp Marine, DNV GL, A*STAR's Singapore Institute of Manufacturing Technology (SIMTech) and National Additive Manufacturing Innovation Cluster (NAMIC) signed a Memorandum of Understanding to develop disruptive applications in Additive Manufacturing, Drone and Digital Twin technologies.

Sembcorp Marine will test-bed the three projects at the Tuas Boulevard Yard. In supporting the projects, the yard augments its role as a living lab for incubating and verifying disruptive applications for the offshore and marine sector.

SUSTAINABILITY AND GROWTH

The extremely challenging business environment has put many in our industry through the crucible of severe testing in the past three years since the oil price collapse at the end of 2014, and while many have emerged stronger, there are those which have succumbed under these difficult times.

The Group's sustainability goals remain focused on value creation for our employees, customers, contractors, suppliers, partners and other key stakeholders. Good corporate governance, upholding of health and safety standards, reduction of environmental impact, efficient resource utilisation as well as community care and engagement remain our core ideals as we build a sustainable business for the generations ahead. With this in mind, the Sustainable Business Award Sembcorp Marine received at the 2017 Singapore Apex Corporate Sustainability Awards greatly encourages us to continue doing our best for our stakeholders and the environment.

Cleaner Energy at the Shipyard

The Group is collaborating with the SP Group (Singapore Power) to develop a new digital system to harness solar energy at the Tuas Boulevard Yard. In what will be the largest single solar rooftop at a shipyard in Southeast Asia, the system will generate and manage enough solar power to reduce 30 per cent of grid-supplied electricity consumed at the yard's steel fabrication facility during peak load.

Scheduled for completion in 2019, the solar rooftop will deliver up to 5.38GWh of energy annually – enough to power approximately 1,120 four-room flats and reduce as much as 2,500 tonnes of carbon emissions per year. The digital energy-saving system will feature energy storage capabilities, energy sensors and a real-time digital platform to monitor, analyse and optimise energy usage in the yard.

Workplace Safety and Health

As Sembcorp Marine advances its technology and innovation development, we are well aware that we must at the same time maintain a high standard of workplace safety and health (WSH) in order to deliver our best engineering solutions reliably.

To this end, we have adopted a Vision Zero incidence goal. Such an ambitious target requires a multi-stakeholder approach that not only rallies employees, customers, sub-contractors and vendors to collectively enhance Health, Safety and Environment (HSE) competencies and safeguards, but more importantly, to build a cohesive WSH culture. We are pleased that the strong stakeholder commitment and HSE processes at our yards have helped Sembcorp Marine earn plaudits consistently for safety performance, including 19 wins at the 2017 WSH Awards.

Last year, we were also invited to share our WSH best practices at the XXI World Congress on Safety and Health at Work 2017 in Singapore. Through this event, and other similar platforms, Sembcorp Marine gleans knowledge from industry leaders that enables us to improve our WSH performance continuously.

Human Resource

On the human resource front, we continue to implement cost-management strategies to enhance productivity and optimise our headcount. They include reduction in manpower cost through wage cuts and wage freeze, productivity improvement measures to enhance competitiveness, and right-sizing, re-training and re-organising our employees to cater to evolving changes in our product mix, especially in non-drilling solutions and the gas value chain.

We would like to place on record our appreciation to the senior management of Sembcorp Marine for volunteering a salary reduction of between 10% and 15% during this challenging year.

In 2018, we will focus on re-skilling and up-skilling our workforce, including selective recruitment of specialist talent to position the Group for new opportunities, diversification and growth. We aim to nurture an inclusive Sembcorp Marine culture and provide a safe work environment that respects equal opportunities and rights for all. The Sembcorp Marine Code of Business Conduct guides our employees and partners on how we do business.

Supporting the Community

Sembcorp Marine works closely with our community to make a positive impact. We accomplish this through a range of platforms, including educational causes and community care.

During the year we contributed approximately $1.26 million and 5,100 employee-hours towards community projects and volunteer activities.

Two of our cornerstone events are the Green Wave Environmental Care Competition and School Book Assistance Grant (SchoolBAG).

CHAIRMAN AND CEO'S REPORT

Education Minister (Schools) Mr Ng Chee Meng interacting with students at the Green Wave Awards Ceremony & Exhibition in February 2017

Senior Minister of State for Culture, Community and Youth Ms Sim Ann was the guest-of-honour at the 2017 SchoolBAG presentation ceremony

Green Wave

Since its inception in 2003, the annual Green Wave competition has attracted participation from close to 15,000 students from primary and secondary schools, junior colleges, Institutes of Technical Education and tertiary institutions.

Over 1,000 local and regional students took part in the year-long competition in 2017, with 75 projects out of 307 entries receiving awards.

The Green Wave competition is part of our long-term commitment to inculcating a sustainability culture among the young people. By providing Green Wave as an avenue for students to develop and showcase their creativity and innovation, we look forward to the day when a global sustainability breakthrough can be traced back to one of the entries we have received in this competition.

SchoolBAG

Sembcorp Marine School Book Assistance Grant (SchoolBAG) was launched in 2001 to assist students from low-income families. In 2017, $210,450 in bursaries were disbursed to 1,065 primary, secondary and junior college students, bringing the programme's total contributions to over $4 million since its introduction in 2001.

Corporate Social Responsibility in Sembcorp Marine's global network

Sembcorp Marine's global yards and offices continue to play an active role in their communities.

Last year, Sembmarine SLP in Lowestoft, UK, donated £18,000 ($32,800) to 14 local charities.

In Brazil, EJA employees provided technical expertise in community projects, which included bee farming and upcycling wood byproducts for handicraft production classes.

OUTLOOK & PROSPECTS

The global economic growth outlook appears to be improving, but remains challenging. Exploration and production CAPEX continues to show signs of improvement. Offshore rigs utilisation and day rates have stabilised, but rig orders recovery may take some time as the oversupply in most drilling segments has yet to rebalance. We continue to make progress in our efforts to develop and commercialise our Gravifloat technology for near-shore gas infrastructure solutions. Demand for vessel repairs and upgrades, especially for LNG carriers and cruise ships, remains strong. Regulations on ballast water treatment requirements coming into force in the foreseeable future will further support the potential of this segment.

However, the immediate outlook remains challenging. It will take some time for CAPEX spending to translate into new orders. Industry activities remain low and competition for orders is intense. Sembcorp Marine will continue to further strengthen its balance sheet and actively pursue the conversion of enquiries into new orders. We remain focused on operational excellence to execute our orders efficiently; disciplined investment in new capabilities and technological innovation; and active customer engagement and business development to grow and ensure the sustainability of our business.

The Group is confident of the longer term fundamentals of the offshore and marine industry. Bolstered by our strategic investments in new capabilities and facilities, we believe Sembcorp Marine is well-equipped to ride out the current down cycle and be well-positioned for the upturn.

APPRECIATION

On behalf of the Board, we would like to extend a warm welcome to Mr Neil McGregor and Mr William Tan Seng Koon, who were respectively appointed Non-executive & Non-independent Director and Non-executive & Independent Director of the company in April 2017.

Our appreciation and thanks to Mr Ajaib Haridass and Mr Lim Ah Doo, who will retire as Board directors of Sembcorp Marine in April 2018. Mr Haridass was appointed Non-executive and Independent Director on 31 October 2003. In 2017, he served as chairman of the Nominating Committee and as member of both the Executive Resource & Compensation Committee and the Special Committee. Mr. Lim was appointed Non-executive and Independent Director on 7 November 2008. During 2017, he served as chairman of the Board Risk Committee, chairman of the Special Committee, and as a member of the Audit Committee.

Thank you to the Board of Directors for their continued stewardship, wise guidance and counsel; and to the management team, employees, unions, sub-contractor partners, bankers and bondholders for their contributions and support in the past year. To the Non-executive Directors, thank you for volunteering to reduce your total fees by 10% for 2017.

Thank you to our customers for their continued trust and confidence in Sembcorp Marine.

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

TAN SRI MOHD HASSAN MARICAN
Chairman

WONG WENG SUN
President & CEO

6 March 2018

SIGNIFICANT EVENTS

JANUARY

1 Jan

Signing of an Alliance Agreement with Chevron Shipping USA, making Sembcorp Marine the exclusive partner for the repair of LNG carriers owned and managed by Chevron

27 Jan

Sembcorp Marine Tuas Boulevard Yard Phase II completed

Tuas Boulevard Yard Phase II completed

FEBRUARY

12 Feb

Sembcorp Marine Tuas Boulevard Yard's Phase II development marks a key milestone with the docking of its first vessel, the bulk carrier Nueva Esperanza

23 Feb

Green Wave Environmental Care Competition Awards Ceremony recognises winners of year-long 2016 event, which drew 279 projects from 930 students

Education Minister (Schools) Mr Ng Chee Meng was guest-of-honour at the Green Wave Awards Ceremony

MARCH

13 Mar – **16 Mar**

Sembcorp Marine participates in the annual Seatrade Cruise Global exhibition in Fort Lauderdale, USA

28 Mar

Delivery of FPSO Pioneiro de Libra, Sembcorp Marine's first full Engineering, Procurement, Construction (EPC) FPSO conversion project, to Odebrecht Oil & Gas and Teekay Offshore

Delivery of FPSO Pioneiro de Libra

APRIL

4 Apr – **7 Apr**

Sembcorp Marine participates in Gastech 2017, the world's leading gas conference and exhibition, held in Tokyo, Japan

18 Apr

All resolutions passed at the 54th Annual General Meeting

Sembcorp Marine's 54th Annual General Meeting

25 Apr – 27 Apr

Sembcorp Marine participates in Sea Asia 2017, a leading maritime conference and exhibition in Singapore

30 Apr

Completion of three Electrical & Instrumentation Building Modules for Siemens Pte Ltd's Yamal LNG Project, at Sembcorp Marine's PT SMOE Yard in Batam, Indonesia

MAY

1 May – 4 May

Sembcorp Marine exhibits at the Offshore Technology Conference (OTC) 2017, held in Houston, USA

OTC 2017

11 May

Groundbreaking for Sembcorp Marine's new corporate office building at Tuas Boulevard Yard

12 May

Completion of the stacking of Maersk Oil North Sea UK Ltd's Culzean topsides

MAY/JUNE

30 May – 2 Jun

Sembcorp Marine participates in Nor Shipping 2017, a leading tradeshow for the global maritime and shipping community, held in Norway

Nor-Shipping 2017

JULY

7 Jul

Delivery of Randgrid FSO, a conversion project, to Teekay

Delivery of Randgrid FSO to Teekay

18 Jul – 20 Jul

Estaleiro Jurong Aracruz (EJA) participates in Mec Show 2017, a major exhibition held in Espirito Santo, Brazil, for the Metalwork, Energy and Automation sectors

SIGNIFICANT EVENTS

AUGUST

10 Aug

Sembcorp Marine celebrates Singapore's 52 years of independence at the National Day Observance Ceremony

11 Aug

Sembcorp Marine and the Republic of Singapore Navy open the Ship Superintending Engineering Centre at Tuas Boulevard Yard

25 Aug

Letter of Intent signed with SeaOne Caribbean LLC for Sembcorp Marine's design and construction of Compressed Gas Liquid (CGL) carriers

30 Aug

Estaleiro Jurong Aracruz (EJA) secures hull carry-over works from Tupi B.V. for the FPSO P-68 Tupi project, adding to its existing contract for modules construction and integration

Contract signing for hull carry-over works with Tupi B.V.

SEPTEMBER

3 Sep – 6 Sep

Sembcorp Marine participates in the XXI World Congress on Safety & Health at Work 2017 in Singapore, an exhibition and congress that promotes safety and health at work and serves as a forum for the development and sharing of WSH knowledge and practices

Sembcorp Marine President & CEO Mr Wong Weng Sun was a speaker at the WSH XXI World Congress on Safety & Health at Work 2017

12 Sep

Launch of FSO Ailsa, Sembcorp Marine's first full turnkey Engineering, Procurement, Construction and Commissioning (EPCC) FSO newbuilding project

Launch of FSO Ailsa

17 Sep

Major upgrading and repair works completed on Deep Driller 5, a jack-up rig, for Aban Offshore, India

OCTOBER

14 Oct

Refitting and refurbishment of United Arab Shipping Company's (UASC) Al Safat at the Tuas Boulevard Yard, the first of seven mega-container vessels Sembcorp Marine will service for UASC

23 Oct

Sembcorp Marine and SP Group sign a Memorandum of Understanding to develop a digital energy-saving system at Tuas Boulevard Yard that optimises energy consumption and harnesses solar energy for significant utility savings

MOU signing between Sembcorp Marine and SP Group for the development of a digital energy-saving system at Tuas Boulevard Yard

NOVEMBER

8 Nov

The 17th edition of the Sembcorp Marine School Book Assistance Grant (SchoolBAG) sees 1,065 students receive $210,000 worth of bursaries, bringing the Group's cumulative total contribution since 2001 to over $4 million

Sembcorp Marine SchoolBAG 2017

9 Nov

Memorandum of Understanding signed between Sembcorp Marine, DNV GL, A*STAR's Singapore Institute of Manufacturing Technology (SIMTech) and National Additive Manufacturing Innovation Cluster (NAMIC) to develop disruptive applications in Additive Manufacturing, Drone and Digital Twin technologies

DECEMBER

5 Dec

Sembcorp Marine and Shell Offshore Inc. sign a Letter of Intent for the construction of hull and topside as well as the integration of the Vito floating production unit (FPU)

6 Dec

Sembcorp Marine secures a turnkey EPC contract for a newbuild FPSO from Statoil Petroleum AS. When completed, the FPSO will be deployed at the Johan Castberg field development in the Barents Sea

EPC Contract with Statoil for the Johan Castberg FPSO

14 Dec

Completion of the repair and upgrade of Windstar Cruises' cruise ship Star Legend, bringing Sembcorp Marine's record of cruise ships repaired and upgraded in 2017 to 16

19 Dec

Signing of a Favoured Customer Contract (FCC) with Norway's Jo Shipping

20 Dec

Launch of Heerema's SSCV Sleipnir from Sembcorp Marine's dedicated offshore drydock in Tuas Boulevard Yard

28 Dec

With the docking of Dapeng Sun from FCC partner China LNG Shipping, Sembcorp Marine records 34 LNG ships repaired and upgraded in 2017, reinforcing its position as a global leader in the LNG vessel repair and upgrade niche segment

AWARDS AND ACCOLADES

SHIPBUILDING & REPAIR YARD AWARD

Recognition for Sembcorp Marine's flagship Tuas Boulevard Yard at the 2017 Seatrade Maritime Awards Asia

SUSTAINABLE BUSINESS AWARD (MULTINATIONAL CORPORATION CATEGORY)

Presented by the Global Compact Network Singapore at the Singapore Apex Corporate Sustainability Awards 2017 in recognition of Sembcorp Marine's exemplary corporate sustainability standards

SIAS SUSTAINABILITY AWARD

Awarded by the Securities Investors Association Singapore (SIAS) and NUS Centre for Governance, Institutions and Organisations to Sembcorp Marine for its continuous commitment towards corporate responsibility as well as sustainable ESG and reporting practices

OUTSTANDING MARITIME R&D AND TECHNOLOGY AWARD

Presented to Sembcorp Marine for its outstanding innovation, research, development and test-bedding of the Semb-Eco Ballast Water Management LUV System for the maritime industry

WSH AWARDS 2017

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

WSH Performance Gold Award

Sembcorp Marine Benoi Yard

WSH Performance Silver Award

Sembcorp Marine Tuas Road Yard

Workplace Safety and Health Award Recognition for Projects (SHARP)

Sembcorp Marine Tuas Boulevard Yard

- FPSO Pioneiro de Libra
- Bumi Armada
- Caspian Sea
- Dockwise Hebron
- FSO Ailsa
- FPSO Libra Topside

Sembcorp Marine Tanjong Kling Yard

- Heerema Sleipnir
- Hercules Highlander
- Noble Lloyd Noble
- P68
- Transocean JE3T

Sembcorp Marine Admiralty Yard

- Gina Krog FSO Conversion
- Kaombo Norte FPSO Conversion
- Kaombo Sul FPSO Conversion

AWARDS AND ACCOLADES

CERTIFICATE OF PARTNERSHIP

Awarded by the Tripartite Alliance for Fair & Progressive Employment Practices (TAFEP), with the support of the Economic Development Board (EDB), to Sembcorp Marine as a Human Capital Partner for its exemplary human capital development practices

WSH Innovation Award

Sembcorp Marine Tanjong Kling Yard –
JE Dynamite (Safe Grinding Work Station)

WSH Supervisor Awards

Sembcorp Marine Admiralty Yard –
Mr Kannan Damodaran

Sembcorp Marine Tuas Boulevard Yard –
Mr Md Badal Hossain

WORKPLACE SAFETY AND HEALTH BIZSAFE PARTNER AWARD 2017

Awarded to Sembcorp Marine's Pandan and Tuas Crescent yards by the WSH Council in recognition of their commitment to bringing organisations on board the bizSAFE programme and incorporating WSH efforts into their business models

SINGAPORE CIVIL DEFENCE FORCE (SCDF) OUTSTANDING COMPANY EMERGENCY RESPONSE TEAM (CERT) AWARD

CERT Teams from Sembcorp Marine's Tuas Boulevard Yard and Pandan Yard were awarded for their emergency preparedness and timely responses in emergencies

SINGAPORE CIVIL DEFENCE FORCE (SCDF) FALCONITE CORPORATE CHALLENGE

Sembcorp Marine Admiralty Yard's CERT won the SCDF 3rd Division competition for their high standards of emergency preparedness, readiness and capabilities

AWARDS AND ACCOLADES

ASMI 20TH CONVENTION FOR WORKPLACE SAFETY AND HEALTH INNOVATIONS IN MARINE INDUSTRY

Gold Award

Awarded to JE Dynamite from Sembcorp Marine Tanjong Kling Yard for their WSH Innovation Project: SAT Work Station

Bronze Award

Awarded to SPC Dynamic Achiever from Sembcorp Marine Admiralty Yard for their WSH Innovation Project: Vertical Shipside Hydrojetting Mount El-Chorro

Silver Award

Awarded to Team PRAH from Sembcorp Marine Tuas Boulevard Yard for their WSH Innovation Project: Safe Roller Device

Awarded to E&I Team 1 from Sembcorp Marine Admiralty Yard for their WSH Innovation Project: Cable Roller

ITE DISTINGUISHED PARTNER AWARD 2017

Awarded to Sembcorp Marine for its contributions and commitment to enhancing the quality of teaching and learning in ITE's Marine Engineering courses, and holistic development of ITE students

MAY DAY AWARDS 2017

Awarded by the National Trades Union Congress (NTUC) in recognition of Sembcorp Marine's contributions to good labour-management relations, workers' welfare and NTUC initiatives

Plaque of Commendation (Gold)
Sembcorp Marine President & CEO Mr Wong Weng Sun (right) receiving the award on behalf of the Group

Medal of Commendation
Mr Chua San Lye (left), Sembcorp Marine Chief Human Resource Officer

SHARE CORPORATE GOLD AWARD

Sembcorp Marine received the award at the 2017 Community Chest Awards for its contributions through the Social Help and Assistance Raised by Employees (SHARE) programme

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

17 Sembcorp Marine employees received the awards, which recognise outstanding supervisors in the marine industry

GROUP FINANCIAL REVIEW

TURNOVER

Sembcorp Marine posted Group turnover of $2.39 billion for 2017. Turnover decreased by 33% mainly due to lower revenue recognition for rigs & floaters and offshore platform projects. Excluding the effects of the sale of 9 jack-up rigs to Borr Drilling and termination of 5 jack-up rigs with two customers during the year, turnover would have decreased by 28%.

EARNINGS

Group operating profit for 2017 decreased mainly due to lower overall business volume, especially in rigs & floaters and offshore platforms, which impacted the absorption of overhead costs, and additional cost accruals for floater projects which are pending finalisation with the customers. Group net profit for 2017 decreased mainly due to lower operating profit, offset by gain on disposal of equity interest in Cosco Shipyard Group Co., Ltd, gain on disposal of available-for-sale financial asset and lower share of losses from associates and joint ventures as compared to 2016.

FINANCIAL POSITION

The Group's total assets of $9.15 billion in 2017 were 3% lower, compared with $9.41 billion in 2016. The decrease in inventories and work-in-progress was mainly due to the successful deliveries of rig building and floater projects. The decrease was also due to the Group's divestment of its 30% equity interest in Cosco Shipyard Group Co., Ltd, which was completed in January 2017.

The Group's total liabilities of $6.63 billion in 2017 were 3% lower, compared with $6.81 billion in 2016.

Total capital employed of $2.52 billion comprised shareholders' funds of $2.48 billion and non-controlling interests of $41 million.

CASH FLOW AND LIQUIDITY

The Group's total cash and cash equivalents stood at $1.30 billion as at 31 December 2017.

In 2017, the Group generated a positive $144 million of operating cash flow attributed to the successful deliveries of key projects, achievement of scheduled milestones for projects under execution and advance payments of $377 million received from a customer.

The Group's net cash generated from investing activities for 2017 was $65 million, mainly due to proceeds from divestment of Cosco Shipyard Group Co., Ltd and disposal of available-for-sale financial asset, partially offset by purchase of property, plant and equipment for Sembcorp Marine Tuas Boulevard Yard and Estaleiro Jurong Aracruz (Brazil yard).

Group net cash used in financing activities for 2017 was $24 million, related mainly to dividends paid and offset by net proceeds from borrowings.

SHAREHOLDER RETURNS

The Group recorded a return on equity of 0.6% in 2017. Subject to approval by shareholder of Sembcorp Marine at the next Annual General Meeting, the Group is proposing a final one-tier tax-exempt ordinary dividend of 1.0 cent per share. Together with the interim one-tier tax-exempt dividend of 1.0 cent per share, total dividend for the financial year ended 31 December 2017 would be 2.0 cents per share.

Group Financial Highlights

	2017 $'000	2016 $'000	Change (%)
Group Income Statement			
Turnover	2,387,354	3,544,816	(33)
Profit / (Loss)			
Earnings before interest, tax, depreciation and amortisation (EBITDA)	213,369	384,251	(44)
Operating profit	20,453	225,306	(91)
(Loss) / Profit before tax	(15,644)	90,520	n.m.
Net profit	14,076	78,777	(82)
Group Balance Sheet			
Total assets	9,151,448	9,414,833	(3)
Total liabilities	6,632,076	6,807,212	(3)
Net tangible assets	2,298,972	2,359,864	(3)
Equity attributable to owners of the Company	2,478,173	2,561,989	(3)
Non-controlling interests	41,199	45,632	(10)
Total equity	2,519,372	2,607,621	(3)
Cash and cash equivalents	1,301,000	1,216,971	7
Interest-bearing borrowings	4,100,123	4,154,975	(1)
Net debt	2,799,123	2,938,004	(5)
Economic Value Added (EVA)			
Net operating profit after tax (NOPAT)	56,225	174,822	(68)
Capital charge	476,912	498,931	(4)
EVA	(420,687)	(324,109)	30
EVA attributable to owners of the Company	(411,598)	(302,651)	36
Financial Ratios			
Earnings per share (EPS)			
Basic (cents)	0.67	3.77	(82)
Diluted (cents)	0.67	3.77	(82)
Dividend per share			
One-tier tax-exempt (cents)	2.00	2.50	(20)
Net asset value per share (cents)	118.69	122.62	(3)
Net tangible asset per share (cents)	110.11	112.95	(3)
Return on turnover (%)	0.59	2.22	(73)
Return on total assets (%)	1.14	1.76	(35)
Return on equity (%)	0.56	3.11	(82)

GROUP FINANCIAL REVIEW

Group Quarterly Performance

2017					
$'000	1Q	2Q	3Q	4Q	Total
Turnover	760,051	655,474	316,876	654,953	2,387,354
Operating profit / (loss)	13,586	28,491	22,013	(43,637)	20,453
Earnings before interest, tax, depreciation and amortisation (EBITDA)	60,561	76,730	71,653	4,425	213,369
Profit / (Loss) before tax	36,803	3,515	(1,766)	(54,196)	(15,644)
Net profit / (loss)	39,546	5,594	2,716	(33,780)	14,076
Earnings per share (cents)					
Year-to-date	1.89	2.16	2.29	0.67	
In-quarter	1.89	0.27	0.13	(1.62)	

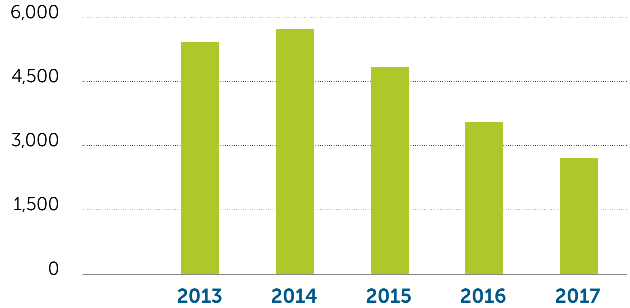
2016					
$'000	1Q	2Q	3Q	4Q	Total
Turnover	918,432	908,485	888,003	829,896	3,544,816
Operating profit	71,734	53,560	32,931	67,081	225,306
Earnings before interest, tax, depreciation and amortisation (EBITDA)	106,445	89,189	68,371	120,246	384,251
Profit / (Loss) before tax	68,294	19,244	(18,288)	21,270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

Group Five Year Financial Summary

	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000
For the Year					
Turnover	5,525,882	5,832,595	4,968,132	3,544,816	2,387,354
Operating profit / (loss)	644,257	707,025	(149,991)	225,306	20,453
Profit / (Loss) before tax	660,537	707,004	(377,603)	90,520	(15,644)
Net profit / (loss)	555,747	560,128	(289,672)	78,777	14,076
Dividend - Interim	104,464	104,459	83,563	31,345	20,897
Dividend - Final	125,359	167,102	41,795	20,897	20,879
Dividend - Final Special	41,787	-	-	-	-
Dividend - Total	271,610	271,561	125,358	52,242	41,776
At Year End					
Property, plant and equipment	2,394,167	3,008,909	3,540,555	3,986,667	3,995,019
Associates and joint ventures	445,743	470,277	312,056	74,816	67,965
Other financial assets	107,166	90,443	107,263	67,783	46,150
Other non-current assets	81,931	101,673	124,212	267,262	353,830
Current assets	4,221,093	4,567,118	5,117,036	5,018,305	4,688,484
Current liabilities	(3,530,406)	(3,448,597)	(3,897,046)	(3,748,282)	(3,142,611)
Non-current liabilities	(910,182)	(1,657,796)	(2,639,797)	(3,058,930)	(3,489,465)
	2,809,512	3,132,027	2,664,279	2,607,621	2,519,372
Share capital	484,288	484,288	484,288	484,288	484,288
Capital, foreign currency translation and other reserves	(76,179)	(76,625)	9,770	54,905	(25,724)
Revenue reserve	2,268,927	2,557,455	2,017,147	2,022,796	2,019,609
Non-controlling interests	132,476	166,909	153,074	45,632	41,199
	2,809,512	3,132,027	2,664,279	2,607,621	2,519,372
Per Share					
EPS - basic (cents)	26.61	26.83	(13.87)	3.77	0.67
EPS - diluted (cents)	26.59	26.82	(13.87)	3.77	0.67
Net tangible assets (cents)	126.76	139.40	118.00	112.95	110.11
Net asset value (cents)	128.21	141.92	120.24	122.62	118.69
Financial Ratios					
Return on equity (%)	21.73	19.86	(10.58)	3.11	0.56
Return on total assets (%)	9.15	8.00	(2.90)	1.76	1.14
Operating profit (loss) / equity (%)	25.19	25.06	(5.48)	8.88	0.81
Current ratio (times)	1.20	1.32	1.31	1.34	1.49
Net gearing (times)	Net cash	0.21	1.03	1.13	1.11
Dividend cover (times)	2.05	2.06	n.a.	1.51	0.34

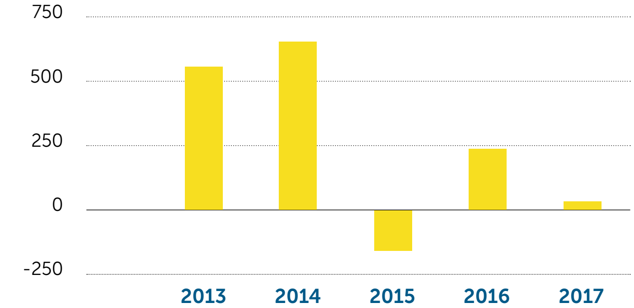
GROUP FINANCIAL REVIEW

Turnover



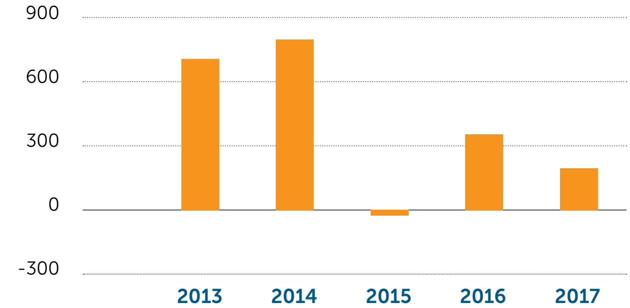
	2013	2014	2015	2016	2017
Turnover	5,526	5,833	4,968	3,545	2,387

Operating Profit



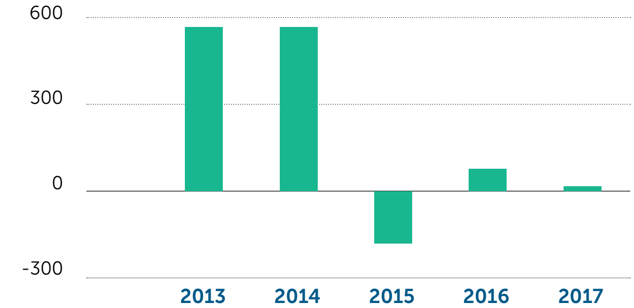
	2013	2014	2015	2016	2017
Operating profit / (loss)	644	707	(150)	225	20

EBITDA



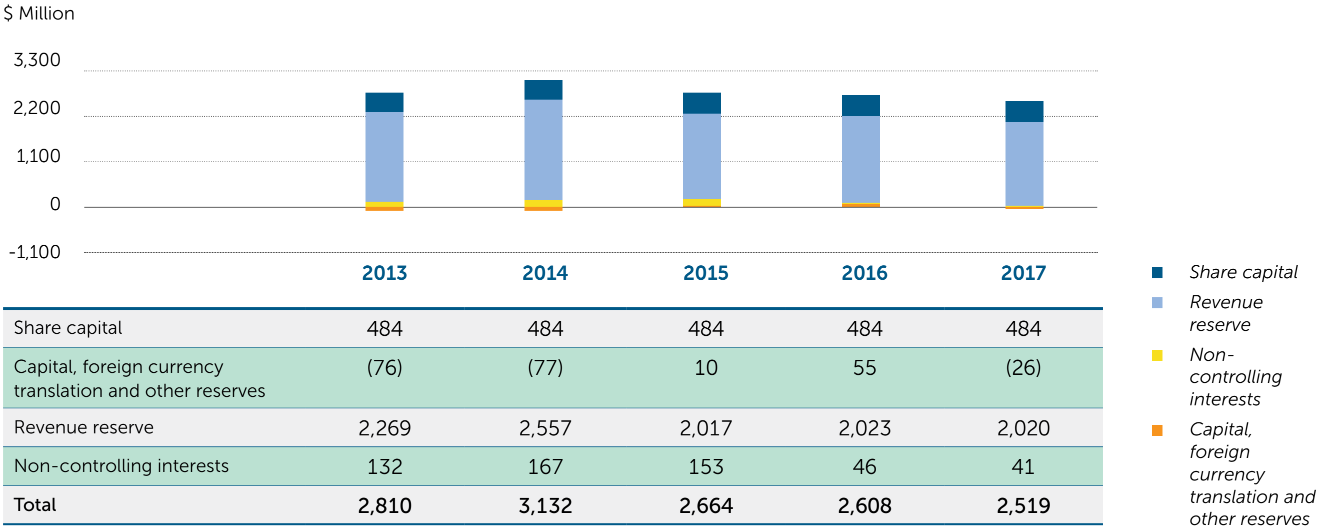
	2013	2014	2015	2016	2017
EBITDA	745	822	(18)	384	213

Net Profit



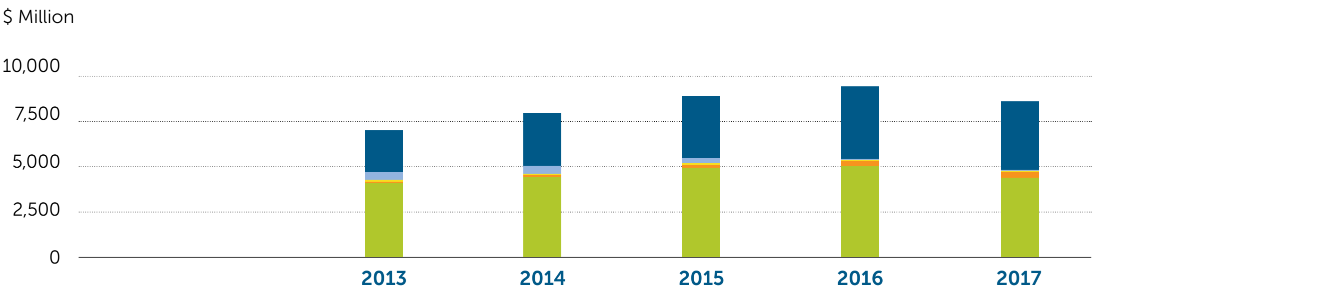
	2013	2014	2015	2016	2017
Net profit/ (loss)	556	560	(290)	79	14

Total Equity



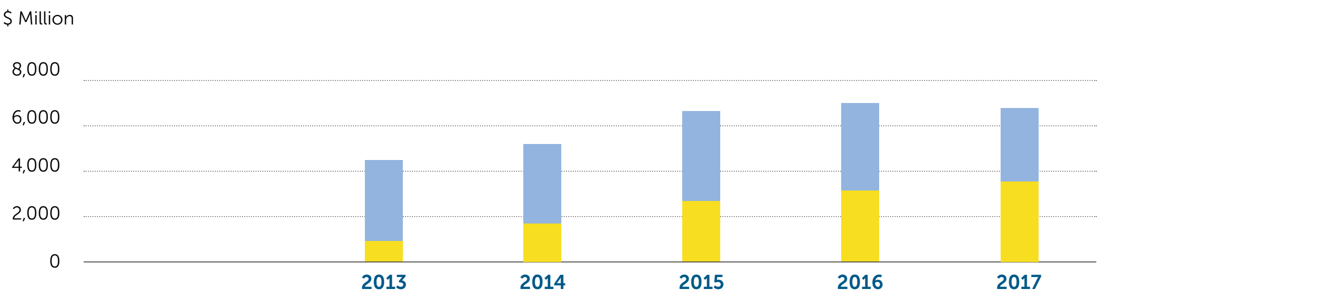
	2013	2014	2015	2016	2017
Share capital	484	484	484	484	484
Capital, foreign currency translation and other reserves	(76)	(77)	10	55	(26)
Revenue reserve	2,269	2,557	2,017	2,023	2,020
Non-controlling interests	132	167	153	46	41
Total	**2,810**	**3,132**	**2,664**	**2,608**	**2,519**

Assets



	2013	2014	2015	2016	2017
Property, plant and equipment	2,394	3,009	3,541	3,987	3,995
Associates and joint ventures	446	470	312	75	68
Other financial assets	107	90	107	68	46
Other non-current assets	82	102	124	267	354
Current assets	4,221	4,567	5,117	5,018	4,688
Total	**7,250**	**8,238**	**9,201**	**9,415**	**9,151**

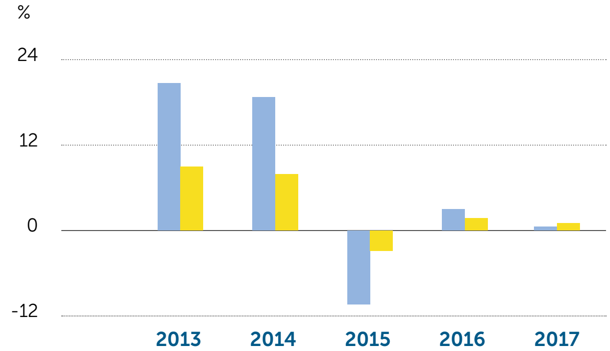
Liabilities



	2013	2014	2015	2016	2017
Current liabilities	3,530	3,449	3,897	3,748	3,143
Non-current liabilities	910	1,658	2,640	3,059	3,489
Total	**4,441**	**5,106**	**6,537**	**6,807**	**6,632**

GROUP FINANCIAL REVIEW

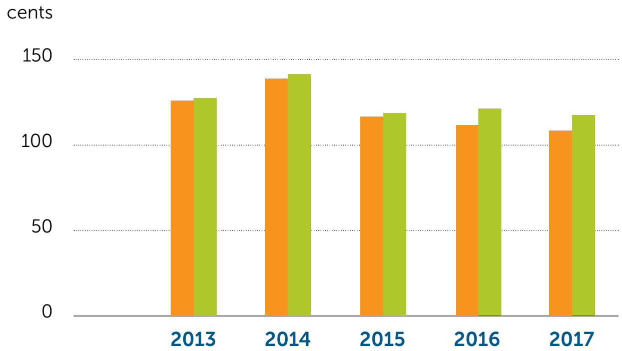
Return on Equity and Return on Total Assets



	2013	2014	2015	2016	2017
Return on Equity	21.7	19.9	(10.6)	3.1	0.6
Return on Total Assets	9.2	8.0	(2.9)	1.8	1.1

Return on Equity *Return on Total Assets*

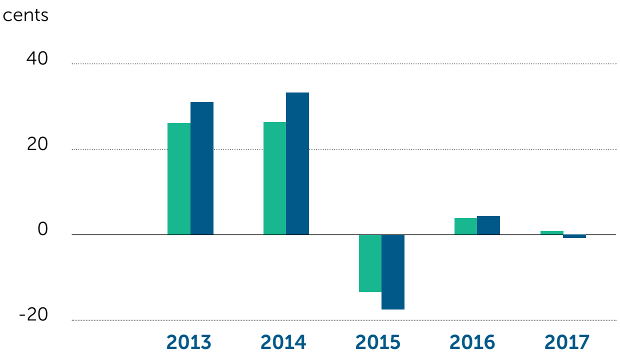
Net Tangible Assets and Net Asset Value Per Share



	2013	2014	2015	2016	2017
Net Tangible Assets Per Share	127	139	118	113	110
Net Asset Value Per Share	128	142	120	123	119

Net Tangible Assets Per Share *Net Asset Value Per Share*

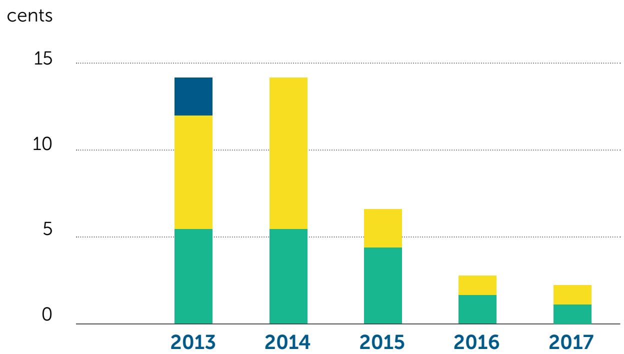
Earnings Per Share



	2013	2014	2015	2016	2017
EPS - After Tax	26.6	26.8	(13.9)	3.8	0.7
EPS - Before Tax	31.6	33.9	(18.1)	4.3	(0.7)

EPS - After Tax *EPS - Before Tax*

Dividend Per Share



	2013	2014	2015	2016	2017
Dividend - Interim	5.0	5.0	4.0	1.5	1.0
Dividend - Final	6.0	8.0	2.0	1.0	1.0
Dividend - Final Special	2.0	-	-	-	-
Total	**13.0**	**13.0**	**6.0**	**2.5**	**2.0**

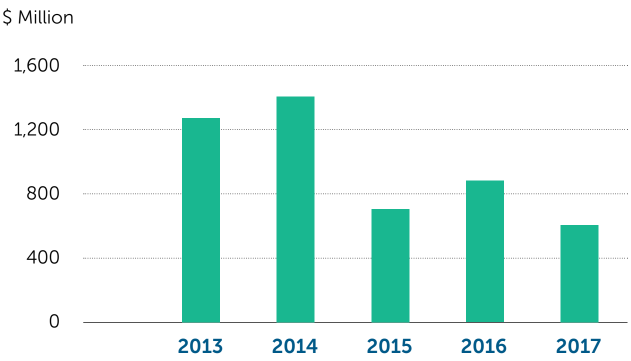
Dividend - Final Special *Dividend - Final* *Dividend - Interim*

Value Added Statement

	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000
Value added from					
Turnover	5,525,882	5,832,595	4,968,132	3,544,816	2,387,354
Less: Bought in materials and services	(4,231,874)	(4,402,863)	(4,251,510)	(2,650,304)	(1,713,023)
Gross value added	1,294,008	1,429,732	716,622	894,512	674,331
Investment, interest and other income	81,650	12,371	7,368	38,754	55,667
Share of results of associates and joint ventures, net of tax	11,166	9,859	(173,499)	(35,134)	(3,617)
Non-operating income / (expenses), net	2,758	177	(18,708)	(18,923)	51,494
	1,389,582	**1,452,139**	**531,783**	**879,209**	**777,875**
Distribution					
To employees in wages, salaries and benefits	585,859	556,436	527,159	490,211	460,717
To government in income and other taxes	102,430	144,959	74,057	58,723	41,094
To providers of capital in:					
Interest on borrowings	8,072	20,960	46,775	88,651	95,522
Dividends to owners of the Company	271,593	271,600	250,636	73,128	41,788
Retained in business					
Depreciation, amortisation and R&D expenses	100,607	115,142	131,760	159,128	193,015
Deferred tax expense / (credit)	3,807	12,449	(102,282)	1,683	(23,970)
Revenue reserve	284,154	288,528	(540,308)	5,649	(27,712)
Non-controlling interests	32,513	41,147	(10,294)	(3,617)	(4,128)
Other expenses	547	918	154,280	5,653	1,549
Total distribution	**1,389,582**	**1,452,139**	**531,783**	**879,209**	**777,875**
Productivity data					
Average staff strength	12,313	12,938	14,106	13,222	11,689
Employment costs	585,859	556,436	527,159	490,211	460,717
Value added ($'000)	1,294,008	1,429,732	716,622	894,512	674,331
Value added per employee ($'000)	105	111	51	68	58
Value added per dollar employment costs($)	2.21	2.57	1.36	1.82	1.46
Value added per dollar investment in property, plant and equipment ($)	0.54	0.48	0.20	0.22	0.17
Value added per dollar turnover ($)	0.23	0.25	0.14	0.25	0.28

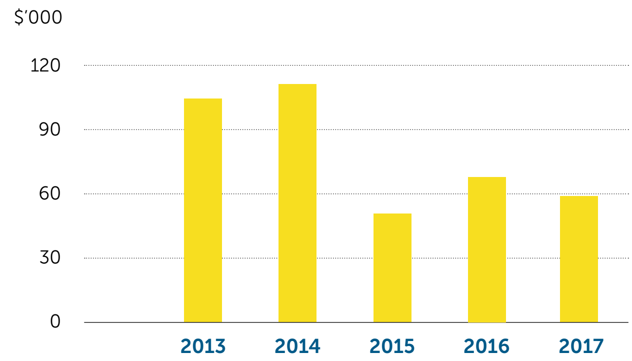
GROUP FINANCIAL REVIEW

Gross Value Added



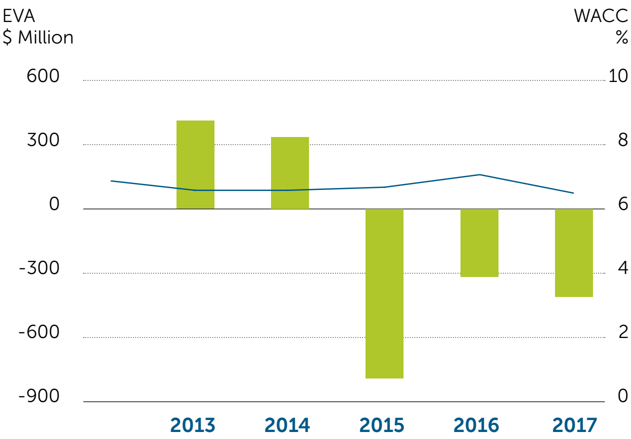
	2013	2014	2015	2016	2017
Gross Value Added	1,294	1,430	717	895	674

Value Added Per Employee



	2013	2014	2015	2016	2017
Value Added Per Employee	105	111	51	68	58

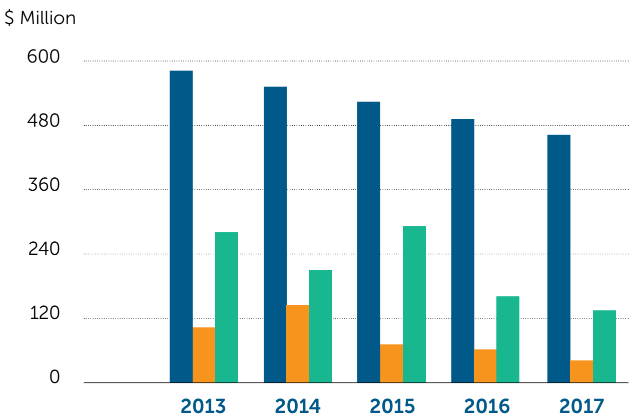
Economic Value Added (EVA)



	2013	2014	2015	2016	2017
EVA	406	331	(809)	(324)	(421)
Weighted Average Cost of Capital	6.6	6.6	6.7	7.1	6.5

EVA *Weighted Average Cost of Capital*

Distribution of Value Added



	2013	2014	2015	2016	2017
Distribution to Employees	586	556	527	490	461
Distribution to Government	102	145	74	59	41
Distribution to Providers of Capital	280	293	297	162	137

Distribution to Employees *Distribution to Government* *Distribution to Providers of Capital*

Economic Value Added Statement

	2017 $'000	2016 $'000
Net operating (loss) / profit before tax	**(12,027)**	**125,654**
Adjusted for: Share of associates' and joint ventures' results	(3,221)	(41,748)
Interest expense	103,415	95,989
Others	(15,718)	18,308
Adjusted profit before interest and tax	**72,449**	**198,203**
Cash operating taxes (Note 1)	(16,224)	(23,381)
Net operating profit after tax (NOPAT)	**56,225**	**174,822**
Average capital employed (Note 2)	7,337,114	7,027,199
Weighted average cost of capital (Note 3)	6.5%	7.1%
Capital charge	**476,912**	**498,931**
Economic value added (EVA)	**(420,687)**	**(324,109)**
Non-controlling share of EVA	9,089	21,458
EVA attributable to owners of the Company	**(411,598)**	**(302,651)**
Unusual items (UI) gains (Note 4)	(44,493)	-
EVA attributable to owners of the Company (exclude UI)	**(456,091)**	**(302,651)**

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

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

Note 3:
The weighted average cost of capital is calculated in accordance with Sembcorp Marine Ltd Group EVA Policy as follows:
i) Cost of equity using Capital Asset Pricing Model with market risk premium at 5.0% (2016: 5.0%);
ii) Risk-free rate of 2.22% (2016: 2.28%) based on yield-to-maturity of Singapore Government 10-year Bonds;
iii) Ungeared beta 0.7 (2016: 0.9) based on Sembcorp Marine risk categorisation; and
iv) Cost of debt rate at 4.25% (2016: 3.45%).

Note 4:
Unusual items (UI) refer to gain / loss on divestment of subsidiaries, associates, joint ventures, long-term investments and disposal of major property, plant and equipment.

Launch of Heerema's SSCV Sleipnir from the dedicated offshore drydock at the Tuas Boulevard Yard.

STAYING RESILIENT & RELEVANT

Maintaining a competitive edge is vital for Sembcorp Marine's continued ability to deliver sustainable value to its shareholders, customers, communities and other stakeholders. The Group channels its collective knowledge and experience into the development of impactful innovations that turn challenges into global opportunities.

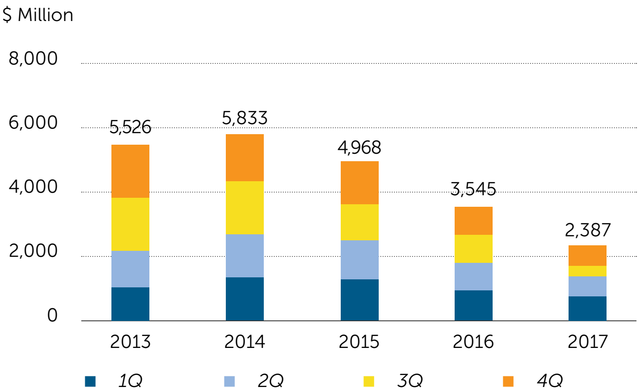
OPERATIONS REVIEW

Despite the challenging macro-environment, Sembcorp Marine achieved $213 million in earnings before interest, tax, depreciation and amortisation in FY2017. Net profit for the year was $14 million, compared with $79 million in FY2016.

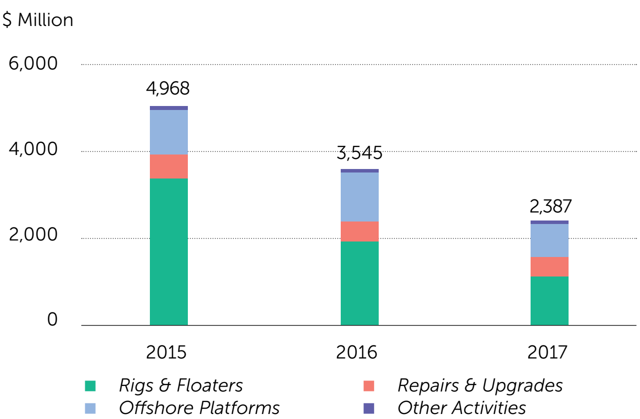
In FY2017, Group revenue totalled $2.39 billion for the 12 months to December 31, 2017. This compares with $3.54 billion in revenue the previous year. The lower revenue was largely due to lower sales from all key business segments (with the exception of Repairs & Upgrades) as well as a reversal of previously recognised rig sales upon the termination of contracts with original customers.

Rigs & Floaters reported a turnover of $1.10 billion in FY2017, a 42% decline from the $1.89 billion booked in the previous year on lower revenue from drillships, other rigs and floaters.

FY2017 Revenue: $2.39 billion

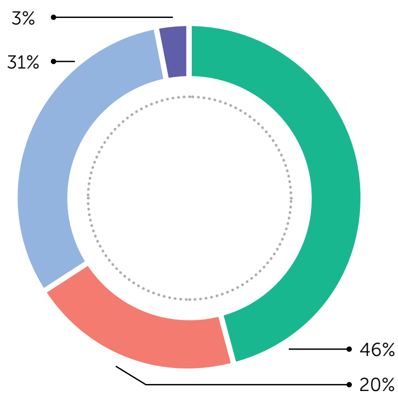


Revenue Breakdown by Segments

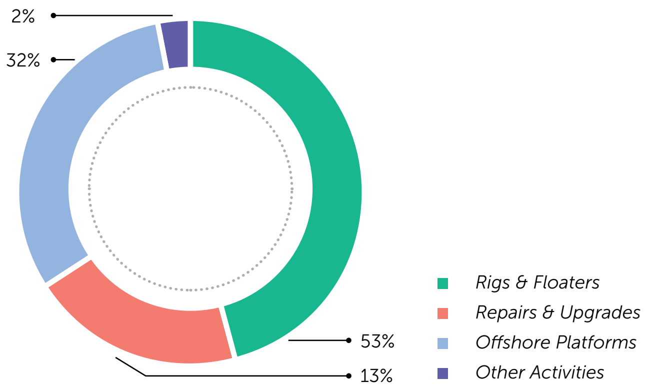


Revenue Contribution by Segments

FY2017: $2.39 billion



FY2016: $3.54 billion



Following the termination of five jack-up rig contracts with their original customers during the year, there was also a reversal of sales from the projects. This was partially offset by revenue recognition from ongoing semi-submersible, floater and platform projects, and the delivery of a floating production, storage and offloading vessel (FPSO), a floating storage and offloading unit (FSO), an LNG modules fabrication project and a jack-up drilling unit during the year under review.

Offshore Platforms revenue declined 34% year-on-year to $732 million in FY2017 from $1.12 billion in FY2016 due to fewer projects on hand.

Repairs & Upgrades revenue totalled $471 million, a 2.5% year-on-year increase from $460 million in FY2016. While fewer ships were repaired, the average revenue per vessel was higher due to an improved vessel mix with more higher-value works.

In FY2017, Rigs & Floaters continued to account for the largest share of Group revenue at 46%, followed by Offshore Platforms at 31% and Repairs & Upgrades at 20%.

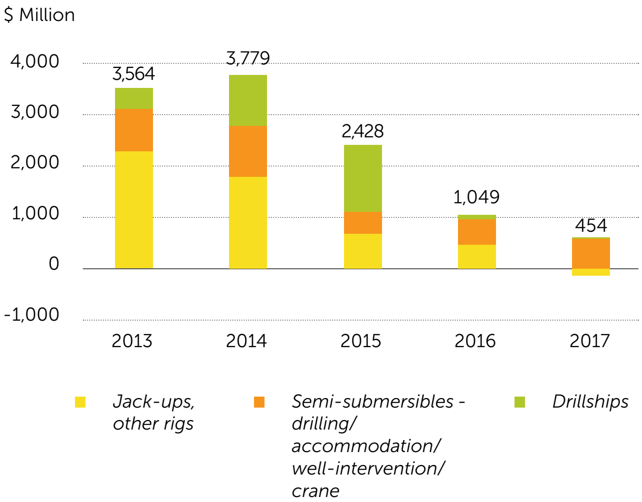
OPERATIONS REVIEW

Rig building revenue was $454 million in FY2017 versus $1.05 billion in FY2016. This was due mainly to revenue reversal from termination of five jack-up rig contracts with their original customers in 2017.

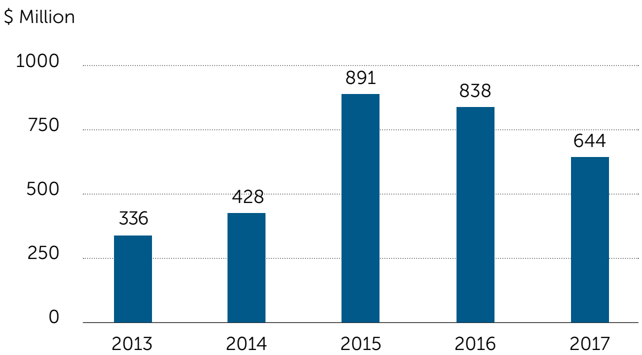
Subsequently, in October 2017, the Group sold nine jack-up rigs to Borr Drilling for US$1.3 billion ($1.77 billion). During the year, one of the jack-ups was delivered to Borr Drilling, with seven units scheduled for delivery in 2018 and one unit in 2019.

In 1Q2018, the Group successfully delivered another two jack-up units to Borr Drilling and a jack-up rig to BOT Lease Co.

Revenue - Rig Building



Revenue - Floaters

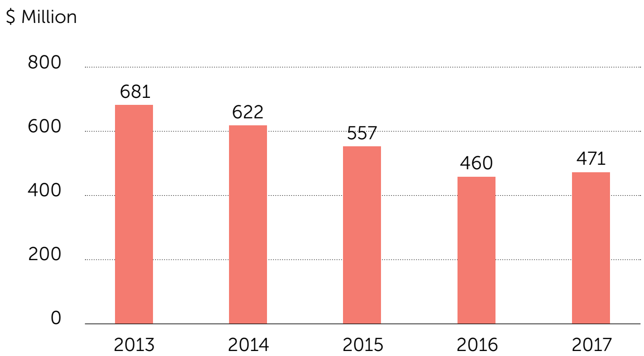


Floaters revenue declined 23% year-on-year to $644 million in FY2017 on fewer projects booked. Major deliveries included the FPSO Pioneiro de Libra to Odebrecht Oil & Gas and Teekay Offshore Partners joint venture as well as the Randgrid FSO to Teekay for the Gina Krog field.

The FPSO Pioneiro de Libra achieved first oil and commenced its 12-year charter contract on November 30, 2017, with a group of international companies including Petrobras, Total, Shell, CNPC and CNOOC. The FPSO is the first unit to produce oil on the giant Libra field, which covers more than 1,500 kilometres in the Santos Basin.

Sembcorp Marine flagship Tuas Boulevard Yard Phase I and II received a variety of vessels which included LNG carriers, cruise vessels, tankers and offshore platforms throughout the year

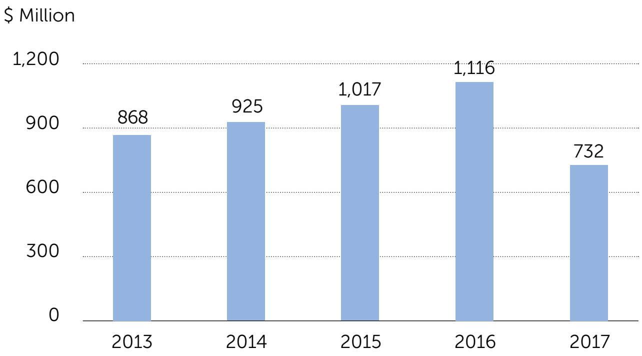
Revenue - Repairs & Upgrades



Despite a decrease in the number of ships repaired, Repairs & Upgrades revenue increased 2.5% year-on-year from $460 million in FY2016 to $471 million in FY2017 as the revenue earned per vessel was higher. This reflects the higher value work secured from customers despite the fewer vessels repaired.

During the year, the Group repaired a total of 390 vessels compared with 469 vessels in the previous year. However, average revenue per vessel increased to $1.21 million compared with $0.98 million the prior year. The Group continued to be the world's leading repair yard for LNG/LPG carriers as well as passenger ships.

Revenue - Offshore Platforms



WORKS IN PROGRESS

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

At Sembcorp Marine's Singapore yards, these projects include:

- The engineering and construction of the world's largest semi-submersible crane vessel (SSCV) for Heerema. Scheduled for completion in 2019, the SSCV will be deployed for both the installation and decommissioning of offshore structures, including offshore platforms, production units, offshore wind structures and other large installations;
- The design and construction of MODEC's newbuild harsh environment FSO vessel for deployment at the Culzean field in the UK North Sea;
- The engineering, procurement and construction (EPC) of Maersk Oil's Central Processing Facility, Wellhead Platform and Utilities & Living Quarters Platform for the Culzean field;
- The conversion of FPSO Kaombo Norte and FPSO Kaombo Sul for Saipem to be located offshore Angola;
- Two high-specification ultra-deepwater drillships for Transocean based on Sembcorp Marine's proprietary Jurong Espadon III drillship design; and
- Three newbuild Pacific Class 400 jack-up rigs under construction for delivery to Borr Drilling.

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

- Construction of a power generation module and other infrastructure (part of the EPC project with Maersk Oil) at Sembmarine SLP yard in the UK; and
- FPSO P-68 hull carry-over works as well as topside modules construction and integration for the FPSOs P-68 and P-71 at the Brazil yard.

The world's largest semi-submersible crane vessel undergoing quayside work

Topsides installation on a floating storage and offloading vessel which will be deployed at the Culzean field

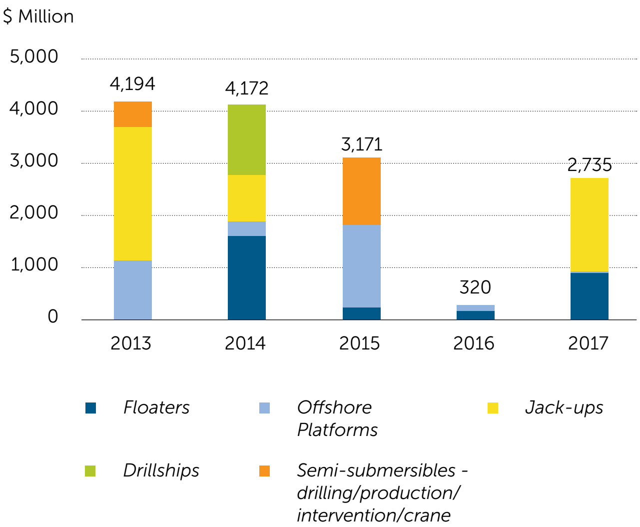
One of two FPSO conversion projects for the Kaombo field offshore Angola

OPERATIONS REVIEW

The Culzean offshore platform EPC project is on track for the UK sector of the North Sea

CONTRACTS SECURED AND NET ORDER BOOK

Contracts Secured (Excluding Repairs)



The Group secured $2.74 billion (excluding repairs and upgrades) in contracts in 2017.

Key highlights on new contracts include the award of a US$490 million contract from Statoil Petroleum AS for the turnkey EPC of hull and living quarters for a newbuild FPSO.

Scheduled for completion in 1Q2020, the FPSO will be deployed at the Johan Castberg field development in the Barents Sea, offshore Hammerfest, Norway.

With a hull approximately 55m wide and 295m long, the FPSO will be self-contained for harsh-environment operation, with living quarters for up to 140 personnel.

Several reversals were made to the order book to account for rigs Sembcorp Marine had terminated with the original customers. The Group cancelled $1.30 billion from its 2013 order book to reflect terminated rigs from Perisai (two units) and Oro Negro (three units). Sembcorp Marine had cancelled another $270 million from its 2014 order book to account for the terminated contract with Marco Polo Marine.

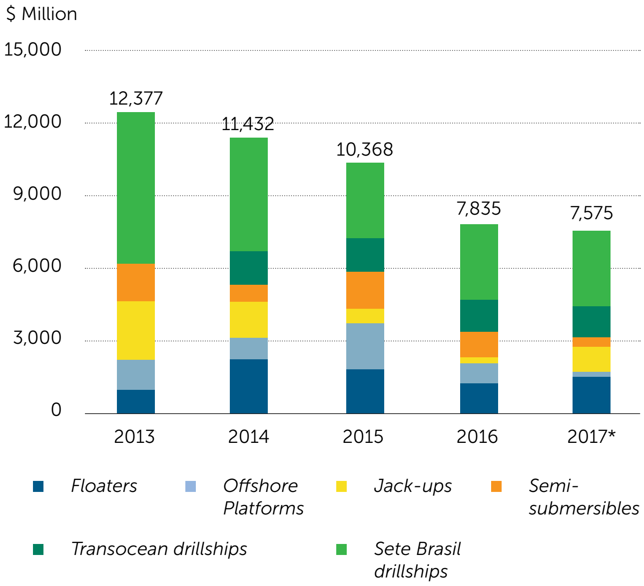
Following the sale of the rigs to Borr Drilling, these contracts, plus an additional three new rigs, were newly reflected in the Group's 2017 net order book.

A contract was awarded by Statoil Petroleum for a newbuild FPSO

Sailaway of FPSO Pioneiro de Libra

The cruise ship Azamara Journey was one of 16 cruise vessels docked at Sembcorp Marine

Net Order Book by Product Type

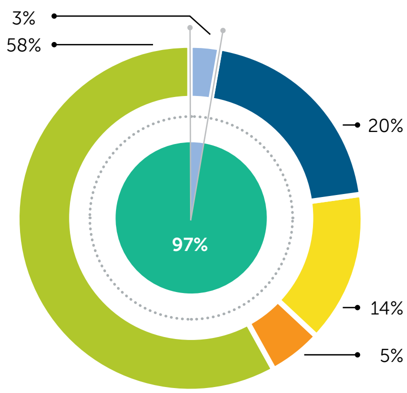


Note:
** FY2017 net order book is $4.45 billion excluding Sete Brasil drillship contracts valued at $3.13 billion.*

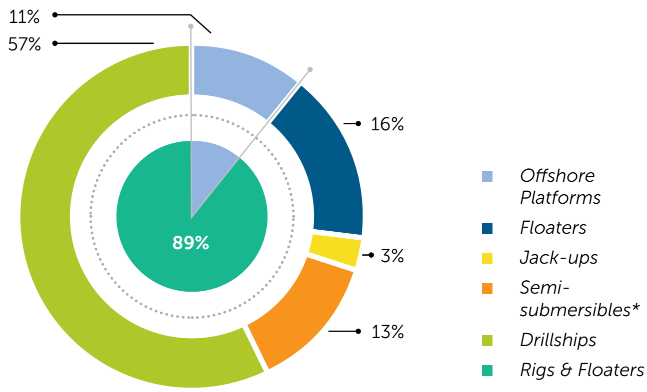
As at December 31, 2017, the Group had a net order book of $7.58 billion with completion and deliveries stretching into 2020. This includes $4.40 billion in drillships, $1.05 billion in jack-ups (mostly from the sale of nine jack-up rigs to Borr Drilling), $407 million in non-drilling semi-submersible vessels mainly for well-intervention and crane semi-submersibles, $1.54 billion for floaters and $188 million for offshore platforms.

Net Order Backlog by Division and Product Type

FY2017: $7.58 billion



FY2016: $7.84 billion



Note:
** Semi-submersibles include drilling, well-intervention, accommodation and crane units*

BOARD OF DIRECTORS

TAN SRI MOHD HASSAN MARICAN, 66

Non-Executive/Independent Director

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

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

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

Present Directorships

Public Listed Company:
Sembcorp Industries Ltd

Private Limited Company:
Lambert Energy Advisory Limited
Lan Ting Holdings Pte Ltd
MH Marican Advisory Sdn Bhd
Pavilion Energy Pte Ltd
Pavilion Gas Pte Ltd
Regional Economic Development Authority (RECODA) Sarawak
Sarawak Energy Berhad

Past Directorships

Nil

Principal Commitments

Senior International Advisor
Temasek International Advisors

MR WONG WENG SUN, 56

Executive/Non-Independent Director

Date of appointment as a Director: 1 May 2009
Date of last re-election: 18 April 2016
Length of service as a Director: 8 years 11 months
Member, Executive Committee

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

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

Present Directorships

Sembcorp Marine's Group of Companies

Past Directorships

Nil

Principal Commitments

Chairman
Singapore Maritime Institute's Board & Governing Council
Singapore Institute of Technology-Newcastle University (SIT-NU) Industry Advisory Committee for marine engineering, naval architecture and offshore engineering joint-degree programmes

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

MR AJAIB HARIDASS, 69

Non-Executive/Independent Director
Date of appointment as a Director: 31 October 2003
Date of last re-election: 18 April 2016
Length of service as a Director: 14 years and 5 months
Chairman, Nominating Committee
Member, Executive Committee
Member, Executive Resource & Compensation Committee
Member, Special Committee

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

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

Present Directorships

Public Listed Company:
Nam Cheong Limited
Sembcorp Industries Ltd

Past Directorships

Nil

Principal Commitments

Panel Member
Singapore International Arbitration Centre
Singapore Chamber of Maritime Arbitration
Kuala Lumpur Regional Centre for Arbitration

Accredited Mediator
Singapore Mediation Centre

Referee
Small Claims Tribunal of the State Courts of Singapore

Others
Commissioner for Oaths
Notary Public
Justice of the Peace

MR RON FOO SIANG GUAN, 70

Non-Executive/Independent Director
Date of appointment as a Director: 30 June 2006
Date of last re-election: 18 April 2017
Length of service as a Director: 11 years and 9 months
Chairman, Audit Committee
Member, Board Risk Committee

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

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

Present Directorships

Nil

Past Directorships

SIA Engineering Company Limited

Principal Commitments

Fellow
The Institute of Chartered Public Accountants, Singapore

Member
The Canadian Institute of Chartered Accountants

BOARD OF DIRECTORS

MR LIM AH DOO, 68

Non-Executive/Independent Director

Date of appointment as a Director: 7 November 2008
Date of last re-election: 18 April 2016
Length of service as a Director: 9 years and 5 months
Chairman, Special Committee
Member, Audit Committee

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

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

Present Directorships

Public Listed Company:
GP Industries Limited
Olam International Limited (Chairman)
Singapore Technologies Engineering Ltd

Public Non-Listed Companies:
ARA-CWT Trust Management (Cache) Limited
GDS Holdings Limited
Singapore Technologies Marine Ltd (Chairman)
Virtus Holdco Limited

Private Limited Company:
STT GDC Pte. Ltd.
STT GDC India Private Limited
U Mobile Sdn Bhd

Past Directorships

Bracell Limited
SM Investments Corporation

Principal Commitments

Nil

MR NEIL MCGREGOR, 63

Non-Executive/Non-Independent Director

Date of appointment as a Director: 20 April 2017
Date of last re-election: N.A.
Length of service as a Director: 1 year
Member, , Executive Committee

Mr McGregor is a non-independent director and serves as a member on the Executive Committee. He brings to the Board a unique and varied background spanning business, operations and investment in the energy and infrastructure sectors across Europe, USA, Asia and Oceania.

Mr McGregor is the Group President & CEO of Sembcorp Industries. Previously, he headed companies in Singapore as CEO of Singapore LNG Corporation and Managing Director of PowerSeraya Group. He was most recently Head of Temasek International's Energy and Resources Group, Head of Australia and New Zealand and Senior Managing Director of the Enterprise Development Group.

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

Present Directorships

SCI's Group of Companies

Past Directorships

Nil

Principal Commitments

Nil

MR ERIC ANG TEIK LIM, 65

Non-Executive/Independent Director
Date of appointment as a Director: 30 April 2013
Date of last re-election: 18 April 2017
Length of service as a Director: 4 years and 11 months
Member, Audit Committee (Appointed on 21 February 2018)
Member, Board Risk Committee
Member, Executive Resource & Compensation Committee
Member, Nominating Committee

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

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

Present Directorships

Public Listed Company:
Raffles Medical Group Ltd

Public Non-Listed Company:
DBS Foundation Ltd

Private Limited Companies:
Surbana Jurong Private Limited
NetLink NBN Management Pte Ltd
Changi Airport Group (Singapore) Pte Ltd

Past Directorships
Hwang Capital (Malaysia) Bhd
NetLink Mana

Principal Commitments

Co-Chairman
SGX Listings Disciplinary Committee

Vice-Chairman
Community Chest

MR BOB TAN BENG HAI, 66

Non-Executive/Independent Director
Date of appointment as a Director: 20 April 2015
Date of last re-election: 18 April 2016
Length of service as a Director: 2 years and 11 months
Chairman, Board Risk Committee
Member, Audit Committee (Stepped down on 21 February 2018)
Member, Executive Committee
Member, Special Committee (Appointed on 21 February 2018)

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

Present Directorships

Public Listed Company:
Singapore Post Limited

Public Non-Listed Companies:
Ascott Residence Trust Management Limited
Jurong Engineering Limited

Private Limited Company:
Singapore LNG Corporation Pte Ltd
Singex Holdings Pte Ltd

Past Directorships
SMRT Corporation Ltd
SMRT Trains Limited

Principal Commitments

Chairman
Board of Governors of the Institute of Technical Education

Member
Board of Governors of the Singapore Manufacturing Federation
Ong Teng Cheong Labour Leadership Institute

Council Member
NTUC Club Management Council

Director
Inland Revenue Authority of Singapore

BOARD OF DIRECTORS

MR WILLIAM TAN SENG KOON, 65

Non-Executive/Independent Director
Date of appointment as a Director: 20 April 2017
Date of last re-election: N.A.
Length of service as a Director: 1 year
Member, Board Risk Committee
Member, Executive Committee
Member, Executive Resource & Compensation Committee

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

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

Present Directorships

Public Non-Listed Company:
SMRT Trains Limited

Past Directorships
Eagle Services Asia
Jamco Singapore Private Limited
SIA Engineering (Philippines)
Singapore Engineering Company Limited
Singapore Aero Engine Services Private Limited

Principal Commitments
Nil

MR KOH CHIAP KHIONG, 51

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

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

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

Present Directorships
SCI's Group of Companies

Past Directorships
Nil

Principal Commitments
Nil

MRS GINA LEE-WAN, 61

Non-Executive/Independent Director
Date of appointment as a Director: 20 April 2015
Date of last re-election: 18 April 2016
Length of service as a Director: 2 years and 11 months
Member, Board Risk Committee
Member, Special Committee (Appointed on 21 Feb 2018)

Mrs Wan brings a wealth of experience in the area of maritime law and is currently the co-head of Allen & Gledhill's Maritime & Aviation practice. Besides being awarded the Maritime Lawyer of the Year at the Lloyd's List Asia Awards 2013 and the PS21 Star Customer Award at the Excellence in Public Service Awards 2016, she has been recognised as one of the top 10 maritime lawyers globally by Lloyd's List in 2017 and is described as "a prominent figure in the Singapore maritime scene, with more achievements and contributions that you can shake a stick at" and is consistently ranked in the top tier of leading individuals in Shipping by Chambers Global, Chambers Asia-Pacific and The Legal 500 Asia Pacific.

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

Present Directorships

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

Public Non-Listed Companies:
Tanglin Trust School Limited

Past Directorships

Edge Group Pte Ltd
Singapore Maritime Foundation

Principal Commitments

Governor
Tanglin Trust School

Member
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
General Committee of the Singapore Chamber of Maritime Arbitration

Council Member and Chairperson
Singapore Shipping Association's Legal and Insurance Committee

Committee Member
Singapore War Risks Mutual Class of Standard Asia

SENIOR MANAGEMENT

MR WONG WENG SUN
President & CEO

Appointed President & Chief Executive Officer of Sembcorp Marine in 2009, Mr Wong is the chairman of the Singapore Maritime Institute's Board & Governing Council and a member of the Marine and Offshore Sectoral Tripartite Committee.

In supporting the development of offshore and marine tertiary education in Singapore, Mr Wong chairs the Singapore Institute of Technology-Newcastle University (SIT-NU) Industry Advisory Committee for joint-degree programmes on marine engineering, naval architecture and offshore engineering. He also serves on the Industry Advisory Panel of Nanyang Technological University School of Mechanical and Aerospace Engineering.

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

MR ONG POH KWEE
Chief Operating Officer

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

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

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

MR WILLIAM GOH
Director, Group Finance

Reporting to the President & Chief Executive Officer, Mr Goh is in charge of the Group's overall finance function, with particular focus on corporate finance and treasury management. He is also responsible for group strategy and development.

Mr Goh serves on the boards of Sembcorp Marine's major subsidiaries. He has over 30 years of professional experience in corporate finance; strategy; risk management and operations; equity investment and portfolio management; investment banking; and venture capital. Prior to joining Sembcorp Marine as Chief Strategy Officer in 2015, he was Director of Investment and Portfolio Management at Temasek International Pte Ltd. His previous senior appointments also included Managing Director/Head of Infrastructure Finance at CIBC World Markets, and Board Director/Deputy General Manager of BankAmerica Singapore Ltd.

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

MR TAN CHENG TAT
Chief Financial Officer

Mr Tan reports to the Director, Group Finance. He is responsible for accounting, corporate finance, reporting, tax and investor relations. Mr Tan sits on the boards of all the major subsidiaries of Sembcorp Marine.

With close to 30 years of experience in accounting, audit, banking, tax and treasury, Mr Tan joined Sembcorp Marine in 1999. His past appointments included Financial Controller of Jurong Shipyard as well as Vice President of Finance and Deputy Chief Financial Officer of Sembcorp Marine. Mr Tan previously worked in Sembcorp, DBS Bank and Ernst & Young.

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

MR CHUA SAN LYE
Chief Human Resource Officer

Mr Chua reports to the President & Chief Executive Officer and is responsible for global human capital and talent management.

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

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

SENIOR MANAGEMENT

MS TAN YAH SZE
Head of Legal and Corporate Secretariat

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

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

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

MR WANG ZIJIAN
Head of Singapore Yard Operations

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

Mr Wang has close to 30 years of professional experience in ship repair, rig building, conversion and general management. Under his stewardship, Sembcorp Marine Tanjong Kling Yard successfully delivered numerous rig and FPSO projects.

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

MR CHAN BOON SIONG
Chief Risk Officer

Mr Chan reports to the President & Chief Executive Officer. He advises on strategic business decisions, critical risk management issues as well as pre-emptive and remedial measures. Mr Chan's role involves managing the Group's holistic Enterprise Risk Management programmes; integrating risk management into business processes; promoting risk awareness culture and ownership throughout the Group's global operations; and monitoring compliance with the Group's code of business conduct, policies and applicable laws so as to create value and facilitate prudent business growth.

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

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

MR JOSEPH SEWI CHUAN EN
Head of Internal Audit

Mr Sewi reports to the Audit Committee and administratively to the President & Chief Executive Officer. He manages group internal audit activities, ensuring continued alignment with the International Standards for the Professional Practice of Internal Auditing (ISPPIA) set by the Institute of Internal Auditors.

A member of the Institute of Chartered Accountants in Australia and Institute of Singapore Chartered Accountants, Mr Sewi has close to 20 years of experience in both external and internal auditing. His career stints with major public accounting firms and multinational corporations have provided him with opportunities to work on various challenging assignments and in many countries across Asia and Australasia.

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

MR WILLIAM GU
Head of Rigs & Floaters

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

Mr Gu plays a key role in establishing long-term partnerships with offshore vessel and rig owners. He is instrumental in strengthening the Sembcorp Marine brand among oil majors.

Mr Gu holds a Bachelor of Engineering (Naval Architecture and Ocean Engineering) from Shanghai Jiao Tong University China, and a Master of Science in Industrial and Systems Engineering from the National University of Singapore.

SENIOR MANAGEMENT

MR ROYCE LIM
Head of Repairs & Upgrades

Mr Lim reports to the President & Chief Executive Officer. He manages the Repairs & Upgrades business, which includes product areas such as repair, refurbishment, retrofitting, life extension and upgrading of vessels, marine and offshore structures and MODUs; as well as ship type upgrades and conversions.

Mr Lim began his career with the Group as a graduate engineer in 1994, progressing to management positions in production, engineering, corporate development and project management. Prior to his current appointment, he was Vice President in the Repairs & Upgrades business.

Mr Lim holds a Bachelor of Engineering (Honours) in Marine Engineering from the University of Newcastle, UK.

MR SAMUEL WONG
Head of Offshore Platforms

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

Mr Wong joined Sembcorp Marine as a senior planning engineer in 1990 and has held management positions in engineering, offshore and conversion within the Group. He was Vice President in the Offshore Platforms business prior to his current appointment.

Mr Wong holds a Bachelor of Engineering (1st class honours) in Marine Technology from the University of Newcastle, UK.

MR FREDDIE WOO
Head of Specialised Shipbuilding

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

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

Mr Woo's wealth of experience straddles operations, estimation and marketing & sales. He holds a Diploma in Mechanical Engineering from the Singapore Polytechnic.

MS CHIONH KEAT YEE

Head of Performance Management and Mergers & Acquisitions

Reporting to the President & Chief Executive Officer, Ms Chionh has been Head of Performance Management and Mergers & Acquisitions since 2008, overseeing group performance as well as merger and acquisition projects. She was previously with Sembcorp Industries Ltd as Vice President of Economic Value-added and Head of Finance for Singapore Operation in Jurong Island.

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

MR SIMON KUIK

Head of Research & Development

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

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

Mr Kuik has a Bachelor of Engineering in Marine Technology, with first class honours in Naval Architecture, from the University of Newcastle-Upon-Tyne.

SENIOR MANAGEMENT

MR CHIA CHEE HING
Head of IT

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

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

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

MR DAVID WONG
Head of Corporate Communications

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

Mr Wong has 22 years of professional experience in branding, communications and marketing, with 18 years in the shipping, offshore and marine sectors.

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

MS LISA LEE
Head of Investor Relations

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

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

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

MR NG THIAM POH

Head of Supply Chain

Mr Ng reports to the Chief Operating Officer. He heads the global supply chain function, with responsibilities for procuring materials and equipment at competitive prices; formulating effective sourcing strategies; and establishing strategic alliances with suppliers.

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

Mr Ng has a Bachelor of Science in Naval Architecture and Ocean Engineering (first class honours) from the University of Glasgow, UK.

MS JESSIE LAU

Head of Administration

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

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

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

CORPORATE STRUCTURE

SINGAPORE COMPANIES

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

OVERSEAS SHIPYARDS

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

SUPPORTING COMPANIES

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

RESEARCH & DEVELOPMENT

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

CORPORATE DIRECTORY

REGISTERED OFFICE

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

BOARD OF DIRECTORS

Tan Sri Mohd Hassan Marican
Chairman

Wong Weng Sun
President & CEO

Ajaib Haridass
Ron Foo Siang Guan
Bob Tan Beng Hai
Lim Ah Doo
Eric Ang Teik Lim
Gina Lee-Wan
William Tan Seng Koon
Neil McGregor
Koh Chiap Khiong

AUDIT COMMITTEE

Ron Foo Siang Guan
Chairman

Lim Ah Doo
Bob Tan Beng Hai
(Stepped down on 21 Feb 2018)
Koh Chiap Khiong
Eric Ang Teik Lim
(Appointed on 21 Feb 2018)

BOARD RISK COMMITTEE

Bob Tan Beng Hai
Chairman

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

EXECUTIVE COMMITTEE

Tan Sri Mohd Hassan Marican
Chairman

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

EXECUTIVE RESOURCE & COMPENSATION COMMITTEE

Tan Sri Mohd Hassan Marican
Chairman

Ajaib Haridass
Eric Ang Teik Lim
William Tan Seng Koon

NOMINATING COMMITTEE

Ajaib Haridass
Chairman

Tan Sri Mohd Hassan Marican
Eric Ang Teik Lim

SPECIAL COMMITTEE

Lim Ah Doo
Chairman

Tan Sri Mohd Hassan Marican
Ajaib Haridass
Bob Tan Beng Hai
(Appointed on 21 Feb 2018)
Gina Lee-Wan
(Appointed on 21 Feb 2018)
Koh Chiap Khiong

JOINT COMPANY SECRETARIES

Tan Yah Sze
Chay Suet Yee

REGISTRAR

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

PRINCIPAL BANKERS

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

AUDITORS

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

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

SHAREHOLDERS' INFORMATION

STATISTICS OF SHAREHOLDINGS AS AT 6 MARCH 2018

Share Capital

Issued and fully paid up capital	: S$484,288,253.02
Number of issued shares	: 2,089,760,107
Number of treasury shares	: 1,850,187
Number of shareholders	: 38,565
Class of shares and voting rights	: Ordinary shares with equal voting rights#

Shareholdings Held By The Public

Based on information available to Sembcorp Marine as at 6 March 2018, approximately 38.48% of the issued ordinary shares of the Company is held by the public and therefore, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Substantial Shareholders

Substantial Shareholders	Direct Interest		Deemed Interest		Total Interest	
	No. of shares	%##	No. of shares	%##	No. of shares	%##
Sembcorp Industries Ltd ("SCI")	1,274,270,764	61.0309	-	-	1,274,270,764	61.0309
Temasek Holdings (Private) Limited ("Temasek")###	-	-	1,274,383,155	61.0363	1,274,383,155	61.0363

Top 20 Shareholders

Name	No. of Shares	% of Shares
Sembcorp Industries Ltd	1,274,270,764	61.03
DBS Nominees Pte Ltd	80,379,209	3.85
Citibank Noms S'pore Pte Ltd	71,819,794	3.44
DBSN SERVICES PTE LTD	68,267,409	3.27
United Overseas Bank Nominees	40,991,143	1.96
Raffles Nominees (Pte) Ltd	29,604,150	1.42
UOB Kay Hian Pte Ltd	22,505,900	1.08
HSBC (Singapore) Noms Pte Ltd	12,503,543	0.60
OCBC Nominees Singapore	10,808,836	0.52
Tan Kwi Kin	10,293,210	0.49
DBS Vickers Secs (S) Pte Ltd	8,606,300	0.41
Maybank Kim Eng Secs Pte Ltd	7,263,787	0.35
OCBC Securities Private Ltd	6,998,893	0.34
Phillip Securities Pte Ltd	4,689,171	0.22
Morgan Stanley Asia (S) Sec Pl	4,275,394	0.20
IMC Co., Ltd.	4,100,000	0.20
DB Nominees (S) Pte Ltd	3,844,813	0.18
Wong Weng Sun	3,609,259	0.17
CGS-CIMB Securities (S) Pl	3,552,207	0.17
HL Bank Nominees (S) Pte Ltd	2,004,600	0.10
Total	**1,670,388,382**	**80.00**

Location of Shareholders

Location of Shareholders	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Singapore	37,483	97.2	2,067,584,359	99.03
Malaysia	701	1.82	7,449,828	0.36
Hong Kong	7	0.02	5,956,000	0.28
Japan	37	0.1	296,332	0.01
US	24	0.06	213,000	0.01
UK	26	0.07	327,600	0.02
Europe	12	0.03	123,600	0.01
Australia/ New Zealand	92	0.23	840,200	0.04
Others	182	0.47	5,119,001	0.24
Grand Total	**38,564**	**100**	**2,087,909,920**	**100**

Shareholding Distribution

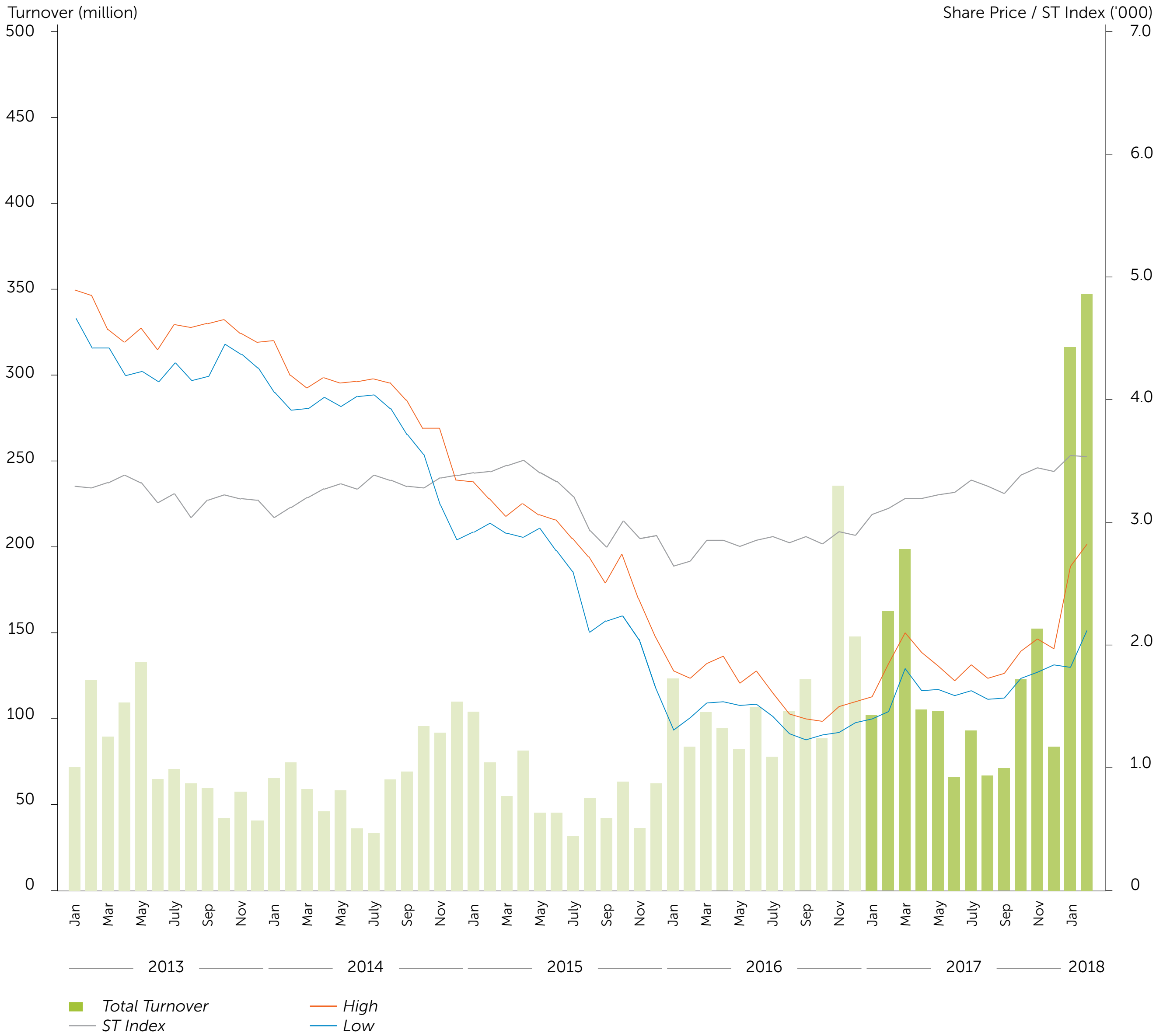
Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
1 - 99	150	0.39	7,118	0.00
100 - 1,000	5,208	13.50	4,640,869	0.22
1,001 - 10,000	25,345	65.72	119,253,225	5.71
10,001 - 1,000,000	7,832	20.31	281,271,007	13.47
1,000,001 and above	29	0.08	1,682,737,701	80.60
Grand Total	**38,564**	**100.00**	**2,087,909,920**	**100.00**

Note:
Total number of shares in issue is 2,089,760,107. Total number of shares in above computation is 2,087,909,920 based on total number of shares in issue and disregarding 1,850,187 shares held in treasury.

 # Ordinary shares purchased and held as treasury shares by the Company will have no voting rights.
Based on 2,089,760,107 shares in issue (and disregarding 1,850,187 shares held in treasury) as at 6 March 2018.
Temasek is deemed to be interested in the 1,274,270,764 shares held by SCI and the 112,391 shares in which its subsidiaries and/or associated companies have or are deemed to have an interest pursuant to Section 4 of the Securities and Futures Act, Chapter 289.

Share Prices and Monthly Volumes

Investor Data	2013	2014	2015	2016	2017
Earnings Per Share (cents)	26.61	26.83	-13.87	3.77	0.67
Total Dividend Per Share (cents)	13.00	13.00	6.00	2.50	2.00
Share Price ($)					
High	4.87	4.45	3.32	1.90	2.09
Low	4.13	2.89	1.65	1.22	1.39
Close	4.45	3.26	1.75	1.38	1.84
Turnover					
Volume (million shares)	923	807	696	1,366	1,320
Value ($'million)	4,086	3,048	1,890	2,024	2,321
Net Tangible Assets Per Share (cents)	126.76	139.40	118.00	112.95	110.11



INVESTOR RELATIONS

Corporate Day Tour for bankers and analysts at the Sembcorp Marine Tuas Boulevard Yard

Sembcorp Marine is committed to high standards of corporate governance and transparency in its communication and engagement with stakeholders. The Group provides timely, balanced and accurate disclosures to shareholders and the investment community in accordance with regulatory requirements and best practices.

ACTIVE ENGAGEMENT

As part of its comprehensive investor relations (IR) programme, the Group continues to build on its relationships with the financial and investment communities through a variety of platforms.

In 2017, the IR team and Sembcorp Marine management engaged buy-side and sell-side analysts, fund managers and other members of the investment community through more than 500 face-to-face engagements and teleconference calls, including investor meetings and conferences, post-results investor days, investor conferences and non-deal roadshows. Beyond Singapore, the Group reached out to more than 80 overseas investors during non-deal road shows and conferences in Asia, Europe and the United States. These interactions provided opportunities for investors to gain greater clarity and deeper insights about the Group's business.

Yard visits were also regularly conducted for fund managers and investment analysts covering the Group. A Corporate Day Tour was organised in 2017 for institutional stakeholders from the financial and investment communities to showcase Sembcorp Marine's Tuas Boulevard Yard's advanced capabilities and competitive edge.

The exchanges with external stakeholders provide management with useful information on investor perceptions, market sentiments and industry trends for strategy planning and decision making.

Research and inputs from buy-side and sell-side analysts, fund managers, industry specialists and key stakeholders continue to be circulated to management and the Board, ensuring that they are apprised of the latest news and developments.

At each quarterly results announcement, the President & CEO provides updates on the Group's performance, strategy, industry outlook and macro-economic environment. Joint analyst and media briefings for Sembcorp Marine's half-year and full-year results allow stakeholders to connect personally with the management. The IR team and management also actively participate in post-results teleconferences, briefings, lunch meetings and engagements with the investment community.

Sembcorp Marine's 54th Annual General Meeting (AGM) on April 18, 2017 at the NTUC Centre Auditorium saw a turnout of almost 580 shareholders and proxies. The AGM allowed the Sembcorp Marine Board and management to share the latest corporate updates and to respond to shareholders' queries.

Timely updates are provided via Sembcorp Marine's corporate website (*www.sembmarine.com*), SGX filings, quarterly results announcements and presentations as well as news releases. The IR section of the corporate website addresses frequently asked questions and provides information on the Group's stock details, dividend information, analyst coverage, event highlights and shareholder meetings. Investors can also subscribe online to an email alert service on the company's announcements and news.

Investors who would like to get in touch with the IR team may email *investor.relations@sembmarine.com*.

Providing updates on Sembcorp Marine's business

Showcasing Sembcorp Marine Tuas Boulevard Yard's extensively automated steel fabrication facility

CORPORATE GOVERNANCE AND SUSTAINABILITY

In recognition of its commitment towards corporate responsibility and sustainable business practices, Sembcorp Marine received the Sustainability Award from the Securities Investors Association (Singapore) at the 18th Investors' Choice Awards in 2017.

SHAREHOLDER DIVERSITY

There were 38,565 registered shareholders as at March 6, 2018. Approximately 61.03% of shares is held by Sembcorp Industries, and 38.48% by public shareholders such as institutional investors and retail shareholders.

Sembcorp Marine works to maintain a diverse shareholder base which is spread across Singapore, Malaysia, Hong Kong, Japan, Australia, Europe, the United Kingdom, the United States and Canada. A healthy portfolio enables the Group to manage market liquidity and mitigate concentration risk.

SHARE PERFORMANCE

Although 2017 was a challenging year, the industry began to show signs of an initial recovery in line with the uptick in oil prices in the second half of the year. Sembcorp Marine shares achieved an average daily turnover value of $9.29 million in 2017. The share price reached a high of $2.09 and recorded a low of $1.39 in the year. As at March 6, 2018, the Group's market capitalisation totalled $4.20 billion, based on the closing share price of $2.01.

INVESTOR RELATIONS

EVENT HIGHLIGHTS

1Q2017	2Q2017	3Q2017	4Q2017
• FY2016 Results Briefing for Analysts and Media • Post-results Investors' Lunch/ Corporate Investors' Day • Participated in Singapore conferences/forums: - DBS Vickers Pulse of Asia Conference 2017 - Credit Suisse 8th Annual ASEAN Conference - SGX-Goldman Marine, Oil & Gas Corporate Day • Participated in Deutsche Bank Tokyo-Hong Kong Non-Deal Road Show	• 1Q2017 Results Analysts Teleconference • Post-results Investors' Lunch/ Corporate Investors' Day • 54th Annual General Meeting 2017 • Participated in Singapore conferences/forums: - Nomura Investment Forum Asia 2017 - Deutsche Bank 8th Annual dbAccess Asia Conference 2017 • Site visit / yard tour organised for Deutsche Bank 8th Annual dbAccess Asia Conference 2017 institutional investors • Participated in DBS Vickers USA-Canada Non-Deal Road Show	• 2Q and 1H2017 Results Briefing for Analysts and Media • Post-results Investors' Lunch/ Corporate Investors' Day • Participated in Macquarie ASEAN Conference 2017, Singapore • Participated in CLSA Hong Kong Non-Deal Road Show • Participated in CIMB UK-EU Non-Deal Road Show	• 3Q and 9M2017 Results Analysts Teleconference • Post-results Investors' Lunch/ Corporate Investors' Day • Participated in Goldman Sachs 4th Annual ASEAN IR Forum, Singapore • Site visit / yard tour organised for institutional stakeholders from the finance and investment communities

FINANCIAL CALENDAR

Announcement of Results and Dividends	2018	2017
Full year	February 21	February 22
Quarter 1	April 25*	April 27
Quarter 2	July 20*	July 27
Quarter 3	October 25*	October 31
Final Dividend Payment	May 11*	May 12
Delivery of Annual Report and Notice of Meeting	March 29	March 31
Annual General Meeting	April 18	April 18

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

Board and management responding to shareholders' queries at Sembcorp Marine's 54th AGM


Sembcorp Marine President & CEO Mr Wong Weng Sun interacting with shareholders


Active dialogue with institutional investors

Joint results briefings for analysts and media representatives

APPROACH TO SUSTAINABILITY

Sustainability and social responsibility are central to Sembcorp Marine's corporate ethos. The Group is committed to upholding business integrity, mitigating its environmental impacts and furthering social growth to create shared value within and beyond the organisation.

CORPORATE RESPONSIBILITY

Sustainability is embedded in the Group's business strategy. While advancing its business objectives, Sembcorp Marine is committed to good corporate governance, environmental sustainability and social growth in all aspects of its operations.

Sembcorp Marine's sustainability approach is underpinned by its vision, mission and values, which provide guiding principles for the organisation's business. This is further articulated by the Group's Code of Business Conduct (document available on *www.sembmarine.com/code-business-conduct*) which defines the ethical standards and professional behaviour expected from all personnel.

As part of Sembcorp Marine's corporate governance framework, various checks and balances are in place to ensure business integrity and responsible operations. The Group is vigilant of potential impacts to business sustainability in the operating environment and adopts a precautionary approach in identifying and assessing strategic, operational and commercial risks.

By reviewing these potential impacts to business sustainability, the Group proactively develops risk mitigation measures as well as action plans to tap on emerging opportunities. For more information about the Group's enterprise risk management framework, please refer to pages 98 to 103 of the Sustainability Report.

Sembcorp Marine continues to endorse various sustainability causes. In January 2018, Sembcorp Marine joined Singapore's Climate Action Pledge to manage business impact on climate change. The pledge includes commitments such as the measurement and management of carbon impact, education of stakeholders, sustainable sourcing, usage of energy-saving fittings, and setting targets to reduce carbon emissions.

As part of the Group's benchmarking efforts against global best practices, Sembcorp Marine plans to align its sustainability disclosure with the International Petroleum Industry Environmental Conservation Association (IPIECA) Sustainability Reporting Guide in 2018.

Sembcorp Marine's business and operations support several United Nations Sustainable Development Goals. These include achieving sustainable economic growth, employment and decent work for all; playing a role in building resilient infrastructure; encouraging sustainable industrialisation and innovation; promoting an inclusive workplace; addressing climate change and its impacts; as well as exploring opportunities for meaningful impact through partnerships.

The Group is a member of Global Compact Network Singapore, a non-profit organisation that advocates responsible business practices guided by the United Nations Global Compact (UNGC) on human rights, labour, environment and anti-corruption. It is also a member of the World Ocean Council which champions environmental responsibility, ocean sustainable development and responsible stewardship of the seas.

In recognition of Sembcorp Marine's commitment towards corporate responsibility as well as sustainable environmental, social and governance practices, the Group was conferred the prestigious Sustainable Business Award (Multinational Corporation category) by Global Compact Network Singapore at the Singapore Apex Corporate Sustainability Awards in 2017. The Group also received the Sustainability Award from the Securities Investors Association (Singapore) at the 18th Investors' Choice Awards for its exemplary corporate sustainability standards.

SUSTAINABILITY COUNCIL

In 2016, Sembcorp Marine's Sustainability Council was formed to manage the Group's sustainability programmes. Headed by President & CEO Mr Wong Weng Sun, the

Sustainability Council steers the Group's strategic approach to drive sustainable business growth for stakeholders based on environmental, social, governance and economic pillars.

For more information on the Sustainability Council and framework, please visit *www.sembmarine.com/sustainability*

MATERIALITY AND STAKEHOLDER ENGAGEMENT

This 2017 Sustainability Report (comprising the sustainability sections of the Annual Report) covers topics that reflect Sembcorp Marine's significant economic, environmental, social and governance impacts. It also addresses impacts that substantively influence the assessments and decisions of stakeholders. The materiality principle is applied using a process that aligns with Global Reporting Initiative (GRI) Standards 101 (clause 1.3), 102-44, 102-46 and 102-47 on defining content and boundaries.

The process is based on various sources of information and deliberation including prior analyses since 2015 (as described on page 67 of the 2016 Sustainability Report) as well as multiple dialogues and engagements with sustainability champions, data owners and relevant stakeholders facilitated by the Sustainability Secretariat. The engagements held in 2017 included two Sustainability Council meetings, comments and feedback from stakeholders, an Environmental Sustainability internal workshop, internal governance briefings, and Social Growth work plan meetings.

Sembcorp Marine's seven material topics were validated at the 2nd Sustainability Council meeting held in October 2017.

Joining the Sustainability Council members to validate the material topics were key representatives from the Senior Management Committee, Corporate Secretariat and Investor Relations. No further significant topics were added in 2017. The resulting list of topics in the following section was ratified by the Sustainability Council and Board of Directors.

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

Sembcorp Marine employs a variety of ways to engage its local and global stakeholders, receive enquiries, collect feedback and act upon the feedback received. Stakeholders comprise customers, business partners, specialist vendors, technology partners, contractors, classification societies, financial community, regulatory bodies and government ministries in countries where the Group operates.

The year 2017 saw deeper engagement on technology, customer collaboration, government and educational institution visits, engagement with suppliers and investors, as well as community initiatives such as the Green Wave Environmental Care Competition.

Interaction with stakeholders takes place globally across Sembcorp Marine's business operations. For more information on the Group's stakeholders and engagement platforms, please refer to pages 73 - 76.

BOARD STATEMENT ON SUSTAINABILITY REPORT

- Sembcorp Marine Board of Directors is committed to sustainability.
- The Board believes that the 2017 Sustainability Report provides a reasonable and clear presentation of the company's sustainability strategy in four key areas: Environmental Sustainability, Social Growth, Corporate Governance and Business Growth. There are seven material issues determined and adopted under the four key sustainability areas.
- The Sustainability Council, chaired by the President & Chief Executive Officer and comprising members of senior management and key business units, assists the Board in overseeing and monitoring the company's sustainability initiatives.
- On behalf of the Sustainability Council, the Sustainability Secretariat provides regular updates on the company's sustainability initiatives, challenges, targets and progress at Board meetings.
- The 2017 Sustainability Report is prepared in accordance with the SGX Sustainability Reporting Guide and the Global Reporting Initiative (GRI) Standards: Core Option.

APPROACH TO SUSTAINABILITY

Material Issues

Economic

Innovation and Solutions Development	*Sustaining Competitiveness (pg 106)*

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

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

Material Impact:
Customers, Business Partners, Technology Partners, Financial & Investment Communities, Regulators

Customer Alignment	*Sustaining Competitiveness (pg 115)*

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

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

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

Material Impact:
Customers, Employees, Business Partners, Financial & Investment Communities

Material Issues

Environmental

Environmental Sustainability	*Environmental Sustainability (pg 120)*

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

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

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

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

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

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

Social

Human Capital	*Human Capital (pg 125)*

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

Approach:
Sembcorp Marine complies with the labour laws in its various countries of operation, including fair employment guidelines in accordance with the Ministry of Manpower Employment Act of Singapore, which is a member country of the International Labour Organization (ILO). Aligned with the United Nations Guiding Principles on Business and Human Rights as well as tenets advocated by Singapore's Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP), the Group respects employees' right to freedom of association and embraces fair employment, diversity and inclusivity at the workplace.

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

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

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

APPROACH TO SUSTAINABILITY

Material Issues

Social

Total Workplace Safety and Health — *Total Workplace Safety and Health (pg 135)*

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

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

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

Community Engagement — *Community Engagement (pg 141)*

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

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

Material Impact:
Customers, Employees, Business Partners, Community

Corporate Governance

Business Integrity — *Corporate Governance (pg 78); Risk Management (pg 98)*

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

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

Material Impact:
Customers, Employees, Business Partners, Financial & Investment Communities, Regulators

Targets

Our Material Issues	2017 Achievements	2020 Targets	2025 and Beyond
Innovation and Solutions Development	• Commercialised gas value chain and floater solutions: FSO Ailsa • Secured Johan Castberg FPSO hull and living quarters EPC project • Achieved full IMO and US Coast Guard Alternate Management System certifications for Semb-Eco LUV Ballast Water Management System • Commercialised Elmag system with installation on three Polar Tankers vessels • Signed MOU to collaborate with various institutions and companies for multiple research and development projects	• Continue to market gas value chain and floater solutions to secure new projects • Continue to invest in research and development of safe and sustainable product solutions and collaborations	• 30% of annual company turnover generated from sustainable product solutions
Customer Alignment	• Participation in key trade events, e.g. Offshore Technology Conference, Nor-Shipping, Gastech, Seatrade Cruise Global, MEC and Sea Asia • Successfully qualified integrated yard for new projects, i.e. Johan Castberg FPSO	• Continue to grow client base and secure projects in new market segments • Maintain 100% compliance with product safety and health requirements • Maintain above 90% customer satisfaction in all projects • Maintain 100% quality, health, safety and environmental certifications • Maintain high standards of customer security and data privacy protection	• Maintain 100% compliance with product safety and health requirements • Maintain 95% customer satisfaction in all projects
Environmental Sustainability	• Rolled out Sembcorp Marine environmental sustainability goals: Ocean, Climate and Earth • Implemented various initiatives to reduce carbon footprint and fight climate change in support of Singapore Year of Climate Change, e.g. 4.5 MWp solar system at Tuas Boulevard Yard • Established Sembcorp Marine Group sustainable procurement policy • No significant fines or non-compliance sanctions	• Continue to implement various initiatives to reduce carbon footprint and fight climate change • 100% contracted responsible procurement spend and business practices in line with Sembcorp Marine Group sustainable procurement policy • Achieve BCA Greenmark Gold Plus status for new corporate building at Tuas Boulevard Yard • Achieve ISO 50001 Energy Management System certification for Tuas Boulevard Yard	• Towards a low carbon economy - 30% of annual company turnover generated from sustainable product solutions • 100% contracted responsible procurement spend and business practices in line with Sembcorp Marine Group sustainable procurement policy

APPROACH TO SUSTAINABILITY

Targets

Our Material Issues	2017 Achievements	2020 Targets	2025 and Beyond
Human Capital	• Continued workforce planning strategy, talent management strategy. • Continued implementation of performance management system and disciplinary procedure handling • Developed global talent (e.g. Brazilian and Indonesian yards) • Continued employee training and development (Sembcorp Marine Academy, Learning Centre) • Continued global leadership development training, industry post-graduate programmes and scholarship support • Continued to offer medical, healthcare and flexible benefits	• 3% of total payroll as investment for workforce competencies and talent development • Achieve 44 training hours or 5 training days per employee per year	• 4% of total payroll as investment for workforce competencies and talent development • Achieve 88 training hours or 10 training days per employee per year
Total Workplace Safety and Health	• Conducted inter-yard exchange programme and Behavioural Based Safety (BBS) programme • Conducted Hazard Observation programme, Stop Work Authority programme and Occupational Health programmes • Health checks, medical centre facilities, occupational first-aid training and joint-safety drills for employees and relevant stakeholders	• Vision Zero incidence target • Accident Frequency Rate, Accident Severity Rate and Workplace Injury Rate below national benchmarks • 100% participation for safety induction training for all yard visitors	• Vision Zero incidence target • Accident Frequency Rate, Accident Severity Rate and Workplace Injury Rate below national benchmarks
Community Engagement	• Continued SchoolBAG programme, bursaries and academic awards • Contributed to Community Chest SHARE programme and Yishun Students Care Service • Continued Green Wave Environmental Care Competition • Continued Global Compact Network Singapore and World Ocean Council memberships • Continued industry outreach programmes: ASMI, SMI, MPA, SNAMES leadership, advisory panels in Nanyang Technological University, Ngee Ann Polytechnic, Singapore Polytechnic and Singapore Institute of Technology Digipen	• $2 million annual investment for community engagement • 10,000 hours of participation in community projects and volunteering activities by employees • More than 1,000 students benefit from Sembcorp Marine SchoolBAG financial assistance programme every year • Participation of more than 1,000 students from schools, including technical and tertiary institutions in Singapore, and more than 200 tertiary students from the region each year in Sembcorp Marine's Green Wave Environmental Care Competition	• $3 million annual investment for community engagement • 20,000 hours of participation in community projects and volunteering activities by employees

Targets

Our Material Issues	2017 Achievements	2020 Targets	2025 and Beyond
Business Integrity	• Conducted joint Internal Audit and Risk Management roadshows in Singapore, Indonesia and Brazil yards. • Revised and localised anti-bribery and anti-corruption policies • Launched reader-friendly Guidebook to Code of Business Conduct and conducted awareness programmes • Adopted SGX Sustainability Reporting Guide • Began alignment process with relevant United Nations Sustainable Development Goals and International Petroleum Industry Environmental Conservation Association (IPIECA) Sustainability Reporting Guide principles to progressively enhance sustainability management and reporting framework • Initiated a voluntary third-party limited assurance engagement for the sustainability report	• Continue collaboration with Global Compact Network Singapore on national and industry sustainability capability building	• To be ranked Top 10 in Singapore Governance Transparency Index • Maintain 100% system-driven compliance monitoring and reporting • Maintain 100% declaration of compliance with Code of Business Conduct by third parties as well as employees

Stakeholders & Engagement Platforms

Stakeholders	Stakeholders' Expectations/ Concerns	Activities in 2017	Engagement Platforms
Customers	• Ability to offer competitive and cost-efficient solutions which are safe and environmentally responsible • Clear channels of bilateral communication • Having a robust compliance programme • Adherence to customers' codes of conduct • Timely delivery and within budget • Accurate and timely information • Flexibility to work together • Solutions to fulfil new international environmental expectations	• Regular customer surveys to gather comments and feedback • Held a Green Technologies Retrofit Solutions and Ballast Water Management System seminar in Hong Kong for over 100 participants • Secured new long-term agreements with: - Chevron Shipping USA - Jo Shipping of Norway • Delivery of - FPSO Pioneiro de Libra conversion for Brazil's Libra field - Randgrid FSO conversion for Statoil's Gina Krog field - Yamal LNG modules fabrication - 1 jack-up to Borr Drilling • 390 vessels repaired/upgraded • Achieved highest global record for most LNG vessel repairs/upgrades in 2017 (34 units) • Achieved a company record of 16 cruise ships repaired/upgraded for the year • Launch of Ship Superintending Engineering Centre with the Republic of Singapore Navy • Shared the Sembcorp Marine Enterprise Compliance programmes to customers • Exhibition participation and networking platforms organised for customers and other stakeholders in Singapore, Japan, Norway, USA and Brazil	• Cross-function project kick-off meetings with customers • Daily, weekly, quarterly and annual project coordination meetings and customer engagements • Platforms to network and build relationships • HSSE programmes • Surveys • Tenders • Naming and delivery events for completed projects • Participation in exhibitions, conferences and networking events • Corporate website, email and newsletters • Social and community improvement programmes led by Sembcorp Marine • Joint QAQC, HSSE onsite checks and emergency-response drills with customers, contractors, vendors and stakeholders

APPROACH TO SUSTAINABILITY

Stakeholders & Engagement Platforms

Stakeholders	Stakeholders' Expectations/ Concerns	Activities in 2017	Engagement Platforms
Business Partners	• Compliance with: – Regulations – Code of Business Conduct – HSSEQ policies and protocols – Terms and conditions of purchasing policies and agreements • Business integrity and trustworthiness • Training support • Clear two-way communication channels • Opportunities for growth and collaboration	• Implementation of sustainability criteria for reviewing and qualifying vendors in the Approved Vendors List • Evaluation and declaration by vendors • Involvement of resident contractors in workplace safety and health improvement programmes • Dialogue sessions at various levels ranging from management to operations • Safety management system audits on resident contractors by Sembcorp Marine • Ongoing tenders and projects • HSSEQ training by Sembcorp Marine • 127 HSSE drills • Daily work briefings • bizSAFE certification • Ongoing tenders and projects	• Project planning platforms • Tenders, quotations and requests for proposal • Declaration of ethical business practices • Performance and quality audits • Training for contractor partners • Involvement in safety campaigns and events • Joint site inspections of projects • Regular dialogue platforms with senior management • Social and community improvement programmes • Joint HSSE emergency-response drills
Employees	• Conducive workplace • Nurturing environment • Fair labour practices and compensation • Ethical work culture • Career growth / personal development opportunities • Training and upgrading • Dynamic two-way communication platforms	• Provided an average of 44.29 training hours per employee to develop and upgrade skills and competencies of staff in Singapore • Invested $5.58 million in training and development programmes • Continued Global Leadership Development programme in collaboration with Singapore Management University • Supported workforce development initiatives by Workforce Singapore (WSG) and the NTUC e2i • Participated in WSG Professional Conversion Programme to re-skill and up-skill employees' capabilities • Signed MOU with ITE to initiate the Work & Learn Technical Diploma for marine engineering courses • Launch of Guidebook to the Code of Business Conduct through a series of engagement programmes • Training on anti-bribery and anti-corruption policies as well as whistle-blowing channels • More than 840 long-service awards presented • Engaged more than 580 students through recruitment events and yard tours as part of talent outreach • Employee bonding and festive events • Organised medical care, health promotion and total wellness initiatives for employees • Regular engagement with unions • Regular updates through intranet portals/ emails/memos	• Regular reviews and appraisals • Employee dialogue sessions • Online training • Intranet platforms for policies, news and benefits • Briefings and toolbox meetings • Development programmes and training workshops/courses • Meet-the-management sessions • Union-management dialogues • Promotion of whistle-blowing channels • Corporate website and email • Grievance/feedback channels • Safety and innovation campaigns and recognition awards • Long-service awards • Social events, including festive celebrations • Newsletters, posters and memos

Stakeholders & Engagement Platforms

Stakeholders	Stakeholders' Expectations/ Concerns	Activities in 2017	Engagement Platforms
Financial & Investment Communities and Media	• Business resilience and financial performance • Timely information • Transparent, open and effective communication • Responsible management • Corporate governance and compliance	• Publicly accessible results reports, CEO speeches, press releases, annual reports via corporate website, SGX and email • Annual General Meeting for shareholders • Bi-annual financial results briefings for analysts, bankers and media • More than 500 teleconferences, meetings and engagements • Over 80 international sessions • Communication channels accessible to all via website, email and telephone • Learning tours for bankers, analysts and media	• Results announcements and news releases • Regular reporting and communication platforms for shareholders • Briefings for analysts and media • Meetings, conference calls and site visits for analysts and fund managers • Roadshows and investor conferences • Corporate website and email • Ratings and rankings
Local Communities	• Promoting community care and welfare • Support for social, community and industry causes • Active corporate citizenship	• Contributions of more than $1.26 million to social, community and industry causes, e.g. SchoolBAG grants of $210,450 • Approximately 5,100 hours of participation in community projects and volunteering activities by employees • Various scholarships offered with 12 accepted by tertiary students • Academic awards and bursaries of $47,350 disbursed to children of employees • Annual Green Wave Environmental Care Competition: 307 entries from over 1,000 students • Sponsorship and support of sustainability, social improvement and community development projects • Festive activities for the less privileged • Staff involvement in National Day Parade	• Timely news releases • Multi-tiered financial assistance programmes • Corporate website and email feedback channels • Educational programmes • Organisation of events • Sponsorship of events • Collaborations with educational institutions • Newsletters

APPROACH TO SUSTAINABILITY

Stakeholders & Engagement Platforms

Stakeholders	Stakeholders' Expectations/ Concerns	Activities in 2017	Engagement Platforms
Government & Industry Partners	• Compliance with regulations • Collaborative efforts to share knowledge • Joint development and deployment of best practices • Joint management of resources and expertise	• Site visits and discussions with government representatives • Sponsorship/participation in local events to promote the industry and enhance strategic relations e.g. Latin Asia Business Forum by IE Singapore • MOU with DNV GL, SIMTech and NAMIC on development of Additive Manufacturing, Drone and Digital Twin technologies • Joint collaboration to develop and integrate a Digital Energy-saving System to harness solar energy with SP Power • Sponsorship support for students from the Singapore University of Technology and Design for the Capstone project • Commitment to A*STAR's Technology Centre for Offshore and Marine, Singapore • Safety conferences, campaigns and training seminars with industry partners e.g. XXI World Congress on Safety and Health at Work 2017 • Joint safety, security, environment, health and innovation-related activities with partners e.g. CultureSAFE programme • Continued research programmes • Active contribution to industry, national and international associations like SMI, ASMI, SMF, as well as regional WSH committees of industry partners	• Dialogue sessions and site visits with government authorities and trade associations on safety, health, manpower, security and environment issues • National and industry-level events • Workplace safety and health collaborations • R&D collaborations

SCOPE OF SUSTAINABILITY REPORT

Sembcorp Marine reports on its sustainability management approach and performance annually. This publication marks the seventh report since 2011 and is supplemented by the Sustainability section on the Group's corporate website at *www.sembmarine.com/sustainability*. The report is prepared in accordance with the GRI Standards: Core option and guided by ISO 26000 Guidance on Social Responsibility. The Group may disclose additional GRI Standard indicators as a response to stakeholder interest. The GRI Standards framework is an independent global standard built on inputs from a range of stakeholders through a consensus-seeking approach. It is widely adopted by international entities including Sembcorp Marine's customers and governments, thus providing a common platform of evaluation.

Unless otherwise stated, the reporting scope continues to be driven by operations and facilities under the Group's operational control in Singapore as they have the most significant impact on environmental, social, governance and economic indicators. Within the Sustainability Report, the term Sembcorp Marine Ltd references the Group's Singapore operations and facilities.

The data reported relates to the financial year from 1 January to 31 December 2017, except where indicated. The scope of the Group's consolidated financial statements are detailed in the Notes to the Financial Statements on pages 176 - 287.

Sembcorp Marine continues with its Transformation for Growth strategy to enhance its leading edge and competitive advantage. As of July 2017, two yards in Singapore – which accounted for approximately 4% of the Group's total hectarage – ceased operation. For more information please refer to 'Tuas Road' and 'Shipyard Road' facilities on page 290. Resources from both yards were streamlined into the flagship Tuas Boulevard Yard. The 2017 data in this report continues to include the two yards unless otherwise stated.

In 2017, PricewaterhouseCoopers LLP was appointed to undertake a limited assurance engagement in respect of selected sustainability information of Sembcorp Marine Ltd as included in this report. The scope of assurance was conducted in accordance with the Singapore Standard on Assurance Engagements (SSAE) 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information. Details can be found in the Independent Limited Assurance Statement on Sustainability Information on pages 151 - 152.

ACCESSIBILITY

The Sembcorp Marine Sustainability Report continues to be published as part of the Annual Report. The Group believes this provides readers with an overview of Sembcorp Marine's sustainability, economic and business performance. The corporate website also hosts sustainability materials online which are meant to be read in conjunction with the report.

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

For details on the GRI Standards disclosures, please refer to pages 147 - 150 of this publication.

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

CORPORATE GOVERNANCE

Sembcorp Marine Ltd and its subsidiaries ("Sembcorp Marine" or the "Group") believe that good corporate governance supports long-term value creation. To enhance corporate performance and accountability, corporate governance principles are embedded in Sembcorp Marine's corporate culture. The Group's corporate culture is anchored on (i) effective leadership, (ii) robust internal controls and (iii) a set of core values.

Governance Disclosure Guide

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

Sembcorp Marine Corporate Governance Framework

CHAIRMAN

Key Responsibilities:
- Lead the Board to ensure its effectiveness on all aspects of its role
- Promote a culture of openness at the Board
- Encourage constructive relations within the Board and between the Board and Management
- Facilitate effective contribution of Non-Executive Directors

11 DIRECTORS
8 Independent Directors, 3 Non-Independent Directors

Key Responsibilities:
- Set values, mission and vision statements
- Provide guidance to Management
- Set strategic objectives
- Review Management performance
- Establish a framework of prudent and effective internal controls
- Consider sustainability issues as part of its strategic formulation

This report outlines Sembcorp Marine's corporate governance practices with reference to Singapore Code of Corporate Governance 2012 (the "Code"). The Group has complied in all material aspects with the principles and guidelines set out in the Code and any deviations are explained in this report.

THE BOARD OF SEMBCORP MARINE

Audit Committee
- 4 Members
- 3 Independent Directors
- 1 Non-Independent Director

Board Risk Committee
- 5 Members
- All Independent Directors

Executive Committee
- 6 Members
- 4 Independent Directors
- 2 Non-Independent Directors

Executive Resource & Compensation Committee
- 4 Members
- All Independent Directors

Nominating Committee
- 3 Members
- All Independent Directors

Special Committee
- 4 Members
- 3 Independent Directors
- 1 Non-Independent Director

BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS

PRINCIPLE 1:

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

The Board aims to create value for shareholders and ensure the long-term success of the Group by focusing on the right strategy, business model, risk appetite, management and succession planning and compensation framework. It also seeks to align the interests of the Board and Management with those of shareholders and balance the interests of all stakeholders. In addition, the Board sets the tone for the Group on ethics and values.

The Board's primary function is to protect the assets and oversee the business affairs of the Group and is accountable to shareholders for the long-term financial performance of the Group. The Board reviews and approves policies, annual budget, major funding, investment and divestment proposals, risk tolerance levels, appointment of CEO and Directors, appointment of Board committees, sustainability and material issues.

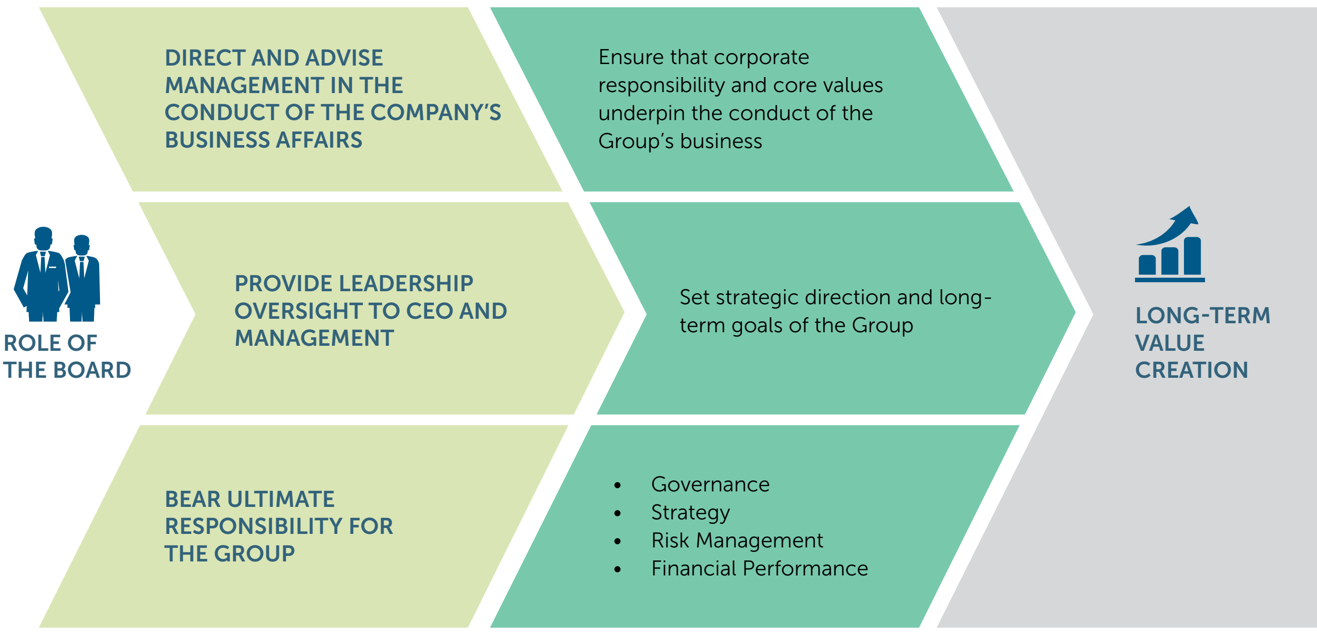
The Group has established financial authorisation and approval limits for operating and capital expenditures, the procurement of goods and services, and the acquisition and divestment of investments. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions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

Governance Disclosure Guide

Guideline 1.5:
What are the types of material transactions which require approval from the Board?

Material items that require the Board's approval include:

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



CORPORATE GOVERNANCE

Six (6) committees have been established to assist the Board in discharging its stewardship and fiduciary obligations based on clearly defined terms of reference. These terms of reference are reviewed by the Board on a regular basis and any changes require the Board's approval.

Board Composition and Committees

Board Members	Audit Committee	Board Risk Committee	Executive Committee	Executive Resource & Compensation Committee	Nominating Committee	Special Committee
Tan Sri Mohd Hassan Marican			Chairman	Chairman	Member	Member
Ajaib Haridass			Member	Member	Chairman	Member
Ron Foo Siang Guan	Chairman	Member				
Lim Ah Doo	Member					Chairman
Bob Tan Beng Hai	Member	Chairman	Member			
Eric Ang Teik Lim		Member		Member	Member	
Gina Lee-Wan		Member				
William Tan Seng Koon		Member	Member	Member		
Neil McGregor			Member			
Koh Chiap Khiong	Member					Member
Wong Weng Sun			Member			
IDs – Independent Directors	3 of 4 are IDs	5 of 5 are IDs	4 of 6 are IDs	4 of 4 are IDs	3 of 3 are IDs	3 of 4 are IDs

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

Other than the Audit Committee, Board Risk Committee, Executive Resource & Compensation Committee and Nominating Committee which were constituted in accordance with the Code, the Executive Committee ("Exco") was constituted to assist the Board in reviewing and approving matters as required under the Group's policies. The Exco comprises the following members, the majority of whom, including the Chairman, are non-executive and independent:

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

The key responsibilities of the Exco include the following:

- Review and make recommendations on matters that would require Board's approval, such as
  - financial performance of subsidiaries;
  - major projects' progress;
  - yard development;
  - marketing reports; and
- Approve certain matters specifically delegated by the Board such as investments, capital expenditure and expenses that exceed the limits that can be authorised by the President & CEO.

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

Key Features of Board Processes

The schedules of all Board, committee meetings and the Annual General Meeting ("AGM") are planned one year in advance. The Board meets at least four (4) times a year at regular intervals. Besides the scheduled meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. The Board holds an annual strategy meeting to interact with senior and middle management. In this meeting, the Board is briefed on developments in the markets in which the Group operates, kept up to date on trends and has in-depth discussions on the Group's strategic direction.

The Board also sets aside time at each quarterly scheduled meeting to meet without the presence of Management. In 2017, they met 5 times without the presence of Management.

A record of the Directors' attendance at Board and committee meetings during the financial year ended 31 December 2017 ("FY2017") is disclosed below. Directors who are unable to attend a Board meeting are provided with the board papers and can give comments to the Chairman on matters to be discussed at the Board meeting.

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

Notes:
1. *Mr Lim Ah Doo stepped down as Chairman of the Board Risk Committee on 27 April 2017.*
2. *Mr Lim Ah Doo was absent for one of the Audit Committee meetings as he was overseas.*
3. *Mr Bob Tan Beng Hai was appointed as Chairman of the Board Risk Committee on 27 April 2017.*
4. *Mr William Tan Seng Koon was appointed to the Board on 20 April 2017 and a member of Board Risk Committee and Executive Resource & Compensation Committee on 27 April 2017 and a member of the Executive Committee on 1 December 2017.*
5. *Mr Neil McGregor was appointed a member of the Executive Committee on 27 April 2017.*
6. *Mr Koh Chiap Khiong was appointed a member of the Special Committee on 27 April 2017 and stepped down as a member of the Board Risk Committee on 27 April 2017.*
7. *Mr Tang Kin Fei retired as a Director of the Company on 18 April 2017.*

CORPORATE GOVERNANCE

Induction for new Directors

All new Directors appointed to the Board receive a letter of appointment setting out Director's duties, responsibilities and time commitment required of a Director. The Director also receives an information pack containing the Group's organisation structure, senior management's contact details, the Company's constitution document, group policies and a list of recent significant issues discussed at Board meetings.

Governance Disclosure Guide

Guideline 1.6:
Are new Directors given formal training? If not, please explain why.

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

A comprehensive orientation 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 to enable them to assimilate into their new roles. The programme also allows new Directors to get acquainted with senior management, thereby facilitating Board interaction and independent access to senior management.

Continuous development for all Directors

The Board values ongoing professional development and recognises that it is important for Directors to be updated regularly on particular subjects, industry trends and development, relevant laws and regulations and changing business risks. Such updates can be conducted during Board meetings or at specially-convened sessions. During the year, several of the Directors had attended courses:

Mrs Gina Lee-Wan

Creating High Performance Boards, Boards that Transcend Governance and Accelerate Business by Singapore Institute of Directors

Creating a High Purpose-Driven Organisation by Temasek School of Management

Mr William Tan Seng Koon

Cyber Security for Directors by Singapore Institute of Directors

Mr Wong Weng Sun

Investor & Media Relations Essentials by Singapore Institute of Directors

Save for Mrs Lee-Wan, Mr Tan and Mr Wong, each of the Directors has served as a director of a public-listed company and has appropriate experience to act as a director and is familiar with the rules and responsibilities of a director of a public-listed company.

BOARD'S COMPOSITION AND BALANCE

PRINCIPLE 2:

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

The Code provides that an Independent Director is one who has no relationship with the Group, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment in the best interests of the Group. The Board comprises 11 Directors, 8 of whom (including the Chairman of the Board) are Independent Directors, two Non-Executive and Non-Independent Directors and one Executive Director.

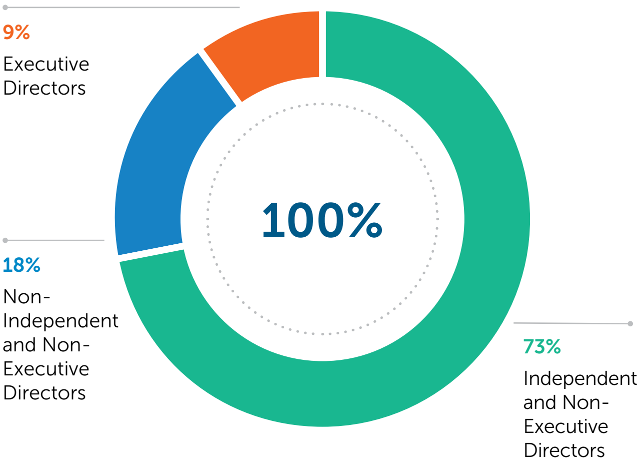
Governance Disclosure Guide

Guideline 2.1: Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.

WHO WE ARE

1	**Non-Executive and Independent Chairman**	Tan Sri Mohd Hassan Marican
7	**Non-Executive and Independent Directors**	Mr Ajaib Haridass Mr Ron Foo Siang Guan Mr Lim Ah Doo Mr Bob Tan Beng Hai Mr Eric Ang Teik Lim Mrs Gina Lee-Wan Mr William Tan Seng Koon
2	**Non-Executive and Non-Independent Directors**	Mr Neil McGregor Mr Koh Chiap Khiong
1	**Executive Director**	Mr Wong Weng Sun

Sembcorp Marine Chairman Tan Sri Mohd Hassan Marican addressing senior management at annual strategy workshop in 2017



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

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

The profile of each Director is set out on pages 44 to 49 of this Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)

PRINCIPLE 3:

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

The Chairman of the Board is a non-executive appointment and is separate from the office of the President & CEO. The Chairman leads the Board and is responsible for ensuring the effectiveness of the Board and its governance processes, while the President & CEO is responsible for following through the Board's direction and managing the day-to-day operations. The President & CEO is not related to the Chairman.

The Role of Chairman

The Chairman is responsible for the leadership of the Board and ensures its effectiveness in all aspects of the Board's role both inside and outside the boardroom. This includes setting the agendas for Board meetings and ensuring sufficient time is allocated for thorough discussion of each agenda item. He promotes an open environment for debate and ensures that the Independent Directors are able to speak freely and contribute effectively. He exercises control over the quality and quantity of information between the Board and Management. In addition, he provides support, close oversight, guidance, advice and leadership, and acts as a sounding board for the President & CEO while respecting his executive responsibility.

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

Chairman's Role in Committees

LEAD	Executive Committee
	Executive Resource & Compensation Committee
PARTICIPATE	Nominating Committee
	Special Committee

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

CORPORATE GOVERNANCE

BOARD MEMBERSHIP

PRINCIPLE 4:

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

The Nominating Committee ("NC") comprises the following members, the majority of whom, including the Chairman, are non-executive and independent:

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

The key responsibilities of the NC include:

- Review the composition of the Board and its committees;
- Identify, review and recommend Board appointments for approval by the Board, taking into account the experience, expertise, knowledge and skills of the candidates and the needs of the Board;
- Review and recommend to the Board the re-appointment, re-election and retirement (if necessary) of any Non-Executive Director, having regard to his performance, commitment and ability to contribute to the Board as well as his skill-sets;
- Review the Board's succession plans for Directors, in particular, the Chairman and the CEO;
- Conduct an evaluation of the performance 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 multiple board representations and other principal commitments; and
- Determine independence of proposed and existing Directors, and assess if each proposed and/or existing Director is a fit and proper person and is qualified for the office of Director.

Rotation and re-election of Directors

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

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

One-third of Directors who are longest-serving are required to retire from office every year at the AGM. Based on this rotation process, all Directors (including the President & CEO) are required to submit themselves for re-election at least once every 3 years. Tan Sri Mohd Hassan Marican, Mr Ajaib Haridass and Mr Lim Ah Doo will retire at the forthcoming AGM on 18 April 2018 pursuant to Article 94 of the Company's constitution. Tan Sri Mohd Hassan Marican has offered himsef for re-election whereas Mr Ajaib Haridass and Mr Lim Ah Doo will not offer themselves for re-election. They will be retiring as directors at the forthcoming AGM.

All newly appointed Directors are also required to submit themselves for re-appointment at the AGM immediately following their appointments. Thereafter, they are subject to retirement by rotation in accordance with the Company's constitution. Mr William Tan Seng Koon and Mr Neil McGregor will retire at the forthcoming AGM on 18 April 2018 pursuant to Article 100 of the Company's constitution, and have offered themselves for re-election.

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

Annual Review of Directors' Independence

The NC reviews annually, and as and when circumstances require, if a Director is independent. The independence of each Director is assessed based on his business relationships with the Group, relationships with members of Management, relationships with the Company's substantial shareholder as well as the Director's length of service.

Governance Disclosure Guide

Guideline 2.3: Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship. What are the reasons for considering him independent? Please provide a detailed explanation.

Tan Sri Mohd Hassan Marican is an Independent Director of Sembcorp Industries Ltd ("SCI"), a controlling shareholder of Sembcorp Marine. He is also a Senior International Advisor of Temasek International Advisors, a subsidiary of Temasek Holdings Ltd ("Temasek"). His appointments at both SCI and Temasek were safeguarded by the Interested Person Transactions ("IPT") mandate. During FY2017, SCI provided consultancy services to Sembcorp Marine. The aggregate value of the transactions (S$250,000) was not significant compared to the revenues of SCI and Sembcorp Marine. Tan Sri Mohd Hassan Marican was not involved in the decision makings of the transactions between SCI and Sembcorp Marine. The Board considers Tan Sri Mohd Hassan Marican to be an Independent Director of Sembcorp Marine as he has shown that he is able to exercise strong independent judgment in his deliberations and act in the best interests of the Group.

Mr Ajaib Haridass is an Independent Director of SCI. Sembcorp Marine's transactions with SCI were safeguarded by the IPT mandate. During FY2017, SCI provided consultancy services to Sembcorp Marine. The aggregate value of the transactions (S$250,000) was not significant compared to the revenues of SCI and Sembcorp Marine. Mr Haridass was not involved in the decision makings of the transactions between SCI and Sembcorp Marine. Mr Haridass has served more than 14 years on the Board and his contributions have been valuable to the Group.

Governance Disclosure Guide

Guideline 2.4: Has any Independent Director served on the Board for more than nine years from the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.

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

The Nominating Committee noted that Mr Ajaib Haridass was first appointed to the Board on 31 October 2003; Mr Ron Foo was first appointed to the Board on 30 June 2006; and Mr Lim Ah Doo was appointed to the Board on 7 November 2008. They have served more than 9 years on the Board. Although Mr Haridass, Mr Foo and Mr Lim have served on the Board beyond nine years, they have continued to demonstrate strong independence in character and judgment in the discharge of their responsibilities as Directors of the Company. Accordingly, the Board has, on the recommendation of the Nominating Committee, continued to consider Mr Haridass, Mr Foo and Mr Lim as Independent Non-Executive Directors of the Company.

Board Diversity

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

The NC, in reviewing Board composition and succession planning, will consider the benefits of all aspects of diversity, including diversity of skills, experience, background, gender, age, ethnicity and other relevant factors. These differences will be considered in determining the optimum composition of the Board and where possible, balanced appropriately. All Board appointments are made based on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

Governance Disclosure Guide

Guideline 2.6: What is the Board's policy with regard to diversity in identifying Director nominees? Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?

The Board ensures that Directors possess the background, experience and knowledge in business, finance and management skills critical to the Group's business and that each Director should bring to the Board independent and objective perspectives to enable balanced and well considered decisions to be made. The Board is of the view that gender is an important aspect of diversity and will strive to ensure female candidates are included for consideration by the NC whenever it seeks to identify a new Director for appointment on the Board. Current Directors include business leaders, bankers and professionals with financial and legal backgrounds. In relation to gender diversity, approximately 9% of Board members are female i.e. one out of 11 Board members.

Selection Criteria and Nomination Process For Directors

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

CORPORATE GOVERNANCE

Governance Disclosure Guide

Guide 4.6: Please describe the Board nomination process for the Company in the last financial year for (i) selecting and appointing new Directors and (ii) re-electing incumbent Directors.

Directors are selected for their experience and competencies and their ability to contribute to the Group. Before a new Director is appointed, suitable candidates are identified from various sources. Thereafter, the NC conducts an assessment to:

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

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

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

Directors' time commitment

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

Governance Disclosure Guide

Guide 4.4: What is the maximum number of listed company board representations that the Company has prescribed for its Directors? What are the reasons for this number? If a maximum number has not been determined, what are the reasons? What are the specific considerations in deciding on the capacity of Directors?

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 on the Board be fixed at four (4) to ensure that a Director will have sufficient time and attention for the affairs of the Company. For the year 2017, all Directors have met the guideline set by the Company on the number of directorships in listed companies.

The Board is satisfied that each Director has committed sufficient time to the Company and has contributed meaningfully to the Group.

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

BOARD PERFORMANCE

PRINCIPLE 5:

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

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

The NC reviews the performance of each individual Director based on factors such as the Director's attendance, preparedness, participation and contribution at Board meetings, and industry and business knowledge. The Chairman will act on the results of the performance evaluation and propose, where appropriate, new members to be appointed to the Board or seek the resignation of Directors.

Board Evaluation Process

The NC uses an evaluation questionnaire to analyse Board's and Committees' performance. The results of the questionnaire are vital for helping the Board, committees and each individual Director improve and perform to their maximum capability.

Governance Disclosure Guide

Guide 5.1: What are the processes upon which the Board reached the conclusion on its performance for the financial year? Has the Board met its performance objectives?

Board Evaluation for 2017

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

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

The Board discussed the findings of the evaluation and implemented changes in response to the feedback given by the Directors, if necessary. Based on the overall assessment for 2017, the Board was effective as a whole.

ACCESS TO INFORMATION

PRINCIPLE 6:

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

All Directors have access to complete and adequate information and resources. Directors are provided with electronic tablets to enable them to access Board and Board committee papers three (3) days prior to and at meetings.

Governance Disclosure Guide

Guideline 6.1: What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?

Management provides the Board with monthly management reports on the Group's operational and financial performance. In addition, Directors receive analysts' reports on Sembcorp Marine 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 also present at the meetings to address Directors' queries or to provide further insights into matters concerned.

Role of the Company Secretary

The Company Secretary(ies) attend all Board and most committee meetings and 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 each Company Secretary is subject to the approval of the Board.

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

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 7:

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

The Executive Resource & Compensation Committee ("ERCC") comprises the following members, who are all Independent Directors:

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

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

The key responsibilities of the ERCC include:

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

CORPORATE GOVERNANCE

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

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

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

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

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

LEVEL AND MIX OF REMUNERATION

PRINCIPLE 8:

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

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

Remuneration of Non-Executive Directors

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

To underscore their support of the Company through these challenging time, the Non-Executive Directors had taken a voluntary reduction of their total fees of 10% for the financial year 2017.

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

There is no change to the annual fee structure for the Board for 2017 from the fee structure in 2016.

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

Notes:
(1) Cash fees for SCI nominee Directors are payable to SCI, but share awards are received by the nominee Directors in their personal capacity.
(2) Fees for Mr Eric Ang Teik Lim are payable in cash to his employer, DBS.
(3) Attendance fees for committee meetings also apply to attendance at general meetings.
(4) Chairman of the Board does not receive basic retainer fee for Directors, any further fees or allowances for his services as Chairman or Member of any Board committees.

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

Share awards granted under the Sembcorp Marine Restricted Share Plan 2010 to Directors as part of Directors' fees will typically consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-Executive Directors are required to hold shares in the Company (including shares obtained by other means) worth at least the value of their 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 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 if the resolution to approve such final dividend is not approved at the AGM, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. The share component of the Directors' fees for FY2017 is intended to be paid after the 2018 AGM has been held.

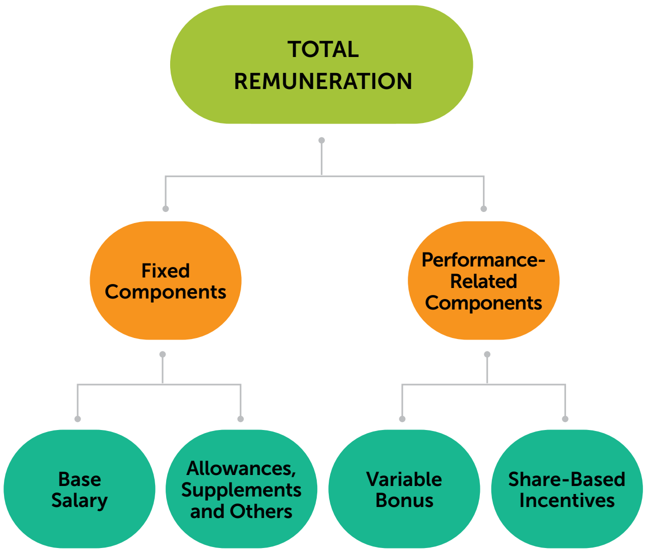
The shareholders of the Company had approved the payment of Directors' fees of up to S$2,500,000 for FY2017 at the last AGM held on 18 April 2017. The Company will be seeking shareholders' approval at the forthcoming 2018 AGM for payment of Directors' fees of S$2,500,000. Subject to shareholders' approval, the cash component of the Directors' fees for year 2018 is intended to be paid half-yearly in arrears. The share component of the Directors' fees for year 2018 is intended to be paid after the 2019 AGM has been held.

Remuneration for Key Management Personnel

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

The remuneration of the key management personnel comprises three primary components:

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



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

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

CORPORATE GOVERNANCE

- Share-based Incentives
  The Company's performance share plan and restricted share plan were approved and adopted by the shareholders at an EGM held on 20 April 2010. Through the share-based incentives, the Company motivates key management personnel 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.

The President & CEO, as an Executive Director, does not receive Director's 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 incentive plans are available on pages 162 to 169 of this Annual Report.

DISCLOSURE OF REMUNERATION

PRINCIPLE 9:

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

Governance Disclosure Guide

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

Information regarding remuneration of each Director (including the President & CEO) is set out on pages 288 to 289 of this Annual Report.

Governance Disclosure Guide

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

Key management personnel include the Chief Operating Officer; Director, Group Finance; Chief Financial Officer; Head of Singapore Yard Operations; and Head of Rigs & Floaters. The aggregate remuneration, comprising total cash and benefits, paid to the top five key executives is set out on pages 288 to 289 of this Annual Report for FY2017.

Governance Disclosure Guide

Guideline 9.4: Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.

There were no employees who were immediate family members of a Director or the President & CEO, and whose remuneration exceeded S$50,000, during FY2017.

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

Governance Disclosure Guide

Guideline 9.6: Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria. What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? Were all of these performance conditions met? If not, what were the reasons?

Pay for Performance

A pay for performance study was conducted again in 2017 to review the alignment between the Company's executive pay scheme and both the shareholder returns and business results. The Company's size and performance relative to its peer companies are positioned competitively vis-à-vis its senior executive pay relative to peer companies, indicating strong pay for performance alignment. Against the large-cap Singapore peer companies used for compensation benchmarking, fixed pay levels of the Company's senior executives are relatively conservative when assessed against the company size.

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

ACCOUNTABILITY

PRINCIPLE 10:

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

PRINCIPLE 11:

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

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

The BRC comprises the following members, all of whom (including the Chairman) are both Independent Directors and Non-Executive Directors:

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

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

The key responsibilities of the BRC include:

- Assess the adequacy and effectiveness of the Group's risk management framework (including policies, procedures and processes);
- Review the Group's risk appetite and recommend to the Board the risk appetite tolerance limits or changes thereof;
- Oversee Management in the design, implementation and monitoring of the Group's risk management framework;
- Review and approve the Group's risk policies, plans, guidelines and limits; and
- Review the infrastructure and resources that support risk management such as human resources, IT systems, reporting structure and procedures.

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

Governance Disclosure Guide

Guideline 11.3: In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.

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

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

CORPORATE GOVERNANCE

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

The Board, with the concurrence of AC and BRC, is satisfied that the financial, operational, compliance and information technology controls and risk management system were adequate and effective as at 31 December 2017 to meet the needs of the Group in the current business environment.

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

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

AUDIT COMMITTEE

PRINCIPLE 12:

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

The AC comprises the following members, 3 of whom (including the Chairman) are Independent Directors and all of whom are Non-Executive Directors:

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

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

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

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

The key responsibilities of the AC include:

Financial Reporting
- 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 announcements relating to the Company's financial performance;
- Assess, and challenge, where necessary, the accuracy, completeness and consistency of financial reports (including interim reports), before they are submitted to the Board for approval; and
- Review the assurance certificate provided by the CEO and CFO that the financial records have been properly maintained, and that the financial statements give a true and fair view of the Company's operations and finance.

Internal Controls
- Review with the external auditors and internal auditors the adequacy of the internal control systems of the Group in relation to significant internal control issues which are likely to have a material impact on the Group's operating results and/or financial position;
- Review the representation and opinion of Management on internal controls, and the results of work performed by the internal and external auditors;
- Review and make amendments when necessary, to the Whistle-Blowing Policy and Procedure adopted by the Company to address possible improprieties in financial reporting or other matters; and

- Commission and review the findings of investigations into matters where there is any failure of internal controls which has or is likely to have a material impact on the Group's operating results and/or financial position, and also into matters where there is any suspected fraud or irregularity, or infringement of any law, rule and regulation.

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

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

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

In the year under review, the AC had met four (4) times with the external auditors and four (4) times with the internal auditors without the presence of Management.

Governance Disclosure Guide

Guideline 12.6: Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's review on the independence of the external auditors.

The AC had reviewed all the non-audit services provided to the Group by KPMG LLP, the Company's external auditors. The amount of non-audit fees compared to the total annual audit fees is 12%. The AC is satisfied that the independence of the external auditors has not been impaired by the provision of these services. A breakdown of the fees for audit and non-audit services paid to KPMG LLP for FY2017 is found on page 227.

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

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

No former partner or director of the Company's existing auditing firm or auditing corporation was appointed as a member of the Company's AC in FY2017.

Audit Committee Commentary on Key Financial Reporting Matters in Annual Report

The AC had discussed the key audit matters for FY2017 with Management and the external auditors. The AC concurred with the basis and conclusions included in the Independent Auditor's Report with respect to the key audit matters.

For more information on the key audit matters, please refer to pages 171 to 174 of this Annual Report.

CORPORATE GOVERNANCE

INTERNAL AUDIT

PRINCIPLE 13:

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

Governance Disclosure Guide

Guideline 13.1: Does the Company have an internal audit function? If not, please explain why.

Sembcorp Marine's Internal Audit Department ("IAD") comprises a team of 8 staff members, including the Head of Internal Audit ("HIA"). HIA reports functionally to the AC and administratively to the President & CEO. IAD consists of suitably qualified professionals with the relevant experience and requisite skill sets. Training and development opportunities are provided to these staff on an ongoing basis.

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

The key responsibilities of IAD include:

- Perform risk-based assurance reviews across the Group and provide opinion on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems except assurance and compliance reviews relating to Health, Safety and Environment which are mandatory and for which specialist licensed firms are engaged by the respective commercial entities;
- Assist in the deterrence of fraud through its internal audit activities by examining and evaluating the adequacy and effectiveness of the system of internal controls;
- Review IPTs and advise the AC whether the transactions are at arm's length;
- Advise the AC on non-audit services ("NAS") provided by the external auditors;
- To the extent that there is no conflict with the mission and independence of IAD, IAD will, within its expertise and upon request, perform consulting work to add value and improve the Company's adequacy and effectiveness in risk management, control and governance;
- Facilitate the sharing of matters in order to better control practices and governance across the Group to promote awareness;
- IAD shall, upon the instruction of the AC, conduct investigations into and report on incidents and allegations of possible improprieties in matters of financial reporting or other matters in accordance with the Whistle-Blowing Policy and Procedure; and
- Where possible, IAD will extend its scope of work to include the associated companies and joint venture companies of the Group.

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

Whistle-Blowing Policy

The Group has put in place a Whistle-Blowing Policy and Procedure, for which the AC has an oversight. Through this avenue, employees of the Group or any other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters such as suspected fraud, corruption, unethical practices or matters which may cause financial loss to the Group or damage the Group's reputation. The policy establishes various confidential channels of communication for reporting concerns about possible improprieties to the AC Chairman, HIA or Chief Risk Officer ("CRO"). This is to ensure independent and objective investigation and appropriate follow-up actions are taken. The Company treats all information received as confidential and protects the identity of all whistleblowers. Anonymous reporting is accepted. Employees who acted in good faith will be treated fairly and protected from reprisals. Reports can be made by

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

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

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

- From the top: The tone set by the Board and senior management is vital; it is akin to the moral compass of the organisation. The Company has in place a suite of comprehensive policies and Management Committees are formed to monitor compliance with these policies. The Company also conducts self-assessment on its key processes;
- Aligning employees' performance and incentives via key performance indicators or balanced scorecard;
- Respecting the voice of control functions: The Company believes that respect for the voice of control functions such as the risk management department is one of the key safeguards;
- Risk ownership: please refer to page 100 of this Annual Report on Risk Management Report; and
- Requirement of Sembcorp Marine employees to abide by the Company's Code of Business Conduct, Conflicts of Interest Policy, Code of Ethics, Anti-Bribery Compliance Policy, Fraud Risk Management Policy, etc.

SHAREHOLDER RIGHTS

PRINCIPLE 14:

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

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

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

COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 15:

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

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

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

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

Governance Disclosure Guide

Guideline 15.4: Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?

The earnings results are first released via SGXNet and posted on the SGX-ST website. Management then holds a face-to-face briefing to address media and analyst queries for the full-year and half-yearly financial results. For the first and third quarter results, Management holds a teleconference meeting with the analysts. Materials used at the briefing are made available on SGXNet and on the Company's website at *www.sembmarine.com.* In addition, investor relations and corporate communications personnel are available by email or telephone to answer questions from shareholders, media and analysts at any time as long as the information requested

CORPORATE GOVERNANCE

does not conflict with the SGX-ST's rules of fair disclosure. Apart from regular meetings, email communications and teleconferences with investors and analysts, the CFO and the Head of Investor Relations also travel regularly to overseas road shows and conferences, reaching out to foreign institutional investors.

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

Governance Disclosure Guide

Guideline 15.5: If the Company is not paying any dividends for the financial year, please explain why.

The Board has recommended a final dividend of 1 Singapore cent ($0.01) per share, bringing the total ordinary dividend for FY2017 to 2 Singapore cents (S$0.02), if the proposed dividend is approved by shareholders at the forthcoming AGM.

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

CONDUCT OF SHAREHOLDER MEETINGS

PRINCIPLE 16:

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

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

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

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

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

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

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

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

Dealings in Securities

The Company has put in place a policy on dealings in securities, which prohibits dealings in the Company's securities by its Directors, members of senior management committee, persons who are in attendance at board committees and senior management committee meetings and senior employees during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of the Company's financial year, and one month before the announcement of the Company's full-year financial statements, and ending on the date of the announcement of the relevant results.

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

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

IPTs

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

Shareholders had approved the renewal of a general mandate for IPTs at the AGM on 18 April 2017. The mandate sets out the levels and procedures for obtaining approval for each type of IPTs covered under the mandate. Information regarding the mandate can be found on the Company's website at *www.sembmarine.com.*

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

Detailed information on IPTs for FY2017 is found on page 289 of this Annual Report.

Material Contracts

Since the end of the previous financial year, no material contracts involving the interest of any Director or controlling shareholder of Sembcorp Marine have been entered into by the Company or any of its subsidiary companies, and no such contract subsisted as at 31 December 2017, save as disclosed via SGXNET.

Code of Business Conduct and Practice

Sembcorp Marine has a Guidebook for the Code of Business Conduct that applies to all employees. The Guidebook sets out Sembcorp Marine's core values, how to conduct business with integrity, handling employees and community with fairness, protecting the Group's assets, dealing with conflicts of interest and protection of information. The Guidebook guides employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing with Sembcorp Marine, its competitors, customers, suppliers and communities. The Guidebook covers bribery and corruption, gifts and entertainment, fairness and opportunity, harassment, conflicts of interest, protection of assets, proprietary information, data protection, etc. The Guidebook is available on the corporate website.

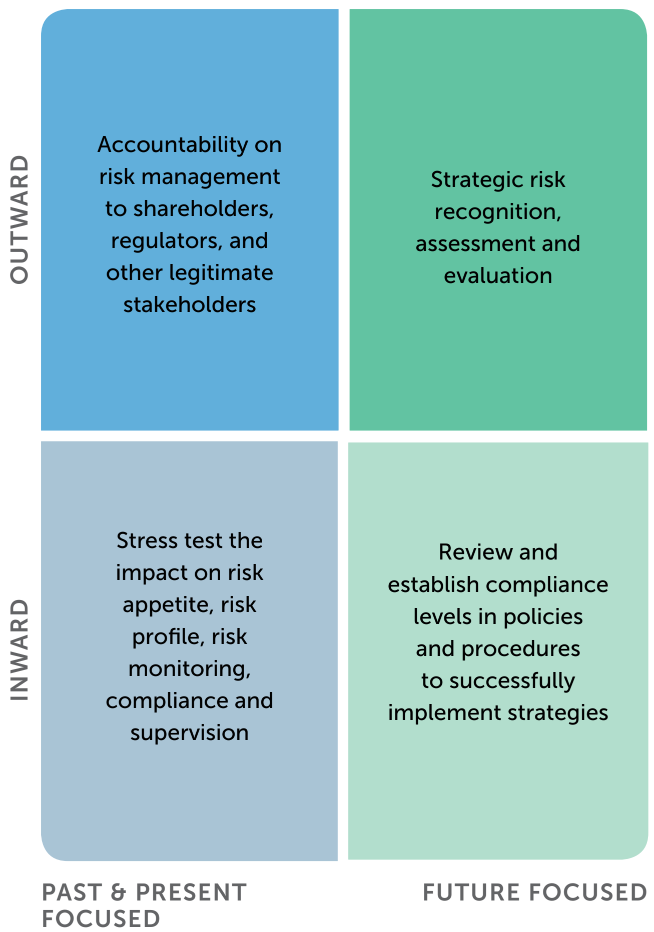
Sembcorp Marine has also established a crisis management policy on dealing with crisis. The policy sets out the process in which the Board of Directors and senior management are kept informed of corporate crises in a timely manner, according to their severity. Such crises may include events that have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

RISK MANAGEMENT

CREATING BUSINESS VALUE WHILE MANAGING RISKS

Risk management is an integral part of Sembcorp Marine's business, both at the strategic and operational levels. Low business volumes, stiff competition from established yards, threat of cyber disruption, violation of corruption laws and illiquidity are some of the major risks that continue to threaten the industry.

To safely navigate these risks, Sembcorp Marine adopts a balanced approach to risk management and cultivates a culture that embraces risk management, so as to create business value. Understanding the external risk environment allows pre-emptive actions to be taken, leading to a more successful execution and performance of strategy.



RISK OVERSIGHT AND GOVERNANCE STRUCTURE

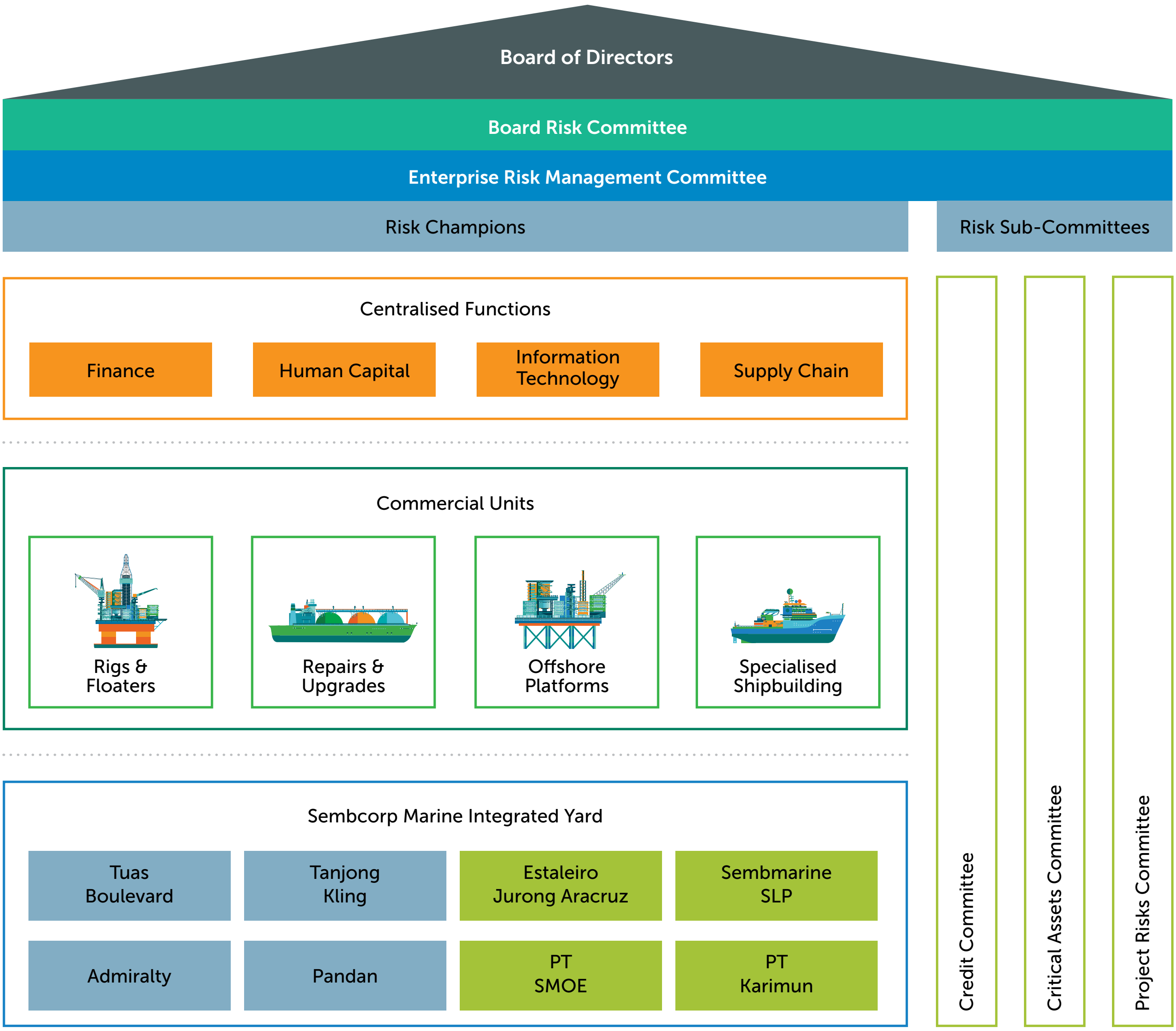
Sembcorp Marine's Risk Oversight and Governance Structure comprises the Board, Board Risk Committee (BRC), Enterprise Risk Management Committee (ERMC), Risk Champions, Risk Sub-Committees and the Risk Management Office under the Chief Risk Officer (CRO).

The Board is responsible for risk oversight and setting an appropriate tone from the top, which is cascaded across the Group through policies and procedures. The BRC supports and assists the Board in overseeing that management has put in place adequate and effective risk management systems, framework, policies, procedures and processes; reviewing and endorsing the Group's risk appetite and risk tolerance limits for approval by the Board; reviewing risk reports from management which include the Group's risk profile, major risk exposures and material risk issues; as well as management's response and actions taken to monitor and control such exposures or issues.

The responsibility for risk management and effective internal controls lies with the ERMC. Chaired by the President & CEO, the ERMC drives key risk initiatives and reviews risk issues across the Group.

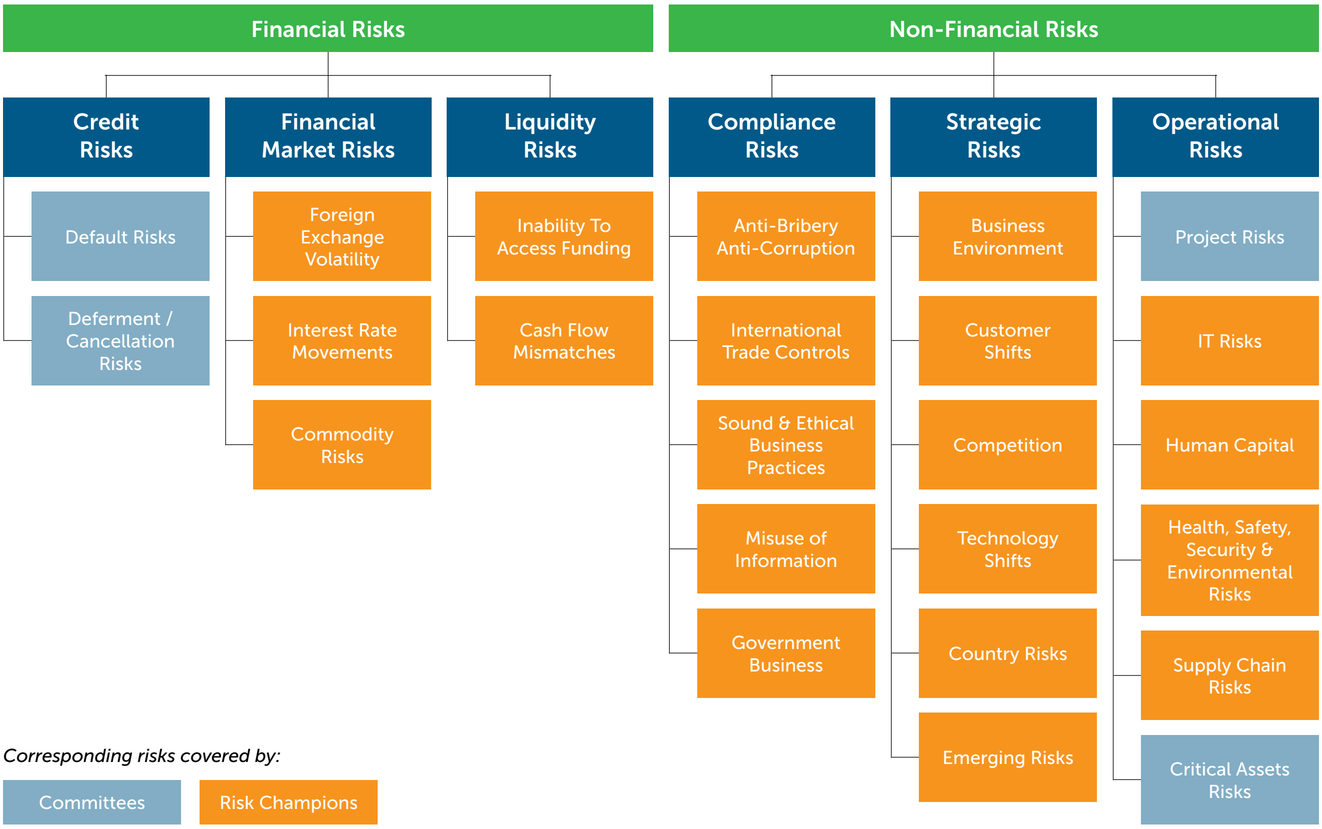
Supporting the ERMC are the Risk Champions and the Risk Sub-Committees for Credit, Critical Assets and Project Risks. These sub-committees are chaired by senior management staff appointed by the President & CEO. Collectively, the Risk Champions and the Risk Sub-Committees oversee the various risk categories with clear assignment of responsibilities.

Risk Oversight and Governance Structure



RISK MANAGEMENT

Clear Definition of Risks and Assignment of Risk Ownership



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

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

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

KEY RISKS AND CONTROLS

The Group categorises the risk environment into six pillars, reflecting the risk profile most relevant to its business and operating environment. The risk profile is updated regularly by reviewing the Sembcorp Marine Risk Map, which defines specific sub-risk areas under each of the six pillars, including material topics covered under "Fraud / Bribery and Corruption", "Community Investment and Philanthropy", "Ecology", "Health, Safety and Environment", etc. Key risks are identified and assessed for inherent impact and likelihood, factoring in external influences as well as internal control measures to ascertain the resultant risk level.

Credit Risks

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

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

Customers' accounts are monitored regularly for compliance with credit policies and for prompt collections. A credit ratings map (showing customers' credit ratings and corresponding exposures) is used for proactively tracking changes in customers' ratings, with additional focus given to contract termination and failure to take delivery after technical acceptance.

Financial Market Risks

Sembcorp Marine has operations globally and is exposed to a variety of financial market risks, including currency movement risks, interest rate risks and raw material price risks. Currency and interest rate volatilities are monitored by the Treasury department and hedged against adverse fluctuations based on pre-set limits. Exposures are naturally hedged at the transactional levels before the residual exposures are measured and hedged using non-derivative instruments with established financial institutions.

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

Liquidity Risks

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

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

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

Compliance Risks

Sembcorp Marine consistently monitors compliance risks, identifying and assessing corresponding risks and controls. Compliance risk management is discussed at multiple platforms and initiatives are tailored to address respective risk areas. Such initiatives are implemented and communicated across the Group, including policies relating to ethical business practices and Code of Business Conduct. Awareness and training sessions are held for all levels of employees, including all senior management, as well as all Board members. Including classroom training sessions, some 3,159 employees have received anti-bribery compliance training as at December 31, 2017. This group constitutes 87% of Sembcorp Marine's global workforce holding executive positions and above.

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

The CRO and senior management visit overseas yards and offices frequently to amplify "tone from the top" messages on compliance and to reinforce the Group's zero-tolerance stance against bribery and corruption. These visits also serve to open the communication channel for staff to escalate risk issues on the ground for management's attention.

Constantly on its guard against dealing with business partners (vendors, contractors and third-party agents) with poor ethics and reputation, Sembcorp Marine has been strengthening its compliance programme since 2016. Business partners are referred to an online Guidebook to Code of Business Conduct published on the corporate website, which they are expected to comply with. A due diligence framework comprising Anti-Bribery Compliance (ABC) due diligence policies and procedures is in place. Extending this further, Group policies were reviewed by external Brazilian legal adviser Trench, Ross, Watanabe (TRW) and localised for Sembcorp Marine's Brazilian yard, Estaleiro Jurong Aracruz Ltda (EJA). The Group subscribes to a tool which screens names for adverse media, politically exposed persons, sanctions, as well as regulatory and other enforcements. Currently, a vendor declaration form is being rolled out aimed at getting assurance from vendors that they comply with the Group's Code of Business Conduct; the target is to obtain declaration from all active vendors on their compliance.

RISK MANAGEMENT

Road shows are conducted in Singapore and overseas yards to reinforce staff awareness of Corporate Governance, Risk Management and Internal Controls with the aim of ingraining ethical practices – doing what is right even when no one is looking – into Sembcorp Marine's corporate culture. In the coming year, these road shows will continue to be a staple employee outreach programme, emphasising the Group's compliance stance.

Strategic Risks

Sembcorp Marine continues to be vulnerable to external factors. To prepare for these risks, the Group constantly scans the business horizon for developments, and the Board consistently interacts with senior management at various forums, exploring options and going through scenario-planning so as to be ready to manage the major risks should they materialise, or seize emerging business opportunities.

Country risk exposures are monitored within tolerable limits, with breaches thoroughly investigated. Board and senior management review investments and projects involving high-risk jurisdictions and ensure adequate safeguards are in place before they are allowed to proceed.

The risk appetite statements, metrics and tolerance limits are constantly reviewed and recalibrated to ensure an appropriate balance between risk-taking and optimising returns. The corresponding Risk Appetite Statement Dashboard is reviewed by ERMC and BRC regularly and (where applicable) specific control measures and corrective actions are discussed and put in place.

Operational Risks

- Project Risks

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

- IT Risks

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

  The Group also places attention on the rising cyber threat. Network security measures have been put in place. To manage the evolving threat, penetration-testing by external consultants has been planned for, so as to strengthen IT systems and infrastructure.

- Human Capital

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

- Health, Safety, Security & Environment Risks

  Social and Environmental

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

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

HSE performance indicators are reviewed with management. Various HSE programmes are organised to instil HSE awareness in the workforce, along with risk intervention programmes for identified key risks.

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

- Supply Chain Risks

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

  The Group qualifies vendors to ensure a portfolio of best-in-class vendors is available for use. These vendors are qualified based on their company profiles, financial standing, technical capability and expertise. Performances of key vendors are reviewed annually. Vendors are also required to declare their compliance with the Group's Code of Business Conduct, thus ensuring an ecosystem of ethical business practices.

  Purchase orders and procurement contracts are structured to promote effective and efficient administration during execution. Purchase orders or purchase contracts are issued promptly in order to secure timely delivery of goods. To safeguard its interests, the Group has adequate terms and conditions in its purchase orders and contracts. There are also effective controls to ensure that purchase terms and conditions are negotiated in conformity with the Company's procurement policy and procedures.

- Critical Assets Risks

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

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

Insurance is also a key mitigation for operational risks (and other risk areas, where applicable). The Group actively identifies projects with residual risk exposure and acquires insurance to cover or reduce exposure as practically possible. Critical assets are also covered by insurance to hedge against unexpected losses and downtime. Insurance is further procured for identified personnel to mitigate key-man risks. The Group leverages insurance as a means of risk transfer where it is cost-effective to do so, or required by contractual obligations or legislation.

EMBRACING DISRUPTIVE TECHNOLOGIES

Sembcorp Marine collaborates with leading research organisations in exploring, refining and applying disruptive technologies to achieve solutions that are smarter, safer, more efficient and more cost-effective. The Group views disruptive technologies as enablers that will transform the way it operates, competes and leads in the industry.

Sembcorp Marine Tuas Boulevard Yard is a "living lab" for test-bedding disruptive applications

SUSTAINING COMPETITIVENESS

Sembcorp Marine's sustainable growth rests on its ability to create long-term value for stakeholders. The Group stays competitive by focusing on three important areas: Innovation and Solutions Development; Value Chain Management; and Customer Alignment.

INNOVATION AND SOLUTIONS DEVELOPMENT

Sembcorp Marine is committed to continuous innovation, development of solutions, environmental preservation and long-term business growth.

The Group adopts responsible business practices and provides innovative solutions to help business and community partners achieve the United Nations Sustainable Development Goals. Anchored in robust core values, a strong innovation culture as well as disciplined technology research and engineering development capabilities, the Group offers cost-effective, safe and environmentally-friendly solutions with the aim of transforming the industry and enabling customers to stay ahead of the competition.

Sembcorp Marine's innovation approach is built upon three pillars – researching emerging technologies and new opportunities; development of talent, products, systems and processes; and collaboration with innovators, institutions and the industry.

In embracing the low carbon economy vision, Sembcorp Marine has invested in various gas technologies and introduced a full suite of solutions to meet the growing demand for natural gas, which is seen as a viable intermediate solution towards clean and renewable energy sources. Non-gas technologies, such as fuel cells and renewables, represent longer-term solutions the Group is researching and developing, which will contribute towards the realisation of a low-carbon footprint in the future.

New digital technologies can bring about transformational improvement to the productivity, safety and sustainability of processes and solutions by enabling significant advances in engineering design, operational control and yard security. In this regard, Sembcorp Marine's flagship Tuas Boulevard Yard – a new-generation, smart and sustainable facility – is actively leveraged as a living lab to test-bed various new technology applications, such as the use of solar energy coupled with digital management and control solutions, for future implementation.

Sustainable Products

Sembcorp Marine's pipeline of strategic technology research and solution development programmes have led to a suite of safer, smarter and more superior products that also provide more environmentally-friendly solutions for customers, the industry and the community.

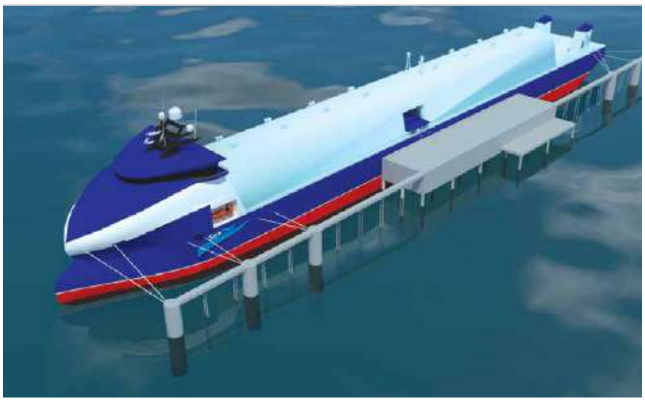
Towards a Low Carbon Economy

Gas Value Chain Solutions

Liquefied natural gas (LNG) is an environmentally-friendly fuel. In an effort to accelerate its adoption, Sembcorp Marine has developed an extensive portfolio of technology to offer cost-effective and innovative gas value chain solutions.

The Group has a proven expertise and track record in delivering offshore fixed platforms for gas exploration and production. This is further supplemented by Sembcorp Marine's access to gas processing technology, which provides a key strategic advantage for the Group in offering

Sembcorp Marine's support of the high-pressure, high-temperature gas and condensate development in the Culzean field includes the engineering, procurement and construction of three fixed platform topsides, and construction of a floating storage and offloading vessel as well as a jack-up rig



Artist's impression of the Sembcorp Marine-designed compressed gas liquid carrier an extended range of solutions for floaters as well as harsh-environment fixed platforms for ultra-high-pressure, high-temperature gas condensate field development.

For offshore gas terminals, the Group's innovative and cost-effective Gravifloat solutions have opened up new opportunities for terminal development projects around the world.

Boosted by proprietary assets from Sembcorp Marine subsidiary LMG Marin, the Group offers LNG vessel solutions, including bunkering vessels, gas fuel tugs, and compressed gas liquid (CGL) carriers.

Sembcorp Marine has expanded its capacity and capability into the construction of gas-powered, next-generation vessels, such as the world's largest semi-submersible crane vessel constructed for Heerema, which is currently nearing completion. The Group has also maintained its lead as the top LNG repair yard in the world, with 34 LNG vessels repaired and upgraded in 2017.

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

Safeguarding the Oceans

Safe and Efficient Floaters for Harsh-Environment Operations

Sembcorp Marine aspires to ensure that its solutions contribute to safe operations. The Group's offshore and marine solutions are deployed extensively worldwide – from nearshore to deep waters and across oceans.

The floating storage and offloading vessel (FSO) Ailsa is a full turnkey newbuilding project constructed in compliance with MARPOL regulations. A proprietary design of LMG Marin, it is equipped with superior safety features for harsh-environment operation, such as a bow with side wave barrier protection and a strong hull that resists flexing better. The vessel's cost-effective yet capable characteristics lie in its design and construction for 25 years' continuous operation in harsh wave conditions without the need to dry dock for maintenance, as well as its 40-year hull lifespan with excellent coating for corrosion allowance.

The FSO Ailsa is an example of the Group's ability to deliver innovative integrated solutions for complex and challenging locations, such as the Culzean field in the North Sea.

Mitigating Bio-Invasions at Sea

To help customers meet the new International Maritime Organization (IMO) Ballast Water Management Convention requirement, Sembcorp Marine has developed the Semb-Eco LUV Ballast Water Management System (BWMS). Equipped with ultra-violet and patented bio-fouling technology, it mitigates the risk of invasive aquatic species even in turbid or highly challenging tropical waters. The BWMS has full IMO and US Coast Guard Alternate Management System certifications for global vessel operations. The Semb-Eco LUV BWMS won the Outstanding Maritime R&D and Technology Award at the 2017 Singapore International Maritime Awards for its innovation, environmental-friendliness and market-readiness.

Making progress on Sleipnir, the world's biggest and first dual-fuel (LNG and MGO) semi-submersible crane vessel built for Heerema

SUSTAINING COMPETITIVENESS

Another milestone achieved with the Ballast Water Management System development: Successfully completed US Coast Guard shipboard tests

Sembcorp Marine's Semb-Eco LUV Ballast Water Management System won the Outstanding Maritime Research and Development (R&D) and Technology Award at the 2017 Singapore International Maritime Awards

ElMag installations onboard a tanker fleet operating in the environmentally-sensitive US Alaskan region

Chemical-Free Corrosion Control

The ElMag system is a non-chemical corrosion control solution, based on a proprietary ultra-low frequency treatment that replaces conventional chemical-based coating to form a protective magnetite film around steel structures or parts. This solution does not release any chemicals into the ocean.

Sembcorp Marine has successfully installed the ElMag system on vessels operating in the environmentally-sensitive US Alaskan region. The system especially complements ships with water-cooled stern tube shaft to effectively prevent oil and chemicals from polluting the ocean.

Sailing into Arctic Frontiers

The opening of sea routes in the Arctic, traditionally untouched due to extremely harsh conditions, has enabled more ships to access the region and tap into its vast natural resources as well as venture into remote areas for cruise ship tourism.

Leveraging the Group's engineering, procurement, construction and commissioning capabilities, proven oil and gas solutions and market leadership in cruise vessel repairs and upgrades, Sembcorp Marine has expanded its solutions for safe, reliable and sustainable deployment into environmentally-fragile arctic frontiers. The Group offers ice-class vessel solutions for energy facilities, expeditions, scientific research and transportation.

Smart and Sustainable Yard

Sembcorp Marine's flagship Tuas Boulevard Yard is host to a broad spectrum of offshore and marine construction, repair and upgrade activities. It is equipped with bigger and deeper docks for the new generation of vessels; automated production facilities; and advanced environmental management features. As a living lab, the yard collaborates with various technology partners to test-bed innovative processes, advanced equipment and new technologies. Such endeavours strengthen the Group's operations and capabilities in developing and delivering new products and solutions for sustainable growth.

Smart Manufacturing

Sembcorp Marine and DNV GL, together with technology collaborators Nanyang Technological University and the Singapore Institute of Manufacturing Technology (SIMTech), have started two Additive Manufacturing (3-D printing) projects, supported by R&D grants from the National Additive Manufacturing Innovation Cluster (NAMIC). Joint industry projects such as these enable Sembcorp Marine and its partners to establish marine industry standards for process control and acceptance, and to validate implementation feasibility of 3-D printing in fabricating parts for ship repairs and newbuild constructions. These pioneering research projects will pave the way for future development of additive manufacturing techniques within the offshore and marine sector to achieve faster turn-around and wastage reduction during manufacturing. Sembcorp Marine will test-bed these projects, in addition to drone and digital twin technologies, at the Tuas Boulevard Yard. In supporting these projects, the yard augments its role as a living lab for incubating and verifying disruptive applications for the offshore and marine sector.

Exploring collaboration opportunities with research partners at Sembcorp Marine Tuas Boulevard Yard's extensively automated steel fabrication facility

A 3-D laser-printed marine component can drastically cut resource wastage, reduce lead-time and provide design flexibility for repair and newbuilding parts

Renewable Energy and Digital Technology

Technologies supporting renewable energy development are advancing rapidly and becoming economically more viable. Sembcorp Marine is committed to expanding the use of these sustainable energy sources.

Sembcorp Marine is partnering with the SP Group to develop a digital energy-saving system, which involves installing Singapore's single largest solar farm at the Tuas Boulevard Yard and an integrated digital system for harnessing and channeling solar energy into the yard's Energy Management System. The system will also feature energy storage capabilities, energy sensors and a real-time digital platform to optimise energy usage throughout the yard. When completed, the digital energy-saving system will effectively reduce the reliance of the yard's steel fabrication facility on the national electricity grid by up to 30% at peak load.

The success of the digital energy-saving system will facilitate wider adoption of a more reliable and efficient system for harnessing solar energy at Tuas Boulevard Yard.

Working with Partners to Drive Industry Technology Development

The Sembcorp Marine Living Lab at Tuas Boulevard Yard provides collaboration opportunities for academic institutions, industry and innovation partners to accelerate the realisation of innovative ideas and translating research results into applications and solutions. This platform provides for the test-bedding of emerging technologies and new products in real and operational-scale yard operations and product environment.

SUSTAINING COMPETITIVENESS

Collaborations in 2017

Development of disruptive applications in Additive Manufacturing, Drone and Digital Twin technologies with DNV GL, SIMTech and NAMIC

A joint collaboration with SP Group to develop and integrate a Digital Energy-saving System for harnessing solar energy at Sembcorp Marine Tuas Boulevard Yard

Sembcorp Marine provides sponsorship support to the Singapore University of Technology and Design's Capstone Final Year Project for students to develop an autonomous vessel prototype

*Research and development of green shipping technologies with A*STAR's Institute of High Performance Computing and University of Glasgow*

Product Excellence

Sembcorp Marine adopts a risk-based approach to product development and ensures its products are fully compliant with rules and standards from the IMO, International Organization for Standardization (ISO) and marine classification societies.

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

All Sembcorp Marine products undergo strict risk and safety assessments during the design and construction phases, executed in consultation with customers and industry specialists. These phases utilise globally-developed instruments, such as Hazard Identification (HAZID) and Hazard & Operability (HAZOP) studies, to identify, manage and eliminate safety, environmental and operational risks at the earliest practicable stage. Sembcorp Marine project teams work closely with customers and stakeholders to assess product design, as well as identify and propose safety or cost-based improvements. Product-related technical and operational safety manuals, including instructions on health, safety and environment signage, safety data sheets as well as vessel operation manuals, are audited and approved by statutory regulators and classification societies.

SUSTAINABLE SUPPLY CHAIN MANAGEMENT

SEMBCORP MARINE PROCUREMENT AND OUTSOURCING RESOURCES COMMITTEE

Responsible Supply Chain Management Framework

WATER RESOURCE MANAGEMENT	ENERGY MANAGEMENT	CLIMATE CHANGE INITIATIVE	AIR QUALITY MANAGEMENT	MATERIAL MANAGEMENT
Reduce or eliminate the use of harmful chemical substances to protect vital water sources	Adopt energy-saving equipment and devices	Use of ozone-compatible materials and refrigerants	Encourage the use of vendors and technologies with sustainable practices	Procure from sustainable sources, control wastage and dispose of waste responsibly

MANAGING THE VALUE CHAIN

Effective value chain management is essential for business sustainability and customer satisfaction. Value inputs are proactively managed across Sembcorp Marine's project life cycle processes – from design, engineering, procurement, construction and commissioning through to delivery – to fulfil customers' specifications, delivery timelines and budgets. Beyond project fulfilment, the Group aims to exceed customers' expectations towards its practices in managing quality, health, safety and environment as well as business performance.

Details on the material topic impacts and the Group's level of influence in these impacts across its value chain can be found on pages 112 - 113.

Supply Chain Management

The Group focuses on creating value, harnessing synergies and leveraging economies of scale across its supply chain to enhance its competitive edge.

Overseeing the supply chain management function, the Head of Supply Chain and his team develop and implement supply chain management strategies to ensure suppliers provide timely delivery of products and services; comply with quality, safety, environmental standards; as well as align with the Group's Code of Business Conduct and sustainability requirements. The Head of Supply Chain chairs the Sembcorp Marine Procurement and Outsourcing Resources Committee (SPORC), which focuses on supply chain sustainability and risk management best practices.

As the deliverables of the Group's suppliers may impact delivery and production schedules, effective material management processes ensure that vendors' products, materials and services meet high standards of quality, safety, environmental management and business performance.

A vital part of Sembcorp Marine's supply chain value management is the due diligence processes for identifying and assessing critical vendors, and managing these processes through close monitoring and periodic evaluations. Critical vendors include those providing crucial materials, equipment, components and services that may significantly influence project deliveries.

SUSTAINING COMPETITIVENESS

OUR VALUE CREATION

OUR FOUR KEY CAPABILITIES

Rigs & Floaters
- Turnkey design, engineering, procurement, construction and commissioning of offshore newbuildings and conversions
- FSOs, FPSOs, FDPSOs, FPUs and MOPUs
- Gas terminals, FLNGs, FSRUs
- Jack-ups, semi-submersibles, drillships
- SSP solutions, TLPs and SPARs

Repairs & Upgrades
- Repair, refurbishment, retrofitting, life-extension, upgrading and conversion of vessels, marine and offshore structures
- Specialised projects, including jumboisation and dejumboisation
- Gas carriers (LNG and LPG)
- Cruise ships, ferries and mega-yachts
- Floating production vessels, MODUs
- Tankers, container ships and cargo ships

Offshore Platforms
- Turnkey engineering, procurement, construction, transportation, installation, offshore hook-up and commissioning solutions
- Offshore platforms
  - Integrated process
  - Production, riser and drilling
  - Wellhead, power generation, manifold and accommodation platforms
- Topside modules fabrication, installation and integration
- Wind-farm substations

Specialised Shipbuilding
- Design and building of sophisticated and specialised vessels
- Gas value chain vessels (CGL, LNG and LPG)
- Ferry, Ropax and cruise vessels
- Renewable energy support vessels
- Offshore support vessels (heavy-lift, pipe-lay and accommodation)
- Naval support and security vessels
- Research and scientific survey vessels

For more details on:
- Sembcorp Marine's value chain management – visit *www.sembmarine.com/sustainability/value-chain-management*
- Material topics and management approaches – see Approach to Sustainability section on pages 68 - 70
- Risk management and mitigation measures – see Risk Management section on pages 98 - 103

Suppliers
- *Raw Materials*
  - Metals – mainly steel plates and pipes
  - Wood, plastics, cables and wire
- *Equipment & Parts*
  - Engine room machinery
  - Process equipment
  - Drilling packages
  - Software, sensors and systems machinery
  - Yard infrastructure and maintenance
- *Chemicals & Gas*
  - Paint for anti-fouling and corrosion protection
  - Bulk gases for production
  - Chemicals for process operation and treatment

Design & Engineering
- Products & Solutions Development
- Process Engineering
- Simulation & Testing

Procurement
- Raw Materials
- Equipment & Parts
- Services & Manpower

Production
- Business Units
- Integrated Yard
- Project Management

Quality & Safety Validation
- Quality Assurance
- Compliance Checks

Transportation & Delivery
- Towing Solutions
- Heavy Lifting
- Logistics

Product In Use
- Product Training & Documentation
- After-sales Support

Specialist Service Providers

- *Design Houses and Technical Consultants*
- *Inspection, Test and Commissioning Agencies*
- *Certification Societies*
- *Waste Management Services*

Labour Providers

- *In-house Manpower*
- *Sub-contract Labour*
- *Supplier Service Team*

Significant Material Impacts	Where Impacts Occur / Ability to Influence
• Business Integrity • Innovation and Solutions Development • Customer Alignment • Environmental Sustainability • Human Capital • Total Workplace Safety and Health (Contractors, Suppliers)	Within Sembcorp Marine, there is a high level of influence on the material impacts during this phase. There are various management systems and risk mitigation practices in place during design, engineering and procurement to ensure quality, safety, environment and performance standards.
• Business Integrity • Innovation and Solutions Development • Customer Alignment • Environmental Sustainability • Human Capital • Total Workplace Safety and Health (Customers, Employees, Contractors, Suppliers) • Community Engagement	There is a high level of involvement by the Group to manage impacts relating to quality, workplace safety and health, environmental sustainability as well as compliance with customers' location-specific operating requirements. Risk mitigation measures ensure projects are completed safely, on time and within budget. Some external impacts are managed at this stage, for example, labour market and community engagement.
• Business Integrity • Customer Alignment • Environmental Sustainability • Total Workplace Safety and Health (Customers)	There continues to be a strong focus in managing customer relationships and fulfilling their delivery requirements. Influence of the Group is reasonably high regarding material topic impacts. Management systems and risk mitigation measures are in place to control product-related impacts, such as safety and emissions.

SUSTAINING COMPETITIVENESS

Sustainable and Responsible Supply Chain Practices

Sembcorp Marine embeds sustainability practices across its value chain, operations and the lifecycle phases of its products and solutions, so as to minimise environmental, social and economic impacts.

Sembcorp Marine manages its operational impacts through sustainable resource and material management as well as responsible procurement. For example, the Group adopts energy-saving equipment and devices; controls wastage and disposes of wastes responsibly through licensed vendors; and uses environmentally-friendly paints and coatings in its operations.

To protect the environment and marine ecosystem and help mitigate climate change, Sembcorp Marine avoids products containing harmful chemical substances. In compliance with environmental and public health requirements by IMO, Montreal Protocol provisions and Singapore's National Environment Agency, the Group does not procure materials, parts, equipment or products containing asbestos and ozone-depleting substances such as chlorofluorocarbons (CFCs), hydrochlorofluorocarbons (HCFCs) and halon.

The Group also practises ethical sourcing and makes every effort to prevent conflict minerals from entering its supply chain. Conflict minerals are defined as tin, tantalum, tungsten and gold originating from conflict-affected or high-risk areas. The mining and sale of these minerals are often exploited by armed groups perpetuating forced labour, human rights abuses and violence to further unethical and divisive objectives.

Sembcorp Marine has various due diligence and internal control processes in place to ensure that its suppliers are socially responsible and practise both sustainable and ethical sourcing.

Sembcorp Marine engaged with vendors in its Global Marine & Offshore Equipment Partnership Programme to advance shared business objectives and responsible procurement practices

As part of the Group's supply chain vendor selection framework, suppliers are subject to qualification and are required to commit to Sembcorp Marine's Code of Business Conduct and sustainability standards. To be in the Group's Approved Vendors List, suppliers undergo a selection process that has integrated sustainability considerations into the qualification criteria. In addition to quality, reliability and performance considerations, the purchase contracts include clauses on sustainable supply chain practices such as anti-corruption, conduct of business, health, safety and environment sustainability and conflict minerals.

Vendor selections are conducted in a transparent manner. Bidders are treated fairly and evaluated based on merit and objective criteria. Companies involved in the bidding are to observe fair competition regulations and codes of conduct during the tendering process.

The Group's sustainability requirements are integrated into the terms and conditions of a tender contract. As a pre-requisite for vendor qualification and selection, vendors must declare that they and their supply chain partners uphold socially responsible practices, such as not using prohibited substances and conflict minerals.

Vendors are expected to participate in the Group's evaluation processes and audits covering quality, safety and sustainability standards as well as ethical codes of conduct, through relevant documentation reviews, verification checks and on-site audits, if required.

Periodic evaluation of vendors' performance is performed by a committee. Contracted vendors who do not meet the Group's performance requirements are subject to corrective actions.

To maintain high standards of workplace safety and health, Sembcorp Marine requires its resident contractors to have at least bizSAFE Level 4 certification and externally-audited safety risk management systems.

Supplier Engagement

Sembcorp Marine partners with its vendors and contractors to advance shared objectives in enhancing business excellence, sustainability as well as occupational safety and health. In addition, the Group actively communicates to suppliers its corporate governance policies – including its zero-tolerance

For more details on Sembcorp Marine's environmental programmes, please refer to pages 120 - 124 of this Sustainability Report

stance on bribery and corruption – through briefings, workshops and other engagement platforms. Sembcorp Marine's Code of Business Conduct is also disseminated to suppliers to ensure their alignment with the Group's sustainability and social responsibility practices.

CUSTOMER ALIGNMENT

Sembcorp Marine's customer alignment approach enables the Group to develop long-lasting partnerships and shared values with customers for mutual success and continuous growth. The Group focuses on forging strong relationships, reinforcing brand loyalty and building trust.

In 2017, Sembcorp Marine secured a US$490 million contract from Statoil Petroleum AS for the turnkey engineering, procurement and construction of the hull and living quarters for a newbuild FPSO vessel, as well as a US$145 million contract for FPSO hull carry-over works from Tupi B.V., a Petrobras majority-owned consortium.

Currently, Sembcorp Marine is working on several milestone projects, including the world's largest semi-submersible crane vessel for Heerema; a harsh-environment FSO vessel for MODEC; a Central Processing Facility, Wellhead Platform and Utilities & Living Quarters Platform Topsides for Maersk Oil; and two units of proprietary Jurong Espadon III high-specification ultra-deepwater drillships for Transocean. These mega-scale newbuilding projects are unique to Sembcorp Marine and represent the Group's successful diversification into new markets, supported by enhanced capabilities and capacities via its flagship Tuas Boulevard Yard.

Sembcorp Marine's contract orders from major energy and marine companies are an endorsement of the Group's offshore construction and engineering expertise and trusted brand.

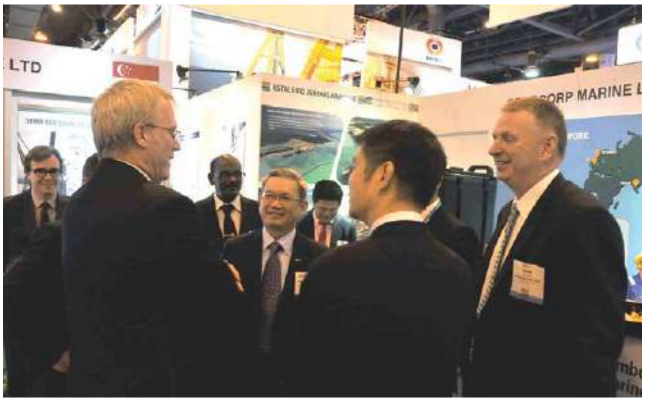
Maersk Oil's Wellhead Platform topside

Forging Strong Relationships

Building Brand Awareness

Sembcorp Marine participates in major trade exhibitions and marketing road shows to connect with prospects and existing customers, and to promote the Group's capabilities and solutions. These activities effectively enlarge its market reach and generate business leads.

Seminars on Sembcorp Marine's new products, such as Green Technology Retrofit Solutions and Gravifloat LNG terminal solutions, are conducted regularly to achieve industry visibility and interest.



Connecting with customers globally through overseas trade shows and engagement platforms

Conducting local and overseas seminars on the Group's green technologies and environmental solutions for customers and partners

SUSTAINING COMPETITIVENESS

Presenting Sembcorp Marine's innovative solutions for arctic deployment

Active engagement of customers and partners through networking functions

Engaging Customers

Sembcorp Marine maintains close communication with its customers to understand their needs and expectations. To ensure timely response to any issues or concerns, customers have 24/7 access to Sembcorp Marine service representatives throughout the different stages of project execution – from the initial engineering and procurement phases through to project execution and final delivery.

The Group also collaborates with customers to create and promote shared values in the workplace and in the community. These joint efforts include teambuilding activities, workplace safety and health events, innovation carnivals, best-practice exchanges, networking functions as well as community initiatives such as the Green Wave Environmental Care Competition.

Fostering Partnership

Sembcorp Marine maintains strong partnerships with customers. The Group's Alliance Agreements and Favoured Customer Contracts (FCC), which are long-term agreements with diverse customers for vessel repairs and upgrades, are testament to the Group's success in building strong ties with its partners. Under these agreements, Alliances and FCC partner vessels trading in the region call exclusively at Sembcorp Marine's yards for refitting, refurbishment or life extension work, where they receive consistently safe, high quality and timely work. In return, the Group succeeds in cultivating a steady flow of repair and upgrade projects that bring in a stable revenue stream for the Group. With such long-term business relationships, Sembcorp Marine and its partners also have the opportunity to work closely in innovating and achieving continuous improvement in ship repair and upgrading works.

Sembcorp Marine executed a total of 390 repair and upgrade projects in 2017, with work carried out for strategic partners and regular customers making up 80% of the Group's repair and upgrading revenue. Notably, Sembcorp Marine took on 34 LNG ship repair and upgrade projects and refurbished 16 cruise liners. Both these numbers were records for the Group, reflecting its market leadership in the LNG carrier and cruise ship repair/refit niche segments.

Sembcorp Marine's long-term LNG customers include BP Shipping, Chevron LNG, China LNG Shipping, Exmar Shipmanagement, Gaslog LNG Services, Northwest Shelf Shipping Services Company, MOL LNG UK, Teekay, Polar Tankers and Alaska Tankers. In the cruise ship segment, the Group has strategic partnerships with Carnival Corporation and Royal Caribbean Cruises – the world's top two cruise companies – as well as Asia's leading cruise line Star Cruises and numerous niche-market cruise companies.

In 2017, Sembcorp Marine scored new FCC agreements with Chevron Shipping USA for repairs of the company's owned and managed LNG carriers, as well as with Jo Shipping of Norway for the servicing of its tanker fleet.

Favoured Customer Contract (FCC) partner Northwest Shelf Shipping Services Company and Sembcorp Marine teams marking the successful refit of LNG carrier Northwest Seaeagle

Opening of the Ship Superintending Engineering Centre in Tuas Boulevard Yard which serves as an office for Republic of Singapore Navy (RSN) personnel to manage the maintenance and logistics of RSN's ships serviced by the Group

The new exclusive FCC partnership with Chevron covers the repairs of its owned and managed LNG carriers

SUSTAINING COMPETITIVENESS

Royal Caribbean International's Mariner of the Seas revitalisation project at Tuas Boulevard Yard

Enhancing Customer Satisfaction

Sembcorp Marine actively solicits feedback on its design, quality and responsiveness, so as to better understand customers' needs and preferences, improve its products, services and processes, and in turn deliver greater customer satisfaction.

Inputs from customers also help the Group identify new opportunities for market growth, product expansion as well as innovation and solutions development to meet the industry's evolving needs.

A structured customer feedback system is in place to regularly collect qualitative and quantitative feedback through formal surveys and various other engagement platforms.

Reinforcing Brand Loyalty

Sembcorp Marine's innovative products and solutions meet high standards of quality, safety and performance. Its proven execution capabilities as well as on-time and on-budget delivery track record underpin the Group's reputation for excellence in customer experience and satisfaction.

To achieve timely project delivery, Sembcorp Marine carefully manages its value chain and maintains robust engineering development and project management processes. The Group's global operations are also governed by strict risk management and HSE policies that facilitate smooth project execution.

HSE considerations are taken into account at all stages of the Group's product life cycle management – from design, engineering and procurement through to production and delivery. To ensure product safety and reliability, impact assessments such as HAZID and HAZOP studies are conducted.

Delivery of Yamal modules

Sembcorp Marine's operational excellence is supported by stringent quality, safety and environmental management system processes. Its compliance regime includes ISO 9000, OHSAS 18001 and ISO 14001, with annual internal audits, periodic external audits, management reviews and customer project audits.

Training on HSE procedures is mandatory for all yard personnel at Sembcorp Marine. Employees and yard visitors are issued with personal protective equipment and briefed on safety procedures before accessing the work sites. In all Sembcorp Marine yards, signs and labels relaying important safety instructions and information are clearly displayed. The Group's incident prevention initiatives, such as hazard observation system as well as Personal Safety Involvement and Stop Work Authority programmes, have been well-received by customers. These programmes help mitigate HSE risks by empowering onsite personnel to intervene, report and prevent potential hazards at work. To ensure emergency readiness, the yards work closely with customers to jointly organise regular health, safety, security and environmental drills. The drill participants include emergency response teams, medical practitioners, occupational first-aiders and security personnel.

Quality and safety validation checks are performed before project delivery to ensure that Sembcorp Marine's products and services fulfil customers' specifications and relevant standards required by classification societies, IMO, regulatory agencies as well as state and port regulations.

In 2017, Sembcorp Marine delivered the Pioneiro de Libra FPSO conversion for Odebrecht and Teekay; the FSO Randgrid conversion for Teekay; the Yamal LNG modules fabrication for Siemens and Yamgaz; and a jack-up to Borr Drilling, These successful deliveries not only showcase the Group's experience and expertise in fulfilling customers' quality, safety and performance requirements, but also reaffirm the Group's reputation for providing innovative, safe and high-quality products and services.

Building Trust

On top of delivering superior products and services, Sembcorp Marine upholds high standards of data privacy protection, business integrity and security to safeguard the interests of its customers; including their intangible properties and assets.

The Group complies with Singapore Personal Data Protection Act and does not use or disclose customers' data without consent. Supported by cyber security and data protection measures, it observes ethical business practices and customer confidentiality in accordance with the terms of commercial contracts and agreements.

Strict security measures are also in place to protect customers' physical assets.

Sembcorp Marine's yards comply with the International Ship and Port Facility Security (ISPS) Code and have stringent security systems in place, including 24-hour security surveillance and strict access controls to monitor the entry of personnel at key locations and work sites. Joint inspections and emergency drills involving government security agencies are also regularly conducted in the yards and their surrounding areas.

In addition, Sembcorp Marine offers customers dedicated office facilities within the Group's yards to provide them with a safe and secure setting for work.

Commemorating the naming of FPSO Pioneiro de Libra

ENVIRONMENTAL SUSTAINABILITY

Sembcorp Marine is working with SP Group to develop and install what will be the largest single solar rooftop at a Southeast Asian shipyard

Sembcorp Marine is committed to reducing the impact of its business on the environment. The Group's Environmental Policy guides the monitoring, management and reduction of operational impact on the environment. It addresses group-wide leadership and accountability, communication, legislative and regulatory documentation, risk and change management as well as performance review of environment-related topics.

Each Sembcorp Marine facility adopts an Environmental Management System implemented and enforced by committees comprising representatives from health, safety and environment (HSE), facilities management, as well as business excellence teams.

The Group's yards undergo annual internal and external audits under the ISO 9001 Quality Management and OHSAS 18001 Occupational Health and Safety Management Systems. Tuas Boulevard Yard and Admiralty Yard, jointly accounting for approximately 70% of the Group's operational land area in 2017, are additionally certified to ISO 14001 Environmental Management and SS 577 Water Efficiency Management Systems. The buildings and workshops at Sembcorp Marine's flagship Tuas Boulevard Yard carry the Singapore Building and Construction Authority's Greenmark certification.

The Group complies with a wide range of regulations, such as the national Environmental Protection and Management Act (EPMA); Environmental Public Health Act (EPHA); the Maritime and Port Authority of Singapore's (MPA) Prevention of Pollution of the Sea Act as well as the Hazardous Waste (Control of Export, Import and Transit) Act which conforms to the Basel Convention on the control of transboundary movements of hazardous wastes and their disposal.

To enhance its water management, Sembcorp Marine requires all its yards in Singapore to be managed by Water Efficiency Managers by the end of 2018. All Water Efficiency Managers are to be certified based on the national Public Utilities Board's curriculum.

Environmental sustainability forms an underlying foundation to various aspects of Sembcorp Marine's business. More information can be found at:

Products and solutions – Innovation and Solutions Development, page 106
Responsible procurement practices – Value Chain Management, page 111
Framework and systems – *www.sembmarine.com/sustainability/environment*
Operational innovation – *www.sembmarine.com/sustainability/case-study-features*

ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS

Cutting and welding activities in the shipyards utilise gas fuels such as natural gas (NG), liquefied petroleum gas (LPG) and acetylene as well as carbon dioxide as a shielding gas. Electricity from the national grid continues to be the primary source of energy for operations, supplemented by diesel for portable generators and vehicles. According to the Energy Market Authority of Singapore, electricity from the national grid was generated from 95.2% natural gas, 1.1% coal, 0.8% petroleum products (mainly diesel and fuel oil) and 3.0% from other sources such as solar and biomass[1]. This translates to approximately 0.42 kilogrammes of carbon dioxide per kilowatt-hour produced by the grid.

In 2017, more diesel generators and compressors at Sembcorp Marine's Singapore yards were phased out as operational activities were increasingly consolidated at the Tuas Boulevard Yard. This flagship yard is designed to be energy-efficient, equipped with integrated high-capacity compressors running on electricity instead of diesel.

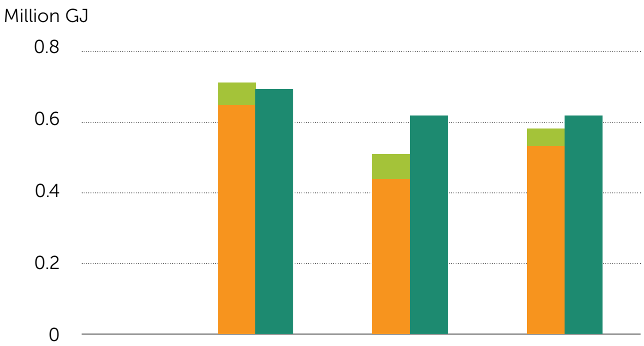
Trained managers monitor and assess energy consumption in the shipyards

In exploring the use of cleaner and renewable sources of energy with reduced carbon footprint, Sembcorp Marine signed an agreement with the SP Group in November 2017 to develop a Digital Energy-saving System that harnesses solar energy from 4.5 megawatt-peak rooftop solar panels. To be installed at the Tuas Boulevard Yard's state-of-the-art steel fabrication workshop, the solar rooftop will reduce this workshop's reliance on the national grid by as much as 30% during peak load. The digital energy-saving system will also feature energy storage capabilities, energy sensors and a real-time digital platform to optimise energy usage throughout the yard.

The shipyards have certified Energy Managers responsible for monitoring and analysing energy usage and the impact of emitted greenhouse gases. Working together with management, employees and related parties, these managers oversee the development and implementation of energy efficiency and reduction initiatives.

In 2017, the Group's diesel consumption increased by 21% and there was a 34% decrease in gas-related energy consumption. These can be attributed largely to 1) an increase in customer vessels with high-power requirements at a yard with infrastructural restrictions; and 2) several newbuild projects moving out of the steel fabrication stage of construction.

Energy Consumption



	2015	2016	2017
Direct Energy (Gases)	0.062	0.071	0.047
Direct Energy (Diesel)	0.646	0.440	0.534
Indirect Energy (Electricity)	0.689	0.622	0.625
Total Energy	**1.398**	**1.133**	**1.205**

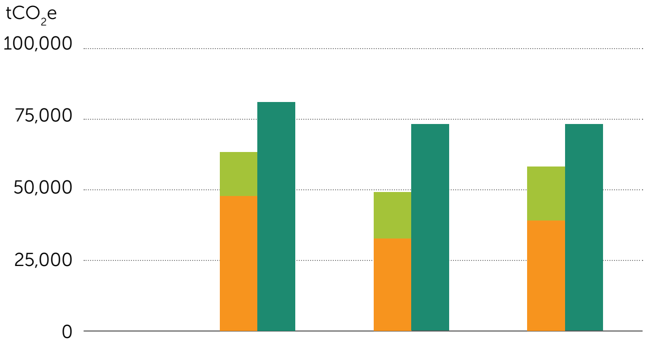
Direct Energy (Gases) | *Indirect Energy (Electricity)* | *Direct Energy (Diesel)*

Notes:
To ensure better standardisation of calculation methodologies, the acetylene calorific value has been aligned with the CDP Guidance methodology for estimation of scope 3 category 11 emissions for oil and gas companies (2016). Historical figures for Direct Energy (Gases) have been restated accordingly.

1. *Latest figures at time of print from "Singapore Energy Statistics 2017", page 30, Table 2.2 Annual Fuel Mix for Electricity Generation by Energy Product, Research and Statistics Unit, Energy Market Authority, Republic of Singapore.*

ENVIRONMENTAL SUSTAINABILITY

Greenhouse Gas Emissions



	2015	2016	2017
Scope 1 (Gases)	15,649	16,446	19,086
Scope 1 (Diesel)	47,896	32,589	39,578
Scope 2 (Electricity)	80,889	73,305	73,641
Total GHG Emissions	**144,434**	**122,341**	**132,306**

- *Scope 1 (Gases)*
- *Scope 1 (Diesel)*
- *Scope 2 (Electricity)*

Notes:
Scope 2 historical data for electricity has been restated in alignment with a new Grid Emission Factor issued by the Energy Market Authority in July 2017.

Fuel gases are used to cut and weld steel and other materials

AIR QUALITY

The Group implements several practices to control air quality during operations.

To mitigate the impact of yard activities on air quality, all yards carry out blasting and painting works in enclosures with advanced filtration systems. Additionally, the Admiralty and Tuas Boulevard yards monitor airborne particulate matter (PM2.5) levels at the boundaries to ensure that these remain within acceptable limits.

The Group is expanding the use of more environmentally-friendly processes like hydro-blasting, and materials such as steel grit to replace conventional copper grit. This reduces airborne particulate matter during the grit blasting process when steel surfaces are primed for production.

WATER

The Group consumes two types of water supplied by the Singapore Public Utilities Board (PUB) – potable water and reclaimed NEWater. These are derived from local catchment water, imported water, desalinated water and reclaimed water.

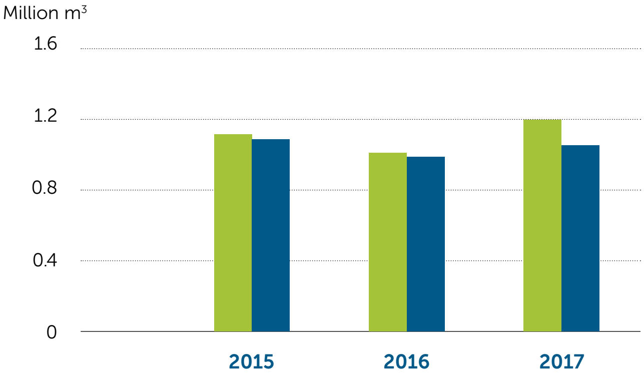
Water is a significant part of Sembcorp Marine's operations. Aside from consumption in the corporate offices and canteens, water is utilised for cleaning pipes, tanks and equipment of customer vessels that arrive at the yards for repair and maintenance works. The Group's efforts to replace copper grit blasting with hydro-blasting have also resulted in a higher water consumption intensity in recent years. To manage the consumption of this resource, the shipyards use reclaimed water (NEWater) where feasible. In 2017, reclaimed water accounted for approximately 47% of the Group's total water consumption.

Sembcorp Marine's appointed water managers monitor and audit water usage in the shipyards. Leak checks are performed regularly on water piping systems to mitigate water loss.

Water conservation awareness is continuously championed in company facilities and dormitories. Employees are provided with direct communication access to building supervisors and encouraged to provide feedback and report water leaks.

In 2017, the Group's consumption of potable water and NEWater increased, largely due to an increase in hydrojetting activities at a yard where supply is infrastructurally restricted to potable water.

Water Consumption



	2015	2016	2017
Potable Water	1.114	1.008	1.200
NEWater	1.087	0.989	1.051
Total Water Consumption	2.201	1.997	2.251

Potable Water *NEWater*

MATERIALS MANAGEMENT

The construction, repair and upgrading of drilling rigs, offshore structures and vessels require substantial use of steel. Steel constitutes an approximate 71% of projects undertaken by Sembcorp Marine yards.

Two main types of steel – raw steel plates and steel pipes – constitute a large majority of raw material and semi-manufactured parts most widely used in the business. This amounted to 115,982 MT of total steel consumed by Sembcorp Marine in 2017. To improve the quality of reporting, steel pipes were included in the Group's steel consumption data in 2017. For steel plates, there was a 17% decrease compared to 132,884 MT in 2016. This was largely attributed to several newbuild projects progressing out of the structural fabrication stage.

Copper grit is used as an abrasive to prepare surfaces for painting and other works. It is the most significant process material used in the Group's operations. Some 69,184 MT of copper grit was consumed in 2017 – an 8% decrease from the previous year.

WASTE MANAGEMENT

Sembcorp Marine has a strict policy on waste management, in compliance with national EPMA, EPHA and toxic industrial waste regulations. The collection, treatment, and disposal of the Group's hazardous, non-hazardous and recycled waste are managed by service providers with nationally certified permits. Group-wide policy and regulations provide guidance on material procurement, classification and handling, as well as workplace safety and health training, emergency response procedures and disposal behaviour for all employees, suppliers, customers and other stakeholders operating within the yards.

Chemicals in the yards are categorised by code according to the Globally Harmonised System (GHS). Non-hazardous waste and treated hazardous waste are sent for incineration at waste-to-energy facilities. This method provides energy creation opportunities and minimises landfill requirement.

Hazardous waste disposed from Sembcorp Marine's yards mainly consists of oily water and sludge removed from customers' vessels when they arrive for repair or maintenance works. Other contributors include chemical cleaners and paint packaging.

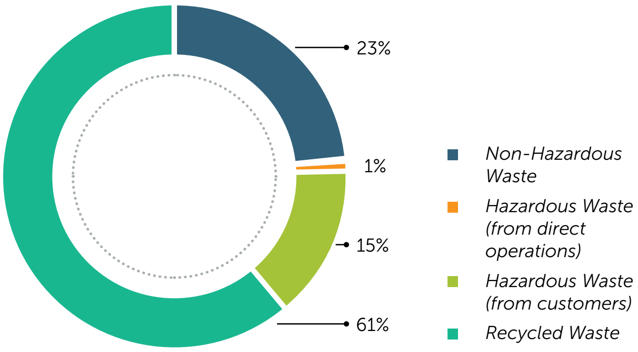
A waste water treatment plant was set up in late 2016 at the Tuas Boulevard Yard, involving a four-level filtration system that extracts water and treats it for safe discharge into the national network. The remaining solid matter is compacted and sent for incineration. The treatment plant has since reduced hazardous liquid waste volumes from the Tuas Boulevard Yard by more than 75%.

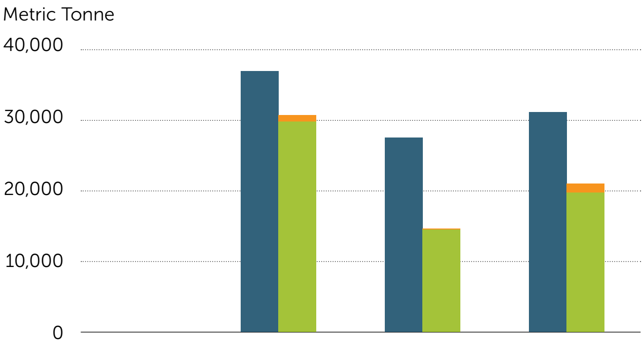
Sembcorp Marine water quality management procedures and oil spill response guidelines have been developed with reference to local and international standards such as Singapore's EPMA, EPHA, MPA's Prevention of Pollution of the Sea Act and US Environmental Protection Agency's (EPA) Oil Pollution Act. No significant spills were noted in 2017.

Production processes are designed with technology that maximises materials efficiency. The Group also practises a policy of recycling or repurposing retrieved steel scraps and spent copper grit. In 2017, this amounted to 36,728 MT of steel scrap and 38,979 MT of copper grit which constituted 94% of total waste recycled by Sembcorp Marine. The remaining 6% of total recycled materials consisted of items such as packaging wood and paper.

ENVIRONMENTAL SUSTAINABILITY

Types of Waste





	2015	2016	2017
Non-Hazardous Waste	36,713	27,657	31,056
Hazardous Waste	30,557	14,748	20,883
(from customers)	29,676	14,558	19,552
(from direct operations)	881	190	1,331
Recycled Waste	303,185	132,241	80,779

Non-Hazardous Waste
Hazardous Waste (from direct operations)
Hazardous Waste (from customers)

DATA AND REPORTING

Environmental data disclosed in this report is consolidated from the Group's yards within its operational control in Singapore.

As reported on pages 76 - 77, two yards ceased operation in 2017.

To improve the quality of reporting the Group's consumption of significant materials and resources, the Environmental Committee has included the consumption of steel pipes as an indicator from 2017.

The below details sources of conversion factors used in the chapter:

- Gas fuels included in the calculation of direct energy consumption and Scope 1 emissions consist of acetylene, liquefied petroleum gas and natural gas used for welding and cutting.
- Energy consumption conversion methodologies are applied from the Carbon Disclosure Project's (CDP) 2016 publication of Technical Note: Conversion of fuel data to MWH.
- Calorific values of fuels are sourced from Greenhouse Gas (GHG) Protocol's Emission Factors from Cross-Sector Tools (2017); except for acetylene which is provided by CDP's Guidance methodology for estimation of scope 3 category 11 emissions for oil and gas companies (2016). Historical figures for Direct Energy (Gases) have been restated accordingly.
- Emission factors for acetylene and carbon dioxide (used as shielding gas) are sourced from the US EPA Shipbuilding Inventory Tool (version 2.1); carbon dioxide (CO_2) is the only greenhouse gas included in this calculation.
- Emission factors for all other Scope 1 emissions are sourced from the World Resources Institute's GHG Protocol tools for stationary combustion (version 4.1) and for transport or mobile sources (version 2.6). The greenhouse gases included in this calculation are CO_2, methane (CH_4) and nitrous oxide (N_2O).
- Emission factors for Scope 2 are guided by the Energy Market Authority of Singapore. Electricity emission for the current reporting year is an estimate as it applies the latest available factor at the time of report preparation, which is often the previous year's emission factor. The only greenhouse gas included in this calculation is CO_2.
- Scope 2 figures for 2015 and 2016 have been restated due to revision of emission factors by the Energy Market Authority in 2017. Changes to figures are less than 2.5%.
- Water consumption is consolidated from utility invoices.
- Waste disposal information is provided by waste disposal contractors.

HUMAN CAPITAL

Nurturing a future-ready workforce

Sembcorp Marine aims to be an employer of choice in creating an equal opportunity workplace as well as an engaging and enriching work environment where employees can learn, grow and advance. With its human resource (HR) strategy aligned with strategic business objectives, the Group leverages workforce planning, talent management as well as competencies, capabilities and leadership development to drive continued growth and competitiveness.

WORKFORCE PROFILE

Sembcorp Marine's global workforce totalled 10,870 people as at end December 2017. The gender composition of 91% males and 9% females in the Group's workforce is comparable to other companies in the offshore and marine industry. Sub-contractors supplement the regular workforce and are deployed to support a significant part of the Group's production activities.

The Group's senior management team at its Singapore headquarters comprises 19 Singaporeans and one permanent resident. Of these, 16 are men and four are women, with five in the 40-49 years age group category and 15 in the 50 years and above age group.

More details can be found in the Senior Management section of this Annual Report on pages 50 - 57 and the corporate website.

HUMAN CAPITAL STRATEGY

Sembcorp Marine's HR strategy serves as an enabler to further the Group's mission, vision and business goals. The key dimensions of the HR strategy include workforce competencies and capabilities development for enhancing skills, productivity and competitiveness; talent management and leadership development for business continuity; as well as employee recognition, engagement and wellbeing.

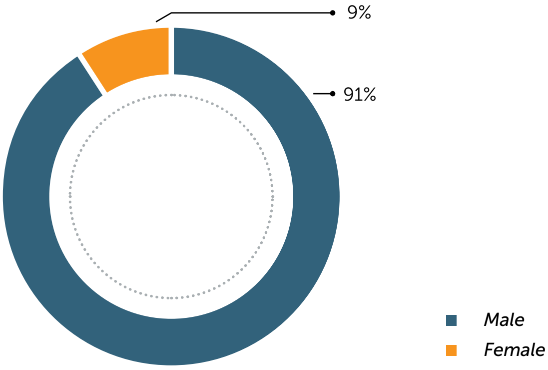
To ensure continued effectiveness and relevance of the Group's HR management systems, policies and procedures, regular reviews are conducted to evaluate feedback from internal and external stakeholders as well as benchmark against international standards and industry best practices.

HUMAN CAPITAL

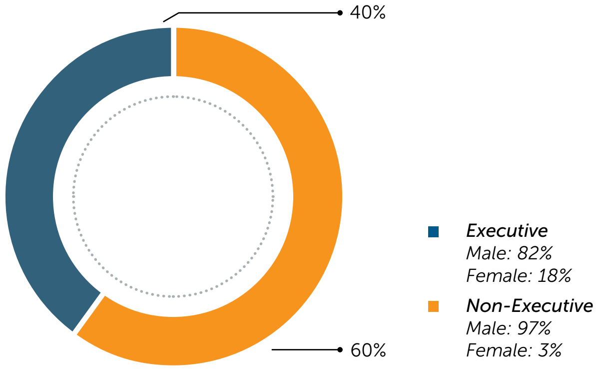
Global Workforce

Total = 10,870

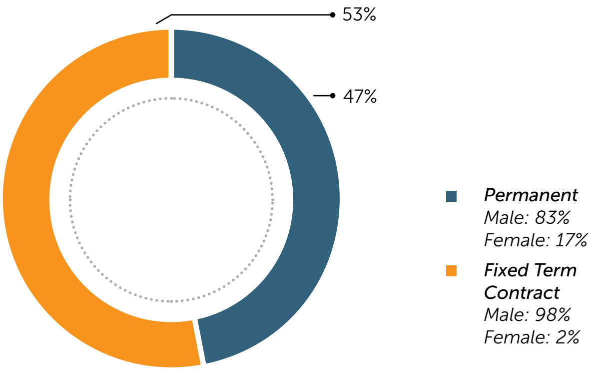
Workforce Distribution: Gender



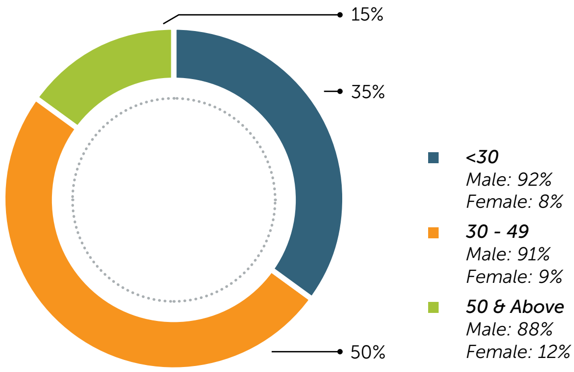
Workforce Distribution: Work Function



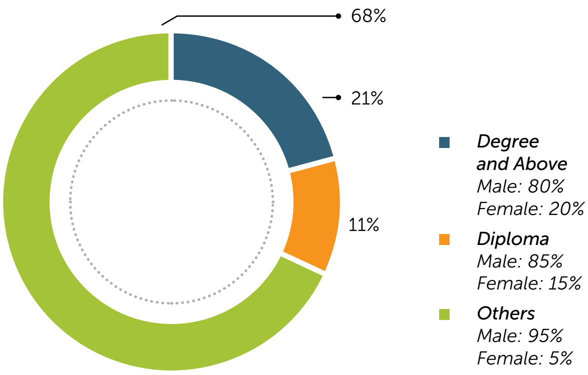
Workforce Distribution: Employment Contract



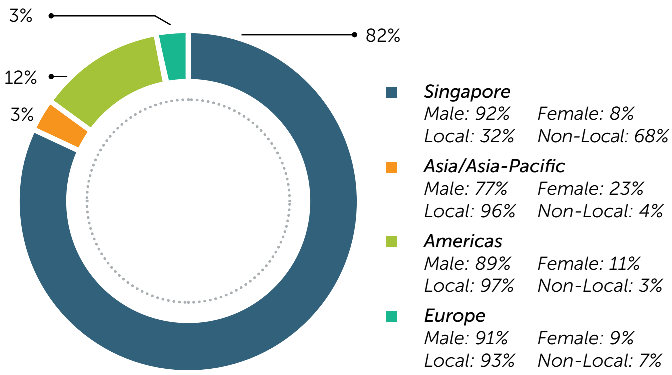
Workforce Distribution: Age Group



Workforce Distribution: Level of Education



Workforce Distribution: Region



Celebrating the successful signing of the collective agreement between Sembcorp Marine and the Shipbuilding & Marine Engineering Employees' Union (SMEEU)

FAIR EMPLOYMENT AND EQUAL OPPORTUNITIES

Sembcorp Marine fosters an inclusive culture and an equal opportunity work environment where diversity and the rights of employees are respected. The Group's commitment to fair employment practices and respect for fundamental human rights are reflected in its HR policies and Code of Business Conduct.

The Group's human resource approach, policies and practices in Singapore and its global operations are aligned with recognised conventions on human rights and labour. Sembcorp Marine is informed and guided by general conventions from the United Nations Guiding Principles on Business and Human Rights as well as Singapore's Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP).

An early adopter of Singapore's Tripartite Standards, Sembcorp Marine has been recognised by TAFEP as a Human Capital Partner for its progressive employment practices and continuous investment in human capital.

The Group observes ethical business practices and complies with labour laws in its various countries of operation. Slavery, forced labour, human trafficking and child labour are prohibited. The Group treats all employees fairly and any form of discrimination is not condoned.

Employees, associates and business partners are expected to adhere to guiding principles set out in the Group's Code of Business Conduct, which are communicated through various channels, including the company's corporate website as well as workshops on ethics, anti-bribery compliance, enterprise risk management and corporate governance. Vendors, suppliers and sub-contractors are required to undertake that their business practices are in compliance with Sembcorp Marine's corporate governance standards and social responsibility principles.

As part of its fair employment practices, Sembcorp Marine has established merit-based and non-discriminatory procedures for recruitment, training and development, compensation and evaluation. Employees are evaluated on objective criteria, including skills, experience, attitude and disposition, to assess their suitability for the job and the workplace. Remuneration is equitable and based on job scope regardless of employees' ages.

In 2017, there were no reports of discrimination and exploitative labour practices received by the Group.

FREEDOM OF ASSOCIATION AND LABOUR RELATIONS

Sembcorp Marine respects employees' freedom of association with relevant trade unions and recognises their right to collective bargaining.

In Singapore, the Group's management of labour relations is guided by the relevant employment legislation, including the Industrial Relations Act, which sets out processes for resolving grievances and disputes through conciliation, arbitration and tripartite mediation.

The Group's Employee Grievance Handling Policy prescribes structured processes for grievance management and the resolution of disputes within the organisation. Employees first convey their concerns or disagreements to their immediate supervisors and then to their respective department heads. If a consensus is not reached, the issue would be referred to the HR Department for mediation and resolution.

There is close engagement between the Group's management and the union in the development of collective agreements that cover employees' working conditions, benefits, training as well as workplace safety and health. Employees covered under collective agreements represent more than 8% of the Group's workforce in Singapore.

HUMAN CAPITAL

The Group also works in partnership with the union to co-create an inclusive, enriching, safe and healthy work environment through people development, worker-wellness programmes and other initiatives.

In recognition of its significant contributions to Singapore's Labour Movement, Sembcorp Marine received two accolades at the National Trades Union Congress (NTUC) May Day Awards 2017 – the Plaque of Commendation (Gold) for the Group and the Medal of Commendation for its Chief Human Resource Officer, Mr Chua San Lye.

WORKFORCE PLANNING AND TALENT OUTREACH

As part of the Group's workforce planning, Sembcorp Marine focuses on growing its talent pool and attracting the best talent through a wide range of channels. As part of its talent outreach and industry promotion efforts in 2017, the Group engaged more than 580 students through job fairs and recruitment talks in tertiary institutions and yard tours.

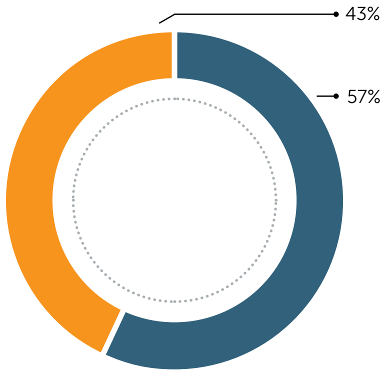
In 2017, Sembcorp Marine awarded 12 scholarships to students from institutes of technical education, polytechnics and universities, and welcomed 16 scholars who began new careers with the Group. These efforts ensure a constant pipeline of promising talent with strong commitment, passion and drive to forge new frontiers of excellence for Sembcorp Marine.

The Group also extended internships and industrial attachments to 108 students in 2017. These learning experiences provided the interns with opportunities to acquire practical skills and industry exposure.

Notably, Sembcorp Marine's active involvement in enhancing the quality of teaching and learning in marine engineering courses at the Singapore Institute of Technical Education (ITE) was recognised with the ITE Distinguished Partner Award in 2017. Over the years, Sembcorp Marine has contributed towards the setting up of the Maritime Training Centre at ITE College Central, on top of supporting the ITE Approved Training Centre and Traineeship Schemes. The Group also provides training places annually to ITE students as part of the ITE Enhanced Internship Programme. Besides training ITE students, Sembcorp Marine offers industry attachment opportunities for ITE lecturers.

Sembcorp Marine has recently signed an MOU with ITE to initiate the Work & Learn Technical Diploma (WLTD) for marine engineering courses. The Group believes in developing the next generation of engineers through the WLTD scheme and other programmes where students learn and work at the same time.

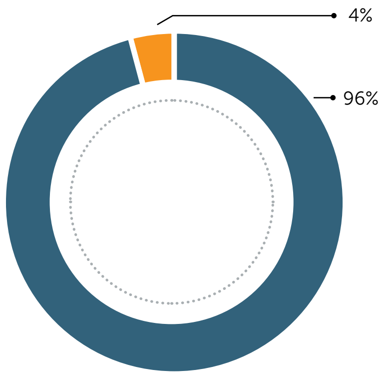
New Hires
Total = 640
Rate = 6%



Singapore
Gender
Male: 88%
Female: 12%
Age Group
<30: 46%
30 - 49: 50%
50 & Above: 4%

Overseas
Gender
Male: 90%
Female: 10%
Age Group
<30: 12%
30 - 49: 52%
50 & Above: 36%

Employee Turnover
Total = 2,722*
Rate = 22%



Singapore
Gender
Male: 92%
Female: 8%
Age Group
<30: 49%
30 - 49: 33%
50 & Above: 18%

Overseas
Gender
Male: 71%
Female: 29%
Age Group
<30: 82%
30 - 49: 14%
50 & Above: 4%

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

WORKFORCE COMPETENCIES AND CAPABILITIES DEVELOPMENT

Workforce competencies training and capabilities development continue to be a key focus for Sembcorp Marine. In Singapore, the Group invested $5.58 million in employee training and development. On average, Sembcorp Marine achieved 44.29 training hours per employee in 2017. Reflecting the larger ratio of male employees within the Group, men accounted for 97% of the 395,047 training hours. Training and development of employees in the executive category represented 22% of the training hours provided, while non-executive personnel made up 78%.

Courses in the area of technical and functional skills as well as employee development accounted for 69% of the 20,848 training places provided. Training relating to workplace health, safety and environment made up the remaining 31%.

In line with Sembcorp Marine's workforce optimisation efforts, various training programmes were provided to enhance the versatility and scalability of employees for sustained competitiveness. Cross-yard deployments were also initiated to provide opportunities for staff to acquire new skills and competencies.

In the area of workforce development, Sembcorp Marine is an active supporter of initiatives by agencies such as Workforce Singapore (WSG) and the NTUC Employment and Employability Institute (e2i). In 2017, the Group participated in the WSG Professional Conversion Programme (PCP) where selected employees underwent six months of on-the-job training to re-skill and up-skill their capabilities in areas such as LNG and Process Engineering to help drive continued business growth. The Group has also engaged Institut Teknologi Petroleum PETRONAS (INSTEP) to customise a programme to enhance employees' skills in upstream processes.

The all-round personal development of employees is another aspect of training emphasised by the Group. To raise their competencies, staff attended relevant courses on personal effectiveness, communication, customer service, change management and team-building. There are also opportunities for employees to acquire knowledge and expand their horizons through participation in external seminars, conferences and networking events locally and overseas.

To strengthen workforce competitiveness within the industry, Sembcorp Marine works with its sub-contractors and educational institutions to train and qualify personnel for specialised trades. The Group held 157,319 hours of training for its sub-contractors in 2017. Of the 21,653 training places provided, workplace safety and health courses accounted for 93%.

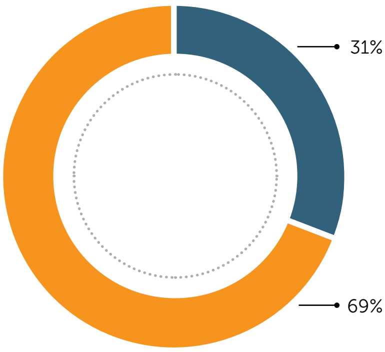
Sembcorp Marine also actively shares knowledge and industry insights with government ministries, educational institutions, industry associations and certified training providers to continuously improve standards of offshore and marine engineering education and training in Singapore.

Specialised training to re-skill and up-skill employees for enhanced competitiveness

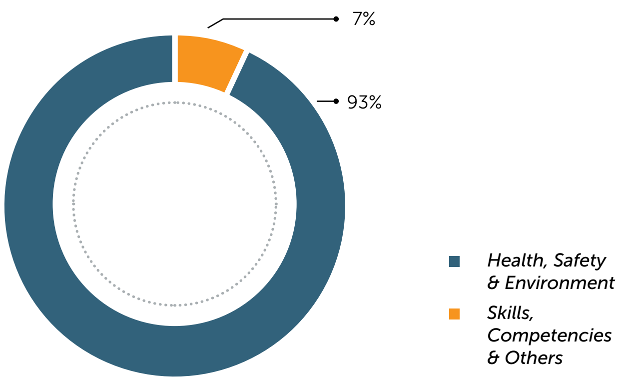
Sembcorp Marine employees undergoing the INSTEP training programme

Employee and Contractor Training in Singapore

Employees
Training Places = 20,848
(395,047 training hours)



Contractors
Training Places = 21,653
(157,319 training hours)



HUMAN CAPITAL

Courses to enhance employees' personal growth

Strengthening Global Workforce Competencies

Sembcorp Marine continues to strengthen workforce competencies at its overseas yards through people development initiatives and infrastructural enhancements that boost the Group's training capabilities.

Brazil

The Group's wholly-owned Brazilian yard Estaleiro Jurong Aracruz (EJA) invests in training and development to enhance the technical competencies, safety capabilities and personal growth of its employees. To enable the transfer of knowledge and skills, several EJA staff were assigned to Singapore for work attachments to acquire a deeper understanding of Sembcorp Marine's operations and best practices.

To nurture local talent for the EJA workforce, Sembcorp Marine has established a Joint Educational Programme with the Instituto Federal do Espirito Santo (IFES) and Singapore's Ngee Ann Polytechnic. In 2017, 12 IFES trainees went through more than a year of training in Singapore. The training comprised a three-month Technical English Course, followed by a five-month Diploma (Conversion) in Marine and Offshore Technology at Ngee Ann Polytechnic, and subsequently six months of work attachment in Sembcorp Marine. After their training, the trainees returned to Brazil to start their engineering careers in EJA. Since 2012, 119 personnel have gone through the Joint Educational Programme.

EJA also contributes to capability building and workforce development in Brazil. The yard collaborates with educational institutions to offer local vocational training and apprenticeship programmes in specialised trades, such as industrial painting, welding, industrial automation, hydraulics, industrial mechanics, pipe fitting, scaffolding and electrical.

Indonesia

In 2017, a new welding centre was established at Sembcorp Marine's PT SMOE Indonesia in Batam to boost the yard's specialised training capabilities. The facility, which has 56 dedicated welding booths, serves to train a core group of Indonesian employees to weld high pressure, high temperature (HPHT) and other special piping materials.

The new welding centre augmented the training and learning centre opened earlier in 2016 to enhance knowledge sharing and skills development within the yard.

Knowledge and skills are also continuously exchanged between the Group's Singapore and Batam yards to support joint execution efforts for North Sea and harsh-environment projects.

Brazilian trainees from EJA on learning attachments in Singapore under the Joint Educational Programme

Official opening of the new welding centre at PT SMOE Indonesia

TALENT MANAGEMENT AND LEADERSHIP DEVELOPMENT

Talent management and leadership development are vital aspects of Sembcorp Marine's succession planning framework. Structured processes are in place to nurture future leaders for business continuity. There is Board-level oversight under the Executive Resource and Compensation Committee for the development of talent for key executive positions, review of succession plans and approval of senior management appointments.

Potential leaders are identified through a structured talent management and performance management system which tracks their growth, progress and achievements. The Group sets out plans for the career progression of promising talent via a talent development framework, which includes training to enhance their technical competencies and leadership qualities.

Sembcorp Marine's Global Leadership Development Programme, which is in its final phase of implementation, has provided training to 2,138 management staff via various customised training modules since its launch in 2014. Developed in collaboration with the Singapore Management University, the programme utilises interactive training platforms to equip employees with global vision, strategic thinking and leadership capabilities. Focus group discussions with participants were conducted to gather feedback about the programme. The Group is also tracking participants' application of leadership competencies in their work roles.

To nurture the younger generation and groom future leaders, the Group continues to sponsor suitably qualified students in scholarship programmes.

Elevating the leadership capabilities of employees via interactive training modules under Sembcorp Marine's Global Leadership Development Programme

EMPLOYEE RECOGNITION, ENGAGEMENT AND WELLBEING

Recognising Performance and Contributions

Sembcorp Marine recognises and rewards staff according to their performance and contributions. The Group has merit-based processes to evaluate employees' suitability for career advancement and salary increments. In 2017, all eligible employees received regular performance and career development reviews in accordance with Sembcorp Marine's Performance Appraisal policy.

In Singapore, the Group's performance management system is based on the balanced score card approach with objective evaluation criteria. The performance management system involves active staff participation in setting clear and structured goals that are in line with the Group's strategic direction and corporate objectives. This inclusive goal-setting process provides employees with greater empowerment to define their performance targets and outcomes.

This integrated management approach enables effective tracking, review and recognition of staff performance as well as provides relevant training and development programmes to boost workforce competencies and competitiveness.

Sembcorp Marine values long-serving employees who have contributed to the Group's success over the years. Long-service awards are given out annually to honour staff for their contributions. In 2017, more than 840 employees received long-service awards.

Sembcorp Marine has been a strong advocate in re-employing workers up to the age of 67 years. The rehiring of older employees beyond the statutory retirement age of 62 years is practised in accordance with Singapore's Retirement and Re-employment Act. Under this regulation, companies are required to offer re-employment to retiring staff till 67 years of age.

Among those retiring in 2017, 402 employees chose to extend their work contracts. Staff beyond the re-employment age of 67 account for less than 1% of the Singapore workforce. For employees who did not stay on, transition assistance workshops were provided to prepare them for life after retirement.

To motivate employees, salary increments, bonuses and equity-based incentives, which are linked to performance and achievements, are offered as part of the remuneration package. Other basic benefits include annual leave, group insurance coverage and company transportation. Staff are

HUMAN CAPITAL

In-house sports and recreational facilities at the Tuas Boulevard Yard dormitory

entitled to parental leave benefits in line with Singapore's regulations.

In Singapore, the Group's Flexible Benefits Programme gives employees the choice of selecting their own benefits in the areas of health care, self-improvement, travel, insurance, childcare and fitness to meet their personal needs. Staff are entitled to medical benefits and those above 35 years of age are provided with additional credits to use for comprehensive annual health checks under the Flexible Benefits Programme.

Options for flexible work, such as part-time work or telecommuting, may be considered for employees who require such special arrangements.

Engaging Employees

Sembcorp Marine actively communicates organisational values and strategies to ensure that employees are aligned with the Group's culture and Code of Business Conduct. The Group's policies and programmes are conveyed via a range of communication channels, including staff orientation, intranet portals for internal communications, company website, memos, briefings and workshops. Areas covered include ethical business practices, risk management, corporate governance, anti-corruption, whistle-blowing, workplace safety and health as well as quality and security management.

Briefing employees on the Group's whistle-blowing and corporate governance policies.

Feedback from employees is gathered through various platforms such as dialogue sessions, focus groups, staff retreats and surveys. These engagements provide management with deeper insights into the needs, preferences and concerns of employees as well as highlight potential areas for improvement within the Group.

Supportive and Caring Work Environment

Sembcorp Marine respects diversity and is committed to creating an inclusive and supportive work environment for employees. The Group has implemented various programmes to support the integration of non-local employees into the workforce. Beyond basic induction, supplementary courses and preparatory programmes are provided to help non-locals adapt to the new work environment. English language courses are also offered to non-local employees who need to improve their language proficiency.

Staff on long-term overseas work assignments go through relevant language training to prepare them for the transition. For employees deployed to Brazil, special immersion courses and Portuguese lessons are arranged to enhance their local communication skills and performance on the job.

In caring for the welfare of its non-local workforce, Sembcorp Marine offers subsidised accommodation near or within the Group's Singapore yards. Various social activities, competitions and initiatives are regularly organised to promote social bonding as well as health, safety and security of non-local employees staying in the Group's dormitories. Training is also conducted to equip employees with knowledge on how to prevent crimes at their dormitories.

Various dormitory activities and events are organised to enhance social bonding

The Group's integrated dormitory facility within the Tuas Boulevard Yard provides residing employees with convenient access to the workplace as well as in-house facilities and amenities for their recreational and lifestyle needs. Reflecting the Group's commitment to social responsibility and employee care, the purpose-built dormitory comprises a well-equipped gymnasium, roof-top street soccer courts as well as various sporting options and recreational facilities, including a multi-media room for relaxation. Within the dormitory, amenities and services, such as a mini-mart, a barber shop and ATM facilities, as well as professional laundry support and a central kitchen meals service, are provided for the convenience of residents. Meal items served by the central kitchen are customised by a nutritionist to ensure that residents have a healthy and well-balanced diet.

With their needs taken care of and by living close to the workplace, employees have more time for rest and leisure, leading to improved productivity and safety at work.

Fostering a Cohesive Culture

To enhance synergy and cohesiveness within the Group, team-building workshops, social events, recreational outings, sporting activities, competitive games and festive gatherings are held at various levels throughout the year. On every New Year's Eve, department gatherings are organised for staff to bond and build *esprit de corps*.

There is also teamwork between the Group's management and union representatives in promoting workforce competitiveness, health, safety and environmental excellence as well as employee welfare. The close union-management partnership during the organisation of National Day celebrations, innovation campaigns and festive events reflects the Group's strong tripartite links with stakeholders.

Strong union-management ties and tripartite synergy

Festive events to promote employee bonding

Employee Care and Wellness

Sembcorp Marine has robust medical and emergency response capabilities as well as comprehensive health and wellness programmes to serve the needs of its employees and stakeholders.

Initiatives jointly organised by Sembcorp Marine, Singapore Police Force and Singapore Civil Defence Force to raise safety and security awareness among non-local employees residing in the Group's dormitories

HUMAN CAPITAL

Medical and Health Care

There are in-house medical treatment, emergency management and health care capabilities within the Group's yards to ensure timely response in the event of incidents. The Group partners with Jurong Medical Centre, Ng Teng Fong General Hospital and Khoo Teck Puat Hospital to fast-track procedures for emergency response, medical treatment, specialist referrals and clinical tests.

Sembcorp Marine has various initiatives to educate employees on chronic disease prevention and management, including health talks and personal care workshops. The Group has in place a Diabetes Programme @ Workplace initiative since 2009 to track diabetic employees' key clinical indicators through quarterly blood tests, blood pressure readings and body mass index measurements as well as annual eye and foot screenings.

In the area of infectious disease prevention, an educational workshop was conducted for employees in 2017 on the prevention of Hepatitis A, B and C. There are also various ongoing initiatives to prevent the breeding of mosquitos and mitigate the risk of dengue fever, malaria and the Zika virus. These include regular fumigation, site checks as well as joint inspections with government agencies, such as the National Environment Agency and the Ministry of Health, to eradicate mosquito breeding sites and safeguard the wellbeing of employees and stakeholders.

Total Wellness

Sembcorp Marine cares for the total wellbeing of employees. In 2017, workshops on emotional and mental wellness, as well as stress and anger management were conducted for staff. Talks on inter-personal communication, enhancing family relationships and effective parenting were also held to empower employees with life skills for building positive and healthy relationships.

To provide support for employees' emotional wellness and mental wellbeing, counselling and anonymous helplines are available to help those dealing with work or life issues.

Active and Healthy Living

Staff are encouraged to lead an active lifestyle through various initiatives, such as daily morning exercises, group workouts and health promotion workshops. There is convenient access to in-house gymnasium facilities and fitness programmes, including personal fitness training as well as yoga, pilates and zumba classes, for employees to exercise after work.

Sembcorp Marine and its employees registered their support for the latest season of Health Promotion Board's National Steps Challenge. As part of the competition, participating companies compete to be among the top three with the highest average step count per participant during the challenge period, from mid January to end April in 2018. To encourage greater participation, booths for registration and the collection of step tracker devices were set up across the Group's yards for the convenience of employees.

Participation by staff in external activities such as sporting events, tournaments and recreational outings, also provide opportunities for them to keep fit and build camaraderie with fellow colleagues outside the workplace.

Distribution of step tracker devices to encourage active living among employees during Health Promotion Board's National Steps Challenge

Recreational activities to foster closer ties among employees

Promoting cohesiveness and active lifestyle through outdoor sports

TOTAL WORKPLACE SAFETY AND HEALTH

Ensuring workplace safety and health is a joint effort of all stakeholders

Sembcorp Marine strives towards a Vision Zero incidence goal through a holistic approach to total workplace safety and health (WSH).

To achieve a cohesive and innovative WSH culture, the Group works together with employees, customers, partners and other stakeholders to constantly enhance health, safety and environment (HSE) practices.

A ROBUST WSH FRAMEWORK

Sembcorp Marine's integrated, multi-stakeholder management approach is built upon four main pillars – continuous enhancement of HSE competencies and capabilities; improvement in risk and safety management systems; building up commitment and leadership towards collective WSH culture; as well as involvement and support from stakeholders. Various committees are in place to represent 100% of the Group's workforce of more than 26,000 employees and contractors in steering, implementing, managing and nurturing an inclusive and progressive health and safety culture. Key performance indicators are aligned with global and local benchmarks, such as Singapore Standard on Occupational Safety and Health Management (SS 506), OHSAS 18001 Occupational Health and Safety, International Association of Oil and Gas Producers (IOGP), International Labour Organization (ILO), and national legislation.

The Group ensures that it comply with the local HSE regulations of the countries where it operates. Sembcorp Marine's Health, Safety, Security, Environment & Quality (HSSEQ) Policy and yard management systems extend to all employees, contractors, suppliers, stakeholders and visitors at its facilities.

More information on Sembcorp Marine's WSH policies, framework and activities can be found on the corporate website *www.sembmarine.com/safety*

TOTAL WORKPLACE SAFETY AND HEALTH

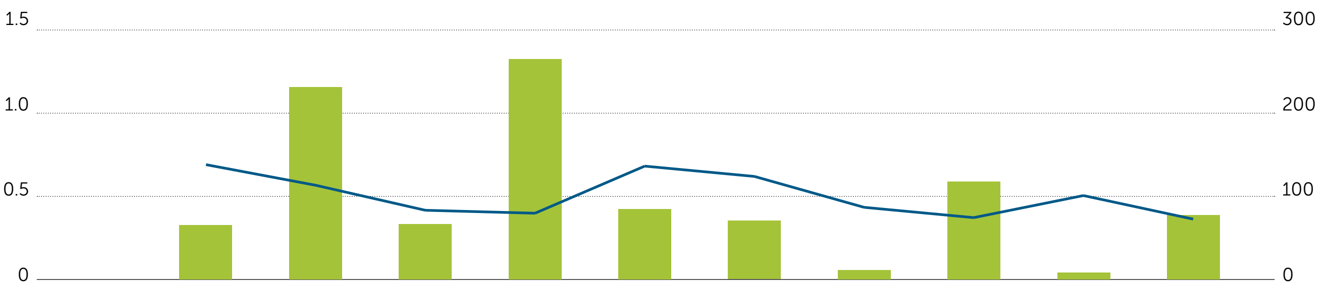
Sembcorp Marine's Workplace Safety and Health Committees

Board Risk Committee	Enterprise Risk Management Committee	Group HSE Committee	Yard WSH Committees	WSH Sub-Committees
Comprises representatives from the Board of Directors, President & Chief Executive Officer (CEO) and Chief Risk Officer (CRO). The key responsibilities of the Board Risk Committee include oversight of the Group's Risk Management policies, framework, infrastructure and resources that support risk management and HSE inclusiveness.	Consisting of CEO, Chief Operating Officer, Director Group Finance, Chief Financial Officer, CRO, Chief Human Resource Officer, Head of Singapore Yard Operations and Commercial Heads. The Enterprise Risk Management (ERM) framework comprises risk management systems for risk policies, procedures, processes and internal controls. The ERM Committee also helps the Group identify, assess and manage key risks in yard operations.	An ERM sub-committee, the Group HSE Committee develops robust and structured HSE management systems to safeguard the health and safety of the Group's employees and contractors. It formulates strategies based on the framework set by the Board Risk Committee; validates and oversees the HSE workplan; and liaises with external parties and ministries on workplace safety, health and environment issues.	These committees validate the implementation of WSH strategies and initiatives; conduct monthly site inspections; review incidents and recommendations; monitor performance indicators; and discuss and report WSH observations to senior management so as to promote a safe work environment. They are also vested with the authority to access, examine and investigate material, equipment, persons and locations for the purposes of discharging their functions and duties.	Sub-committees enhance dynamic communication and the outreach of safety programmes. In 2017, nearly 600 male and female representative members including contractors facilitated the implementation of new initiatives and best practices, risk assessment, and WSH awareness-building and training.

Sembcorp Marine's Safety Performance

Accident Frequency Rate
Incidents Per Million Man-hours

Accident Severity Rate
Man-days Lost Per Million Man-hours



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Accident Frequency Rate	0.71	0.57	0.40	0.38	0.70	0.63	0.42	0.35	0.50	0.34
Accident Severity Rate	67.01	237.12	68.34	271.42	86.75	72.15	11.37	120.30	8.11	79.30

Accident Frequency Rate   *Accident Severity Rate*

WSH PERFORMANCE

Sembcorp Marine safety performance evaluation involves both employees and contractors. The Group adopts performance measurement indicators aligned with local and international standards such as OHSAS 18001 and IOGP.

In 2017, there was a decrease in the Accident Frequency Rate to 0.34 and the Workplace Injury Rate to 106.99 injuries per 100,000 persons employed. Incidents involving contractors fell from 72% in 2016 to 58% in 2017. The Accident Severity Rate however increased to 79.30 man-days lost per million man-hours.

Regretfully, a specialist contractor was involved in a fatal incident during the installation of a crane in 2017. Sembcorp Marine has since intensified engagement with contractors on their risk assessments and methodologies.

The Group received a fine of $400,000 for an accident which occurred in 2012. The company's protocols have since been extensively revised to eliminate risk in the respective operations.

STAKEHOLDER ENGAGEMENT

Sembcorp Marine believes in partnering customers, suppliers, contractors and other stakeholders to build shared values and achieve higher HSE standards.

Workshops and Discussions

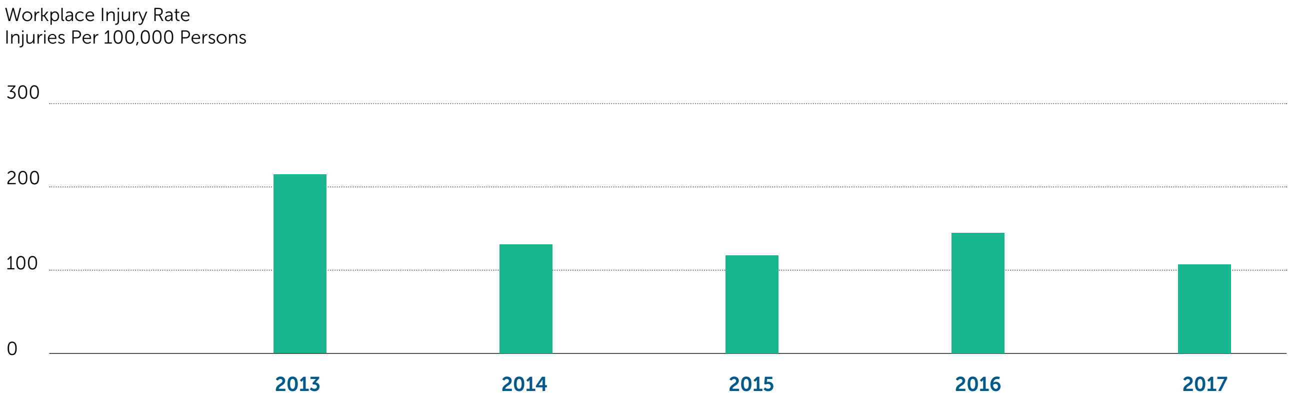
Pre-project workshops bring together management and operational representatives from Sembcorp Marine, customers and suppliers to align safety benchmarks. Platforms such as the Shell Deepwater Partners Safety Conference enable sharing and adoption of new HSE standards and facilitate brainstorming for new ideas. The Group supplements these platforms with topic-specific focus groups involving various stakeholders to drive project efforts in upholding a common HSE standard.

Over 60 companies attended a sub-contractor dialogue session with Sembcorp Marine management. The annual event encourages communication and enables the Group to understand contractor partners.

Empowerment to Stop Work

All personnel in Sembcorp Marine yards are empowered to stop work activities with no reprisal if unsafe work practices are observed. HSE committees and management support the programme by ensuring that each report is analysed to resolve the issue at its root cause. Regular reminders and incentives for good reporting behaviour encourage open communication and promote a culture of personal ownership for workplace safety and health. A range of platforms, such as an online incident recording system and hazard reporting cards, are available to all personnel.

Workplace Injury Rate



	2013	2014	2015	2016	2017
Workplace Injury Rate	214.81	139.86	118.69	155.32	106.99

Notes for the Safety Performance and Workplace Injury Rate charts:

- *The data represents Sembcorp Marine's employee and contractor statistics related to its Singapore yards within operational control (see pages 76 - 77). Two yard locations that ceased operation in mid-2017 are included in the data (see pages 76 - 77, 290 for full details).*
- *Definition of terms and calculation methodologies are set out by the Singapore Ministry of Manpower's reporting protocols, available in the latest national statistics report at www.mom.gov.sg.*

TOTAL WORKPLACE SAFETY AND HEALTH

Emergency Preparedness

Multi-stakeholder emergency response drills are organised to ensure that all personnel in Sembcorp Marine yards have the knowledge and experience to handle situations. In 2017, a total of 127 exercises were held with employees, contractors, customers, suppliers as well as the Singapore Civil Defence Force and Singapore Police Force. These drills included medical evacuations, confined space and fire rescues, as well as falling from height and hazardous spill response exercises.

Training the workforce to respond to emergencies

Joint Onsite Inspections

Each yard project organises regular walkabouts involving senior management, department representatives, contractors, vendors and customers. A task force inspection rating system is used to grade indicators observed during each walkabout. The observations, ratings and feedback are disseminated and discussed at meetings.

Contractor partners are recognised and rewarded for good WSH performance without lost time incidents

Safety Improvement Innovation

Various initiatives have been implemented by the Group to promote proactive safety ownership and to recognise innovative operational improvements. Yard employees and contractor partners are encouraged to develop solutions that improve work process, enhance efficiency and promote workplace safety. Development teams are supported with funds and other resources to engage managers and senior management for discussion and feedback.

Events such as the WSH innovation competitions, HSE suggestion schemes and HSE carnivals also accelerate the sharing of best practices. In 2017, five innovative projects received industry and national accolades.

WSH Requirements for Contractor Partners

The Group requires its contractors to maintain high standards of occupational health and safety.

Contractors must meet national bizSAFE Level 4 standards before they can be registered as Sembcorp Marine resident contractors. This ensures all 182 Sembcorp Marine resident contractors have in place risk management and WSH management systems audited by ministry-approved agencies. The Group actively works with new contractors to improve their risk management systems and accreditation. Sembcorp Marine's proactive approach and guidance to contractors are recognised by the national WSH Council with the bizSAFE Partner status.

Cross Industry Exchanges

In 2017, the Group hosted Jurong Port in a programme to exchange best practices and information. This event provided opportunities for Sembcorp Marine to benchmark its best practices beyond the shipyard sector.

Global and National HSE Committees and Campaigns

Company representatives actively participate in industry and national WSH committees and advisory panels, including those formed by the WSH Council, Association of Singapore Marine Industries, Singapore Maritime Institute, Maritime and Port Authority of Singapore and Nanyang Technological University. Such involvements enable Sembcorp Marine to share experience, exchange information and contribute feedback for the development of HSE policies, strategies and programmes.

The Group was an active participant of the XXI World Congress on Safety & Health at Work 2017 in Singapore. Sembcorp Marine President & CEO Mr Wong Weng Sun was a presenter at the Congress, where he shared with the international community the Group's total workplace safety and health journey.

The Group is also a strong supporter of the annual National WSH Campaign, which allows Sembcorp Marine to share information and knowhow with the larger community and stakeholders.

President & CEO Mr Wong Weng Sun shares Sembcorp Marine's total WSH journey at the XXI World Congress on Safety & Health at Work 2017

Hosting XXI World Congress on Safety & Health participants at the Sembcorp Marine Tuas Boulevard Yard

SAFETY PROGRAMMES

To implement an integrated HSE management strategy and nurture a strong culture of WSH responsibility and preparedness, the Group has put in place a wide range of integrated programmes.

Training

The Group ensures employees, contractors and other personnel operating in Sembcorp Marine shipyards are well equipped with the necessary HSE skills and knowledge.

The HSE training needs of individual employees are analysed and updated annually into a training matrix. A wide range of external and internal training are organised to upgrade employees' competencies and capabilities. These include mandatory safety inductions, job-specific training, awareness training, and legally-required training. Refresher training ensures employees are kept abreast of the latest legislation and enhanced procedures. Training effectiveness is also assessed to ensure expectations are met.

The Group further integrates a Review, Evaluate and Validate (REV) process into its programmes, enabling HSE training to evolve with the most prevalent incidences.

A workforce upgrading programme ensures that employees receive training to increase and enhance their skills and safety knowledge. In 2017, 146,676 HSE training hours were provided to employees and contractors.

A crane signalling refresher course in progress

CultureSAFE

CultureSAFE is a change management cycle that Sembcorp Marine has adopted in line with the national WSH Council's initiative. Developed to inculcate and sustain a progressive and entrenched WSH culture, it integrates programmes and initiatives embedded with behaviour-based safety principles. These programmes include CARE (Communicate, Aware, Report and Engage), Safety Starts With Me, and PPE-SSS (Plan, Prepare, Execute – Stand up, Speak up for Safety).

TOTAL WORKPLACE SAFETY AND HEALTH

Regular WSH demonstrations reach out to a large, targeted audience

Workplace Equipment Process Safety

The Group enforces a strict equipment maintenance regime in the yards. In addition to mandatory annual re-inspections, more frequent checks are also conducted to take into account work conditions, usage intensity and manufacturers' recommendations.

In 2017, a new database system to manage and monitor yard equipment was developed for trial. When completed, this database system will complement the yards' existing equipment maintenance regime and provide an additional communication channel for users to report equipment real-time conditions.

Sembcorp Marine continues to improve its safety processes. All lifting machines in the yards have been fitted with data loggers to record key operational parameters and facilitate the review and monitoring of lifting operations.

OCCUPATIONAL HEALTH

To mitigate common occupational health risks, the Group runs a range of occupational health programmes, such as Hearing Conservation Programme, Respiratory Protection Programme and Heat Stress Management Programme. As part of a multi-faceted strategy, the following initiatives targeted at the entire workforce are also in place:

- Training and refresher programmes to reinforce the importance of managing WSH risks;
- Personal Protective Equipment (PPE) is enforced at all times on site. Training and counselling support are provided to ensure all yard personnel fully understand PPE requirements in relation to their job scope;
- Talks, workshops and helplines are set up to address common health topics such as mental health, chronic illnesses, and disease prevention;
- Employees and onsite stakeholders have access to the Group's medical staff and facilities;
- Occupational first-aid training, including the use of automated external defibrillators (AED) and cardiopulmonary resuscitation (CPR), is provided to employees and contractors as part of the yards' training programme. Onsite medical centres and facilities provide first-aid treatment, consultations by trained staff and other emergency services. These services can be accessed by all personnel working in the yard, including contractors and customers;
- Pandemic disease prevention initiatives are implemented, including emergency response plans for all facilities; regular patrols; fumigations; and personnel training in the identification and elimination of vector-borne hazards such as dengue, malaria and Zika;
- Regular monitoring and inspection of occupational health hazards and control measures;
- In addition to annual general health checks, employees and contractors must undergo regular health assessments tailored to their work scope and be certified fit. These health assessments can include electrocardiogram, radiographic check, x-ray, haemoglobin count, audiometric test, vision test, urine test, lung function test and basic clinical examination;
- Health talks are conducted for staff. Topics covered include chronic diseases such as diabetes and hypertension; mental stress; smoking cessation; as well as lifestyle and mental health.


Sembcorp Marine adopts a holistic and integrated approach to workplace health

WSH RECOGNITION

Sembcorp Marine received 53 industry and national workplace health, safety and security awards in 2017. These recognitions included 14 project awards, five awards for innovation that improve workplace safety and health, and two for emergency response. Notably, Sembcorp Marine Benoi Yard won the marine industry's first gold award in the Workplace Safety and Health Performance Award category. Please refer to pages 22 - 27 for more information.

COMMUNITY ENGAGEMENT

Sembcorp Marine extends financial assistance to students through the SchoolBAG programme

Sembcorp Marine is committed to promoting social growth, environmental care and advancing industry development to positively impact the community and society.

The Group focuses its community engagement efforts on youth and education, environmental care, community care, active lifestyle and culture, as well as industry outreach.

In 2017, Sembcorp Marine contributed more than $1.26 million to support various community, social and industry causes in Singapore through company programmes, sponsorships, corporate and staff donations, and sector initiatives.

The Group and its employees dedicated about 5,100 hours towards participating in community projects and volunteer activities in the year.

Sembcorp Marine's community engagement strategy is aligned with ISO 26000 Guidance on Social Responsibility. As part of its community engagement framework, regular reviews are conducted to ensure the effectiveness of the Group's community and industry development programmes. In addition, periodic assessments are done to evaluate impacts and gather feedback from community and industry partners to ensure that programme objectives and the needs of beneficiaries are met.

YOUTH AND EDUCATION

Sembcorp Marine continues to extend financial support to students from low-income families through its School Book Assistance Grant (SchoolBAG) programme. Now in its 17th year, the SchoolBAG programme has helped close to 20,000 students in their educational pursuits.

In 2017, Sembcorp Marine gave out $210,450 in bursaries to 1,065 primary, secondary and junior college students through SchoolBAG, bringing total contributions to over $4 million since the programme's inception in 2001. The grants help subsidise the cost of students' education and enrichment expenses.

To encourage educational excellence, Sembcorp Marine also sponsors book prizes and awards to reward students who perform well academically. Notably, the Group contributed bursaries totalling $47,350 to children of staff in 2017.

In the area of education and research, Sembcorp Marine supports several educational and industry mentorship projects that promote innovation, competitiveness and sustainable solutions development for the offshore and marine industry.

COMMUNITY ENGAGEMENT

Official launch of the 2017 Green Wave Environmental Care Competition

Green Wave Environmental Care Competition raises environmental sustainability awareness among students

ENVIRONMENTAL CARE

Together with its industry partners, Sembcorp Marine continues to raise awareness and interest among students on environmental sustainability through its Green Wave Environmental Care Competition.

The Group started the Green Wave competition in 2003 to provide students with an annual platform to apply their creativity in developing practical solutions for environmental improvement. The competition was extended to the region's tertiary institutions in 2014 to widen its reach and impact.

The year-long 2017 competition saw 307 projects submitted by over 1,000 students from primary and secondary schools, institutes of technical education and tertiary institutions. These projects covered a gamut of environmental conservation aspects, ranging from sustainable waste treatment to developing renewable energy sources and preserving natural resources.

Sembcorp Marine continues to support sustainable use, development and stewardship of the seas through its membership in the World Ocean Council, an international non-profit organisation that champions maritime sustainability through industry leadership and collaboration.

COMMUNITY CARE

As part of its community care efforts, Sembcorp Marine contributes actively to sustainability, social improvement and community development.

To promote greater sustainability awareness, the Group was a key sponsor of the Global Compact Network Singapore (GCNS) Summit in 2017. This annual event provides a platform of advocacy, capacity building and networking for participating stakeholders to exchange sustainability insights and share corporate social responsibility best practices.

Providing bursaries and academic awards to motivate students to achieve excellence in education

Promoting sustainability awareness through sponsorship of GCNS Summit 2017

Corporate giving is another aspect of Sembcorp Marine's community care focus. In 2017, the Group supported a number of philanthropic causes, charitable institutions and non-profit organisations, including the Community Chest, Yishun Students Care Service, and the Singapore Science Centre. Direct salary contributions were also made by staff to the Chinese Development Assistance Council (CDAC), Yayasan MENDAKI, the Singapore Indian Development Association, and the Eurasian Association. These organisations provide social assistance to those in need in the community.

The Group is a steadfast contributor to the Community Chest's Social Help and Assistance Raised by Employees (SHARE) programme. In 2017, Sembcorp Marine and its employees jointly gave about $72,364 towards the SHARE programme through direct payroll donations that were equally matched by the Group. In recognition of its contributions, Sembcorp Marine received the SHARE Corporate Gold Award at the Community Chest Awards 2017.

Sembcorp Marine also sponsored the Community Chest's Charity in the Park 2017 held at Resorts World Sentosa. With the theme 'Celebrate Abilities and Embrace Inclusiveness', the event provided meaningful interaction opportunities for beneficiaries, donors and the community. Proceeds from the event went towards helping beneficiaries from about 80 charities supported by the Community Chest.

In the area of community involvement, the Group actively participates in national and community events that contribute to society.

In 2017, Sembcorp Marine sponsored and participated in the National Day Parade (NDP) at The Float @ Marina Bay.

Sembcorp Marine volunteers organise social outreach activities for children and youth in the community

More than 40 volunteers were part of the Sembcorp Marine contingent at NDP 2017. Besides contributing towards nation-building, the Group's participation also strengthened unity and teamwork among the participants.

Sembcorp Marine is a long-term patron of the Yishun Students Care Service, a social service organisation that meaningfully engages children and youth in the community. In 2017, the Group and employee volunteers continued to work with the centre to organise the annual U.Me Christmas Party to provide beneficiaries with a fun and joyful festive experience. Volunteers from Sembcorp Marine also visited elder care homes to interact with the senior residents during festive occasions such as the Chinese New Year.

The Group continued to support the cause of blood donation by encouraging employees to participate in quarterly blood donation drives organised by the Singapore Blood Bank at the Khoo Teck Puat Hospital.

Sembcorp Marine's contingent marching with pride at NDP 2017

Management and employees commemorating Singapore's 52nd birthday

COMMUNITY ENGAGEMENT

ACTIVE LIFESTYLE AND CULTURE

Active lifestyle and culture is another focus in Sembcorp Marine's community engagement efforts. In 2017, the Group sponsored the Association of Singapore Marine Industries (ASMI) bowling tournament and supported several sporting events organised by industry partners.

Over the years, the Group has also sponsored a variety of cultural programmes, including the Asian Civilisation Museum renewal project, arts development initiatives, as well as cultural performances and events.

Support for sporting events by industry partners

GLOBAL COMMUNITY ENGAGEMENT

Sembcorp Marine also advances social and charitable causes through its global operations. The Group's overseas yards actively engage their local communities and support various projects relating to youth and education, community care, environmental sustainability, training and capability development, as well as sports and cultural promotion.

INDUSTRY OUTREACH

In the area of industry outreach, development and promotion, Sembcorp Marine drives and supports a broad range of programmes that help strengthen Singapore's leadership in the global marine, offshore and energy industries.

In 2017, Sembcorp Marine raised the profile of Singapore's offshore and marine industry through participation in several global events. These included the Sea Asia trade show in Singapore, Gastech conference in Japan, Nor-Shipping exhibition in Norway, MEC trade show in Brazil, as well as Seatrade Cruise Global and Offshore Technology Conference exhibitions in the United States. The Group also held local and overseas seminars to promote its gas terminal solutions, arctic deployment solutions, as well as ballast water management and environmental technologies. In addition, various networking functions were organised to foster ties with customers, partners and stakeholders.

To enhance Singapore's global competitiveness, Sembcorp Marine collaborates with various government and industry stakeholders in capability building, economic development and industry promotion. The Group's partners include the Maritime and Port Authority of Singapore, International Enterprise (IE) Singapore, Economic Development Board, Ministry of Education, Ministry of Defence, Ministry of Manpower, National Environment Agency, SPRING Singapore, Jurong Town Corporation, and Agency for Science, Technology and Research.

Find out more about Sembcorp Marine's global community engagement initiatives at *www.sembmarine.com/sustainability/caring-globally*

Active engagement with government stakeholders to enhance Singapore's competitiveness

Hosting representatives from the public sector to share knowledge and best practices

In 2017, Sembcorp Marine was a sponsor of IE Singapore's Latin Asia Business Forum, a platform to foster trade, investment, and closer economic cooperation between Latin America and Asia.

Sembcorp Marine also contributes towards industry development through links with various trade associations, including ASMI, Society of Naval Architects and Marine Engineers (Singapore), Singapore Business Federation and Singapore International Chamber of Commerce. Several senior management personnel from the Group also have advisory roles on the boards and committees of institutions, such as ASMI, Singapore Maritime Institute (SMI), Singapore Maritime Foundation, Nanyang Technological University, Ngee Ann Polytechnic, Singapore Polytechnic and Singapore Institute of Technology.

Sembcorp Marine President & CEO Mr Wong Weng Sun is presently serving as Chairman of SMI where he provides leadership and guidance to align SMI's support programmes, projects and initiatives with strategic industry objectives in the areas of research and development, education and training, and thought leadership.

The Group is also actively involved in various partnerships with government and industry associates to bolster research, technology and capability development within the offshore and marine sector to enhance its competitiveness.

Industry promotion is another aspect of Sembcorp Marine's engagement. The Group supports government and industry programmes aimed at growing the talent pool and promoting greater awareness of opportunities within the offshore and marine sector. These programmes include organising yard tours for students, hosting stakeholder visits and participation in industry outreach activities.

Read more about Sembcorp Marine's research and development collaborations with government, industry and technology partners on pages 106 - 110.

Participation in trade shows and exhibitions to promote Singapore's offshore and marine capabilities

Involvement in industry promotion events

SGX SUSTAINABILITY REPORTING INDEX

Item	Component	Annual Report Sections	Page Reference
I	Organisational Profile		
	• Material ESG Factors	• Approach to Sustainability	67 - 70
II	Policies, Practices and Performance		
	Material issue: Innovation and Solutions Development • Policy	• Approach to Sustainability	68
	• Practices and Performance	• Approach to Sustainability • Sustaining Competitiveness	68, 71 106 - 110
	Material issue: Customer Alignment • Policy	• Approach to Sustainability	68
	• Practices and Performance	• Approach to Sustainability • Sustaining Competitiveness	68, 71 115 - 119
	Material issue: Environmental Sustainability • Policy	• Approach to Sustainability	69
	• Practices and Performance	• Approach to Sustainability • Environmental Sustainability	69, 71 120 - 124
	Material issue: Human Capital • Policy	• Approach to Sustainability	69
	• Practices and Performance	• Approach to Sustainability • Human Capital	69, 72 125 - 134
	Material issue: Total Workplace Safety and Health • Policy	• Approach to Sustainability	70
	• Practices and Performance	• Approach to Sustainability • Total Workplace Safety and Health	70, 72 135 - 140
	Material issue: Community Engagement • Policy	• Approach to Sustainability	70
	• Practices and Performance	• Approach to Sustainability • Community Engagement	70, 72 141 - 145
	Material issue: Business Integrity • Policy	• Approach to Sustainability	70
	• Practices and Performance	• Approach to Sustainability • Corporate Governance • Risk Management	70, 73 78 - 97 98 - 103
III	Targets		
	• Targets	• Approach to Sustainability	71 - 73
IV	Sustainability Reporting Framework		
	• Scope of Sustainability Report	• Approach to Sustainability	76 - 77
V	Board Statement		
	• Board Statement for Sustainability Report	• Approach to Sustainability	67

GRI STANDARDS: CORE OPTION CONTENT INDEX

Disclosure Number	Disclosure Title	Annual Report Sections	Page Reference
GRI 102: GENERAL			
Organisational Profile			
GRI 102-1	Name of the organisation	• Corporate Directory	59
GRI 102-2	Activities, brands, products, and services	• Corporate Profile	Inside front cover - 1
GRI 102-3	Location of headquarters	• Corporate Directory	59
GRI 102-4	Location of operations	• Our Integrated Global Platform	4 - 5
GRI 102-5	Ownership and legal form	• Corporate Directory	59
GRI 102-6	Markets served	• Our Integrated Global Platform • Notes to the Financial Statements	4 - 5 267
GRI 102-7	Scale of the organisation	• Corporate Profile • Group Financial Review • Operations Review • Our Integrated Global Platform • Human Capital • Financial Statements	Inside front cover 28 - 37 39 - 43 4 - 5 125 - 126 178 - 184, 267
GRI 102-8	Information on employees and other workers	• Human Capital • Chairman and CEO's Report *Part-time categories are not reported as the number of part-time employees is not significant at less than 1%.* *A significant portion of production operations is carried out by subcontract workers who supplement the regular workforce.* *Data are compiled using the Group's HR management system*	125 - 130 15
GRI 102-9	Supply chain	• Sustaining Competitiveness	112 - 113
GRI 102-10	Significant changes to the organisation and its supply chain	• Chairman and CEO's Report • Shareholders' Information • Approach to Sustainability • Sustaining Competitiveness • Risk Management *There were no significant changes in the company's supply chain structure or relationship with suppliers*	15 60 76 - 77 111 - 115 101 - 103
GRI 102-11	Precautionary principle or approach	• Approach to Sustainability	66
GRI 102-12	External initiatives	• Approach to Sustainability • Sustaining Competitiveness • Environmental Sustainability • Human Capital • Total Workplace Safety and Health • Community Engagement	66 106 - 110 120 127 - 134 135, 138 - 139 141 - 145
GRI 102-13	Membership of associations	• Approach to Sustainability • Community Engagement	66 144 - 145
Strategy			
GRI 102-14	Statement from senior decision-maker	• Chairman and CEO's Report • Board Statement on Sustainability Report	6 - 17 67
GRI 102-15	Key impacts, risks, and opportunities	• Chairman and CEO's Report • Risk Management • Approach to Sustainability • Sustaining Competitiveness	6 - 17 98 - 103 66 - 70, 73 - 77 112 - 113

GRI STANDARDS: CORE OPTION CONTENT INDEX

Disclosure Number	Disclosure Title	Annual Report Sections	Page Reference
Ethics and Integrity			
GRI 102-16	Values, principles, standards, and norms of behaviour	• Corporate Governance • Corporate Profile • Code of Business Conduct *www.sembmarine.com/code-business-conduct*	78 - 97 Inside front cover - 1 Online
GRI 102-17	Mechanisms for advice and concerns about ethics	• Corporate Governance • Risk Management • Code of Business Conduct *www.sembmarine.com/code-business-conduct*	94 - 95 100 - 103 Online
Governance			
GRI 102-18	Governance structure	• Board of Directors • Senior Management • Approach to Sustainability	44 - 49 50 - 57 66 - 67
GRI 102-20	Executive-level responsibility for economic, environmental, and social topics	• Approach to Sustainability • Board Statement for Sustainability Report	66 - 67 67
GRI 102-23	Chair of the highest governance body	• Corporate Governance • Board of Directors • Senior Management	78 44 - 49 50 - 57
GRI 102-24	Nominating and selecting the highest governance body	• Corporate Governance	82 - 86
GRI 102-25	Conflicts of interest	• Corporate Governance	83 - 85, 94 - 95
GRI 102-35	Remuneration policies	• Corporate Governance	87 - 90
GRI 102-36	Process for determining remuneration	• Corporate Governance	87 - 90
GRI 102-37	Stakeholders' involvement in remuneration	• Corporate Governance	87 - 90
Stakeholder Engagement			
GRI 102-40	List of stakeholder groups	• Approach to Sustainability	73 - 76
GRI 102-41	Collective bargaining agreements	• Human Capital	127
GRI 102-42	Identifying and selecting stakeholders	• Approach to Sustainability	67
GRI 102-43	Approach to stakeholder engagement	• Approach to Sustainability	67, 73 - 76
GRI 102-44	Key topics and concerns raised	• Approach to Sustainability	67, 73 - 76
Reporting Practice			
GRI 102-45	Entities included in the consolidated financial statements	• Notes to the Financial Statements	273 - 277
GRI 102-46	Defining report content and topic Boundaries	• Approach to Sustainability • Sustaining Competitiveness	67, 76 - 77 112 - 113
GRI 102-47	List of material topics	• Approach to Sustainability	68 - 70
GRI 102-48	Restatements of information	• Environmental Sustainability	124
GRI 102-49	Changes in reporting	• Approach to Sustainability	76 - 77
GRI 102-50	Reporting period	*January - December 2017*	
GRI 102-51	Date of most recent report	*March 2017*	
GRI 102-52	Reporting cycle	*Yearly*	
GRI 102-53	Contact point for questions regarding the report	• Approach to Sustainability	77
GRI 102-54	Claims of reporting in accordance with the GRI Standards	• Approach to Sustainability	76

Disclosure Number	Disclosure Title	Annual Report Sections	Page Reference
GRI 102-55	GRI content index	• GRI Standards: Core option content index	147 - 150
GRI 102-56	External assurance	• Independent Limited Assurance Report on Sustainability Information	151 - 152
GRI 103: MANAGEMENT APPROACH			
GRI 103-1	Explanation of the material topic and its Boundary	• Approach to Sustainability • Sustaining Competitiveness	67 - 70 112 - 113
GRI 103-2	The management approach and its components	• Approach to Sustainability	66 - 70
GRI 103-3	Evaluation of the management approach	• Approach to Sustainability • Corporate Governance • Risk Management • Sustaining Competitiveness • Environmental Sustainability • Human Capital • Total Workplace Safety and Health • Community Engagement	66 - 70 91 - 95 98 - 100 106 - 118 120 125, 127, 132 135 - 138 141
SPECIFIC STANDARD DISCLOSURES			
Economic			
GRI 201	Management approach disclosures	• Approach to Sustainability	68
GRI 201-1	Direct economic value generated and distributed	• Group Financial Review • Community Engagement	29 141
205-2	Communication and training about anti-corruption policies and procedures	• Risk Management	101
206-1	Legal Actions for anti-competitive behavior, anti-trust, and monopoly practices	*No legal actions for anti-competitive behaviour, anti-trust, and monopoly practices.*	
Environment			
GRI 301, 302, 305, 306, 307	Management approach disclosures	• Approach to Sustainability • Environmental Sustainability	69 120
GRI 301-1	Materials used by weight or volume	• Environmental Sustainability	123
GRI 302-1	Energy consumption within the organisation	• Environmental Sustainability	121
GRI 303-1	Water withdrawal by source	• Environmental Sustainability	122 - 123
GRI 305-1	Direct (Scope 1) GHG emissions	• Environmental Sustainability	122
GRI 305-2	Energy indirect (Scope 2) GHG emissions	• Environmental Sustainability	122
GRI 306-3	Significant spills	• Environmental Sustainability	123
GRI 307-1	Non-compliance with environmental laws and regulations	*No significant fines paid and non-monetary sanctions imposed for non-compliance with environmental laws and/or regulations.*	
Social			
GRI 401, 403, 404, 405, 406, 408, 409	Management approach disclosures	• Approach to Sustainability • Human Capital • Total Workplace Safety and Health	69 - 70 125 135
GRI 401-1	New employee hires and employee turnover	• Human Capital	128

GRI STANDARDS: CORE OPTION CONTENT INDEX

Disclosure Number	Disclosure Title	Annual Report Sections	Page Reference
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	• Human Capital *Benefits are applicable to full-time, contract and part-time employees, with the exception of temporary staff. Variable incentives and flexible benefits may differ depending on individual contracts and performance.*	131 - 133
GRI 403-1	Workers representation in formal joint management–worker health and safety committees	• Total Workplace Safety and Health	135 - 136
GRI 403-3	Workers with high incidence or high risk of diseases related to their occupation	• Total Workplace Safety and Health	140
GRI 404-2	Programmes for upgrading employee skills and transition assistance programmes	• Human Capital	128 - 131
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	• Human Capital	131
GRI 405-1	Diversity of governance bodies and employees	• Corporate Governance • Board of Directors • Senior Management • Human Capital *Other indicators of workforce diversity are not significant or relevant*	85 - 86 44 - 49 50 - 57 125 - 127
GRI 406-1	Incidents of discrimination and corrective actions taken	• Human Capital *The company's operations and suppliers are not considered to have significant risks of child, forced or compulsory labour.*	127
GRI 408-1	Operations and suppliers at significant risk for incidents of child labour		
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour		
GRI 413, 416	Management approach disclosures	• Approach to Sustainability • Community Engagement • Sustaining Competitiveness	70 141 110
GRI 413-1	Operations with local community engagement, impact assessments, and/or development programmes	• Risk Management • Environmental Sustainability • Human Capital • Total Workplace Safety and Health • Community Engagement *Relevant local community engagement activities are conducted by respective operating units during the course of business.*	100 122, 69 129 137 - 138 141 - 145
GRI 416-1	Assessment of the health and safety impacts of product and service categories	• Sustaining Competitiveness	110

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON SUSTAINABILITY INFORMATION OF SEMBCORP MARINE LTD

ATTENTION TO THE BOARD OF DIRECTORS OF SEMBCORP MARINE LTD

We have been engaged by Sembcorp Marine Ltd (the "Company") to undertake a limited assurance engagement in respect of the selected sustainability information in the 2017 Sustainability Report as described below for the year ended 31 December 2017 (the "Identified Sustainability Information"). Our assurance engagement was with respect to the Company's disclosures for the Identified Sustainability Information in the 2017 Sustainability Report.

IDENTIFIED SUSTAINABILITY INFORMATION

The Identified Sustainability Information for the year ended 31 December 2017 is set out below:

- GRI 201-1: Direct economic value generated and distributed
- GRI 205-2: Communication and training about anti-corruption policies and procedures
- GRI 206-1: Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices
- GRI 301-1: Materials used by weight or volume
- GRI 302-1: Energy consumption within the organization
- GRI 305-1: Direct (Scope 1) GHG emissions
- GRI 305-2: Energy indirect (Scope 2) GHG emissions
- GRI 306-3: Significant spills
- GRI 307-1: Non-compliance with environmental laws and regulations
- GRI 401-1: New employee hires and employee turnover
- GRI 401-2: Benefits provided to fulltime employees that are not provided to temporary or part-time employees
- GRI 404-2: Programmes for upgrading employee skills and transition assistance programmes
- GRI 404-3: Percentage of employees receiving regular performance and career development reviews
- GRI 405-1: Diversity of governance bodies and employees
- GRI 406-1: Incidents of discrimination and corrective actions taken
- GRI 408-1: Operations and suppliers at significant risk for incidents of child labour
- GRI 409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labour
- GRI 413-1: Operations with local community engagement, impact assessments, and development programmes
- GRI 416-1: Assessment of the health and safety impacts of product and service categories

Our assurance engagement was with respect to the year ended 31 December 2017. We have not performed any procedures with respect to (i) earlier periods; and (ii) any other elements included in the Company's Sustainability Report, and in the annual report, website and other publications, and therefore do not express any conclusion thereon.

REPORTING CRITERIA

The Identified Sustainability Information has been assessed against relevant criteria in the Global Reporting Initiative ("GRI") Sustainability Reporting Standards (the "Reporting Criteria").

MANAGEMENT'S RESPONSIBILITY FOR THE IDENTIFIED SUSTAINABILITY INFORMATION

Management of the Company is responsible for the preparation of the Identified Sustainability Information in accordance with the Reporting Criteria. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Identified Sustainability Information that is free from material misstatement, whether due to fraud or error.

PRACTITIONER'S INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Singapore Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the Identified Sustainability Information based on the procedures we have performed and the evidence we have obtained. We performed our limited assurance engagement in accordance with Singapore Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits and Reviews of Historical Financial Information (the "Standard"). This Standard requires that we plan and perform our work to form the conclusion about whether the Identified Sustainability Information is free from material misstatement.

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON SUSTAINABILITY INFORMATION OF SEMBCORP MARINE LTD

The extent of our procedures depends on our professional judgement and our assessment of the engagement risk.

A limited assurance engagement involves assessing the suitability in the circumstances of the Company's use of the Reporting Criteria as the basis for the preparation of the Identified Sustainability Information, assessing the risks of material misstatement of the Identified Sustainability Information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Identified Sustainability Information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures selected included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. Given the circumstances of the engagement, we also performed the following:

- interviewed management and personnel in Risk management, Corporate Strategy, Corporate Secretariat, Investors Relations, Finance, Operations (including Health, Safety and Environment) and Human Resources in relation to the Identified Sustainability Information;
- obtained an understanding of how the Identified Sustainability Information is gathered, collated and aggregated internally;
- performed limited substantive testing, on a selective basis, of the Identified Sustainability Information i) to verify the assumptions, estimations and computations made in relation to the Identified Sustainability Information; and ii) to check that data had been appropriately measured, recorded, collated and reported, to the extent we considered necessary and appropriate to provide sufficient evidence for our conclusion; and
- assessed the disclosure and presentation of the Identified Sustainability Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion about whether the Company's Identified Sustainability Information has been prepared, in all material respects, in accordance with the Reporting Criteria.

INHERENT LIMITATIONS

In designing these procedures, we considered the system of internal controls in relation to the Identified Sustainability Information and reliance has been placed on internal controls where appropriate. Because of the inherent limitations in any accounting and internal control system, errors and irregularities may nevertheless occur and not be detected.

CONCLUSION

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Identified Sustainability Information for the financial year ended 31 December 2017 is not prepared, in all material respects, in accordance with the Reporting Criteria.

PURPOSE AND RESTRICTION ON DISTRIBUTION AND USE

This report, including our conclusion, has been prepared solely for the Company in accordance with the agreement between us. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our work or this report.

Yours faithfully

PricewaterhouseCoopers LLP

PRICEWATERHOUSECOOPERS LLP
Public Accountants and Chartered Accountants

Singapore
9 March 2018

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

Year ended 31 December 2017

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2017.

In our opinion:

(a) the financial statements set out on pages 178 to 287 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 2017, and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

The directors in office at the date of this statement are as follows:

Tan Sri Mohd Hassan Marican	Chairman
Wong Weng Sun	President and CEO
Ajaib Haridass	
Ron Foo Siang Guan	
Lim Ah Doo	
Koh Chiap Khiong	
Eric Ang Teik Lim	
Gina Lee-Wan	
Bob Tan Beng Hai	
Neil McGregor	(appointed on 20 April 2017)
William Tan Seng Koon	(appointed on 20 April 2017)

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2018	At beginning of the year	At end of the year	At 21/01/2018
Tan Sri Mohd Hassan Marican							
Sembcorp Marine Ltd	Ordinary shares (Note 1)	192,100	296,300	296,300	–	–	–
Sembcorp Industries Ltd	Ordinary shares (Note 1)	60,200	79,400	79,400	–	–	–

DIRECTORS' STATEMENT

Year ended 31 December 2017

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2018	At beginning of the year	At end of the year	At 21/01/2018
Wong Weng Sun							
Sembcorp Marine Ltd	Ordinary shares	3,559,534	3,609,259	3,609,259	–	–	–
	Conditional award of 500,000 performance shares to be delivered after 2016 (Note 2a)	Up to 750,000	–	–	–	–	–
	Conditional award of 375,000 performance shares to be delivered after 2017 (Note 2b)	Up to 562,500	Up to 562,500	Up to 562,500	–	–	–
	Conditional award of 638,000 performance shares to be delivered after 2018 (Note 2c)	Up to 957,000	Up to 957,000	Up to 957,000	–	–	–
	Conditional award of 550,000 performance shares to be delivered after 2019 (Note 2d)	–	Up to 825,000	Up to 825,000	–	–	–

DIRECTORS' STATEMENT

Year ended 31 December 2017

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2018	At beginning of the year	At end of the year	At 21/01/2018
Wong Weng Sun (cont'd)							
Sembcorp Marine Ltd (cont'd)	Conditional award of 85,000 restricted shares to be delivered after 2014 (Note 3a)	30,600	–	–	–	–	–
	Conditional award of 85,000 restricted shares to be delivered after 2015 (Note 3b)	25,500	12,750	12,750	–	–	–
	Conditional award of 127,500 restricted shares to be delivered after 2016 (Note 3c)	Up to 191,250	12,750	12,750	–	–	–
	Conditional award of 191,000 restricted shares to be delivered after 2017 (Note 3d)	Up to 286,500	Up to 286,500	Up to 286,500	–	–	–
	Conditional award of 181,000 restricted shares to be delivered after 2018 (Note 3e)	–	Up to 271,500	Up to 271,500	–	–	–

DIRECTORS' STATEMENT

Year ended 31 December 2017

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2018	At beginning of the year	At end of the year	At 21/01/2018
Wong Weng Sun (cont'd)							
Sembcorp Industries Ltd	Ordinary shares	79,000	79,000	79,000	–	–	–
Ajaib Haridass							
Sembcorp Marine Ltd	Ordinary shares	805,510	854,510	854,510	–	–	–
Sembcorp Industries Ltd	Ordinary shares (Note 4)	24,600	44,400	44,400	–	–	–
Ron Foo Siang Guan							
Sembcorp Marine Ltd	Ordinary shares	210,480	254,780	254,780	28,000	28,000	28,000
Sembcorp Industries Ltd	Ordinary shares	82,820	82,820	82,820	–	–	–
Lim Ah Doo							
Sembcorp Marine Ltd	Ordinary shares	226,600	279,900	279,900	–	–	–
Sembcorp Industries Ltd	Ordinary shares	9,768	9,768	9,768	–	–	–
Koh Chiap Khiong							
Sembcorp Marine Ltd	Ordinary shares (Note 6)	82,400	123,200	123,200	–	–	–
Sembcorp Industries Ltd	Ordinary shares (Note 7)	423,649	509,433	509,433	–	–	–

DIRECTORS' STATEMENT

Year ended 31 December 2017

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2018	At beginning of the year	At end of the year	At 21/01/2018
Koh Chiap Khiong (cont'd)							
Sembcorp Industries Ltd (cont'd)	Conditional award of 75,000 performance shares to be delivered after 2016 (Note 2a)	Up to 112,500	–	–	–	–	–
	Conditional award of 105,000 performance shares to be delivered after 2017 (Note 2b)	Up to 157,500	Up to 157,500	Up to 157,500	–	–	–
	Conditional award of 133,000 performance shares to be delivered after 2018 (Note 2c)	Up to 199,500	Up to 199,500	Up to 199,500	–	–	–
	Conditional award of 100,000 performance shares to be delivered after 2019 (Note 2d)	–	Up to 150,000	Up to 150,000	–	–	–
	Conditional award of 65,000 restricted shares to be delivered after 2014 (Note 5a)	24,700	–	–	–	–	–

DIRECTORS' STATEMENT

Year ended 31 December 2017

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2018	At beginning of the year	At end of the year	At 21/01/2018
Koh Chiap Khiong (cont'd)							
Sembcorp Industries Ltd (cont'd)	Conditional award of 65,000 restricted shares to be delivered after 2015 (Note 5b)	54,166	27,082	27,082	–	–	–
	Conditional award of 85,000 restricted shares to be delivered after 2016 (Note 5c)	Up to 127,500	68,000	68,000	–	–	–
	Conditional award of 96,000 restricted shares to be delivered after 2017 (Note 5d)	Up to 144,000	Up to 144,000	Up to 144,000	–	–	–
	Conditional award of 100,000 restricted shares to be delivered after 2018 (Note 5e)	–	Up to 150,000	Up to 150,000	–	–	–
	Subordinated Perpetual Security issued on 21 Aug 2013 under the $2.5 Billion Multicurrency Debt Issuance Programme (Note 8)	Principal Amount: $250,000	Principal Amount: $250,000	Principal Amount: $250,000	–	–	–

DIRECTORS' STATEMENT

Year ended 31 December 2017

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests (are) held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2018	At beginning of the year	At end of the year	At 21/01/2018
Gina Lee-Wan							
Sembcorp Marine Ltd	Ordinary shares	22,600	49,500	49,500	–	–	–
Bob Tan Beng Hai							
Sembcorp Marine Ltd	Ordinary shares	24,200	61,500	61,500	–	–	–
Neil McGregor							
Sembcorp Industries Ltd	Ordinary shares	20,000	33,900	33,900	–	–	–
	Conditional award of 429,553 performance shares to be delivered after 2019 (Note 2d)	–	Up to 644,330	Up to 644,330	–	–	–
	Conditional award of 416,667 restricted shares to be delivered after 2018 (Note 5e)	–	Up to 625,001	Up to 625,001	–	–	–

Note 1: The 296,300 Sembcorp Marine Ltd shares and 79,400 Sembcorp Industries Ltd shares are held in the name of Citibank Nominees Singapore Pte Ltd.

Note 2: The actual number to be delivered will depend on the achievement of set targets over a 3-year period as indicated below. Achievement of targets below threshold level will mean no performance shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional performance shares awarded could be delivered.

(a) Period from 2014 to 2016*
(b) Period from 2015 to 2017
(c) Period from 2016 to 2018
(d) Period from 2017 to 2019

* For this period, no shares earned based on achievement factor at the end of the prescribed performance period, the conditional awards covering the period has thus lapsed.

DIRECTORS' STATEMENT

Year ended 31 December 2017

DIRECTORS' INTERESTS (CONT'D)

Note 3: The actual number to be delivered will depend on the achievement of set targets at the end of 2-year performance period as indicated below. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

(a) Period from 2013 to 2014*
(b) Period from 2014 to 2015**
(c) Period from 2015 to 2016***
(d) Period from 2016 to 2017
(e) Period from 2017 to 2018

* For this period, 30,600 shares (the final release of 1/3 of the 91,800 shares) were vested under the award on 28 March 2017. The 1st and 2nd release of 30,600 shares each have been vested on 18 March 2015 and 28 March 2016 respectively.

** For this period, 12,750 shares (2nd release of 1/3 of the 38,250 shares) were vested under the award on 28 March 2017 and the remaining 12,750 shares will be vested in year 2018. The 1st release of 12,750 shares has been vested on 28 March 2016.

*** For this period, 6,375 shares (1st release of 1/3 of the 19,125 shares) were vested under the award on 28 March 2017 and the remaining 12,750 shares will be vested in year 2018/2019.

Note 4: Of the 44,400 Sembcorp Industries Ltd shares, 5,000 shares are held in the name of Bank of Singapore.

Note 5: The actual number to be delivered will depend on the achievement of set targets at the end of 2-year performance period as indicated below. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

(a) Period from 2013 to 2014*
(b) Period from 2014 to 2015**
(c) Period from 2015 to 2016***
(d) Period from 2016 to 2017
(e) Period from 2017 to 2018

* For this period, 24,700 shares (the final release of 1/3 of the 74,100 shares) were vested under the award on 28 March 2017. The 1st and 2nd release of 24,700 shares each have been vested in 2015 and 2016 respectively.

** For this period, 27,084 shares (2nd release of 1/3 of the 81,250 shares) were vested under the award on 28 March 2017 and the remaining 27,082 shares will be vested in year 2018. The 1st release of 27,084 shares has been vested on 28 March 2016.

*** For this period, 34,000 shares (1st release of 1/3 of the 102,000 shares) were vested under the award on 28 March 2017 and the remaining 68,000 shares will be vested in year 2018/2019.

Note 6: Of the 123,200 Sembcorp Marine Ltd shares, 21,400 shares are held in the name of DBS Nominees Pte Ltd and 50,000 shares are held in the name of Citibank Nominees Pte Ltd.

Note 7: Of the 509,433 Sembcorp Industries Ltd shares, 345,615 shares are held in the name of DBS Nominees Pte Ltd and 140,000 shares are held in the name of Citibank Nominees Pte Ltd.

Note 8: Subordinated Perpetual Security issued under the $2.5 Billion Multicurrency Debt Issuance Programme ("MDIP") of Sembcorp Industries Ltd and Sembcorp Financial Services Pte. Ltd., a related company of Sembcorp Industries Group. The programme limit of the MDIP was increased from S$2 Billion to S$2.5 Billion on 25 November 2016.

DIRECTORS' STATEMENT
Year ended 31 December 2017

DIRECTORS' INTERESTS (CONT'D)

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2018.

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

Except as disclosed in Notes 24(a) and 36 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

SHARE-BASED INCENTIVE PLANS

The Company's Performance Share Plan ("SCM PSP 2010") and Restricted Share Plan ("SCM RSP 2010") (collectively, the "2010 Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 20 April 2010. The 2010 Share Plans replaced the Share Plans which were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 31 May 2000 and expired in 2010.

The Executive Resource and Compensation Committee (the "Committee") of the Company has been designated as the Committee responsible for the administration of the Share Plans. The Committee comprises the following members, all of whom are directors:

Tan Sri Mohd Hassan Marican	Chairman
Ajaib Haridass	
Eric Ang Teik Lim	
William Tan Seng Koon	(appointed on 27 April 2017)

The SCM RSP 2010 is the incentive scheme for directors and employees of the Company and its subsidiaries (the "Group") whereas the SCM PSP 2010 is aimed primarily at key executives of the Group.

The 2010 Share Plans are intended to increase the Company's flexibility and effectiveness in its continuing efforts to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of the Group. The 2010 Share Plans will strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives.

The Company designates Sembcorp Industries Ltd as the Parent Group.

The SCM RSP 2010 is intended to apply a broad base of senior executives as well as to the non-executive directors, while the SCM PSP 2010 is intended to apply to a select group of key senior management. Generally, it is envisaged that the range of performance targets to be set under the SCM RSP 2010 and the SCM PSP 2010 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

DIRECTORS' STATEMENT

Year ended 31 December 2017

SHARE-BASED INCENTIVE PLANS (CONT'D)

The 2010 Share Plans will provide incentives to high performing key senior management and senior executives to excel in their performance and encourage greater dedication and loyalty to the Company. Through the 2010 Share Plans, the Company will be able to motivate key senior management and senior executives to continue to strive for the Group's long-term shareholder value. In addition, the 2010 Share Plans aim to foster a greater ownership culture within the Group which align the interest of participants with the interest of shareholders, and to improve and achieve sustainable growth for the Company in the changing business environment.

The 2010 Share Plans use methods fairly common among major local and multinational companies to incentivise and motivate key senior management and senior executives to achieve pre-determined targets which create and enhance economic value for shareholders. The Company believes that the 2010 Share Plans will be effective tools in motivating key senior management and senior executives to strive to deliver long-term shareholder value.

While the 2010 Share Plans cater principally to Group executives, it is recognised that there are other persons who can make significant contributions to the Group through their close working relationship with the Group. Such persons include employees of associates over which the Company has operational control.

A participant's awards under the 2010 Share Plans will be determined at the sole discretion of the Committee. In considering an award to be granted to a participant, the Committee may take into account, *inter alia*, the participant's performance during the relevant period, and his capability, entrepreneurship, scope of responsibility and skill set.

Other information regarding the 2010 Share Plans and expired Share Plans is as follows:

(a) Share Option Plan

Under the rules of the Share Option Plan, participants who ceased to be employed by the Group, Parent Group or associate by reason of ill health, injury or disability, redundancy, retirement at or after the legal retirement age, retirement before the legal retirement age, death, etc., or any other event approved by the Committee, may be allowed by the Committee to retain their unexercised options. The Committee may determine the number of shares comprised in that option which may be exercised and the period during which such option shall be exercisable, being a period not later than the expiry of the exercise period in respect of that option. Such option may be exercised at any time notwithstanding that the date of exercise of such option falls on a date prior to the first day of the exercise period in respect of such option.

Other information regarding the Share Option Plan is as follows:

(i) The exercise price of the options can be set at market price or a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. Market price is the volume-weighted average price for the shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the three consecutive trading days prior to grant date of that option. For all options granted to date, the exercise prices are set at market price.

(ii) After the first 12 months of lock-out period, the Group imposed a further vesting of 4 years for managers and above for retention purposes.

(iii) The options granted expire after 5 years for non-executive directors and employees of the Company's associates, and 10 years for the employees of Group and Parent Group. There are no outstanding share options for non-executive directors.

(iv) All options have expired on 2 October 2016.

DIRECTORS' STATEMENT

Year ended 31 December 2017

SHARE-BASED INCENTIVE PLANS (CONT'D)

(a) Share Option Plan (cont'd)

(v) At the end of the financial year, details of the options granted under the Share Option Plan on unissued ordinary shares of the Company are as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1 January	Options exercised	Options cancelled/ lapsed/not accepted	Options outstanding at 31 December	Options exercisable at 1 January	Options exercisable at 31 December	Exercise period
2016								
02/10/2006	$2.38	973,312	–	(973,312)	–	973,312	–	03/10/2007 to 02/10/2016

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

In 2016, there was no option of the Company exercised.

DIRECTORS' STATEMENT
Year ended 31 December 2017

SHARE-BASED INCENTIVE PLANS (CONT'D)

(a) Share Option Plan (cont'd)

Fair value of share options

The fair value of services received is measured by reference to the fair value of share options granted.

The details of options of the Company awarded/exercised since commencement of the Scheme (aggregate) to 31 December 2017 are as follows:

Option participants	Aggregate options granted	Aggregate options cancelled/ lapsed/ not accepted	Aggregate options exercised	Aggregate options outstanding
Directors of the Company				
Wong Weng Sun	1,208,500	–	(1,208,500)	–
Ajaib Haridass	403,000	–	(403,000)	–
Ron Foo Siang Guan	28,000	–	(28,000)	–
Former Directors of the Company	15,035,800	–	(15,035,800)	–
Other executives	115,977,395	(15,710,648)	(100,266,747)	–
At 31 December 2017	132,652,695	(15,710,648)	(116,942,047)	–

Since the commencement of the Share Option Plan, no options have been granted to the controlling shareholders of the Company or their associates. No participant under the Share Option Plan has been granted 5% or more of the total options available. No options have been offered at a discount.

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any company.

(b) Performance Share Plan

Under the Performance Share Plan ("SCM PSP 2010"), the awards granted conditional on performance targets are set based on medium-term corporate objectives at the start of each rolling three-year performance qualifying period. A specific number of performance shares shall be awarded at the end of the three-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset.

The performance levels were calibrated based on Wealth Added and Total Shareholder Return. For awards granted from 2014 onwards, both market-based and non-market-based performance conditions are taken into account. A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Performance shares to be delivered will range between 0% to 150% of the conditional performance shares awarded.

To create alignment between senior management and other employees at the time of vesting, SCM PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2017 to 2019 will be vested to the senior management participants only if the restricted shares for the performance period 2018 to 2019 are vested, subject to the achievement of the performance conditions for the respective performance periods.

DIRECTORS' STATEMENT

Year ended 31 December 2017

SHARE-BASED INCENTIVE PLANS (CONT'D)

(b) Performance Share Plan (cont'd)

Senior management participants are required to hold a minimum percentage of the shares released to them under the Performance Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

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

Performance Shares participants	At 1 January	Movements during the year: Conditional performance shares awarded	Movements during the year: Performance shares lapsed arising from targets not met	At 31 December
2017				
Director of the Company				
Wong Weng Sun	1,513,000	550,000	(500,000)	1,563,000
Key executives of the Group	3,000,000	1,050,000	(880,000)	3,170,000
	4,513,000	1,600,000	(1,380,000)	4,733,000
2016				
Director of the Company				
Wong Weng Sun	1,125,000	638,000	(250,000)	1,513,000
Key executives of the Group	2,075,000	1,280,000	(355,000)	3,000,000
	3,200,000	1,918,000	(605,000)	4,513,000

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2014 to 2016 (2016: performance period 2013 to 2015), there were no (2016: nil) performance shares released via the issuance of treasury shares.

In 2017, there were 1,380,000 (2016: 605,000) performance shares that lapsed for under-achievement of the performance targets for the performance period 2014 to 2016 (2016: 2013 to 2015).

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 2017, was 4,733,000 (2016: 4,513,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 7,099,500 (2016: 6,769,500) performance shares.

DIRECTORS' STATEMENT

Year ended 31 December 2017

SHARE-BASED INCENTIVE PLANS (CONT'D)

(c) Restricted Share Plan

Under the Restricted Share Plan ("SCM RSP 2010"), the awards granted conditional on performance targets are set based on corporate objectives at the start of each rolling two-year performance qualifying period. The performance criteria for the restricted shares are calibrated based on Return on Capital Employed and Earnings Before Interest and Taxes for awards granted in 2017 and 2016.

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

The managerial participants of the Group will be awarded restricted shares under the SCM RSP 2010, while the non-managerial participants of the Group will receive their awards in an equivalent cash value. This cash-settled notional restricted shares award for non-managerial participants is known as the Sembcorp Marine Challenge Bonus.

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

Senior management participants are required to hold a minimum percentage of the shares released to them under the Restricted Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

To align the interests of the non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the SCM RSP 2010.

From 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Mr Wong Weng Sun, who is the President & CEO, and who does not receive any directors' fees). In 2017 and 2016, the awards granted consisted of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the Annual General Meeting ("AGM") (or, if the resolution to approve the final dividend is not approved, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

DIRECTORS' STATEMENT

Year ended 31 December 2017

SHARE-BASED INCENTIVE PLANS (CONT'D)

(c) Restricted Share Plan (cont'd)

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

		Movements during the year				
Restricted Shares participants	**At 1 January**	**Conditional restricted shares awarded**	**Restricted shares lapsed arising from targets not met**	**Conditional restricted shares released**	**Conditional restricted shares lapsed**	**At 31 December**
2017						
Directors of the Company						
Tan Sri Mohd Hassan Marican	–	104,200	–	(104,200)	–	–
Wong Weng Sun	374,600	181,000	(108,375)	(49,725)	–	397,500
Ajaib Haridass	–	49,000	–	(49,000)	–	–
Ron Foo Siang Guan	–	44,300	–	(44,300)	–	–
Lim Ah Doo	–	53,300	–	(53,300)	–	–
Koh Chiap Khiong	–	40,800	–	(40,800)	–	–
Gina Lee-Wan	–	26,900	–	(26,900)	–	–
Bob Tan Beng Hai	–	37,300	–	(37,300)	–	–
Former director of the Company	–	44,300	–	(44,300)	–	–
Other executives	13,341,542	7,595,350	(3,814,942)	(1,337,117)	(798,920)	14,985,913
	13,716,142	8,176,450	(3,923,317)	(1,786,942)	(798,920)	15,383,413
2016						
Directors of the Company						
Tan Sri Mohd Hassan Marican	–	111,800	–	(111,800)	–	–
Wong Weng Sun	307,700	191,000	(46,750)	(77,350)	–	374,600
Ajaib Haridass	–	65,700	–	(65,700)	–	–
Tang Kin Fei	–	54,600	–	(54,600)	–	–
Ron Foo Siang Guan	–	50,000	–	(50,000)	–	–
Lim Ah Doo	–	143,300	–	(143,300)	–	–
Koh Chiap Khiong	–	44,100	–	(44,100)	–	–
Gina Lee-Wan	–	22,600	–	(22,600)	–	–
Bob Tan Beng Hai	–	24,200	–	(24,200)	–	–
Other executives	9,793,885	7,525,400	(1,425,217)	(2,078,148)	(474,378)	13,341,542
	10,101,585	8,232,700	(1,471,967)	(2,671,798)	(474,378)	13,716,142

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2015 to 2016, a total of 266,891 (2016: Nil) restricted shares were released. For awards in relation to the performance period 2014 to 2015, a total of 386,942 (2016: 461,541) restricted shares were released. For awards in relation to the performance period 2013 to 2014, a total of 733,009 (2016: 845,290) restricted shares were released. In 2016, 848,667 restricted shares were released for awards in relation to the performance period 2012 to 2013. In 2017, there were 400,100 (2016: 516,300) restricted shares released to non-executive directors. The restricted shares were released via the issuance of treasury shares.

DIRECTORS' STATEMENT
Year ended 31 December 2017

SHARE-BASED INCENTIVE PLANS (CONT'D)

(c) Restricted Share Plan (cont'd)

In 2017, there were 3,923,317 (2016: 1,471,967) restricted shares that lapsed for under-achievement of the performance targets for the performance period 2015 to 2016 (2016: performance period 2014 to 2015).

The total number of restricted shares outstanding, including awards achieved but not released, as at 31 December 2017, was 15,383,413 (2016: 13,716,142). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 14,674,000 (2016: 12,239,840). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 22,011,000 (2016: 18,359,760) restricted shares.

Sembcorp Marine Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2015 to 2016 (2016: performance period 2014 to 2015), a total of $454,284 (2016: $766,416), equivalent to 248,950 (2016: 456,064) notional restricted shares, were paid.

A total of 3,074,000 (2016: 3,387,850) notional restricted shares were awarded on 26 May 2017 (2016: 27 May 2016) for the Sembcorp Marine Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Marine Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at 31 December 2017, was 5,230,850 (2016: 4,827,393). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 7,846,275 (2016: 7,241,090).

(d) Maximum Number of Shares Issuable

The maximum number of performance shares and restricted shares which could be delivered, when aggregated with the number of new shares issued and issuable in respect of all options granted, is within the 15% limit of the share capital of the Company on the day preceding the relevant date of the grant.

AUDIT COMMITTEE

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

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

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

The Audit Committee performs the functions specified in Section 201B of the Singapore Companies Act, Chapter 50, the Listing Manual of the Singapore Exchange, and the Code of Corporate Governance.

DIRECTORS' STATEMENT

Year ended 31 December 2017

AUDIT COMMITTEE (CONT'D)

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the external and internal auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption;
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange);
- internal audit plans and internal audit reports; and
- whistle-blowers' disclosures.

The Audit Committee has full access to the management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiaries and significant associates, we have complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange.

AUDITORS

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

On behalf of the Board of Directors

Tan Sri Mohd Hassan Marican
Chairman

Wong Weng Sun
Director

Singapore
21 February 2018

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sembcorp Marine Ltd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Sembcorp Marine Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017, 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 178 to 287.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of property, plant and equipment and intangible assets (the "shipyard assets")
(Refer to Notes 4, 11 and 41 to the financial statements: Property, plant and equipment of $3,995,019,000 and Intangible assets of $179,201,000)

Risk:

The Group's shipyard assets were subject to impairment test assessments, owing to the continuing difficult market conditions impacting the offshore and marine sector.

The Group's largest yard assets and facilities are (i) the integrated yards, which include the individual yard locations in Singapore, the sub-contracting yards in Indonesia and the United Kingdom (the Singapore cash generating unit) and (ii) the yard in Brazil (Brazil cash generating unit). Such shipyard assets are measured at cost less accumulated depreciation and impairment loss. An impairment loss exists when the net carrying amount of the shipyard assets is in excess of the fair value or recoverable amount. As the fair values of these shipyard assets are not readily determinable, the Group measures the recoverable amount using the discounted cash flow technique.

The determination of the recoverable amounts of these cash generating units involves a high degree of judgement and is subject to significant estimation uncertainties, principally, the forecast order book. The forecast order book includes a diversified portfolio of long-term contracts whose initial contract pricing takes into account prevailing market conditions and the outlook of the oil and gas industry, which are inherently subject to estimation uncertainties.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sembcorp Marine Ltd

As the Brazil cash generating unit is not yet fully operational, and there is limited track record of historical contract awards and performance, the Group has factored in the long term fundamentals of the oil and gas sector in Brazil to project the future order book. Accordingly, the future order book considers the projected capital expenditure of state-owned and international oil majors covering exploration and production projects that would lead to new build orders, regulations governing local content requirements, as well as forecast movements in oil prices in the foreseeable future projected by industry analysts. The long-term returns of the Brazil cash generating unit, however, can also be significantly impacted by political risk.

The outcome of the shipyard assets impairment tests for the Singapore cash generating unit and Brazil cash generating unit reveals that the recoverable amounts are in excess of the net carrying amounts attributable to these cash generating units.

Our response:

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

We reviewed the key assumptions supporting the value-in-use calculations to arrive at the recoverable amounts of these cash generating units. We compared the forecast order book to firm commitments secured from customers, management approved budgets built from the Group's past and actual experiences, prevailing industry trends, and industry analysts' reports. We compared the discount rates to market observable data including market and country risk premiums and any asset-specific risk premium.

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

Our findings:

The Group has a process for identifying and reviewing the cash generating units for impairment testing. The impairment test assessments incorporated the relevant considerations. The disclosures describing the inherent degree of estimation uncertainty and the sensitivity of the assumptions applied are appropriate.

Recognition of revenue and recoverability of contract work-in-progress
(Refer to Notes 13, 23 and 41 to the financial statements: Revenue of $2,387,354,000 and Contract work-in-progress of $1,818,811,000)

Risk:

One of the Group's significant revenue streams is derived from long-term construction contracts. The accounting for long-term construction contracts and the determination of percentage of completion is complex. Revenue is recognised based upon management's estimation of the value of the project activities completed. There are also estimation uncertainties associated with the costs to complete the projects.

During the year, several contracts previously concluded with the original customers under modified terms (the "original contracts") were terminated, and re-sold to another customer (the "new contracts"), with relevant adjustments recorded. Such adjustments took into account the terms and conditions, including the contract prices and payment terms and delivery dates, stipulated in these new contracts.

As at the reporting date, there were also certain contracts subject to deferral in delivery or scope variations (the "contract modifications"). The contract provisions required involve management judgement.

In relation to certain contracts with customers that have filed for bankruptcy protection and are undergoing financial restructuring, revenues from these contracts continue to be suspended, with no additional adjustments recorded for the current year, following those contract provisions recorded in the previous years. As at the date of this report, the outcome arising from the bankruptcy protection filing and consequential restructuring remains a highly judgemental matter. Accordingly, there is a risk of a material adjustment to the carrying amounts of these contracts depending on events and circumstances that may occur in future periods.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sembcorp Marine Ltd

The recoverability of amounts receivable from customers, contract work-in-progress on construction contracts, together with the corresponding contract revenues and costs recognised are therefore based on management's evaluation and best estimate of the ultimate realisation of these balances.

Our response:

- We reviewed the Group's estimation process (including the approval of project budget, monitoring of project costs and activities, and management's review and customer's approval of project's stage of completion and milestones achieved) used in determining the amounts of revenue and costs recognised in the financial statements.
- We reviewed the original contracts and the reversal adjustments on revenue and cost of sales recorded on contract terminations.
- We reviewed the terms and conditions of new contracts, and the contract modifications to identify the relevant adjustments on revenue recognition and contract provisions.
- We reviewed the contractual terms and work status of the customer contracts, along with discussions with management and checked that contract revenue was recognised according to the percentage of completion of each project measured by the stage of completion of physical activities.
- We reviewed the re-forecast of each contract subject to any modifications and analysed current on-going negotiations and settlements that may impair the profitability of such contracts as well as the collectability of significant contracts by reference to the recent credit review assessment of each customer prepared by management.
- We assessed the adequacy of disclosures in describing the areas of judgement and estimation uncertainties involving revenue recognition and contract work-in-progress.

Our findings:

The Group has a process to determine the amounts of revenue and costs recognised in the financial statements.

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

The reversal adjustments on revenue and cost of sales on those terminated contracts were according to the terms of the original contracts.

The relevant adjustments on revenue and contract provisions for the new contracts and contracts with modifications were appropriately considered.

The judgements applied on those contracts belonging to customers undergoing financial restructuring were relevant under the facts and circumstances currently made available to the Group.

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

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sembcorp Marine Ltd

Litigation, claims and other contingencies

Risk:

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

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

Our response:

We assessed the Group's process for identifying and monitoring significant adverse developments arising from contingencies and where appropriate, legal, regulatory and political developments. We have reviewed the terms of reference of Ad-hoc Committees formed.

We evaluated management's assessment of the likely outcome and potential exposures arising from all significant contingencies and allegations subject to on-going investigations; and considered the requirements for any provision and related disclosures. Our work included:

- Assessment of the progress of all significant contingencies, including reviewing the Group's public announcements and the underlying basis for the announcements made;
- Consideration of any evidence of legal disputes which we were made aware;
- Holding discussions with management, the Group's in-house legal counsel and Ad-hoc Committee, and reviewing pertinent correspondence between the parties involved and relevant reports issued by third parties;
- Obtaining independent legal confirmation letters from and discussing with the Group's external lawyers handling these issues to confirm the fact patterns which we have been advised; and
- Involvement of specialists to look into any on-going investigation work commissioned by the Ad-hoc Committee to support management's conclusions.

Our findings:

We found that the Group has a process for identifying and monitoring potential exposures arising from legal, regulatory and political developments as well as determination of the appropriate measurement and/or disclosures of such contingencies in the Group's financial statements. From our audit procedures performed, we found the liabilities recognised and disclosures on contingencies to be appropriate.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sembcorp Marine Ltd

Other Information

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

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

- Chairman and CEO's Report
- Group Financial Review
- Operations Review
- Directors' Statement

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

- 2017 Highlights
- Our Integrated Global Platform
- Significant Events
- Awards and Accolades
- Board of Directors
- Senior Management
- Corporate Structure
- Corporate Directory
- Shareholders' Information
- Investor Relations
- Approach to Sustainability
- Board Statement on Sustainability Report
- Corporate Governance
- Risk Management
- Sustaining Competitiveness
- Environmental Sustainability
- Human Capital
- Total Workplace Safety and Health
- Community Engagement
- SGX Sustainability Reporting Index
- GRI Standards: Core option content index
- Independent Practitioner's Limited Assurance Report on Sustainability Information of Sembcorp Marine Ltd
- Supplementary Information
- Major Properties

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sembcorp Marine Ltd

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sembcorp Marine Ltd

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditors' report is Kenny Tan Choon Wah.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
21 February 2018

BALANCE SHEETS

As at 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current assets					
Property, plant and equipment	4	3,995,019	3,986,667	79,418	90,497
Investment properties	5	–	–	17,190	19,006
Investments in subsidiaries	6	–	–	1,483,520	964,886
Interests in associates and joint ventures	7	67,965	74,816	–	–
Other financial assets	8	46,150	67,783	18,894	40,612
Trade and other receivables	9	168,740	53,095	31,725	36,605
Intangible assets	11	179,201	202,125	184	184
Deferred tax assets	12	5,889	12,042	–	–
		4,462,964	4,396,528	1,630,931	1,151,790
Current assets					
Inventories and work-in-progress	13	2,775,847	3,066,884	–	–
Trade and other receivables	9	566,874	491,968	117,283	61,099
Tax recoverable		11,192	8,530	846	5,536
Assets held for sale	14	–	182,215	–	107,369
Other financial assets	8	33,571	51,737	–	–
Cash and cash equivalents	15	1,301,000	1,216,971	55,126	24,482
		4,688,484	5,018,305	173,255	198,486
Total assets		9,151,448	9,414,833	1,804,186	1,350,276
Current liabilities					
Trade and other payables	16	2,061,446	2,120,447	26,433	23,890
Excess of progress billings over work-in-progress	13	174,356	193,403	–	–
Provisions	18	27,755	15,337	6,771	6,771
Other financial liabilities	19	1,449	18,317	–	–
Current tax payable		24,868	36,817	–	–
Interest-bearing borrowings	20	852,737	1,363,961	474	–
		3,142,611	3,748,282	33,678	30,661
Net current assets		1,545,873	1,270,023	139,577	167,825
Non-current liabilities					
Deferred tax liabilities	12	61,545	85,673	11,070	12,963
Provisions	18	70,014	65,279	18,036	18,036
Other financial liabilities	19	5,713	26,397	–	–
Interest-bearing borrowings	20	3,247,386	2,791,014	1,394	–
Other long-term payables	16	104,807	90,567	6,779	6,324
		3,489,465	3,058,930	37,279	37,323
Total liabilities		6,632,076	6,807,212	70,957	67,984
Net assets		2,519,372	2,607,621	1,733,229	1,282,292
Equity attributable to owners of the Company					
Share capital	21	484,288	484,288	484,288	484,288
Other reserves	22	(25,724)	54,905	(27,831)	(21,459)
Revenue reserve		2,019,609	2,022,796	1,276,772	819,463
		2,478,173	2,561,989	1,733,229	1,282,292
Non-controlling interests	30	41,199	45,632	–	–
Total equity		2,519,372	2,607,621	1,733,229	1,282,292

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000
Turnover	23	2,387,354	3,544,816
Cost of sales		(2,326,848)	(3,252,063)
Gross profit		60,506	292,753
Other operating income		63,705	55,623
Other operating expenses		(5,021)	(9,083)
General and administrative expenses		(98,737)	(113,987)
Operating profit	24	20,453	225,306
Finance income	25	11,548	7,922
Finance costs	25	(95,522)	(88,651)
Non-operating income	26	64,803	4,429
Non-operating expenses	26	(13,309)	(23,352)
Share of results of associates and joint ventures, net of tax	27	(3,617)	(35,134)
(Loss)/profit before tax		(15,644)	90,520
Tax credit/(expense)	28	25,592	(15,360)
Profit for the year		9,948	75,160
Profit attributable to:			
Owners of the Company		14,076	78,777
Non-controlling interests	30	(4,128)	(3,617)
Profit for the year		9,948	75,160
Earnings per share (cents)	31		
Basic		0.67	3.77
Diluted		0.67	3.77

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000
Profit for the year		9,948	75,160
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(62,451)	9,320
Net change in fair value of cash flow hedges		30,498	50,749
Net change in fair value of cash flow hedges transferred to profit or loss		(1,347)	2,632
Net change in fair value of available-for-sale financial assets		30,791	(20,011)
Change in fair value of available-for-sale financial assets transferred to profit or loss	8	(32,299)	8,978
Realisation of reserve upon disposal of assets held for sale		(20,484)	–
Realisation of reserve upon disposal of a subsidiary		(217)	–
Other comprehensive income for the year, net of tax	29	(55,509)	51,668
Total comprehensive income for the year		(45,561)	126,828
Total comprehensive income attributable to:			
Owners of the Company		(41,407)	134,854
Non-controlling interests	30	(4,154)	(8,026)
Total comprehensive income for the year		(45,561)	126,828

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital $'000	Reserve for own shares $'000	Capital reserves $'000	Currency translation reserve $'000	Share-based payments reserve $'000	Hedging reserve $'000	Fair value reserve $'000	Revenue reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group											
At 1 January 2017	484,288	(566)	11,514	65,394	(30,158)	6,766	1,955	2,022,796	2,561,989	45,632	2,607,621
Total comprehensive income for the year											
Profit for the year	–	–	–	–	–	–	–	14,076	14,076	(4,128)	9,948
Other comprehensive income											
Foreign currency translation differences for foreign operations	–	–	–	(62,579)	–	–	–	–	(62,579)	128	(62,451)
Net change in fair value of cash flow hedges	–	–	–	–	–	30,498	–	–	30,498	–	30,498
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	–	(1,347)	–	–	(1,347)	–	(1,347)
Net change in fair value of available-for-sale financial assets	–	–	–	–	–	–	30,791	–	30,791	–	30,791
Change in fair value of available-for-sale financial assets transferred to profit or loss	–	–	–	–	–	–	(32,299)	–	(32,299)	–	(32,299)
Realisation of reserve upon disposal of assets held for sale	–	–	–	(20,484)	–	–	–	–	(20,484)	–	(20,484)
Realisation of reserve upon disposal of a subsidiary (Note 34)	–	–	–	(63)	–	–	–	–	(63)	(154)	(217)
Total other comprehensive income for the year	–	–	–	(83,126)	–	29,151	(1,508)	–	(55,483)	(26)	(55,509)
Total comprehensive income for the year	–	–	–	(83,126)	–	29,151	(1,508)	14,076	(41,407)	(4,154)	(45,561)
Transactions with owners of the Company, recognised directly in equity											
Contributions by and distributions to owners of the Company											
Purchase of treasury shares	–	(5,942)	–	–	–	–	–	–	(5,942)	–	(5,942)
Issue of treasury shares	–	3,057	–	–	(2,370)	–	–	–	687	–	687
Dividends paid to											
– owners of the Company (Note 32)	–	–	–	–	–	–	–	(41,794)	(41,794)	–	(41,794)
– non-controlling interests	–	–	–	–	–	–	–	–	–	(279)	(279)
Unclaimed dividends	–	–	–	–	–	–	–	6	6	–	6
Share-based payments	–	–	–	–	4,634	–	–	–	4,634	–	4,634
Transfer of reserves	–	–	(24,525)	–	–	–	–	24,525	–	–	–
Total contributions by and distributions to owners of the Company	–	(2,885)	(24,525)	–	2,264	–	–	(17,263)	(42,409)	(279)	(42,688)
At 31 December 2017	484,288	(3,451)	(13,011)	(17,732)	(27,894)	35,917	447	2,019,609	2,478,173	41,199	2,519,372

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital $'000	Reserve for own shares $'000	Capital reserves $'000	Currency translation reserve $'000	Share-based payments reserve $'000	Hedging reserve $'000	Fair value reserve $'000	Revenue reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group											
At 1 January 2016	484,288	(3,149)	25,574	50,903	(29,931)	(46,615)	12,988	2,017,147	2,511,205	153,074	2,664,279
Total comprehensive income for the year											
Profit for the year	–	–	–	–	–	–	–	78,777	78,777	(3,617)	75,160
Other comprehensive income											
Foreign currency translation differences for foreign operations	–	–	–	13,729	–	–	–	–	13,729	(4,409)	9,320
Net change in fair value of cash flow hedges	–	–	–	–	–	50,749	–	–	50,749	–	50,749
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	–	2,632	–	–	2,632	–	2,632
Net change in fair value of available-for-sale financial assets	–	–	–	–	–	–	(20,011)	–	(20,011)	–	(20,011)
Change in fair value of available-for-sale financial assets transferred to profit or loss on impairment	–	–	–	–	–	–	8,978	–	8,978	–	8,978
Total other comprehensive income for the year	–	–	–	13,729	–	53,381	(11,033)	–	56,077	(4,409)	51,668
Total comprehensive income for the year	–	–	–	13,729	–	53,381	(11,033)	78,777	134,854	(8,026)	126,828
Transactions with owners of the Company, recognised directly in equity											
Contributions by and distributions to owners of the Company											
Purchase of treasury shares	–	(2,990)	–	–	–	–	–	–	(2,990)	–	(2,990)
Issue of treasury shares	–	5,573	–	–	(4,740)	–	–	–	833	–	833
Dividends paid to											
– owners of the Company (Note 32)	–	–	–	–	–	–	–	(73,140)	(73,140)	–	(73,140)
– non-controlling interests	–	–	–	–	–	–	–	–	–	(558)	(558)
Unclaimed dividends	–	–	–	–	–	–	–	12	12	–	12
Share-based payments	–	–	–	–	4,513	–	–	–	4,513	–	4,513
Acquisition of subsidiaries with non-controlling interests (Note 35)	–	–	–	–	–	–	–	–	–	44,897	44,897
Acquisition of non-controlling interests	–	–	(14,060)	762	–	–	–	–	(13,298)	(143,755)	(157,053)
Total contributions by and distributions to owners of the Company	–	2,583	(14,060)	762	(227)	–	–	(73,128)	(84,070)	(99,416)	(183,486)
At 31 December 2016	484,288	(566)	11,514	65,394	(30,158)	6,766	1,955	2,022,796	2,561,989	45,632	2,607,621

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Group	
	2017	2016
	$'000	$'000
Cash flows from operating activities		
Profit for the year	9,948	75,160
Adjustments for:		
Finance income	(11,548)	(7,922)
Finance costs	95,522	88,651
Depreciation of property, plant and equipment	170,048	140,591
Amortisation of intangible assets	22,868	18,354
Share of results of associates and joint ventures, net of tax	3,617	35,134
Loss/(gain) on disposal of property, plant and equipment, net	863	(28)
Loss on disposal of intangible assets	13	–
Gain on disposal of subsidiaries	(753)	–
Gain on disposal of an investment in a joint venture	–	(186)
Gain on disposal of assets held for sale	(46,816)	–
Gain on deemed disposal of available-for-sale financial asset	–	(4,243)
Gain on disposal of available-for-sale financial assets	(17,200)	–
Negative goodwill	–	(2,600)
Assumption of liabilities on behalf of a joint venture	11,000	–
Fair value adjustment on hedging instruments	(1,623)	(1,435)
Fair value adjustment on firm commitments under fair value hedge	3,454	(4,146)
Impairment losses on available-for-sale financial assets	2,275	21,232
Impairment losses on investment in associates	–	2,120
Share-based payment expenses	6,149	4,279
Property, plant and equipment written off	500	45
Inventories written back, net	–	(1,162)
Reversal of contract costs (net) on termination, net of write-down of inventories and foreseeable loss on contract work-in-progress	(19,622)	–
Allowance for doubtful debts and bad debts, net	167	5,231
Tax (credit)/expense	(25,592)	15,360
Operating profit before working capital changes	203,270	384,435
Changes in working capital:		
Inventories and work-in-progress	292,207	672,680
Trade and other receivables	(175,636)	101,284
Trade and other payables	(175,895)	(489,553)
Cash generated from operations	143,946	668,846
Investment and interest income received	11,392	7,867
Interest paid	(93,081)	(80,244)
Tax paid	(12,610)	(27,956)
Net cash generated from operating activities	49,647	568,513
Cash flows from investing activities		
Purchase of property, plant and equipment (Note (a))	(177,892)	(421,388)
Proceeds from sale of property, plant and equipment	1,482	103
Proceeds from sale of intangible assets	42	–
Acquisition of subsidiaries, net of cash acquired (Note 35)	–	(66,392)
Acquisition of a joint venture	–	(3,258)
Proceeds from divestment of asset held for sale	205,690	–
Proceeds from disposal of a subsidiary	50	–
Proceeds from disposal of a joint venture	–	450
Proceeds from disposal of available-for-sale financial assets	36,033	–
Net cash generated from/(used in) investing activities	65,405	(490,485)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Group	
	2017	**2016**
	$'000	**$'000**
Cash flows from financing activities		
Proceeds from borrowings	465,809	1,604,908
Repayment of borrowings	(441,039)	(836,847)
Repayment of finance lease	(512)	–
Purchase of treasury shares	(5,942)	(2,990)
Acquisition of non-controlling interests	–	(157,011)
Dividends paid to owners of the Company	(41,794)	(73,140)
Dividends paid to non-controlling interests of subsidiaries	(279)	(558)
Unclaimed dividends	6	12
Net cash (used in)/generated from financing activities	(23,751)	534,374
Net increase in cash and cash equivalents	91,301	612,402
Cash and cash equivalents at beginning of the year	1,216,971	627,282
Effect of exchange rate changes on balances held in foreign currencies	(7,272)	(22,713)
Cash and cash equivalents at end of the year (Note 15)	1,301,000	1,216,971

(a) During the year, purchase of property, plant and equipment includes payment of $1,373,000 on prior year's accrued capital expenditure for the Brazil yard (2016: includes payment of $1,509,000 on 2015's accrued capital expenditure for the Brazil yard).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 21 February 2018.

1. DOMICILE AND ACTIVITIES

Sembcorp Marine Ltd (the "Company") is a company incorporated in the Republic of Singapore and has its registered office at 29 Tanjong Kling Road, Singapore 628054.

With the adoption of FRS 110 on 1 January 2014, the immediate holding company, Sembcorp Industries Ltd ("SCI"), a company incorporated in Singapore, has been assessed to be a subsidiary of Temasek Holdings (Private) Limited, a company incorporated in Singapore. As such, the Company's immediate holding company is SCI and the ultimate holding company is Temasek Holdings (Private) Limited.

The financial statements comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates and joint ventures.

The principal activities of the Company are the provision of management services and investment holding. The principal activities of the subsidiaries, associates and joint ventures are stated in Note 42.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the accounting policies below.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand ($'000), unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is discussed in Note 41.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

2. BASIS OF PREPARATION (CONT'D)

2.5 Changes in accounting policies

The Group has applied the following amendments for the first time for the annual period beginning on 1 January 2017:

- *Disclosure Initiative (Amendments to FRS 7);*
- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to FRS 12); and*
- *Clarification of the scope of FRS 112 (Improvements to FRSs 2016).*

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see Note 20).

Other than the amendments to FRS 7, the adoption of these amendments did not have any significant impact on the current or prior period and is not likely to affect future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by Group entities to all periods presented in these financial statements.

3.1 Basis of consolidation

(i) Business combinations

Acquisitions on or after 1 January 2010

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Deferred consideration comprises obligations to pay specific amounts at future dates. Deferred consideration is recognised and measured at fair value at the acquisition date and included in the consideration transferred. The unwinding of any interest element of deferred consideration is recognised in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Acquisitions prior to 1 January 2010

All business combinations are accounted for using the purchase method. Under the purchase method, the cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(ii) Non-controlling interests

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their own capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of net assets of the subsidiary.

Prior to 1 January 2010, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

(iii) Subsidiaries

Subsidiaries are those entities that are controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary even if this results in the non-controlling interests having a deficit balance.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(v) Associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has significant influence over another entity. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Associates are accounted for using the equity method of accounting from the date that significant influence commences until the date that significant influence ceases and are recognised initially at cost. The cost of investments includes transaction costs. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment (including any other unsecured receivables, that in substance, form part of the Group's net investment in the associate) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or made payments on its behalf to satisfy obligations of the associate that the Group has guaranteed or otherwise committed on behalf of.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition. Where the audited financial statements are not available, the share of results is arrived at from unaudited management financial statements made up mainly to the end of the accounting year to 31 December.

(vi) Joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has joint control over the entity.

Joint ventures are accounted for using the equity method of accounting from the date that joint control commences until the date that joint control ceases.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition. Where the audited financial statements are not available, the share of results is arrived at from unaudited management financial statements made up mainly to the end of the accounting year to 31 December.

(vii) Transactions eliminated on consolidation

All intra-group balances, transactions, and unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(viii) Accounting for subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are measured in the Company's balance sheet at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies

(i) Foreign currency transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. At each reporting date:

- Foreign currency monetary assets and liabilities are retranslated to the functional currency using exchange rates at that date.
- Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using exchange rate at the date of the transaction.
- 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:

- Available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- A financial liability designated as a hedge of net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The results and financial positions of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at exchange rates ruling at the date of the balance sheet.
- Revenues and expenses are translated at average exchange rates.
- All resulting foreign currency differences are taken to the foreign currency translation reserve in other comprehensive income.

Goodwill (except those relating to acquisitions of foreign operations prior to 1 January 2004) and fair value adjustments arising from the acquisition of foreign operations are translated to the presentation currency for consolidation at the rates of exchange ruling at the balance sheet date. Goodwill arising from the acquisition of foreign operations prior to 1 January 2004 are translated at foreign exchange rates ruling at the dates of the transactions.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies (cont'd)

(ii) Foreign operations (cont'd)

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

(iii) Net investment in a foreign operation

Foreign currency differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's profit or loss. Such differences are reclassified to the foreign currency translation reserve in the consolidated statement of comprehensive income and are released to the consolidated income statement upon disposal of the investment as part of the gain or loss on disposal.

3.3 Property, plant and equipment

(i) Owned assets

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Cost may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

(ii) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment is recognised in the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and its costs can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised as an expense when incurred.

Certain items of property, plant and equipment are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the costs of the next overhaul and are separately depreciated in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss.

(iii) Disposals

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

(iv) Leasehold land

Operating leasehold land has been capitalised as part of property, plant and equipment and is depreciated over the lease period in which the future economic benefits embodied in the assets are expected to be consumed.

(v) Finance lease assets

Finance leases are those leasing agreements with terms of which the Group assumes substantially all the risks and rewards of ownership. Property, plant and equipment acquired by way of such leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss.

Capitalised leased assets are depreciated over the shorter of the economic useful life of the asset and the lease term.

(vi) Provision for restoration costs

A provision is recognised for the costs expected to be incurred to dismantle, remove and restore the asset upon expiry of the lease agreement. The estimated costs form part of the cost of the property, plant and equipment and are depreciated over the useful life of the asset.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

(vii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is recognised as an expense in profit or loss on a straight-line basis over their estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years are as follows:

Leasehold land	Lease period of 3 to 60 years
Buildings	3 to 50 years
Quays and dry docks	6 to 60 years
Marine vessels	7 to 25 years
Cranes and floating docks	3 to 30 years
Plant, machinery and tools	3 to 30 years
Motor vehicles	3 to 10 years
Furniture and office equipment	3 to 10 years
Utilities and fittings	10 to 30 years
Computer equipment	1 to 5 years

The assets' depreciation methods, useful lives and residual values, if not insignificant, are reviewed annually and adjusted if appropriate.

No depreciation is provided on freehold land or construction-in-progress.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

3.4 Investment properties

Investment properties are properties held for long-term rental yields or for capital appreciation, or both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives ranging from 45 to 60 years or the lease period of 15 to 16 years. The assets' depreciation methods, useful lives and residual values are reviewed, if not insignificant, annually, and adjusted if appropriate. No depreciation is provided on the freehold land.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as additions when it increases the future economic benefits, embodied in the specific asset to which it relates, and its costs can be measured reliably. The carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvements is recognised as an expense when incurred.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Intangible assets

(i) Goodwill

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, less the net amount recognised (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures, respectively. An impairment loss on such investments is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investments.

Goodwill is tested for impairment on an annual basis in accordance with Note 3.12.

(ii) Intellectual property rights

Intellectual property rights are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 10 years.

(iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iv) Amortisation

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial assets (cont'd)

Financial assets and liabilities are offset and the net amount presented in the balance sheets when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. The designation of financial assets at fair value through profit or loss is irrevocable.

(i) Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise unquoted securities that otherwise would have been classified as available-for-sale.

(ii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date for which they are classified as non-current assets. Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Receivables with a short duration are not discounted. Loans and receivables are included in trade and other receivables in the balance sheet.

Loans and receivables comprise cash and cash equivalents, work-in-progress due from customers on construction contracts, trade and other receivables excluding prepayments and advances to suppliers.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand. Bank overdrafts are shown within interest-bearing borrowings in current liabilities on the balance sheet.

(iii) Available-for-sale financial assets

Other financial assets held by the Group that are either designated in this category or not classified in any other category, are classified as being available-for-sale. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. They are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences, are recognised directly in other comprehensive income. When these investments are derecognised, the cumulative gain or loss previously recognised directly in other comprehensive income, or part thereof, is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Available-for-sale financial assets comprise equity shares and unit trusts.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the excess of acquisition cost less any impairment loss on that financial asset previously recognised in profit or loss, over its current fair value.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. The decrease in impairment loss is reversed through profit or loss.

An impairment loss once recognised in profit or loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. Any subsequent increase in fair value of such assets is recognised directly in other comprehensive income. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Derivatives

Derivatives are used to manage exposures to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivatives are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are re-measured at fair value and any changes in its fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant changes in the fair value depends on the nature of the item being hedged as described in Note 3.9.

3.9 Hedging activities

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, together with the methods that will be used to assess the effectiveness of the hedge relationship as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

(i) Fair value hedges

Where a derivative hedges the changes in fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on the hedging instrument is recognised in profit or loss. The hedged item is also measured at fair value in respect of the risk being hedged, with any changes recognised in profit or loss.

(ii) Cash flow hedges

Where a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised directly in other comprehensive income and presented in the hedging reserve in equity. The ineffective portion of changes in the fair values of the derivative is recognised immediately in profit or loss.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is reclassified from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated changes in fair value that were recognised directly in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Inventories and work-in-progress

(i) Inventories

Inventories consist mainly of steel and other materials used for ship and rig repair, building and conversion and are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Long-term contracts

The accounting policy for recognition of contract revenue is set out in Note 3.19(i).

Long-term contracts-in-progress at the balance sheet date are recorded in the balance sheet at cost plus attributable profit less recognised losses, net of progress billings and allowance for foreseeable losses, and are presented in the balance sheet as 'inventories and work-in-progress' (as an asset) or 'excess of progress billings over work-in-progress' (as a liability), as applicable. Work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work completed to date. This comprises mainly uncompleted ship and rig repair, building and conversion jobs. It is measured at cost plus profit recognised to date less progress billings and recognised losses. The amount due from customers on construction contracts are classified as financial assets. Long-term contract costs includes the cost of direct materials, direct labour, sub-contractors' costs and an appropriate allocation of fixed and variable production overheads. Allowance is made for anticipated losses, if any, on work-in-progress when the possibility of loss is ascertained. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Progress billings not yet paid by the customer are included in the balance sheet under 'trade and other receivables'.

3.11 Government grants

Asset related grants are credited to a deferred asset grant account at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as other income on the straight-line basis over the estimated useful lives of the relevant assets.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit 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 to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, cash generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of cash generating units that are expected to benefit from the synergies of the combination.

(ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed, even if it relates to an impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or balance sheet date. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or joint venture may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the balance sheets when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.14 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent that the prepayment will lead to, for example, a reduction in future payment or a cash refund.

(ii) Long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Long-term employee benefits are reported in "other long-term payables".

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related employment service is provided.

The amount expected to be paid is accrued when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits (cont'd)

(iv) Staff retirement benefits

Retirement benefits payable to certain categories of employees upon their retirement are provided for in the financial statements based on their entitlement under the staff retirement benefit plan or, in respect of unionised employees of a subsidiary who joined on or before 31 December 1988, based on an agreement with the union.

The Group's net obligation in respect of retirement benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected future salary increase and is discounted to its present value and the fair value of any related assets is deducted.

(v) Equity and equity-related compensation benefits

Share Option Plan

The share option programme allows the Group's employees to acquire shares of the Group companies. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital when new shares are issued. The amount in the share-based payments reserve is retained when the option is exercised or expires.

Where treasury shares are issued, the difference between the cost of treasury shares and the proceeds received net of any directly attributable costs are transferred to share-based payments reserve.

Performance Share Plan

The fair value of equity-related compensation is measured using the Monte Carlo simulation method as at the date of the grant. The method involves projecting future outcomes using statistical distributions of key random variables including the share prices and volatility of returns. This model takes into account the probability of achieving the performance conditions in the future.

The fair value of the compensation cost is measured at grant date and amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. In estimating the fair value of the compensation cost, market-based performance conditions are taken into account. From 2014 onwards, awards granted have both market-based and non-market-based performance conditions. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates, irrespective of whether this performance condition is satisfied.

The share-based payments reserve relating to the performance shares released is transferred to share capital when new shares are issued. When treasury shares are issued, the cost of treasury shares is transferred to share-based payments reserve.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits (cont'd)

(v) Equity and equity-related compensation benefits (cont'd)

Restricted Share Plan

Similar to the Performance Share Plan, the fair value of equity-related compensation is measured using the Monte Carlo simulation method as at the date of the grant. The method involves projecting future outcomes using statistical distributions of key random variables including the share prices and volatility of returns. This model takes into account the probability of achieving the performance conditions in the future.

The fair value of the compensation cost is measured at grant date and amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. Awards granted have non-market based performance conditions. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates.

At the balance sheet date, the Company revises its estimates of the number of performance-based restricted shares that the employees are expected to receive based on the achievement of non-market performance conditions and the number of shares ultimately given. It recognises the impact of the revision of the original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The share-based payments reserve relating to the restricted shares released is transferred to share capital when new shares are issued. When treasury shares are issued, the cost of treasury shares is transferred to share-based payments reserve.

In the Company's separate financial statements, the fair value of options, performance shares and restricted shares granted to employees of its subsidiaries is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase in equity over the vesting period.

(vi) Cash-related compensation benefits

Sembcorp Marine Challenge Bonus

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the share price of the Company. The Group recognises a provision when contractually obliged to pay or where there is a past practice that has created a constructive obligation to pay.

The compensation cost is measured at the fair value of the liability at each balance sheet date and spread over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the bonus. The liability takes into account the probability of achieving the performance conditions in the future.

Until the liability is settled, the Group will re-measure the fair value of the liability at each balance sheet date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to business combinations, or to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Dividends

Dividends on ordinary shares are recognised when they are approved for payments. Dividends on ordinary shares classified as equity are accounted for as movements in revenue reserve.

3.19 Revenue recognition

(i) Contract revenue

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

Revenue from ship and rig repair, building, conversion and offshore is recognised on the percentage of completion method, provided the outcome of the contract can be reliably estimated. The percentage of completion is assessed by reference to surveys of work performed.

When the outcome of a contract can be estimated reliably, contract revenue and costs are recognised as income and expense respectively using the percentage of completion method. When the outcome of a long-term contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that can probably be recovered and contract costs are recognised as an expense in the period in which they are incurred. An expected loss on a contract is recognised immediately in profit or loss when it is foreseeable.

(ii) Income on goods sold and services rendered

Revenue from goods sold is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue on other service work is recognised when the work is completed. Revenue excludes goods and services or other sales taxes and is after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(iii) Charter hire and rental income

Charter hire and rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

3.20 Dividend and finance income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance income is recognised in profit or loss as it accrues, using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Leases

(i) Operating lease

When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made.

When entities within the Group are lessors of an operating lease

Assets subject to operating leases are included in investment properties and are measured at cost less accumulated depreciation and impairment losses. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(ii) Finance lease

When entities within the Group are lessors of a finance lease

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

3.22 Finance costs

Finance costs comprise of interest expense on borrowings, amortisation of capitalised transaction costs and transaction costs written off. Interest expense and similar charges are expensed in profit or loss in the period using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset. The interest component of finance lease payments is recognised in profit or loss using the effective interest method. Termination of interest rate swaps are recognised in profit or loss.

3.23 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise awards of share options granted to employees.

3.24 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's President & CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.25 Financial guarantee contracts

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Company will be required to make a payment under the guarantee. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

3.26 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.27 Assets held for sale

Non-current assets are classified as assets held for sale and measured at the lower of carrying amount and fair value less costs to sell if they are expected to be recovered principally through a sale transaction rather than through continuing use.

Any impairment losses on initial classification and subsequent gains or losses on re-measurement are recognised in profit or loss. Subsequent increases in fair value less costs to sell are recognised in profit or loss (not exceeding the accumulated impairment loss that has been previously recognised).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

4. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		Construction-in-progress[1]	Docks and quays	Marine vessels[2]	Plant, machinery and tools	Others[3]	Total[4]
	Freehold $'000	Leasehold $'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Cost								
Balance at 1 January 2016	343,276	890,042	975,759	1,174,580	287,169	884,403	110,179	4,665,408
Translation adjustments	33,306	2,646	90,037	22,063	4,924	18,609	1,112	172,697
Additions	130	20,496	366,145	4,317	336	22,173	6,282	419,879
Reclassifications	(229,581)	5,692	(196,919)	19,103	1,035	352,940	47,730	–
Disposals/write-offs	–	(2)	–	(21)	(171)	(10,653)	(1,827)	(12,674)
Acquisition of subsidiaries	321	15	–	–	–	7	138	481
Balance at 31 December 2016	147,452	918,889	1,235,022	1,220,042	293,293	1,267,479	163,614	5,245,791
Balance at 1 January 2017	147,452	918,889	1,235,022	1,220,042	293,293	1,267,479	163,614	5,245,791
Translation adjustments	580	(9,144)	4,968	3,011	(14,364)	(4,553)	(1,358)	(20,860)
Additions	451	15,230	166,770	–	29	5,779	5,196	193,455
Reclassifications	18,749	52,273	(568,451)	283,777	8	211,329	2,315	–
Transfer to prepayment	–	–	(595)	–	–	–	–	(595)
Disposals/write-offs	–	(179)	–	(2,302)	–	(3,360)	(1,791)	(7,632)
Disposal of subsidiaries	(1,688)	(1,335)	–	–	–	(2,264)	(233)	(5,520)
Balance at 31 December 2017	165,544	975,734	837,714	1,504,528	278,966	1,474,410	167,743	5,404,639

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Land and buildings		Construction-in-progress[1]	Docks and quays	Marine vessels[2]	Plant, machinery and tools	Others[3]	Total[4]
	Freehold $'000	Leasehold $'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Accumulated depreciation and impairment losses								
Balance at 1 January 2016	7,296	229,505	–	354,003	38,682	413,355	82,012	1,124,853
Translation adjustments	728	1,121	–	692	744	2,476	473	6,234
Depreciation for the year	11,234	28,742	–	25,149	11,628	51,564	12,274	140,591
Reclassifications	(9,627)	(254)	–	(150,853)	–	157,730	3,004	–
Disposals/write-offs	–	(2)	–	(2)	(162)	(10,574)	(1,814)	(12,554)
Balance at 31 December 2016	9,631	259,112	–	228,989	50,892	614,551	95,949	1,259,124
Balance at 1 January 2017	9,631	259,112	–	228,989	50,892	614,551	95,949	1,259,124
Translation adjustments	(66)	(3,554)	–	(71)	(1,996)	(3,965)	(1,130)	(10,782)
Depreciation for the year	5,404	38,245	–	38,482	11,388	59,068	17,461	170,048
Reclassifications	160	(160)	–	–	(205)	221	(16)	–
Disposals/write-offs	–	(87)	–	(476)	–	(2,504)	(1,720)	(4,787)
Disposal of subsidiaries	(611)	(1,237)	–	–	–	(1,948)	(187)	(3,983)
Balance at 31 December 2017	14,518	292,319	–	266,924	60,079	665,423	110,357	1,409,620
Carrying amounts								
At 1 January 2016	335,980	660,537	975,759	820,577	248,487	471,048	28,167	3,540,555
At 31 December 2016	137,821	659,777	1,235,022	991,053	242,401	652,928	67,665	3,986,667
At 31 December 2017	151,026	683,415	837,714	1,237,604	218,887	808,987	57,386	3,995,019

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Docks $'000	Plant, machinery and tools $'000	Others[3] $'000	Total $'000
Company				
Cost				
Balance at 1 January 2016	160,505	2,240	32,110	194,855
Additions	–	–	4,609	4,609
Disposals	–	–	(123)	(123)
Balance at 31 December 2016	160,505	2,240	36,596	199,341
Balance at 1 January 2017	160,505	2,240	36,596	199,341
Additions	–	–	2,540	2,540
Balance at 31 December 2017	160,505	2,240	39,136	201,881
Accumulated depreciation				
Balance at 1 January 2016	91,633	1,636	7,096	100,365
Depreciation for the year	7,098	67	1,437	8,602
Disposals	–	–	(123)	(123)
Balance at 31 December 2016	98,731	1,703	8,410	108,844
Balance at 1 January 2017	98,731	1,703	8,410	108,844
Depreciation for the year	6,927	67	6,625	13,619
Balance at 31 December 2017	105,658	1,770	15,035	122,463
Carrying amounts				
At 1 January 2016	68,872	604	25,014	94,490
At 31 December 2016	61,774	537	28,186	90,497
At 31 December 2017	54,847	470	24,101	79,418

The property, plant and equipment comprise mainly shipyards assets attributable to the "rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding" operating segment. Within this operating segment, there are two key cash generating units in Singapore and Brazil. These property, plant and equipment, together with certain intangible assets were tested for impairment and described in Note 41.

(1) During the year, interest charge of $53,288,000 (2016: $117,250,000) was capitalised as construction-in-progress.

(2) The existing 5-year time charter contract of the Group's marine accommodation vessel expires within the next 12 months. As the Group expects to recover the value of the accommodation vessel through continuing use on a charter basis, the Group used the discounted cash flow projections to determine the recoverable amount. The cash flows projection took into account: (i) the existing charter rates over the remaining contractual period through 2018; and (ii) the expected renewal rates based on on-going discussions with existing charterer and prevailing market conditions. The renewal rates have been adjusted assuming a certain level of discount from the current contractual rates but factored another 2% inflationary adjustment till the end of the economic useful life of the vessel. The assumed operating cost is based on approved budget and adjusted for inflation at 2% per annum throughout the cash flow periods. The utilisation rate is assumed to be at 95% throughout the cash flow periods; and the terminal value is based on expected scrap value at the end of the economic useful life of the vessel. These cash flows are then discounted using the weighted average cost of capital determined to be at 9.55% (2016: 9.55%). Based on the Group's assessment of the recoverable amount of the marine accommodation vessel, no additional impairment loss (2016: Nil) was recognised in the current year's profit or loss.

(3) Others comprise motor vehicles, furniture and office equipment, utilities and fittings, and computer equipment.

(4) Includes provision for restoration costs amounting to $75,988,000 (2016: $61,049,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

5. INVESTMENT PROPERTIES

	Company 2017 $'000	2016 $'000
Cost		
Balance at 1 January and 31 December	62,664	62,664
Accumulated depreciation		
Balance at 1 January	43,658	41,931
Depreciation for the year	1,816	1,727
Balance at 31 December	45,474	43,658
Carrying amounts		
At 31 December	17,190	19,006

The investment properties of the Company are used by the Group in carrying out its principal activities and are reclassified as property, plant and equipment at the Group.

The following amounts are recognised in profit or loss:

	Company 2017 $'000	2016 $'000
Rental income	(27,299)	(27,546)
Operating expenses arising from rental of investment properties	21,939	23,248

6. INVESTMENTS IN SUBSIDIARIES

	Company 2017 $'000	2016 $'000
Unquoted shares, at cost	1,498,771	980,137
Allowance for impairment loss	(15,251)	(15,251)
	1,483,520	964,886

Details of the Company's subsidiaries are set out in Note 42.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

7. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Interests in associates	4,922	5,425	–	–
Less: allowance for impairment loss	(2,120)	(2,120)	–	–
	2,802	3,305	–	–
Interests in joint ventures	65,163	71,511	–	–
	67,965	74,816	–	–

The impairment loss on investment in associates relates to one of the Group's associates whereby the Group independently and separately from the associate, performed an impairment analysis in accordance with FRS 28 *Investments in Associates and Joint Ventures* and FRS 36 *Impairment of Assets*. As at the reporting date, the Group continues to record an allowance of impairment loss of $1,778,000 (2016: $1,778,000) on this associate. The recoverable amount was estimated based on its value in use calculation. The Group applied the relief from royalty method to value the existing intellectual properties owned by the associate, and discounted the related cash flows at pre-tax discount rates of 20% to 22% (2016: 20% to 21%), depending on the life cycle of each intellectual property. These cash flows cover the projection periods ranging from 12 to 16 years, based on the remaining estimated useful life of the intellectual properties.

In 2017 and 2016, the Group did not receive dividends from its associates and joint ventures.

Associates

Subsequent to the disposal of Cosco Shipyard Group Co., Ltd (which was completed in January 2017), no individual associates are considered to be material to the Group as at 31 December 2017. All are equity accounted. The following table summarises, in aggregate, the carrying amount and share of profit or loss and other comprehensive income of individually immaterial associates that are accounted for using the equity method:

	2017 $'000	2016 $'000
Carrying amount of interests in immaterial associates	2,802	3,305
Group's share of:		
– Loss from continuing operations	(503)	(32,771)
– Other comprehensive income	–	–
Total comprehensive income	(503)	(32,771)

Joint ventures

The Group has a number of joint ventures that are individually immaterial to the Group. All are equity accounted. The following summarises the financial information of the Group's interest in immaterial joint ventures based on the financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

Summarised financial information of joint ventures is as follows:

	2017 $'000	2016 $'000
Carrying amount	65,163	71,511
Loss for the year	(3,114)	(2,363)
Other comprehensive income	(3,234)	1,137
Total comprehensive income	(6,348)	(1,226)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

8. OTHER FINANCIAL ASSETS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
(a) Non-current assets				
Available-for-sale financial assets:				
– Quoted equity shares, at fair value	18,200	51,667	18,200	40,075
– Unit trusts, at fair value	694	537	694	537
– Unquoted equity shares, at cost[1]	2,642	2,642	–	–
	21,536	54,846	18,894	40,612
Cash flow hedges:				
– Forward foreign currency contracts	24,614	12,514	–	–
– Interest rate swaps	–	423	–	–
	46,150	67,783	18,894	40,612
(b) Current assets				
Fair value hedges:				
– Firm commitments	692	4,146	–	–
Financial assets at fair value through profit or loss:				
– Forward foreign currency contracts	–	18,829	–	–
Cash flow hedges:				
– Forward foreign currency contracts	32,423	27,160	–	–
– Interest rate swaps	456	1,602	–	–
	33,571	51,737	–	–

(1) Unquoted equity securities which have no market prices and whose fair value cannot be reliably measured using other valuation techniques are stated at cost less impairment losses.

In 2016, the cumulative fair value loss of available-for-sale financial assets of $8,978,000, previously resided in equity was reclassified to profit or loss, when the available-for-sale financial assets were impaired.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

9. TRADE AND OTHER RECEIVABLES

	Note	Group 2017 Non-current $'000	Group 2017 Current $'000	Group 2017 Total $'000	Group 2016 Non-current $'000	Group 2016 Current $'000	Group 2016 Total $'000	Company 2017 Non-current $'000	Company 2017 Current $'000	Company 2017 Total $'000	Company 2016 Non-current $'000	Company 2016 Current $'000	Company 2016 Total $'000
Trade receivables		117,643	622,446	740,089	–	569,684	569,684	–	–	–	–	–	–
Amounts due from related parties	10	35,127	8,276	43,403	36,560	11,369	47,929	31,725	102,833	134,558	36,605	56,117	92,722
Staff loans	(a)	–	83	83	–	197	197	–	–	–	–	–	–
GST refundable		–	19,420	19,420	–	23,380	23,380	–	–	–	–	–	–
Interest receivable		–	374	374	–	218	218	–	17	17	–	9	9
Deposits		–	1,116	1,116	–	2,553	2,553	–	–	–	–	–	–
Sundry receivables		–	27,352	27,352	–	8,398	8,398	–	11,202	11,202	–	2,115	2,115
Unbilled receivables		–	22,344	22,344	–	15,869	15,869	–	–	–	–	–	–
Recoverable		–	8,873	8,873	–	13,262	13,262	–	–	–	–	–	–
		152,770	710,284	863,054	36,560	644,930	681,490	31,725	114,052	145,777	36,605	58,241	94,846
Allowance for doubtful receivables		–	(165,581)	(165,581)	–	(172,689)	(172,689)	–	–	–	–	–	–
		152,770	544,703	697,473	36,560	472,241	508,801	31,725	114,052	145,777	36,605	58,241	94,846
Prepayments and advances		15,970	22,171	38,141	16,535	19,727	36,262	–	3,231	3,231	–	2,858	2,858
		168,740	566,874	735,614	53,095	491,968	545,063	31,725	117,283	149,008	36,605	61,099	97,704

(a) Staff loans

Staff loans are unsecured and bear interest at 3.0% (2016: 3.0%) per annum.

The impairment losses on trade receivables are as follows:

	Gross 2017 $'000	Impairment 2017 $'000	Total 2017 $'000	Gross 2016 $'000	Impairment 2016 $'000	Total 2016 $'000
Group						
Trade receivables	740,089	(160,786)	579,303	569,684	(168,852)	400,832

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

10. AMOUNTS DUE FROM RELATED PARTIES

	Note	Associates and joint ventures 2017 $'000	Associates and joint ventures 2016 $'000	Related companies 2017 $'000	Related companies 2016 $'000	Total 2017 $'000	Total 2016 $'000
Group							
Amounts due from:							
– Trade	(a)	1,354	1,864	1,893	4,825	3,247	6,689
– Non-trade	(b)	255	843	–	–	255	843
– Loans and advances	(c)	35,127	36,560	–	–	35,127	36,560
		36,736	39,267	1,893	4,825	38,629	44,092
Amount due within 1 year	9	(1,609)	(2,707)	(1,893)	(4,825)	(3,502)	(7,532)
	9	35,127	36,560	–	–	35,127	36,560

	Note	Subsidiaries 2017 $'000	Subsidiaries 2016 $'000	Associates and joint ventures 2017 $'000	Associates and joint ventures 2016 $'000	Related companies 2017 $'000	Related companies 2016 $'000	Total 2017 $'000	Total 2016 $'000
Company									
Amounts due from:									
– Trade	(a)	23,382	20,286	–	32	8	8	23,390	20,326
– Non-trade	(b)	79,443	35,791	–	–	–	–	79,443	35,791
– Loans and advances	(c)	31,725	36,605	–	–	–	–	31,725	36,605
		134,550	92,682	–	32	8	8	134,558	92,722
Amount due within 1 year	9	(102,825)	(56,077)	–	(32)	(8)	(8)	(102,833)	(56,117)
	9	31,725	36,605	–	–	–	–	31,725	36,605

(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 $33,090,000 (2016: $34,460,000) of loan to a joint venture that bears interest rates ranging from 0.75% to 0.97% (2016: 0.67% to 1.19%) per annum. The settlement of loans and advances to these related parties is neither planned nor likely to occur in the foreseeable future. As these are, in substance, a part of the Company's net investment in these entities, they are stated at cost.

The impairment losses on amounts due from associates and joint ventures are as follows:

	Gross 2017 $'000	Impairment 2017 $'000	Total 2017 $'000	Gross 2016 $'000	Impairment 2016 $'000	Total 2016 $'000
Group						
Amounts due from associates and joint ventures	41,510	(4,774)	36,736	43,104	(3,837)	39,267

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

11. INTANGIBLE ASSETS

	Goodwill $'000	Club memberships $'000	Intellectual property rights $'000	Total $'000
Group				
Cost				
Balance at 1 January 2016	8,512	916	60,072	69,500
Translation adjustments	7	–	1	8
Acquisition of subsidiaries	5,219	–	168,652	173,871
Balance at 31 December 2016	13,738	916	228,725	243,379
Balance at 1 January 2017	13,738	916	228,725	243,379
Translation adjustments	(21)	–	(1)	(22)
Disposals	–	(264)	–	(264)
Balance at 31 December 2017	13,717	652	228,724	243,093
Accumulated amortisation and impairment losses				
Balance at 1 January 2016	2,572	677	19,644	22,893
Translation adjustments	7	–	–	7
Amortisation for the year	–	–	18,354	18,354
Balance at 31 December 2016	2,579	677	37,998	41,254
Balance at 1 January 2017	2,579	677	37,998	41,254
Translation adjustments	(21)	–	–	(21)
Amortisation for the year	–	–	22,868	22,868
Disposals	–	(209)	–	(209)
Balance at 31 December 2017	2,558	468	60,866	63,892
Carrying amounts				
At 1 January 2016	5,940	239	40,428	46,607
At 31 December 2016	11,159	239	190,727	202,125
At 31 December 2017	11,159	184	167,858	179,201

	Club memberships	
	2017 $'000	2016 $'000
Company		
Cost		
Balance at 1 January and 31 December	652	652
Accumulated impairment losses		
Balance at 1 January and 31 December	468	468
Carrying amounts		
At 1 January and 31 December	184	184

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

11. INTANGIBLE ASSETS (CONT'D)

Amortisation

The amortisation of intangible assets amounting to $22,868,000 (2016: $18,354,000) 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	
	2017	**2016**
	$'000	**$'000**
Rigs and floaters, repairs & upgrades, offshore platforms, and specialised shipbuilding	10,136	10,136
Others	1,023	1,023
Total	11,159	11,159

Intellectual property rights

Intellectual property rights relate to acquired patents for the Jurong Espadon Drillship, Satellite Services Platform offshore designs and re-deployable modularised LNG and LPG solutions.

Impairment test assessment

The goodwill and intellectual property rights are attributed to the "rigs and floaters, repairs & upgrades, offshore platforms, and specialised shipbuilding" operating segment. Within this operating segment, there are two key cash generating units in Singapore and Brazil subject to impairment test described in Note 41. Such goodwill and intellectual property rights are attributed to the Singapore cash generating unit.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

12. DEFERRED TAX ASSETS AND LIABILITIES

	At 1 January 2016 $'000	Recognised in profit or loss (Note 28) $'000	Recognised in other comprehensive income (Note 29) $'000	Acquisition of subsidiaries $'000	Translation adjustments $'000	At 31 December 2016 $'000	Recognised in profit or loss (Note 28) $'000	Recognised in other comprehensive income (Note 29) $'000	Disposal of subsidiaries $'000	Translation adjustments $'000	At 31 December 2017 $'000
Group											
Deferred tax liabilities											
Property, plant and equipment	154,632	(20,292)	–	–	2	134,342	(13,828)	–	(54)	(42)	120,418
Interests in associates	1,954	(1,534)	–	–	–	420	(420)	–	–	–	–
Other financial assets	1,399	(8)	5,361	–	–	6,752	–	677	–	–	7,429
Intangible assets	4,168	(2,020)	–	42,152	–	44,300	(4,344)	–	–	–	39,956
Other items	1,253	(920)	–	–	–	333	(313)	–	–	–	20
	163,406	(24,774)	5,361	42,152	2	186,147	(18,905)	677	(54)	(42)	167,823
Deferred tax assets											
Property, plant and equipment	(1)	(983)	–	(70)	–	(1,054)	(1,999)	–	–	33	(3,020)
Trade and other receivables	(127)	(300)	–	–	–	(427)	(1,614)	–	–	–	(2,041)
Trade and other payables	(4,884)	(3,798)	–	–	–	(8,682)	558	–	–	–	(8,124)
Unutilised tax losses, capital and investment allowances	(123,142)	31,055	–	–	(302)	(92,389)	(1,856)	–	–	89	(94,156)
Provisions	(4,528)	166	–	–	8	(4,354)	(81)	–	–	–	(4,435)
Other financial liabilities	(10,866)	–	5,574	–	–	(5,292)	–	5,292	–	–	–
Other items	(635)	317	–	–	–	(318)	(73)	–	–	–	(391)
	(144,183)	26,457	5,574	(70)	(294)	(112,516)	(5,065)	5,292	–	122	(112,167)
Net deferred tax liabilities	19,223	1,683	10,935	42,082	(292)	73,631	(23,970)	5,969	(54)	80	55,656
Company											
Deferred tax liabilities											
Property, plant and equipment	14,690	(10)	–	–	–	14,680	(2,148)	–	–	–	12,532
Deferred tax assets											
Capital and investment allowances	(2,740)	2,032	–	–	–	(708)	203	–	–	–	(505)
Provisions	(1,409)	400	–	–	–	(1,009)	52	–	–	–	(957)
	(4,149)	2,432	–	–	–	(1,717)	255	–	–	–	(1,462)
Net deferred tax liabilities	10,541	2,422	–	–	–	12,963	(1,893)	–	–	–	11,070

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

12. DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

Deferred tax liabilities and assets are set off when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting included in the balance sheets are as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deferred tax liabilities	61,545	85,673	11,070	12,963
Deferred tax assets	(5,889)	(12,042)	–	–
	55,656	73,631	11,070	12,963

As at 31 December 2017, a deferred tax liability of $12,455,000 (2016: $13,298,000) for temporary differences of $121,707,000 (2016: $129,202,000) related to investments in subsidiaries was not recognised because the Group can control the timing of reversal of the taxable temporary differences for all subsidiaries and the temporary differences are not expected to reverse in the foreseeable future.

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2017 $'000	2016 $'000
Deductible temporary differences	495	2,222
Tax losses	396,631	325,901
Capital allowances	355	354
	397,481	328,477

The deductible temporary differences, the remaining tax losses and the capital allowances do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of the above in accordance with Note 3.16 and under the following circumstances:

(a) Where they qualify for offset against the tax liabilities of member companies within the Group under the Loss Transfer System of Group Relief but the terms of the transfer have not been ascertained as at year end; and

(b) Where it is uncertain that future taxable profit will be available against which certain subsidiaries of the Group can utilise the benefits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

13. INVENTORIES AND WORK-IN-PROGRESS

	Note	Group 2017 $'000	Group 2016 $'000
Raw materials		5,599	7,947
Finished goods		951,437	655
Work-in-progress	(a)	1,818,811	3,058,282
		2,775,847	3,066,884

In 2017, raw materials and changes in finished goods included as cost of sales amounted to $51,713,000 (2016: $47,742,000).

(a) Work-in-progress

	Note	Group 2017 $'000	Group 2016 $'000
Costs and attributable profits		10,169,322	9,554,102
Less: Allowance for foreseeable losses		(200,697)	(189,806)
Progress billings		(8,324,170)	(6,499,417)
		1,644,455	2,864,879
Comprising:			
Due from customers on construction contracts	37	1,654,771	2,242,882
Work-in-progress		164,040	815,400
		1,818,811	3,058,282
Excess of progress billings over work-in-progress		(174,356)	(193,403)
		1,644,455	2,864,879

During the financial year, certain construction contracts were terminated, and the contract revenue and related costs of sales, including contract price adjustments from contract modifications, previously recognised according to the stage of completion, were reversed through profit or loss. The amount of payment received to date on these contracts, which the Group is contractually entitled to, however continues to be recognised in revenue and is not reversed. The effect of these contract reversals of $63,524,000 is corrected through current year's profit or loss. Work-in-progress related to these contracts have been transferred to finished goods on termination of the construction contracts.

At 31 December 2017, inventories and work-in-progress are stated after deducting $69,448,000 (2016: $2,953,000) of allowance for inventories obsolescence.

During the year, the Group conducted a review of all inventory and work-in-progress, and considered a need to adjust the carrying value to reflect an expected lower net realisable value. This resulted in a net write-down of $10,661,000 (2016: $314,000). Utilisation during the year on sale of goods was $11,251,000 (2016: Nil).

The write-downs and reversals are included in cost of sales.

The Group conducted a review of all its long term construction contracts. Based on the Group's re-evaluation as at the reporting date, the Group concluded that certain contracts with a few customers were loss-making, resulting in an allowance at reporting date of $200,697,000 (2016: $189,806,000). Such losses took into account of the expected contract price adjustments from modifications to the original contract terms and deterioration in credit risk assessments on these customers. Other consideration includes the total costs to complete these construction contracts where the costs are expected to exceed the revised contract revenue.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

14. ASSETS HELD FOR SALE

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Cosco Shipyard Group Co., Ltd (CSG)	–	182,215	–	107,369

On 15 November 2016, the Company entered into a sale and purchase agreement with China Ocean Shipping (Group) Company to dispose of its 30% equity interest in Cosco Shipyard Group Co., Ltd (CSG), which was previously accounted for as an investment in associate. The interest in CSG had been reclassified as assets held for sale and measured at lower of the carrying amount and fair value less costs to sell. The sale was completed on 19 January 2017.

There is cumulative translation reserve of $20,484,000 recognised in other comprehensive income relating to CSG. Accordingly, a gain of disposal of $46,816,000 was recognised in profit or loss in 2017.

15. CASH AND CASH EQUIVALENTS

		Group		Company	
	Note	2017	2016	2017	2016
		$'000	$'000	$'000	$'000
Fixed deposits	(a)	153,081	145,306	–	–
Cash and bank balances	(b)	1,147,919	1,071,665	55,126	24,482
Cash and cash equivalents		1,301,000	1,216,971	55,126	24,482

(a) Fixed deposits of the Group placed with financial institutions have maturity periods ranging from 2 to 148 days (2016: 3 to 149 days) from the financial year-end and interest rates ranging from 0.01% to 6.95% (2016: 0.01% to 14.14%) per annum, which are also the effective interest rates.

(b) Included in the Group's cash and bank balances at the balance sheet date are amounts of $452,212,032 (2016: $103,997,795) placed with a bank under the Group's cash pooling arrangement by the Company. During the year, the cash pooling balances earn interest rates ranging from 0.66% to 1.09% (2016: 0.71% to 1.26%) per annum, which are also the effective interest rates. The remaining bank balances during the year earn interest at floating rates based on daily bank deposit rates of up to 1.25% (2016: up to 0.99%) and up to 0.50% (2016: up to 0.50%) per annum, for the Group and the Company respectively, which are also the effective interest rates.

Included in the Group's cash and bank balances are amounts of $374,517,000 (2016: $542,658,000) placed with a related corporation. The Company's cash and bank balances of $23,245,000 (2016: $14,084,000) are also placed with a related corporation.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

16. TRADE AND OTHER PAYABLES

		Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
(a)	**Current liabilities**					
	Trade and accrued payables[1]		1,631,093	2,049,775	14,446	10,644
	Advance payments from customers		377,487	–	–	–
	Amounts due to related parties	17	3,888	4,572	666	1,261
			2,012,468	2,054,347	15,112	11,905
	Deposits received		1,869	2,163	26	26
	GST payables		413	147	22	–
	Interest payable[2]		28,788	33,949	–	–
	Other creditors[3]		14,874	26,932	353	8,092
	Accrued capital expenditure		894	1,290	–	–
	Amounts due to related parties	17	2,140	1,619	10,920	3,867
			48,978	66,100	11,321	11,985
	Total		2,061,446	2,120,447	26,433	23,890
(b)	**Non-current liabilities**					
	Other long-term payables[4]		104,807	90,567	6,779	6,324

(1) Included in the Group's accrued payables are amounts of $11,000,000 (2016: nil) relating to an assumption of liabilities on behalf of a joint venture.

(2) Included in the Group's interest payable are amounts of $1,641,000 (2016: $3,629,000) payable to a related corporation.

(3) Included in the Group's other creditors are amounts of $7,977,000 (2016: $7,977,000) payable arising from the acquisitions of subsidiaries in 2016.

(4) Other long-term payables include deferred grants, accrued land lease and long-term employee benefits.

17. AMOUNTS DUE TO RELATED PARTIES

	Note	Immediate holding company 2017 $'000	Immediate holding company 2016 $'000	Associates and joint ventures 2017 $'000	Associates and joint ventures 2016 $'000	Related companies 2017 $'000	Related companies 2016 $'000	Total 2017 $'000	Total 2016 $'000
Group									
Amounts due to:									
– Trade		250	250	2,836	3,617	802	705	3,888	4,572
– Non-trade		–	–	2,140	1,619	–	–	2,140	1,619
	16	250	250	4,976	5,236	802	705	6,028	6,191

	Note	Immediate holding company 2017 $'000	Immediate holding company 2016 $'000	Subsidiaries 2017 $'000	Subsidiaries 2016 $'000	Related companies 2017 $'000	Related companies 2016 $'000	Total 2017 $'000	Total 2016 $'000
Company									
Amounts due to:									
– Trade		250	250	305	900	111	111	666	1,261
– Non-trade		–	–	10,920	3,867	–	–	10,920	3,867
	16	250	250	11,225	4,767	111	111	11,586	5,128

The trade and non-trade amounts due to related parties are unsecured, repayable on demand and interest-free.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

18. PROVISIONS

	Retirement gratuities $'000	Warranty $'000	Restoration costs $'000	Total $'000
Group				
2017				
Balance at 1 January	1,183	18,384	61,049	80,616
Translation adjustments	(23)	(24)	(158)	(205)
Provision made during the year	171	10,795	14,608	25,574
Provision reversed during the year	(18)	(8,302)	–	(8,320)
Provision utilised during the year	(385)	–	–	(385)
Disposal of subsidiaries	–	–	(280)	(280)
Unwind of discount on restoration costs	–	–	769	769
Balance at 31 December	928	20,853	75,988	97,769
Provisions due:				
– within 1 year	131	20,853	6,771	27,755
– after 1 year but within 5 years	470	–	21,990	22,460
– after 5 years	327	–	47,227	47,554
	928	20,853	75,988	97,769
2016				
Balance at 1 January	1,173	17,257	57,097	75,527
Translation adjustments	10	(106)	71	(25)
Provision made during the year	113	27,354	3,881	31,348
Provision reversed during the year	–	(16,505)	–	(16,505)
Provision utilised during the year	(113)	(9,700)	–	(9,813)
Acquisition of subsidiaries	–	84	–	84
Balance at 31 December	1,183	18,384	61,049	80,616
Provisions due:				
– within 1 year	182	8,384	6,771	15,337
– after 1 year but within 5 years	975	–	6,815	7,790
– after 5 years	26	10,000	47,463	57,489
	1,183	18,384	61,049	80,616

	Restoration costs	
	2017 $'000	2016 $'000
Company		
Balance at 1 January and 31 December	24,807	24,807
Provisions due:		
– within 1 year	6,771	6,771
– after 5 years	18,036	18,036
	24,807	24,807

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

18. PROVISIONS (CONT'D)

Warranty

Provision for warranties relate to contracts with contractual warranty terms. The provision for warranty is based on estimates made from historical warranty data associated with similar projects and adjusted by weighting all possible outcomes by their associated probabilities.

The non-current portion of the provision for warranty is for contracts with contractual warranty periods that will lapse within 2 to 3 years from the reporting date.

Restoration costs

Restoration costs relate to cost of dismantling and removing assets and restoring the premises to its original condition as stipulated in the operating lease agreements. The Group expects to incur the liability upon termination of the leases.

19. OTHER FINANCIAL LIABILITIES

		Group	
		2017	**2016**
		$'000	**$'000**
(a)	**Current liabilities**		
	Financial liabilities at fair value through profit or loss:		
	– Forward foreign currency contracts	–	11,595
	Cash flow hedges:		
	– Forward foreign currency contracts	–	6,722
	– Interest rate swaps	1,449	–
		1,449	18,317
(b)	**Non-current liabilities**		
	Cash flow hedges:		
	– Forward foreign currency contracts	–	23,305
	– Interest rate swaps	5,713	3,092
		5,713	26,397

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

20. INTEREST-BEARING BORROWINGS

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Current liabilities					
Unsecured term loans		852,263	1,363,961	–	–
Finance lease liabilities		474	–	474	–
		852,737	1,363,961	474	–
Non-current liabilities					
Unsecured term loans	(a)	3,245,992	2,791,014	–	–
Finance lease liabilities		1,394	–	1,394	–
		3,247,386	2,791,014	1,394	–
		4,100,123	4,154,975	1,868	–

Of the Group's interest-bearing borrowings, $677,060,000 (2016: $764,472,000) were borrowed from a related corporation.

Effective interest rates and maturity of liabilities

	Group 2017 %	Group 2016 %
Floating rate loans	1.70 – 12.40	1.59 – 16.05
Fixed rate loans	1.68 – 5.62	1.55 – 16.09
Notes	2.95 – 3.85	2.95 – 3.85

	Group 2017 $'000	Group 2016 $'000
Within 1 year	852,737	1,363,961
After 1 year but within 5 years	2,922,386	2,466,014
After 5 years	325,000	325,000
Total borrowings	4,100,123	4,154,975

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

20. INTEREST-BEARING BORROWINGS (CONT'D)

(a) Unsecured term loans

Included in the unsecured term loans are the following notes of the Group:

On 18 August 2014, the Company updated its $2,000,000,000 Multicurrency Multi-issuer Debt Issuance Programme (the "Programme") to include perpetual securities as one of the debt instruments under the Programme.

Under the updated Programme, the Company, together with its subsidiaries - Jurong Shipyard Pte Ltd, Sembcorp Marine Repairs and Upgrades Pte Ltd and Sembcorp Marine Offshore Platforms Pte Ltd ("**Issuing Subsidiaries**"), may from time to time issue notes (the "**Notes**") and/or perpetual securities (the "**Perpetual Securities**", and together with the Notes, the "**Securities**") denominated in Singapore dollars and/or any other currency as the relevant Issuer and the relevant dealer may agree. The obligations in respect of Securities issued by the Issuing Subsidiaries will be unconditionally and irrevocably guaranteed by the Company.

In 2014, Jurong Shipyard Pte Ltd issued the following medium term notes under the Programme:

	Nominal interest rate	Year of issue	Year of maturity	Principal amount $'000
S$ medium term notes	2.95%	2014	2021	275,000
S$ medium term notes	3.85%	2014	2029	325,000
				600,000

As at 31 December 2017, an amount of $167,500,000 (2016: $167,500,000) for the medium term notes maturing in 2021 was subscribed by a related corporation.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Interest-bearing borrowings* $'000	Finance lease liabilities $'000	Total $'000
Group			
Balance at 1 January 2017	4,154,975	–	4,154,975
Cash flows			
Cash payments	(441,039)	(512)	(441,551)
Cash proceeds	465,809	–	465,809
Non-cash items			
Capitalised borrowing cost	–	52	52
New finance lease	–	2,328	2,328
Foreign exchange movement	(81,490)	–	(81,490)
Balance at 31 December 2017	4,098,255	1,868	4,100,123

* Excluding finance lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

21. SHARE CAPITAL

	Group and Company No. of ordinary shares 2017	2016
Issued and fully paid, with no par value:		
Balance at 1 January and 31 December	2,089,760,107	2,089,760,107

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company's residual assets.

The Company issued 1,786,942 (2016: 2,671,798) treasury shares during the year pursuant to its share based incentive plans (Note 33).

22. OTHER RESERVES

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Distributable					
Reserve for own shares	(a)	(3,451)	(566)	(3,451)	(566)
Non-distributable					
Currency translation reserve	(b)	(17,732)	65,394	–	–
Share-based payments reserve	(c)	(27,894)	(30,158)	(25,787)	(28,051)
Fair value reserve	(d)	447	1,955	447	6,198
Hedging reserve	(e)	35,917	6,766	–	–
Capital reserves	(f)	(13,011)	11,514	960	960
		(25,724)	54,905	(27,831)	(21,459)

(a) Reserve for own shares comprises the cost of the Company's shares held by the Company. As at 31 December 2017, the Company holds 1,850,187 (2016: 437,029) of its own shares as treasury shares.

(b) The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group.

(c) Share-based payments reserve comprises the cumulative value of services received from employees recorded on grant of equity-settled share options, performance shares and performance based restricted shares. The expense for service received is recognised over the performance period and/or vesting period.

(d) Fair value reserve includes the cumulative net change in fair value of available-for-sale investments until the investments are derecognised.

(e) Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.

(f) Capital reserves comprise mainly reserves arising from acquisition and disposals of non-controlling interests that do not result in a change of control.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

23. 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 and offshore platforms.

	Group	
	2017	**2016**
	$'000	**$'000**
Contract revenue	2,319,672	3,474,179
Charter hire income	57,437	58,962
Services rendered	3,717	3,515
Sale of goods	6,528	8,160
	2,387,354	3,544,816

24. OPERATING PROFIT

The following items have been included in arriving at operating profit:

		Group	
	Note	**2017**	**2016**
		$'000	**$'000**
Amortisation of intangible assets	11	22,868	18,354
Audit fees paid/payable			
– auditors of the Company		555	627
– other member firms of KPMG International		272	194
– other auditors		44	31
Non-audit fees paid/payable			
– auditors of the Company		56	89
– other member firms of KPMG International		23	–
– other auditors		557	593
Allowance for doubtful debts and bad debts, net		167	1,394
Negative goodwill		–	2,600
Depreciation of property, plant and equipment	4	170,048	140,591
Fair value adjustment on hedging instruments		(1,623)	(1,435)
Change in fair value of firm commitments under fair value hedge		3,454	(4,146)
Foreign currency exchange (gain)/loss, net		(20,719)	7,436
Loss/(gain) on disposal of property, plant and equipment, net		863	(28)
Inventories written back, net		–	(1,162)
Reversal of contract costs (net) on termination, net of write-down of inventories and foreseeable loss on contract work-in-progress		(19,622)	–
Operating lease expenses		45,111	56,060
Property, plant and equipment written off		500	45
Staff costs	(a)	460,717	490,211

(a) Staff costs

	2017	2016
Salaries and bonus	372,916	411,623
Defined contribution plan	26,709	24,715
Equity-settled share-based payments	4,634	4,513
Cash-settled share-based payments	1,515	(234)
Directors' fee	2,260	2,523
Other employee benefits	52,683	47,071
	460,717	490,211

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

25. FINANCE INCOME AND FINANCE COSTS

	Group	
	2017 $'000	2016 $'000
Finance income		
Interest income from:		
– Trade receivables and contracts work-in-progress	5,523	3,255
– Fixed deposits and bank balances	5,732	4,352
– Joint venture	293	315
	11,548	7,922
Finance costs		
Interest paid and payable to:		
– Bank and others	92,312	86,289
– Commitment and facility fee	2,441	2,362
Unwind of discount on restoration costs	769	–
	95,522	88,651

26. NON-OPERATING INCOME AND NON-OPERATING EXPENSES

	Group	
	2017 $'000	2016 $'000
Non-operating income:		
– Gain on disposal of assets held for sale	46,816	–
– Gain on disposal of a subsidiary	787	–
– Gain on disposal of a joint venture	–	186
– Gain on deemed disposal of available-for-sale financial asset	–	4,243
– Gain on disposal of available-for-sale financial asset	17,200	–
	64,803	4,429
Non-operating expenses:		
– Loss on disposal of a subsidiary	34	–
– Impairment losses on available-for-sale financial assets	2,275	21,232
– Impairment losses on investment in associates	–	2,120
– Assumption of liabilities on behalf of a joint venture	11,000	–
	13,309	23,352

27. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

		Group	
	Note	2017 $'000	2016 $'000
Share of loss before tax for the year		(3,221)	(41,748)
Share of tax for the year		(396)	6,614
	28	(3,617)	(35,134)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

28. TAX (CREDIT)/EXPENSE

	Note	Group 2017 $'000	Group 2016 $'000
Current tax expense			
Current year		25,613	36,441
Over provided in prior years		(27,235)	(22,764)
		(1,622)	13,677
Deferred tax expense			
Movements in temporary differences		(33,211)	(12,097)
Under provided in prior years		9,241	13,780
		(23,970)	1,683
Tax (credit)/expense		(25,592)	15,360
Reconciliation of effective tax rate			
Profit for the year		9,948	75,160
Tax (credit)/expense		(25,592)	15,360
Share of results of associates and joint ventures	27	3,617	35,134
(Loss)/profit before share of results of associates and joint ventures, and tax expense		(12,027)	125,654
Tax calculated using Singapore tax rate of 17% (2016: 17%)		(2,045)	21,361
Exempt income, capital gains and tax incentives/concessions		(40,747)	(23,469)
Effect of different tax rates in foreign jurisdictions		243	(15,923)
Tax adjustment on changes in undistributed profits from foreign entities		(56)	(1,534)
Effect on utilisation of deferred tax assets not previously recognised		(1,525)	–
Non-deductible expenses		10,661	9,575
Over provision in respect of prior years		(17,994)	(8,984)
Deferred tax assets not recognised		25,864	35,660
Others		7	(1,326)
Tax (credit)/expense		(25,592)	15,360

As at 31 December 2017, certain subsidiaries have unutilised tax losses and capital and investment allowances of $396,986,000 (2016: $326,255,000) and other deductible temporary differences of $495,000 (2016: $2,222,000) available for set-off against future taxable income subject to the tax provisions and agreement by the relevant tax authorities of the various jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

29. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income are set out below:

	2017			2016		
	Before tax $'000	Tax expense $'000	Net of tax $'000	Before tax $'000	Tax expense $'000	Net of tax $'000
Group						
Foreign currency translation differences for foreign operations	(62,451)	–	(62,451)	9,320	–	9,320
Net change in fair value of cash flow hedges	36,743	(6,245)	30,498	61,145	(10,396)	50,749
Net change in fair value of cash flow hedges transferred to profit or loss	(1,623)	276	(1,347)	3,171	(539)	2,632
Net change in fair value of available-for-sale financial assets	30,791	–	30,791	(20,011)	–	(20,011)
Change in fair value of available-for-sale financial assets transferred to profit or loss	(32,299)	–	(32,299)	8,978	–	8,978
Realisation of reserve upon disposal of assets held for sale	(20,484)	–	(20,484)	–	–	–
Realisation of reserve upon disposal of a subsidiary	(217)	–	(217)	–	–	–
Other comprehensive income	(49,540)	(5,969)	(55,509)	62,603	(10,935)	51,668

30. NON-CONTROLLING INTERESTS

The following subsidiaries have material non-controlling interests:

Name of company	Country of incorporation	Operating segment	Ownership interests held by non-controlling interests 2017 %	2016 %
Gravifloat AS	Norway	Engineering and related services	44	44

The following summarises the financial information of each of the Group's subsidiaries with material non-controlling interest, based on their respective (consolidated) financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

30. NON-CONTROLLING INTERESTS (CONT'D)

	Gravifloat AS $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'000
2017				
Revenue	–			
Loss for the year	(10,090)			
Other comprehensive income	(36)			
Total comprehensive income	(10,126)			
Attributable to non-controlling interests:				
Loss for the year	(4,440)	312	–	(4,128)
Other comprehensive income	(16)	(10)	–	(26)
Total comprehensive income	(4,456)	302	–	(4,154)
Non-current assets	109,879			
Current assets	10			
Non-current liabilities	(27,467)			
Current liabilities	–			
Net assets	82,422			
Net assets attributable to non-controlling interests	36,265	4,934	–	41,199
Cash flows from operating activities	–*			
Cash flows from investing activities	–*			
Cash flows from financing activities	–*			
Net decrease in cash and cash equivalents	–*			

	Gravifloat AS $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'000
2016				
Revenue	–			
Loss for the year	(8,408)			
Other comprehensive income	–			
Total comprehensive income	(8,408)			
Attributable to non-controlling interests:				
Loss for the year	(3,700)	20	63	(3,617)
Other comprehensive income	–	(4,409)	–	(4,409)
Total comprehensive income	(3,700)	(4,389)	63	(8,026)
Non-current assets	123,368			
Current assets	10			
Non-current liabilities	(30,830)			
Current liabilities	–			
Net assets	92,548			
Net assets attributable to non-controlling interests	40,721	4,911	–	45,632
Cash flows from operating activities	–*			
Cash flows from investing activities	–*			
Cash flows from financing activities	–*			
Net decrease in cash and cash equivalents	–*			

* Amount is immaterial to meaningfully disclose it.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

31. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of $14,076,000 (2016: profit attributable to owners of the Company of $78,777,000) by the weighted average number of ordinary shares outstanding of 2,089,523,000 (2016: 2,089,177,000) as follows:

	Group	
	2017 $'000	2016 $'000
Profit attributable to owners of the Company	14,076	78,777
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	2,089,760	2,089,760
Effect of share options exercised, performance shares and restricted shares released	937	1,387
Effect of own shares held	(1,174)	(1,970)
Weighted average number of ordinary shares during the year	2,089,523	2,089,177

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit attributable to owners of the Company of $14,076,000 (2016: profit attributable to owners of the Company of $78,777,000) by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 2,089,523,000 (2016: 2,089,177,000) as follows:

	Group	
	2017 $'000	2016 $'000
Profit attributable to owners of the Company	14,076	78,777
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	2,089,523	2,089,177
Effect of dilutive share options	–	–
Weighted average number of ordinary shares during the year	2,089,523	2,089,177

For the purpose of calculating diluted earnings per ordinary share, the weighted average number of ordinary shares outstanding is adjusted for the effects of dilutive potential ordinary shares, which comprise awards of share options granted to employees. All share options have expired on 2 October 2016.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

31. EARNINGS PER SHARE (CONT'D)

(b) Diluted earnings per share (cont'd)

For share options, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than the fair value (average share price during the year). The difference between the weighted average number of shares to be issued at the exercise prices under the options and the weighted average number of shares that would have been issued at the fair value based on assumed proceeds from the issue of these shares are treated as ordinary shares issued for no consideration. The number of such shares issued for no consideration is added to the number of ordinary shares outstanding in the computation of diluted earnings per share. No adjustment is made to the profit attributable to owners of the Company. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

32. DIVIDENDS

Subject to the approval by the shareholders at the next Annual General Meeting, the directors have proposed a final ordinary one-tier tax-exempt dividend of 1.0 cent per share (2016: final ordinary one-tier tax-exempt dividend of 1.0 cent per share) amounting to an estimated net dividend of $20,879,000 (2016: $20,893,000) in respect of the year ended 31 December 2017, based on the number of issued shares as at 31 December 2017.

The proposed dividend of 1.0 cent (2016: 1.0 cent) per share has not been included as a liability in the financial statements.

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Dividends paid		
Interim one-tier tax-exempt dividend of 1.0 cent per share in respect of year 2017 (2016: 1.5 cents per share in respect of year 2016)	20,897	31,345
Final one-tier tax-exempt dividend of 1.0 cent per share in respect of year 2016 (2016: 2.0 cents per share in respect of year 2015)	20,897	41,795
	41,794	73,140

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

33. SHARE-BASED INCENTIVE PLANS

The Company's Performance Share Plan ("SCM PSP 2010") and Restricted Share Plan ("SCM RSP 2010") (collectively, the "2010 Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 20 April 2010. The 2010 Share Plans replaced the Share Plans which were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 31 May 2000 and expired in 2010.

The Executive Resource and Compensation Committee (the "Committee") of the Company has been designated as the Committee responsible for the administration of the Share Plans. The Committee comprises the following members, all of whom are directors:

Tan Sri Mohd Hassan Marican	Chairman
Ajaib Haridass	
Eric Ang Teik Lim	
William Tan Seng Koon	(appointed on 27 April 2017)

The SCM RSP 2010 is the incentive scheme for directors and employees of the Company and its subsidiaries (the "Group") whereas the SCM PSP 2010 is aimed primarily at key executives of the Group.

The 2010 Share Plans are intended to increase the Company's flexibility and effectiveness in its continuing efforts to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of the Group. The 2010 Share Plans will strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives.

The Company designates Sembcorp Industries Ltd as the Parent Group.

The SCM RSP 2010 is intended to apply a broad base of senior executives as well as to the non-executive directors, while the SCM PSP 2010 is intended to apply to a select group of key senior management. Generally, it is envisaged that the range of performance targets to be set under the SCM RSP 2010 and the SCM PSP 2010 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

The 2010 Share Plans will provide incentives to high performing key senior management and senior executives to excel in their performance and encourage greater dedication and loyalty to the Company. Through the 2010 Share Plans, the Company will be able to motivate key senior management and senior executives to continue to strive for the Group's long-term shareholder value. In addition, the 2010 Share Plans aim to foster a greater ownership culture within the Group which align the interest of participants with the interest of shareholders, and to improve and achieve sustainable growth for the Company in the changing business environment.

The 2010 Share Plans use methods fairly common among major local and multinational companies to incentivise and motivate key senior management and senior executives to achieve pre-determined targets which create and enhance economic value for shareholders. The Company believes that the 2010 Share Plans will be effective tools in motivating key senior management and senior executives to strive to deliver long-term shareholder value.

While the 2010 Share Plans cater principally to Group executives, it is recognised that there are other persons who can make significant contributions to the Group through their close working relationship with the Group. Such persons include employees of associates over which the Company has operational control.

A participant's awards under the 2010 Share Plans will be determined at the sole discretion of the Committee. In considering an award to be granted to a participant, the Committee may take into account, *inter alia*, the participant's performance during the relevant period, and his capability, entrepreneurship, scope of responsibility and skill set.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

33. SHARE-BASED INCENTIVE PLANS (CONT'D)

Other information regarding the 2010 Share Plans and expired Share Plans is as follows:

(a) Share Option Plan

Under the rules of the Share Option Plan, participants who ceased to be employed by the Group, Parent Group or associate by reason of ill health, injury or disability, redundancy, retirement at or after the legal retirement age, retirement before the legal retirement age, death, etc., or any other event approved by the Committee, may be allowed by the Committee to retain their unexercised options. The Committee may determine the number of shares comprised in that option which may be exercised and the period during which such option shall be exercisable, being a period not later than the expiry of the exercise period in respect of that option. Such option may be exercised at any time notwithstanding that the date of exercise of such option falls on a date prior to the first day of the exercise period in respect of such option.

Other information regarding the Share Option Plan is as follows:

(i) The exercise price of the options can be set at market price or a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. Market price is the volume-weighted average price for the shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the three consecutive trading days prior to grant date of that option. For all options granted to date, the exercise prices are set at market price.

(ii) After the first 12 months of lock-out period, the Group imposed a further vesting of 4 years for managers and above for retention purposes.

(iii) The options granted expire after 5 years for non-executive directors and employees of the Company's associates, and 10 years for the employees of Group and Parent Group. There are no outstanding share options for non-executive directors.

(iv) All options have expired on 2 October 2016.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

33. SHARE-BASED INCENTIVE PLANS (CONT'D)

(a) Share Option Plan (cont'd)

(v) At the end of the financial year, details of the options granted under the Share Option Plan on unissued ordinary shares of the Company are as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1 January	Options exercised	Options cancelled/ lapsed/not accepted	Options outstanding at 31 December	Options exercisable at 1 January	Options exercisable at 31 December	Exercise period
2016								
02/10/2006	$2.38	973,312	–	(973,312)	–	973,312	–	03/10/2007 to 02/10/2016

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

In 2016, there was no option of the Company exercised.

Fair value of share options

The fair value of services received is measured by reference to the fair value of share options granted.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

33. SHARE-BASED INCENTIVE PLANS (CONT'D)

(b) Performance Share Plan

Under the Performance Share Plan ("SCM PSP 2010"), the awards granted conditional on performance targets are set based on medium-term corporate objectives at the start of each rolling three-year performance qualifying period. A specific number of performance shares shall be awarded at the end of the three-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset.

The performance levels were calibrated based on Wealth Added and Total Shareholder Return. For awards granted from 2014 onwards, both market-based and non-market-based performance conditions are taken into account. A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Performance shares to be delivered will range between 0% to 150% of the conditional performance shares awarded.

To create alignment between senior management and other employees at the time of vesting, SCM PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2017 to 2019 will be vested to the senior management participants only if the restricted shares for the performance period 2018 to 2019 are vested, subject to the achievement of the performance conditions for the respective performance periods.

Senior management participants are required to hold a minimum percentage of the shares released to them under the Performance Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

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

	2017	2016
At 1 January	4,513,000	3,200,000
Conditional performance shares awarded	1,600,000	1,918,000
Performance shares lapsed arising from targets not met	(1,380,000)	(605,000)
At 31 December	4,733,000	4,513,000

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2014 to 2016 (2016: performance period 2013 to 2015), there were no (2016: nil) performance shares released via the issuance of treasury shares.

In 2017, there were 1,380,000 (2016: 605,000) performance shares that lapsed for under-achievement of the performance targets for the performance period 2014 to 2016 (2016: 2013 to 2015).

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 2017, was 4,733,000 (2016: 4,513,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 7,099,500 (2016: 6,769,500) performance shares.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

33. SHARE-BASED INCENTIVE PLANS (CONT'D)

(b) Performance Share Plan (cont'd)

Fair value of Performance Shares

The fair values of the performance shares are estimated using a Monte Carlo simulation methodology at the grant dates.

The fair values of performance shares granted during the year are as follows:

Date of grant	26 May 2017	27 May 2016
Fair value at measurement date	$1.45	$0.85
Assumptions under the Monte Carlo model		
Share price	$1.69	$1.56
Expected volatility:		
Sembcorp Marine Ltd	35.1%	29.2%
Morgan Stanley Capital International ("MSCI") AC Asia Pacific excluding Japan Industrials Index	14.0%	13.4%
Correlation with MSCI	44.0%	43.2%
Risk-free interest rate	1.3%	1.2%
Expected dividend	2.9%	2.9%

The expected volatility is based on the historical volatility over the most recent period that is close to the expected life of the performance shares.

During the year, the Group charged $1,921,000 (2016: $1,774,000) to profit or loss based on the fair value of the performance shares at the grant date being expensed over the vesting period.

(c) Restricted Share Plan

Under the Restricted Share Plan ("SCM RSP 2010"), the awards granted conditional on performance targets are set based on corporate objectives at the start of each rolling two-year performance qualifying period. The performance criteria for the restricted shares are calibrated based on Return on Capital Employed and Earnings Before Interest and Taxes for awards granted in 2017 and 2016.

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

The managerial participants of the Group will be awarded restricted shares under the SCM RSP 2010, while the non-managerial participants of the Group will receive their awards in an equivalent cash value. This cash-settled notional restricted shares award for non-managerial participants is known as the Sembcorp Marine Challenge Bonus.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

33. SHARE-BASED INCENTIVE PLANS (CONT'D)

(c) Restricted Share Plan (cont'd)

Senior management participants are required to hold a minimum percentage of the shares released to them under the Restricted Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

To align the interests of the non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the SCM RSP 2010.

From 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Mr Wong Weng Sun, who is the President & CEO, and who does not receive any directors' fees). In 2017 and 2016, the awards granted consisted of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the Annual General Meeting ("AGM") (or, if the resolution to approve the final dividend is not approved, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

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

	2017	2016
At 1 January	13,716,142	10,101,585
Conditional restricted shares awarded	8,176,450	8,232,700
Restricted shares lapsed arising from targets not met	(3,923,317)	(1,471,967)
Conditional restricted shares released	(1,786,942)	(2,671,798)
Conditional restricted shares lapsed	(798,920)	(474,378)
At 31 December	15,383,413	13,716,142

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2015 to 2016, a total of 266,891 (2016: Nil) restricted shares were released. For awards in relation to the performance period 2014 to 2015, a total of 386,942 (2016: 461,541) restricted shares were released. For awards in relation to the performance period 2013 to 2014, a total of 733,009 (2016: 845,290) restricted shares were released. In 2016, 848,667 restricted shares were released for awards in relation to the performance period 2012 to 2013. In 2017, there were 400,100 (2016: 516,300) restricted shares released to non-executive directors. The restricted shares were released via the issuance of treasury shares.

In 2017, there were 3,923,317 (2016: 1,471,967) restricted shares that lapsed for under-achievement of the performance targets for the performance period 2015 to 2016 (2016: performance period 2014 to 2015).

The total number of restricted shares outstanding, including awards achieved but not released, as at 31 December 2017, was 15,383,413 (2016: 13,716,142). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 14,674,000 (2016: 12,239,840). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 22,011,000 (2016: 18,359,760) restricted shares.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

33. SHARE-BASED INCENTIVE PLANS (CONT'D)

(c) Restricted Share Plan (cont'd)

Sembcorp Marine Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2015 to 2016 (2016: performance period 2014 to 2015), a total of $454,284 (2016: $766,416), equivalent to 248,950 (2016: 456,064) notional restricted shares, were paid.

A total of 3,074,000 (2016: 3,387,850) notional restricted shares were awarded on 26 May 2017 (2016: 27 May 2016) for the Sembcorp Marine Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Marine Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at 31 December 2017, was 5,230,850 (2016: 4,827,393). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 7,846,275 (2016: 7,241,090).

Fair value of Restricted Shares

The fair values of the restricted shares are estimated using a Monte Carlo simulation methodology at the grant dates.

The fair values of restricted shares granted during the year are as follows:

Date of grant	26 May 2017	27 May 2016
Fair value at measurement date	$1.50	$1.40
Assumptions under the Monte Carlo model		
Share price	$1.69	$1.56
Expected volatility:		
Sembcorp Marine Ltd	35.1%	29.2%
Risk-free interest rate	1.1% – 1.4%	1.0% – 1.4%
Expected dividend	2.9%	2.9%

The expected volatility is based on the historical volatility over the most recent period that is close to the expected life of the restricted shares.

During the year, the Group charged $2,713,000 (2016: $2,739,000) to profit or loss based on the fair value of restricted shares at the grant date being expensed over the vesting period.

Fair value of Sembcorp Marine Challenge Bonus

During the year, the Group charged $1,515,000 (2016: wrote-back charges of $234,000) to profit or loss based on the market values of the shares at the balance sheet date. The fair value of the compensation cost is based on the notional number of restricted shares awarded for the Sembcorp Marine Challenge Bonus and the market price at the vesting date.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

34. DISPOSAL OF SUBSIDIARIES AND JOINT VENTURE

2017

(i) On 7 April 2017, the Company's wholly owned subsidiary, Jurong Shipyard Pte Ltd divested its 70% interest in Shanghai Guofeng Marine Engineering & Technology Co. Ltd. to the remaining individual shareholders, Zhao Wei Ming and Zhao Gang, for a cash consideration of RMB 5,800,000 ($1,177,100); and recognised a gain of $787,000 in non-operating income.

(ii) On 1 November 2017, the Company's wholly owned subsidiary, Jurong Shipyard Pte Ltd divested its 100% interest in Jurong Autoblast Services Pte. Ltd. to Zingametall (S) Pte Ltd, for a cash consideration of $349,943; and recognised a loss of $34,000 in non-operating expenses.

2016

(i) On 29 February 2016, the Company's wholly owned subsidiary, Dolphin Shipping Company Private Limited divested its 50% interest in Dolphin Workboats Pte Ltd to Entraco Venture Corporation Pte Ltd, for a consideration of $450,000; and recognised a gain of $186,000 in non-operating income.

35. ACQUISITION OF SUBSIDIARIES, JOINT VENTURE AND NON-CONTROLLING INTERESTS

Acquisition of Subsidiaries

(i) On 9 March 2016, the Company acquired an additional 44% equity stake in Gravifloat AS (Gravifloat), a marine engineering and naval architecture company. With this acquisition, the Group's equity stake was increased to 56% and Gravifloat became a subsidiary of the Group. Consequently, the financial statements of Gravifloat were consolidated into the Group's financial statements.

The principal activity of Gravifloat is to design and hold patents for re-deployable modularised LNG and LPG solutions.

Effect of acquisitions

Revenue and profit contribution

The revenue and profit contribution from this new acquisition were not material.

Had the acquired businesses been consolidated from 1 January 2016, the contribution to the Group's consolidated revenue and consolidated profit for the year ended 31 December 2016 would not have been significantly impacted.

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred:

		2016 $'000
(a)	**Effect on cash flows of the Group**	
	Cash paid	47,258
	Less: Cash and cash equivalents in subsidiaries acquired	(7)
	Cash outflow on acquisition	47,251

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

35. ACQUISITION OF SUBSIDIARIES, JOINT VENTURE AND NON-CONTROLLING INTERESTS (CONT'D)

Acquisition of Subsidiaries (cont'd)

		Note	At fair value $'000
(b)	**Identifiable assets acquired and liabilities assumed**		
	Intangible assets	11	134,575
	Trade and other receivables		8
	Cash and cash equivalents		7
	Total assets		134,590
	Deferred tax liabilities	12	(33,633)
	Total liabilities		(33,633)
	Total net identifiable assets		100,957
	Less: Non-controlling interests		(44,421)
	Add: Goodwill	11	5,219
	Less: Amount previously accounted for as available-for-sale financial asset		(5,004)
	Less: Gain on deemed disposal of available-for-sale financial asset	26	(4,243)
	Consideration transferred for the businesses		52,508
	Amount reflected as other payables		(5,250)
	Cash paid		47,258

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique	Key assumptions
Intangible assets	Relief-from-royalty method	– Royalty rates based on existing patents – Useful life of 10 years – Discount rate of 24.5%

Non-controlling interests

The Group had elected to measure the non-controlling interest (NCI) of Gravifloat at fair value at the date of acquisition, which amounted to $44,421,000.

Goodwill

The goodwill of $5,219,000 recognised on acquisition is primarily attributed to the control premium to acquire a controlling stake in Gravifloat. This goodwill recognised is not expected to be deductible for tax purpose.

The re-measurement to fair value of the Group's previously held 12% interest in Gravifloat resulted in a gain of $4,243,000 recorded in profit or loss on deemed disposal. This amount has been recognised in non-operating income (see Note 26).

Acquisition-related costs

The acquisition-related costs incurred in relation to the acquisition were immaterial, but charged to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

35. ACQUISITION OF SUBSIDIARIES, JOINT VENTURE AND NON-CONTROLLING INTERESTS (CONT'D)

Acquisition of Subsidiaries (cont'd)

(ii) On 26 August 2016, the Company's wholly-owned subsidiary, Sembcorp Marine Integrated Yard Pte. Ltd. acquired a 100% stake in LMG Marin AS (LMG). Consequently, the financial statements of LMG were consolidated into the Group's financial statements.

LMG is a naval architecture as well as ship design and engineering house headquartered in Bergen, Norway, with offices in Poland and France.

Effect of acquisitions

Revenue and profit contribution

The revenue and profit contribution from this new acquisition were not material.

Had the acquired businesses been consolidated from 1 January 2016, the contribution to the Group's consolidated revenue and consolidated profit for the year ended 31 December 2016 would not have been significantly impacted.

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred:

		2016 $'000
(a)	**Effect on cash flows of the Group**	
	Cash paid	24,541
	Less: Cash and cash equivalents in subsidiaries acquired	(5,400)
	Cash outflow on acquisition	19,141

		Note	At fair value $'000
(b)	**Identifiable assets acquired and liabilities assumed**		
	Property, plant and equipment	4	481
	Intangible assets	11	34,077
	Trade and other receivables		7,507
	Cash and cash equivalents		5,400
	Total assets		47,465
	Trade and other payables		(8,672)
	Deferred tax liabilities	12	(8,449)
	Total liabilities		(17,121)
	Total net identifiable assets		30,344
	Less: Non-controlling interests		(476)
	Less: Negative goodwill	24	(2,600)
	Consideration transferred for the businesses		27,268
	Amount reflected as other payables		(2,727)
	Cash paid		24,541

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

35. ACQUISITION OF SUBSIDIARIES, JOINT VENTURE AND NON-CONTROLLING INTERESTS (CONT'D)

Acquisition of Subsidiaries (cont'd)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique	Key assumptions
Intangible assets	Relief-from-royalty method	– Royalty rates based on existing ship design – Useful life of 10 years – Discount rates range from 26.4% to 34.2%

Acquired receivables

Included in trade and other receivables are trade receivables stated at fair value of $5,466,000. The gross contractual amount for the trade receivables was $5,634,000, of which $168,000 was expected to be uncollectible at the date of acquisition.

Negative goodwill

A gain from bargain purchase of $2,600,000 was recognised as a result of the difference between consideration transferred and the fair value of the identifiable net assets.

Acquisition-related costs

The acquisition-related costs incurred in relation to the acquisition were immaterial, but charged to profit or loss.

Acquisition of joint venture

On 28 June 2016, the Company's wholly-owned subsidiary, Sembcorp Marine Integrated Yard Pte. Ltd. (SMIY) acquired 50% of the issued and fully paid-up share capital of Aragon AS (formerly known as KANFA Aragon AS) for a cash consideration of NOK20,000,000 (equivalent to SGD3,258,000). Following the acquisition, Aragon AS became a joint venture of the Group. Goodwill of NOK9,347,000 (equivalent to SGD1,523,000) was recognised.

Acquisition of non-controlling interests

(i) On 29 August 2016, the Company acquired the remaining 15% in the issued and fully paid-up share capital of PPL Shipyard Pte Ltd (PPLS) for an aggregate cash consideration of USD115,059,000 (equivalent to SGD156,778,000). Following the acquisition, PPLS became a wholly-owned subsidiary of the Company.

(ii) On 21 October 2016, the Company's wholly-owned subsidiary, Sembcorp Marine Offshore Platforms Pte. Ltd. (SMOP) acquired the remaining 30% in the issued and fully paid-up share capital of Sembmarine North Sea Limited (SNS) for an aggregate cash consideration of GBP137,500 (equivalent to SGD275,000). Following the acquisition, SNS became a wholly-owned subsidiary of SMOP.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

35. ACQUISITION OF SUBSIDIARIES, JOINT VENTURE AND NON-CONTROLLING INTERESTS (CONT'D)

Acquisition of non-controlling interests (cont'd)

The following summarises the effect of changes in the Group's ownership interest:

	PPLS $'000	SNS $'000	Total $'000
Group's ownership interest at beginning	866,130	(21,388)	844,742
Effect of increase/(decrease) in Group's ownership interest	152,921	(9,166)	143,755
Share of comprehensive income and capital injection during the year	(61,568)	(2,279)	(63,847)
Group's ownership interest at 31 December 2016	957,483	(32,833)	924,650

36. RELATED PARTIES

(a) Related party transactions

The Group had the following outstanding balances and significant transactions with related parties during the year:

	Outstanding balances Group		Significant transactions Group	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Immediate holding company				
Management fee payable	(250)	(250)	(250)	(250)
Others	–	–	253	7
Related corporations				
Sales	1,893	4,825	286	5,603
Purchases	(802)	(7,374)	(36,636)	(26,139)
Payment on behalf	–	–	97	–
Finance income	–	–	1,275	1,638
Finance costs	(1,641)	(3,629)	(18,482)	(18,383)
Others	–	–	(7)	–
Associates and joint ventures				
Sales	1,354	1,864	2	25
Purchases	(2,836)	(3,617)	(4,428)	(13,987)
Finance income	–	–	293	315
Payment on behalf	–	–	2	(1,145)
Loans and advances	35,127	36,560	–	–
Others	(1,885)	(776)	30	(760)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

36. RELATED PARTIES (CONT'D)

(b) Compensation of key management personnel

During the year, the Group considers the directors of the Company (including the President & Chief Executive Officer of the Company), the Chief Operating Officer of the Company, the Executive Vice President & Head of Singapore Yard Operations, the Director of Group Finance, the Executive Vice President & Head of Rigs & Floaters and the Chief Financial Officer of the Company to be key management personnel in accordance with FRS 24 *Related Party Disclosures*.

In 2016, the Group considered the directors of the Company (including the President & Chief Executive Officer of the Company), the Chief Operating Officer of the Company, the Executive Vice President & Head of Singapore Yard Operations, the Executive Vice President & Head of Offshore Platforms, the Executive Vice President & Head of Repairs & Upgrades and the Chief Financial Officer of the Company to be key management personnel in accordance with FRS 24 *Related Party Disclosures*.

These persons have the authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation is as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Directors' fees and remuneration	4,533	4,861
Other key management personnel remuneration	3,333	4,149
	7,866	9,010
Fair value of share-based compensation	1,651	1,355

Remuneration includes salary (which includes allowances, fees and other emoluments) and bonuses (which includes AWS, discretionary bonus and performance targets bonus).

In addition to the above, the Company provides medical benefits to all employees including key management personnel.

The Group adopts an incentive compensation plan, which is tied to the creation of Economic Value Added ("EVA"), as well as to attainment of individual and Group performance goals for its key executives. A "bonus bank" is used to hold incentive compensation credited in any year. Typically, one-third of the available balance is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank in future will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the bonus bank.

The fair value of share-based compensation relates to performance shares and restricted shares granted that were charged to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

37. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's activities expose it to market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk.

As part of the Group's Enterprise Risk Management framework, the Group treasury policies and financial authority limits are documented and reviewed periodically. The policies set out the parameters for management of Group liquidity, counterparty risk, foreign exchange and derivative transactions and financing.

The Group utilises foreign exchange contracts, interest rate swaps and various financial instruments to manage exposures to interest rate and foreign exchange risks arising from operating, financing and investment activities. Exposures to foreign currency risks are also hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount where possible. All such transactions must involve underlying assets or liabilities and no speculative transactions are allowed.

The financial authority limits seek to limit and mitigate transactional risks by setting out the threshold of approvals required for the entry into contractual obligations and investments.

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and reduce market risk exposures within acceptable parameters.

(i) Interest rate risk

The Group's exposure to market risk for changes in interest rate environment relates mainly to its debt obligations.

The Group's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts and long-term and short-term borrowings.

The Group enters into interest rate swaps to reduce its exposure to interest rate volatility. In accordance with the Group's policy, the duration of such interest rate swaps must not exceed the tenor of the underlying debt.

At 31 December 2017, the Group had interest rate swaps with an aggregate notional amount of $678,474,000 (2016: $1,000,163,000). The Group receives a variable interest rate and pays a fixed rate interest ranging from 2.19% to 3.10% (2016: 0.98% to 3.10%) per annum on the notional amount. Interest rate swaps with notional amounts of $nil (2016: $300,000,000) were entered with a related corporation.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

37. 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 2017				
Variable rate financial instruments	(6,893)	6,893	4,969	(5,046)
31 December 2016				
Variable rate financial instruments	(3,840)	3,840	9,148	(9,315)
Company				
31 December 2017				
Variable rate financial instruments	274	(274)	–	–
31 December 2016				
Variable rate financial instruments	121	(121)	–	–

(ii) Foreign currency risk

The Group operates globally and is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company and its subsidiaries. The currencies in which these transactions are primarily denominated in are Singapore dollars ("SGD"), United States dollars ("USD"), Euros ("EUR"), Pounds sterling ("GBP") and Brazilian Real ("BRL"). Such risks are hedged either by forward foreign exchange contracts in respect of actual or forecasted currency exposures which are reasonably certain or hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount. Forward foreign exchange contracts with notional amounts of $159,819,000 (2016: $302,682,000) were entered with a related corporation.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

37. 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							
2017							
Financial assets							
Cash and cash equivalents	6,349	173,016	14,166	127,059	2,192	5,458	328,240
Trade and other receivables	24,630	634,169	3,916	4,097	9,109	2,192	678,113
Due from customers on construction contracts	4,626	853,244	–	–	156,030	–	1,013,900
Other financial assets	–	–	–	–	–	18,200	18,200
	35,605	1,660,429	18,082	131,156	167,331	25,850	2,038,453
Financial liabilities							
Trade and other payables	(74,796)	(222,330)	(55,899)	(9,334)	(67,173)	(11,046)	(440,578)
Interest-bearing borrowings	–	(140,982)	–	–	(95,094)	–	(236,076)
	(74,796)	(363,312)	(55,899)	(9,334)	(162,267)	(11,046)	(676,654)
Net financial (liabilities)/assets	(39,191)	1,297,117	(37,817)	121,822	5,064	14,804	1,361,799
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(135)	515,386	(245,588)	30,931	(28,402)	(43,048)	229,144
Less: Foreign currency forward contracts	–	(814,308)	3,664	(166,887)	–	–	(977,531)
Net currency exposure	(39,326)	998,195	(279,741)	(14,134)	(23,338)	(28,244)	613,412
2016							
Financial assets							
Cash and cash equivalents	4,357	290,671	32,933	240,962	–	17,239	586,162
Trade and other receivables	7,839	640,794	27,316	19,655	–	3,883	699,487
Due from customers on construction contracts	1,359	1,028,923	8,833	14,026	156,030	29,798	1,238,969
Other financial assets	–	–	–	–	–	20,475	20,475
	13,555	1,960,388	69,082	274,643	156,030	71,395	2,545,093
Financial liabilities							
Trade and other payables	(84,367)	(209,341)	(56,228)	(19,285)	(36,690)	(49,505)	(455,416)
Interest-bearing borrowings	–	(970,863)	–	–	–	–	(970,863)
	(84,367)	(1,180,204)	(56,228)	(19,285)	(36,690)	(49,505)	(1,426,279)
Net financial (liabilities)/assets	(70,812)	780,184	12,854	255,358	119,340	21,890	1,118,814
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(1,138)	506,218	(350,732)	389,118	(79,316)	(85,834)	378,316
Less: Foreign currency forward contracts	–	(960,869)	44,728	(688,229)	–	–	(1,604,370)
Net currency exposure	(71,950)	325,533	(293,150)	(43,753)	40,024	(63,944)	(107,240)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

37. 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			
2017			
Financial assets			
Cash and cash equivalents	2,110	–	2,110
Other financial assets	–	18,200	18,200
	2,110	18,200	20,310
2016			
Financial assets			
Cash and cash equivalents	57	–	57
Other financial assets	–	20,475	20,475
	57	20,475	20,532

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 2016.

	Group		Company	
	Equity $'000	Profit before tax $'000	Equity $'000	Profit before tax $'000
2017				
SGD	–	(3,919)	–	–
USD	(63,855)	129,712	–	211
EUR	–	(3,416)	–	–
GBP	(5,382)	3,183	–	–
BRL	–	506	–	–
Others	1,820	(339)	1,820	–
	(67,417)	125,727	1,820	211
2016				
SGD	–	(7,081)	–	–
USD	(90,004)	87,368	–	6
EUR	2,408	2,857	–	–
GBP	(38,718)	9,210	–	–
BRL	–	11,934	–	–
Others	2,048	141	2,048	–
	(124,266)	104,429	2,048	6

A 10% weakening of the above currencies against the functional currencies of the Company and its subsidiaries at the balance sheet date would have equal but opposite effects on the above currencies to the amounts shown above, on the basis that all other variables remain constant, except for amounts of $1,820,000 (2016: $2,048,000) relating to other currency which would be recognised in profit before tax instead of equity, on the basis of impairment found on the equity securities.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

37. FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(iii) Price risk

The Group is exposed to equity securities and unit trusts price risk because of the investments held by the Group which are classified on the consolidated balance sheet as available-for-sale.

Sensitivity analysis

If prices for equity securities and unit trusts increase by 10%, assuming all other variables are held constant, the equity and profit before tax would have increased by the amounts shown below:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Equity	1,889	5,220	1,889	4,061
Profit before tax	–	–	–	–

If prices for equity securities and unit trusts decrease by 10%, assuming all other variables are held constant, the equity and profit before tax would have decreased by the amounts shown below (on the basis of impairment found on the equity securities):

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Equity	(69)	(1,725)	(69)	(2,013)
Profit before tax	(1,820)	(3,495)	(1,820)	(2,048)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

37. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk

The Group monitors its exposure to credit risks arising from sales to trade customers on an on-going basis, and credit evaluations are done on customers that require credit. The credit quality of customers is assessed after taking into account its financial position and past experience with the customers.

The Group only deals with pre-approved customers and financial institutions with good credit rating. To minimise the Group's counterparty risk, the Group enters into derivative transactions only with creditworthy institutions. Cash and fixed deposits are placed in banks and financial institutions with good credit rating.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk is the carrying amount of each financial asset, including derivatives, in the balance sheets.

The Group's and the Company's maximum exposure to credit risk for loans and receivables at the balance sheet date is as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
By business activity				
Rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding	2,287,844	2,696,950	–	–
Ship chartering	9,171	10,573	–	–
Others	20,102	7,600	114,052	58,241
	2,317,117	2,715,123	114,052	58,241

		Group		Company	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Loans and receivables					
Non-current trade and other receivables*	9	117,643	–	–	–
Current trade and other receivables	9	544,703	472,241	114,052	58,241
Due from customers on construction contracts	13	1,654,771	2,242,882	–	–
		2,317,117	2,715,123	114,052	58,241

* Not past due.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

37. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

The age analysis of loans and receivables for the Group is as follows:

	Gross 2017 $'000	Impairment 2017 $'000	Gross 2016 $'000	Impairment 2016 $'000
Group				
Not past due	2,100,922	–	2,607,184	–
Past due 0 to 3 months	27,769	68	29,659	2,170
Past due 3 to 6 months	38,651	53	47,090	364
Past due 6 to 12 months	24,849	483	29,652	406
More than 1 year	172,864	164,977	174,227	169,749
	2,365,055	165,581	2,887,812	172,689
Company				
Not past due	114,052	–	58,241	–

Movements in the allowance for impairment of loans and receivables are as follows:

	Group	
	2017 $'000	2016 $'000
Balance at beginning of the year	172,689	158,315
Currency translation difference	(6,921)	10,066
Allowance made	1,285	5,373
Allowance utilised	(316)	(1,091)
Allowance written back	(1,118)	(142)
Acquisition of subsidiaries	–	168
Disposal of subsidiaries	(38)	–
Balance at end of the year	165,581	172,689

The allowance account in respect of loans and receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset. As at the reporting date, the impairment allowance relates mainly to one customer whose creditworthiness has deteriorated and is currently undergoing financial restructuring. Accordingly, the outstanding past due receivables owing from this customer have been fully provided for.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

37. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk

The Group manages its liquidity risk with the view to maintaining a healthy level of cash and cash equivalents appropriate to the operating environment and expected cash flows of the Group. Liquidity requirements are maintained within the credit facilities established and are adequate and available to the Group to meet its obligations.

The table below analyses the maturity profile of the Group's and Company's financial instruments (including derivatives) based on contractual undiscounted cash inflows/(outflows), including estimated interest payments and excluding the impact of netting agreements:

		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					
2017					
Derivative financial liabilities					
Interest rate swaps	(7,162)	(6,913)	(4,010)	(2,903)	–
Derivative financial assets					
Interest rate swaps	456	715	468	247	–
Forward foreign currency contracts	57,037				
– Inflow		981,195	453,762	527,433	–
– Outflow		(924,158)	(421,339)	(502,819)	–
Non-derivative financial liabilities					
Trade and other payables*#	(1,652,889)	(1,652,889)	(1,652,889)	–	–
Interest-bearing borrowings#	(4,128,911)	(4,426,787)	(1,137,663)	(2,880,273)	(408,851)
	(5,731,469)	(6,028,837)	(2,761,671)	(2,858,315)	(408,851)
2016					
Derivative financial liabilities					
Interest rate swaps	(3,092)	(2,498)	(3,237)	739	–
Forward foreign currency contracts	(41,622)				
– Inflow		1,132,401	318,093	814,308	–
– Outflow		(1,174,023)	(336,410)	(837,613)	–
Derivative financial assets					
Interest rate swaps	2,025	466	216	250	–
Forward foreign currency contracts	58,503				
– Inflow		688,228	521,530	166,698	–
– Outflow		(629,725)	(475,541)	(154,184)	–
Non-derivative financial liabilities					
Trade and other payables*#	(2,084,188)	(2,084,188)	(2,084,188)	–	–
Interest-bearing borrowings#	(4,188,924)	(4,504,950)	(1,465,426)	(2,618,161)	(421,363)
	(6,257,298)	(6,574,289)	(3,524,963)	(2,627,963)	(421,363)

* Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grants, accrued land lease and long-term employee benefits.

\# The carrying amount of trade and other payables excludes finance costs payable while the interest-bearing borrowings include finance costs payable, for the purposes of presentation of this liquidity table.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

37. 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					
2017					
Non-derivative financial liabilities					
Trade and other payables*	(26,385)	(26,385)	(26,385)	–	–
Interest-bearing borrowings	(1,868)	(1,868)	(474)	(1,394)	–
	(28,253)	(28,253)	(26,859)	(1,394)	–
2016					
Non-derivative financial liabilities					
Trade and other payables*	(23,864)	(23,864)	(23,864)	–	–

* Excludes deposits received, Goods and Services Tax and long-term employee benefits.

The 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				
2017				
Derivative financial liabilities				
Interest rate swaps	(7,162)	(6,913)	(4,010)	(2,903)
Derivative financial assets				
Interest rate swaps	456	715	468	247
Forward foreign currency contracts	57,037			
– Inflow		981,195	453,762	527,433
– Outflow		(924,158)	(421,339)	(502,819)
	50,331	50,839	28,881	21,958
2016				
Derivative financial liabilities				
Interest rate swaps	(3,092)	(2,498)	(3,237)	739
Forward foreign currency contracts	(30,027)			
– Inflow		1,055,509	241,201	814,308
– Outflow		(1,085,536)	(247,923)	(837,613)
Derivative financial assets				
Interest rate swaps	2,025	466	216	250
Forward foreign currency contracts	39,674			
– Inflow		506,151	339,453	166,698
– Outflow		(466,477)	(312,293)	(154,184)
	8,580	7,615	17,417	(9,802)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

37. FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimation of fair values

FRS 107 establishes a fair value hierarchy that prioritises the inputs used to measure fair value. The three levels of the fair value input hierarchy defined by FRS 107 are as follows:

- Level 1 – Fair values are measured based on quoted prices (unadjusted) from active markets for identical financial instruments.
- Level 2 – Fair values are measured using inputs, other than those used for Level 1, that are observable for the financial instruments either directly (prices) or indirectly (derived from prices).
- Level 3 – Fair values are measured using inputs which are not based on observable market data (unobservable input).

Securities

The fair value of financial assets at fair value through profit or loss, and available-for-sale financial assets, is based on quoted market prices (bid price) in an active market at the balance sheet date without any deduction for transaction costs. If the market for a quoted financial asset is not active, and for unquoted financial assets, the Group establishes fair value by using other valuation techniques.

Derivatives

The fair value of forward exchange contracts is accounted for based on the difference between the contractual price and the current market price.

The fair value of interest rate swaps is the indicative amount that the Group is expected to receive or pay to terminate the swap with the swap counterparties at the balance sheet date.

Non-derivative non-current financial assets and liabilities

Fair values determined for non-derivative non-current financial assets and liabilities are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date. This includes determination for fair value disclosure purpose as well.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

For financial instruments that are not actively traded in the market, the fair value is determined by independent third party or using valuation techniques where applicable. The Group may use a variety of methods and make assumptions that are based on existing market conditions at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used to estimate the fair value for medium term notes for disclosure purpose. Other techniques, such as estimated discounted cash flows, are used to determine the fair value for the remaining financial instruments. Where discounted cash flow techniques are used, the management will estimate the future cash flows and use relevant market rate as the discount rate at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

37. FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimation of fair values (cont'd)

Non-current amount due from related parties

Fair values are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date.

Fair value hierarchy

The following table sets forth by level within the fair value hierarchy of the financial assets and liabilities that were accounted for at fair value on a recurring basis as of 31 December 2017. These financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgement, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Financial assets and liabilities carried at fair value

	Fair value measurement using:			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Group				
At 31 December 2017				
Available-for-sale financial assets	18,200	694	–	18,894
Derivative financial assets	–	58,185	–	58,185
	18,200	58,879	–	77,079
Derivative financial liabilities	–	(7,162)	–	(7,162)
Total	18,200	51,717	–	69,917
At 31 December 2016				
Available-for-sale financial assets	51,667	537	–	52,204
Derivative financial assets	–	64,674	–	64,674
	51,667	65,211	–	116,878
Derivative financial liabilities	–	(44,714)	–	(44,714)
Total	51,667	20,497	–	72,164
Company				
At 31 December 2017				
Available-for-sale financial assets	18,200	694	–	18,894
At 31 December 2016				
Available-for-sale financial assets	40,075	537	–	40,612

In 2017 and 2016, there were no transfers between the different levels of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

37. FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimation of fair values (cont'd)

*Assets and liabilities not carried at fair value but for which fair values are disclosed**

	Fair value measurement using:			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
At 31 December 2017				
Due from customers on construction contracts	–	1,637,441	–	1,637,441
Interest-bearing borrowings	–	(3,218,321)	–	(3,218,321)
At 31 December 2016				
Due from customers on construction contracts	–	2,236,715	–	2,236,715
Interest-bearing borrowings	–	(2,725,253)	–	(2,725,253)

* Excludes financial assets and liabilities whose carrying amounts measured on the amortised cost basis that approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

37. FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheets are as follows:

	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Available-for-sale $'000	Loans and receivables $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
Group								
At 31 December 2017								
Cash and cash equivalents	15	–	–	–	1,301,000	–	1,301,000	1,301,000
Trade and other receivables	9	–	–	–	662,346	–	662,346	662,346
Due from customers on construction contracts	13	–	–	–	1,654,771	–	1,654,771	1,637,441
Available-for-sale financial assets								
– Equity shares	8(a)	–	–	18,200	–	–	18,200	18,200
– Unit trusts	8(a)	–	–	694	–	–	694	694
Fair value hedges								
– Firm commitments	8(b)	–	–	–	692	–	692	692
Cash flow hedges								
– Forward foreign currency contracts	8(a)&(b)	–	57,037	–	–	–	57,037	57,037
– Interest rate swaps	8(b)	–	456	–	–	–	456	456
		–	57,493	18,894	3,618,809	–	3,695,196	3,677,866
Trade and other payables*		–	–	–	–	1,681,677	1,681,677	1,681,677
Cash flow hedges								
– Interest rate swaps	19(a)&(b)	–	7,162	–	–	–	7,162	7,162
Interest-bearing borrowings								
– Short-term borrowings	20	–	–	–	–	852,737	852,737	852,737
– Long-term borrowings	20	–	–	–	–	3,247,386	3,247,386	3,218,321
		–	7,162	–	–	5,781,800	5,788,962	5,759,897

* Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grants, accrued land lease and long-term employee benefits.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

37. FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair value versus carrying amounts (cont'd)

	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Available-for-sale $'000	Loans and receivables $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
Group								
At 31 December 2016								
Cash and cash equivalents	15	–	–	–	1,216,971	–	1,216,971	1,216,971
Trade and other receivables	9	–	–	–	472,241	–	472,241	472,241
Due from customers on construction contracts	13	–	–	–	2,242,882	–	2,242,882	2,236,715
Available-for-sale financial assets								
– Equity shares	8(a)	–	–	51,667	–	–	51,667	51,667
– Unit trusts	8(a)	–	–	537	–	–	537	537
Financial assets at fair value through profit or loss								
– Forward foreign currency contracts	8(b)	–	18,829	–	–	–	18,829	18,829
Fair value hedges								
– Firm commitments	8(b)	–	–	–	4,146	–	4,146	4,146
Cash flow hedges								
– Forward foreign currency contracts	8(a)&(b)	–	39,674	–	–	–	39,674	39,674
– Interest rate swaps	8(a)&(b)	–	2,025	–	–	–	2,025	2,025
		–	60,528	52,204	3,936,240	–	4,048,972	4,042,805
Trade and other payables*		–	–	–	–	2,118,137	2,118,137	2,118,137
Financial liabilities at fair value through profit or loss								
– Forward foreign currency contracts	19(a)	–	11,595	–	–	–	11,595	11,595
Cash flow hedges								
– Forward foreign currency contracts	19(a)&(b)	–	30,027	–	–	–	30,027	30,027
– Interest rate swaps	19(b)	–	3,092	–	–	–	3,092	3,092
Interest-bearing borrowings								
– Short-term borrowings	20	–	–	–	–	1,363,961	1,363,961	1,363,961
– Long-term borrowings	20	–	–	–	–	2,791,014	2,791,014	2,725,253
		–	44,714	–	–	6,273,112	6,317,826	6,252,065

* Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grants, accrued land lease and long-term employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

37. FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair value versus carrying amounts (cont'd)

	Note	Available-for-sale $'000	Loans and receivables $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
Company						
At 31 December 2017						
Cash and cash equivalents	15	–	55,126	–	55,126	55,126
Trade and other receivables	9	–	114,052	–	114,052	114,052
Available-for-sale financial assets						
– Equity shares	8(a)	18,200	–	–	18,200	18,200
– Unit trusts	8(a)	694	–	–	694	694
		18,894	169,178	–	188,072	188,072
Trade and other payables*		–	–	26,385	26,385	26,385
At 31 December 2016						
Cash and cash equivalents	15	–	24,482	–	24,482	24,482
Trade and other receivables	9	–	58,241	–	58,241	58,241
Available-for-sale financial assets						
– Equity shares	8(a)	40,075	–	–	40,075	40,075
– Unit trusts	8(a)	537	–	–	537	537
		40,612	82,723	–	123,335	123,335
Trade and other payables*		–	–	23,864	23,864	23,864

* Excludes deposits received, Goods and Services Tax and long-term employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

37. FINANCIAL INSTRUMENTS (CONT'D)

(f) Capital management

The Group aims to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders. The Group monitors Economic Value Added attributable to shareholders, which the Group defines as net operating profit after tax less capital charge excluding non-controlling interests. Management also monitors the level of dividends paid to ordinary shareholders.

The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Capital is defined as equity attributable to the equity holders. The Group's debt to capitalisation ratio as at the balance sheet date was as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Debt	4,100,123	4,154,975
Total equity	2,519,372	2,607,621
Total debt and equity	6,619,495	6,762,596
Debt-to-capitalisation ratio	0.62	0.61

There were no changes in the Group's approach to capital management during the year.

The Group is required to maintain consolidated net borrowings to consolidated net assets (less dividends, goodwill and other intangible assets) ratio of not more than 1.75. This externally imposed capital requirement has been complied with at each quarter in the financial year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

38. CONTINGENT ASSET AND LIABILITIES

(i) Group – Claims and contingencies

In 2015, a customer, Marco Polo Drilling (I) Pte. Ltd. ("MPD"), alleged that a subsidiary of the Group has not complied with certain of its material contractual obligations and purported to terminate the contract and consequently sought refund of 50% of the initial instalment being the sum of S$30,094,000 (US$21,430,000) from the subsidiary and related interest charges. The subsidiary terminated the contract after MPD continued not to make payment of this balance 50% of the initial instalment, due since February 2014. The subsidiary continues to disagree with MPD's allegations and strongly believes its contractual right of payment extends to the full initial instalment received and receivable from MPD. No provision for refund has been recognised because the subsidiary believes it has the contractual entitlement to retain 50% of the initial instalment. The remaining 50% of the initial instalment due has not been recognised since the "virtually certain" threshold in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* has not been met. The Group views this as a "contingent asset".

In 2017, the subsidiary, MPD and Marco Polo Marine Ltd ("MPM"), guarantor to perform MPD's obligations in full under the contract, have entered into a settlement agreement on a without admission of fault or liability basis on the terms that a Consent Award be entered into in favour of the subsidiary for part of the subsidiary's claim and interest in the arbitration proceedings, and with MPD and MPM withdrawing their respective claims. The settlement amount of approximately $1,600,000 had been received in January 2018.

(ii) Company – Corporate guarantees

	Company	
	2017	**2016**
	$'000	**$'000**
Unsecured corporate guarantees granted in respect of:		
– Performance of subsidiaries	3,692,999	4,593,666
– Unsecured term loans by a subsidiary	650,000	650,000
– Unsecured short term loans by a subsidiary	82,533	115,128
– Unsecured revolving credit facilities by subsidiaries	1,483,755	1,364,932
– Unsecured bonds issued by a subsidiary	600,000	600,000

The Company has provided guarantees to banks to secure banking facilities provided to wholly-owned subsidiaries, Jurong Shipyard Pte Ltd and Estaleiro Jurong Aracruz Ltda. These financial guarantee contracts are accounted for as insurance contracts.

The principal risk to which the Company is exposed is credit risk in connection with guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

Estimates of the Company's obligation arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions made may well vary from actual experience so that the actual liability may vary considerably from the best estimates. As of balance sheet date, there is no provision made in respect of the obligations as the Company believes it is remote that these corporate guarantees will be called upon.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

39. COMMITMENTS

Commitments not provided for in the financial statements are as follows:

		Group		Company	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
(a)	*Approved capital commitment:*				
	– Approved capital expenditure commitment	53,248	156,295	–	–
(b)	*Minimum lease rental payable in respect of land and buildings:*				
	– Within 1 year	17,994	20,930	10,622	11,127
	– After 1 year but within 5 years	49,520	58,283	38,326	40,189
	– After 5 years	340,658	355,826	46,934	49,647
		408,172	435,039	95,882	100,963

The leases do not provide for contingent rents and lease terms do not contain restrictions on the Group activities concerning dividends, additional debt or further leasing. Certain leases contain escalation clauses to reflect market rentals.

Certain leases include renewal options for additional lease period of 10 to 30 years and at rental rates based on prevailing market rates.

The Group leases out its marine vessel. The initial lease term is 5 years, with an option to extend for another 5 years. The lease agreement provides for additional lease payments annually based on changes to a price index. The future minimum lease receivables under non-cancellable leases are as follows:

	Group	
	2017 $'000	2016 $'000
Within 1 year	38,933	68,277
After 1 year but within 5 years	–	39,657
	38,933	107,934

40. OPERATING SEGMENTS

(a) Business segments

The Group has two reportable segments, which are the Group's strategic business units. The strategic business units are managed separately because of their different business activities. The two reportable segments are: (i) rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding; and (ii) ship chartering.

The accounting policies are described in Note 3. Inter-segment sales and transfers are carried out on an arm's length basis. Segment assets consist primarily of property, plant and equipment, intangible assets, current assets and exclude inter-segment balances. Segment liabilities comprise mainly operating liabilities and exclude inter-segment balances. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's President & CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Other operations include bulk trading in marine engineering related products; provision of harbour tug services to port users; collection and treatment of used copper slag, and the processing and distribution of copper slag for blast cleaning purposes.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

40. 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
2017					
Turnover					
Sales to external parties	2,319,672	57,437	10,245	–	2,387,354
Inter-segment sales	–	–	88,381	(88,381)	–
Total	2,319,672	57,437	98,626	(88,381)	2,387,354
Results					
Segment results	9,255	13,230	(2,032)	–	20,453
Finance income	11,398	–	150	–	11,548
Finance costs	(93,473)	(2,049)	–	–	(95,522)
Non-operating income	–	–	64,803	–	64,803
Non-operating expenses	–	–	(13,309)	–	(13,309)
Share of results of associates and joint ventures, net of tax	(914)	(3,669)	966	–	(3,617)
(Loss)/profit before tax	(73,734)	7,512	50,578	–	(15,644)
Tax credit	25,273	–	319	–	25,592
(Loss)/profit for the year	(48,461)	7,512	50,897	–	9,948
Assets					
Segment assets	8,748,453	246,025	71,924	–	9,066,402
Investments in associates and joint ventures	5,181	53,085	9,699	–	67,965
Deferred tax assets	5,263	–	626	–	5,889
Tax recoverable	11,192	–	–	–	11,192
Total assets	8,770,089	299,110	82,249	–	9,151,448
Liabilities					
Segment liabilities	6,437,968	81,551	26,144	–	6,545,663
Deferred tax liabilities	61,390	–	155	–	61,545
Current tax payable	24,335	–	533	–	24,868
Total liabilities	6,523,693	81,551	26,832	–	6,632,076
Capital expenditure	193,295	–	160	–	193,455
Significant non-cash items					
Depreciation and amortisation	182,627	9,230	1,059	–	192,916
Gain on disposal of assets held for sale	–	–	(46,816)	–	(46,816)
Gain on disposal of subsidiaries, net	–	–	(753)	–	(753)
Gain on disposal of available-for-sale financial asset	–	–	(17,200)	–	(17,200)
Assumption of liabilities on behalf of a joint venture	–	–	11,000	–	11,000
Fair value adjustment on hedging instruments	(1,623)	–	–	–	(1,623)
Fair value adjustment on firm commitments under fair value hedge	3,454	–	–	–	3,454
Property, plant and equipment written off	470	–	30	–	500
Impairment losses on available-for-sale financial assets	–	–	2,275	–	2,275
Reversal of contract costs (net) on termination, net of write-down of inventories and foreseeable loss on contract work-in-progress	(19,622)	–	–	–	(19,622)
Allowance for doubtful debts and bad debts, net	148	–	19	–	167

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

40. OPERATING SEGMENTS (CONT'D)

(a) Business segments (cont'd)

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Eliminations $'000	Total $'000
2016					
Turnover					
Sales to external parties	3,474,179	58,962	11,675	–	3,544,816
Inter-segment sales	–	–	144,795	(144,795)	–
Total	3,474,179	58,962	156,470	(144,795)	3,544,816
Results					
Segment results	208,894	11,981	4,431	–	225,306
Finance income	7,775	–	147	–	7,922
Finance costs	(86,222)	(2,429)	–	–	(88,651)
Non-operating income	4,243	–	186	–	4,429
Non-operating expenses	(2,120)	–	(21,232)	–	(23,352)
Share of results of associates and joint ventures, net of tax	(32,918)	(3,391)	1,175	–	(35,134)
Profit/(loss) before tax	99,652	6,161	(15,293)	–	90,520
Tax expense	(14,839)	–	(521)	–	(15,360)
Profit/(loss) for the year	84,813	6,161	(15,814)	–	75,160
Assets					
Segment assets	8,960,627	270,423	88,395	–	9,319,445
Investments in associates and joint ventures	6,139	59,944	8,733	–	74,816
Deferred tax assets	12,042	–	–	–	12,042
Tax recoverable	8,530	–	–	–	8,530
Total assets	8,987,338	330,367	97,128	–	9,414,833
Liabilities					
Segment liabilities	6,551,425	104,706	28,591	–	6,684,722
Deferred tax liabilities	85,438	–	235	–	85,673
Current tax payable	34,805	–	2,012	–	36,817
Total liabilities	6,671,668	104,706	30,838	–	6,807,212
Capital expenditure	419,506	–	373	–	419,879
Significant non-cash items					
Depreciation and amortisation	148,662	9,141	1,142	–	158,945
Fair value adjustment on hedging instruments	(1,435)	–	–	–	(1,435)
Fair value adjustment on firm commitments under fair value hedge	(4,146)	–	–	–	(4,146)
Gain on deemed disposal of available-for-sale financial asset	(4,243)	–	–	–	(4,243)
Negative goodwill	(2,600)	–	–	–	(2,600)
Impairment losses on available-for-sale financial assets	–	–	21,232	–	21,232
Impairment losses on investment in associates	2,120	–	–	–	2,120
Property, plant and equipment written off	45	–	–	–	45
Inventories written back, net	(1,195)	–	33	–	(1,162)
Allowance for doubtful debts and bad debts, net	5,230	–	1	–	5,231

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

40. OPERATING SEGMENTS (CONT'D)

(b) Geographical segments

The Group operates in 12 (2016: 12) countries and principally in the Republic of Singapore. Pricing of inter-segment sales and transfers are carried out on an arm's length basis.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Turnover from external customers $'000	Non-current assets[1] $'000	Total assets $'000	Capital expenditure $'000
2017				
Singapore	243,764	2,342,455	6,820,153	94,694
China	2,401	342	342	–
Malaysia[2]	(257,648)	1,132	1,481	–
Rest of ASEAN, Australia & India	98,900	151,967	233,983	1,779
Middle East & Africa	65,340	–	–	–
United Kingdom	744,752	5,121	83,777	727
Norway	750,816	147,865	153,172	–
The Netherlands	594,553	207,575	246,058	–
Rest of Europe	284,090	–	–	–
Brazil	213,192	1,432,718	1,604,585	96,213
U.S.A.	185,176	4,018	5,567	4
Mexico[2]	(603,506)	–	–	–
Other countries	65,524	89	2,330	38
Total	2,387,354	4,293,282	9,151,448	193,455
2016				
Singapore	317,392	2,392,497	7,084,769	214,065
China	330	1,462	193,483	–
Rest of ASEAN, Australia & India	313,140	172,088	289,722	12,104
Middle East & Africa	14,315	–	–	–
United Kingdom	635,460	5,141	8,393	310
Norway	284,142	165,170	174,880	30
The Netherlands	495,649	229,014	270,445	–
Austria	357,547	–	–	–
Rest of Europe	345,169	–	–	–
Brazil	83,942	1,346,954	1,385,236	193,331
U.S.A.	697,665	4,289	6,299	8
Other countries	65	88	1,606	31
Total	3,544,816	4,316,703	9,414,833	419,879

(1) Non-current assets presented consist property, plant and equipment, investments in associates and joint ventures, trade and other receivables and intangible assets.

(2) During the financial year, certain construction contracts were terminated, and the contract revenue previously recognised were reversed through profit or loss. Refer to Note 13.

(c) Major customers

In 2017, turnover from three (2016: three) customers of the Group's rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding segment represents approximately 60 per cent (2016: 39 per cent) of the Group's total turnover.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

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 28.

Deferred tax assets

Certain subsidiaries of the Group have tax benefits arising from unutilised tax losses, tax credits and deductible temporary differences, which are available for set-off against future taxable profits. Of these, the utilisation of these tax benefits, for which deferred tax asset was recognised, is presumed on the Group's ability to generate taxable profits in the foreseeable future. This is, however, highly dependent on macroeconomic conditions impacting the offshore and marine sector, expected movements and recovery of oil prices, and financial strength of the Group's customers, which would then significantly affect the realisability of these deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

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.

During the year, there were no revisions to the useful lives and residual values found on the Group's property, plant and equipment.

(d) Impairment assessment of property, plant and equipment, intangible assets and associates

Impairment assessment of the Group's shipyards

Owing to the continuing difficult market conditions impacting the offshore and marine sector, there were indications that the Group's shipyards (the "cash generating units") might be impaired. Under the Group's formal impairment assessment of the individual cash generating units in: (i) Singapore (yards in Singapore, together with their sub-contracting yards in Indonesia and the United Kingdom); and (ii) Brazil, the recoverable amounts for the Group's individual cash generating units were determined using the value in use calculations.

The value in use calculation for the Group's cash generating units used discounted cash flow projections which took into account management's assessment of the forecasted order book over a period of 5 years and 10 years for Singapore and Brazil (the "projection periods"), respectively, with applicable growth rates for Singapore and Brazil beyond the projection periods (up to a maximum of 40 years). The forecasted order book and the related project margins are the key drivers supporting the recoverable amounts. The projected cash flows are supported by the Group's historical experience, market observable data surrounding the state-owned and international oil majors' capital commitment and projected capital expenditures in oil and gas production and exploration activities, regulations relating to local content requirements in Brazil, market expectations and developments for contract order prices, and other external analysts' forecast reports in oil price movements and demands for drilling and production solutions. These cash flows are then discounted using the applicable discount rates based on their pre-tax weighted average cost of capital of 9.5% (2016: 9.7%) and 10.0% (2016: 15.9%) for the Singapore cash generating unit and Brazil cash generating unit respectively; and the Group assessed that no impairment loss is required for these individual cash generating units.

The forecasted order book and the forecasted margins assumed in the value in use calculation is, however, subject to estimation uncertainties that may have a significant risk of resulting in material adjustments in any future periods affected.

The estimation uncertainties of the forecasted order book of the Singapore cash generating unit is, however, reduced by a certain level of order books already secured by the Group. Nevertheless, there are remaining estimation uncertainties surrounding the remaining unsecured order book, and forecast project margins, that may result in significant adjustments in the future periods.

Certain phases of the Brazil cash generating unit are presently undergoing yard construction and the yard will gradually ramp up to its full operational capacity over the years. The Group has factored in the long-term fundamentals of the oil and gas industry in Brazil and accordingly, prepared a 10 year projection period. Changes in the recoverable amount are sensitive to impairment loss if the forecast order book and the forecasted margins beyond the near term were to deviate significantly from the original forecast. The recoverable amount of the Brazil cash generating unit is further subject to political risk and will be reviewed at regular intervals.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

41. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key sources of estimation uncertainty (cont'd)

(d) Impairment assessment of property, plant and equipment, intangible assets and associates (cont'd)

Impairment assessment of the Group's associate

The recoverable amount of the interest in an associate was estimated based on its value in use. In estimating the recoverable amount, the Group applied the relief from royalty method to value the existing intellectual properties owned by the associate. As the associate is a start-up owning various intellectual properties at different stages of their business life cycles, the discount rates applied by the Group range from 20% to 22%, to reflect the higher risks inherent in the forecasted cash flows. Any significant changes to these forecasted cash flows, caused by changes in the risk of returns of the intellectual properties may result in material adjustments on the associate's recoverable amounts in future periods.

(e) Provisions and contingent liabilities

Estimates of the Group's obligations arising from contracts that exist as at balance sheet date may be affected by future events, which cannot be predicted with any certainty. The assumptions and estimates are made based on the management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates.

Warranty

The provision for warranty is based on estimates from known and expected warranty work and contractual obligation for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made. Movements in provision for warranty are detailed in Note 18.

Site restoration costs

The provision for site restoration costs arising from operating leases is based on the best estimate of the costs to be incurred beyond the 12 months period provided by external consultants. Given the complexities involved in carrying out the restoration work on certain sites in the longer run, the actual costs may vary from the estimate.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Disclosure of contingent liabilities is detailed in Note 38.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

41. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key sources of estimation uncertainty (cont'd)

(f) Determination of net realisable value of inventories and work-in-progress

The net realisable value of inventories and work-in-progress 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 work-in-progress; and there is a significant risk of resulting in a material adjustment to the carrying amounts of inventories and work-in-progress in future periods.

Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

(a) Revenue recognition and assessment of risk of foreseeable losses on long term construction contracts

The Group has recognised revenue on construction contracts, rigs & floaters, repairs & upgrades and offshore platforms based on the percentage of completion method in proportion to the stage of completion. The percentage of completion is assessed by reference to surveys of work performed. Significant judgement is required in determining the appropriate stage of completion and estimating a reasonable contribution margin for revenue and costs recognition; and likewise, judgement is required in determining the triggering point of suspension of revenue recognition when it is no longer probable that inflow of economic benefits associated with the contracts will occur. Such considerations include the Group's assessment of the credit-worthiness of customers and an evaluation of the contract performance obligations discharged by the customers.

The Group conducts critical review of all its long term construction contracts regularly. Allowance is made where necessary to account for foreseeable losses where total costs to complete the construction contracts exceed the contract revenue. To determine the total costs, the Group monitors and reviews constantly the progress of all long term construction contracts taking into consideration all inputs from both internal project managers and external customers. The review includes evaluating any potential risks and factors which may affect the contract price and timely completion of the construction contracts. The review also encompasses the cost analysis process whereby both actual costs incurred and future costs to complete are critically examined.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

41. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical accounting judgements in applying the Group's accounting policies (cont'd)

(b) Impairment of investments and financial assets

The Group follows the guidance of FRS 39 *Financial Instruments: Recognition and Measurement* in determining whether there is any objective evidence that an investment or financial asset is impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment and financial asset is less than its cost; and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The carrying amounts of investments and financial assets are disclosed in the following notes:

- Note 7 – Interests in associates and joint ventures
- Note 8 – Other financial assets
- Note 9 – Trade and other receivables

In assessing whether there is any objective evidence that its investments in associates and available-for-sale financial assets are impaired, the Group takes into consideration whether there is a significant or prolonged decline in the fair value of its investment, alongside with other considerations such as volatility of the share price relative to general stock indices, analysts' reports on outlook of the underlying security, and other qualitative factors such as the financial performance of the investment.

In assessing the level of impairment allowance required on the Group's trade and other receivables, the Group considers the financial restructuring (where relevant), credit-worthiness and financial health of its customers whose conditions are subject to changes, which may require changes in the level of impairment allowance in future periods.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

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 2017 %	Effective equity held by the Group 2016 %
Subsidiaries				
Bulk Trade Pte Ltd[(1)]	Singapore	Bulk trading	100	100
Dolphin Shipping Company Private Limited[(1)]	Singapore	Ship owning and chartering	100	100
Gravifloat AS[(2), a]	Norway	Engineering and related services	56	56
JPL Industries Pte Ltd[(1)]	Singapore	Processing and distribution of copper slag	85.8	85.8
Jurong Marine Services Pte Ltd[(1)]	Singapore	Provision of tugging and sea transportation services	100	100
Jurong Shipbuilders Private Limited[(1)]	Singapore	Investment holding	100	100
Jurong Shipyard Pte Ltd[(1)]	Singapore	Ship and rig repair, building, conversion and related services	100	100
Karimun Shiprepair and Engineering Pte Ltd[(1)]	Singapore	Investment holding	100	100
PPL Shipyard Pte Ltd[(1), b]	Singapore	Rig building, repair and related services	100	100
SCM Investment Holdings Pte Ltd[(1)]	Singapore	Investment holding	100	100
Sembcorp Holdings, LLC.[(4)]	United States of America	Investment holding	100	100
Sembcorp Marine Integrated Yard Pte. Ltd.[(1)]	Singapore	Ship and rig repair, building, conversion, offshore engineering and related services	100	100
Sembcorp Marine Offshore Platforms Pte. Ltd.[(1)]	Singapore	Engineering, construction and fabrication of offshore structures	100	100
Sembcorp Marine Repairs & Upgrades Pte. Ltd.[(1)]	Singapore	Ship repair and related services	100	100
Sembcorp Marine Specialised Shipbuilding Pte. Ltd.[(1)]	Singapore	Shipbuilding, ship repair and related services	100	100
Sembcorp Marine Technology Pte Ltd[(1)]	Singapore	Research & development in offshore and marine technology	100	100
SembMarine Investment Pte Ltd[(1)]	Singapore	Investment holding	100	100
SML Shipyard Pte Ltd[(1)]	Singapore	Ship repair and related services	100	100
Associate				
Joint Shipyard Management Services Pte Ltd[(1)]	Singapore	Managing dormitories	32	32

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

42. GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group 2017 %	Effective equity held by the Group 2016 %
Joint venture of Dolphin Shipping Company Private Limited				
Pacific Workboats Pte Ltd[3]	Singapore	Ship leasing and marine surveying services	50	50
Subsidiary of JPL Industries Pte Ltd				
JPL Concrete Products Pte Ltd[1]	Singapore	Production of concrete products	85.8	85.8
Subsidiaries and joint venture of Jurong Shipyard Pte Ltd				
Dolphin Rig 1 Pte. Ltd.[1]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 2 Pte. Ltd.[1]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 3 Pte. Ltd.[1]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 4 Pte. Ltd.[1]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 5 Pte. Ltd.[1]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 6 Pte. Ltd.[1]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 7 Pte. Ltd.[1]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Estaleiro Jurong Aracruz Ltda[2], c	Brazil	Ship and rig repair, building, conversion and related services	100	100
JED Centre Sdn. Bhd.[2]	Malaysia	Render services for engineering	100	100
Jurong Autoblast Services Pte. Ltd.[1], d	Singapore	Surface preparation of steel plates, structures and marine engineering services	–	100
Jurong do Brasil Prestacao de Servicos Ltda[2]	Brazil	Ship and rig repair, building, conversion and related services	100	100
Jurong Marine Contractors Private Limited[1]	Singapore	Provision of contract services	100	100
Jurong Netherlands B.V.[4]	Netherlands	Investment holding	100	100
Jurong Offshore Pte. Ltd.[1]	Singapore	Investment holding	100	100
Marine Housing Services Pte. Ltd.[3]	Singapore	Provision of dormitory housing services	50	50
Sembcorp Marine Solutions Pte. Ltd.[1]	Singapore	Provision of management and technical services	100	100
Sembmarine SSP Inc[4]	United States of America	In the business of engineering design, research and development, marketing and client services support centre	100	100
Shanghai Guofeng Marine Engineering & Technology Co. Ltd.[3], e	People's Republic of China	Research and development of technologies for civil ships and equipment for oceanics industries and provision of related technical consultation services	–	70

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

42. GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group 2017 %	Effective equity held by the Group 2016 %
Subsidiary of Karimun Shiprepair and Engineering Pte Ltd				
P.T. Karimun Sembawang Shipyard[(3)]	Indonesia	Ship repair and related services	100	100
Subsidiaries of PPL Shipyard Pte Ltd				
Baker Marine Pte Ltd[(1), b]	Singapore	Rig enhancement and upgrading services, engineering consultancy and project management, and supply of rig equipment and parts	100	100
Baker Marine Services (HK) Limited[(2), b]	Hong Kong	Provision of rig designs	100	100
Baker Marine Technology Inc.[(4), b]	United States of America	Engineering design, research and development, marketing and client services support centre	100	100
Subsidiaries of Sembcorp Holdings, LLC.				
Sabine Offshore Service, Inc.[(4)]	United States of America	Inactive	100	100
Sembcorp-Sabine Industries, Inc.[(4)]	United States of America	Investment holding	100	100
Sembcorp-Sabine Shipyard, Inc.[(4)]	United States of America	Rig and vessel enhancement and upgrading services	100	100
Subsidiaries and joint venture of Sembcorp Marine Integrated Yard Pte. Ltd.				
Aragon AS[(2), f]	Norway	Process design and engineering	50	50
LMG Marin AS[(2), g]	Norway	Ship design and engineering	100	100
Sembcorp Marine Contractors Pte. Ltd.[(1)]	Singapore	Provision of contract services	100	100
Sembcorp Marine Rigs & Floaters Pte. Ltd.[(1)]	Singapore	Ship and rig building, conversion and related services	100	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

42. GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group 2017 %	Effective equity held by the Group 2016 %
Subsidiaries, associate and joint venture of Sembcorp Marine Repairs & Upgrades Pte. Ltd.				
Aquarius Brasil B.V. (formerly known as Equinox Offshore ARV3 B.V.)[(2)]	Netherlands	Shipowner	100	100
Ecospec Global Technology Pte. Ltd.[(3)]	Singapore	Provision of environmental engineering services	20	20
Pegasus Marine & Offshore Pte. Ltd.[(1)]	Singapore	Marine services	100	100
Semb-Eco Pte. Ltd.[(1)]	Singapore	Investment holding	55	55
Semb-Eco R&D Pte. Ltd.[(1)]	Singapore	Research and development, holding of patents	55	55
Semb-Eco Technology Pte. Ltd.[(1)]	Singapore	Manufacturing and commercialisation of patents	55	55
Sembawang Shipyard Project Services Pte Ltd[(1)]	Singapore	Marine services and rental of premises	100	100
Sembawang Shipyard (S) Pte Ltd[(1)]	Singapore	Investment holding	100	100
Sembmarine Kakinada Limited[(3)]	India	Ship repair, conversion, building and related activities	40	40
SES Engineering (M) Sdn Bhd[(2)]	Malaysia	Fabrication of metal structures	100	100
SES Marine Services (Pte) Ltd[(1)]	Singapore	Marine services	100	100
Subsidiaries and associate of Sembcorp Marine Offshore Platforms Pte. Ltd.				
PT SMOE Indonesia[(2)]	Indonesia	Engineering, construction and fabrication of offshore structures	90	90
PT SMOE Singgar Mulia Engineering[(2)]	Indonesia	Engineering and construction consultation services	55	55
Sembmarine North Sea Limited[(2), h]	United Kingdom	Investment holding	100	100
Sembmarine SLP Limited[(2), h]	United Kingdom	Design, engineering, fabrication and installation of offshore platforms, modules and structures for the oil, gas and renewable energy industry	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.[(1)]	Singapore	Hook-up, commissioning and maintenance of offshore oil and gas production facilities	100	100
Straits Overseas Pte. Ltd.[(1)]	Singapore	Investment holding and engineering, construction and fabrication of offshore marine structures	100	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

42. GROUP ENTITIES (CONT'D)

(1) Audited by KPMG LLP, Singapore

(2) Audited by member firms of KPMG International in the respective countries

(3) Audited by other firms

(4) These companies are not required to be audited under the laws of their country of incorporation

a On 9 March 2016, the Company acquired an additional 44% equity stake in Gravifloat AS (Gravifloat), a marine engineering and naval architecture company, increasing its stake to 56% and Gravifloat became subsidiary of the Group.

b On 29 August 2016, the Company acquired the remaining 15% in the issued and fully paid-up share capital of PPL Shipyard Pte Ltd (PPLS). Following the acquisition, PPLS became a wholly-owned subsidiary of the Company.

c During the year, the Company's wholly-owned subsidiary, Estaleiro Jurong Aracruz Ltda, changed its functional currency from the Brazilian Real to United States Dollar, in order to reflect the primary economic environment that the subsidiary currently operates in.

d On 1 November 2017, the Company's wholly owned subsidiary, Jurong Shipyard Pte Ltd divested its 100% interest in Jurong Autoblast Pte. Ltd. to Zingametall (S) Pte Ltd.

e On 7 April 2017, the Company's wholly owned subsidiary, Jurong Shipyard Pte Ltd divested its 70% interest in Shanghai Guofeng Marine Engineering & Technology Co. Ltd. to Zhao Wei Ming and Zhao Gang.

f On 28 June 2016, the Company's wholly-owned subsidiary, Sembcorp Marine Integrated Yard Pte. Ltd. acquired 50% of the issued and fully paid-up share capital of Aragon AS.

g On 26 August 2016, the Company's wholly-owned subsidiary, Sembcorp Marine Integrated Yard Pte. Ltd. acquired a 100% stake in LMG Marin AS (LMG). Consequently, LMG's financials were consolidated into the Group's financial statements.

h On 21 October 2016, the Company's wholly-owned subsidiary, Sembcorp Marine Offshore Platforms Pte. Ltd. (SMOP) acquired the remaining 30% in the issued and fully paid-up share capital of Sembmarine North Sea (SNS). Following the acquisition, SNS became a wholly-owned subsidiary of SMOP.

43. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

In addition to the adoption of the new framework, the Group will also concurrently apply the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- Requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

43. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

- Requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- Requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- Requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration.*

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for SFRS(I) 15 and SFRS(I) 9.

(i) SFRS(I) 1

When the Group adopts SFRS(I) in 2018, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

(ii) SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group plans to adopt SFRS(I) 15 in its financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of SFRS(I) 15 retrospectively, except as described below, and the comparative period presented in the 2018 financial statements will be restated.

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

The Group plans to use the practical expedients for variable considerations. This means that for contracts with variable consideration that were completed on or before the initial application date, the transaction price at the date of completion is used, rather than estimating the amount of variable consideration.

The Group plans to use the practical expedients for contract modifications. This means that for contracts that were modified before the beginning of the earliest period presented, the aggregate effect of all contract modifications when identifying separate performance obligations and determining and allocating the transaction price on transition are reflected.

The Group plans to use the practical expedients for performance obligation disclosures. This means that for periods presented before the initial application date, the amount of the transaction price allocated to the remaining performance obligations and an explanation of when that revenue was recognised are not disclosed.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

43. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

(ii) SFRS(I) 15 (cont'd)

The expected impact upon the adoption of SFRS(I) 15 are described below.

Long-term contracts

(a) Timing of revenue and cost recognition

The Group currently recognises revenue from long-term contracts using the percentage of completion method, provided the outcome of the contract can be reliably estimated. Under SFRS(I) 15, the Group expects most of its long-term contracts from its rig & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding under the Group's operating segment, to constitute a single performance obligation, due to the inter-dependence of services provided in these contracts.

The Group does not have an alternative use for the specialised assets which are built to customer order.

When the Group has an enforceable right to payment for performance completed to date or where the Group's performance creates or enhances an asset that the customer controls as the asset is being created or enhanced, the Group expects to continue to recognise revenue on these long-term contracts over time. The costs associated to fulfil the performance obligation are expensed as control of goods or services is transferred to the customer over time.

When the right to payment for performance completed to date cannot be enforced due to non-enforceability of right to payment for performance completed to date, the revenue and related costs of sales are recognised only when the constructed assets are delivered to customers.

(b) Contract costs

For long term contracts where the stage of completion is determined by reference to surveys of work done, contract costs are recognised as an expense in profit or loss using the percentage of completion method prior to the adoption of SFRS(I) 15.

On adoption of SFRS(I) 15, the costs incurred to fulfil the satisfied performance obligation are recognised in profit or loss as control of goods or services to the customer is transferred over time. As there is no direct linkage between the costs being expensed and the output measure used to determine revenue, this may result in volatile contract margin over the life cycle of the contracts for the long term contracts.

Where the control of goods and services to the customer is transferred at a future point in time, the costs incurred to fulfil the future performance obligation are capitalised as they are recoverable, and presented as "Contract Costs" within the balance sheet. The costs capitalised are recognised in profit or loss when the performance obligation is satisfied.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

43. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

(ii) SFRS(I) 15 (cont'd)

Contract modifications and variable considerations

Prior to the adoption of SFRS(I) 15, contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognised, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date.

Upon the adoption of SFRS(I) 15, claims and variations would be considered as contract modifications, and will be included within contract accounting when they are approved. This is because any contract modification is not likely to result in a separate contract, as the services within a long term contract are integrated.

Where there is variable consideration, the Group estimates the amount only to the extent that it is highly probable that a significant reversal of the amount will not occur in the future. This amount is included in the transaction price.

Based on its assessment, the Group does not expect the current practice on contract modifications and variable considerations to require any significant change on adoption of SFRS(I) 15.

Consideration payable to customer

The Group currently offsets certain payments made to customers for purchase of goods against revenue. Upon the adoption of SFRS(I) 15, such payments are treated as consideration payable to customer, and are recognised as an expense when payment to the customer is in exchange for a distinct good or service.

Significant financing component

The Group has certain contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. In such cases, contract revenue contains a financing component. For contracts where financing components are determined to be significant, the transaction price is adjusted for the time value of money of the contracts.

The Group is currently in the process of finalising the effects of SFRS(I) 15, and the quantum of the final transition adjustments may be different upon finalisation.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

43. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

(iii) SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively, except as described below.

- The Group plans to take advantage of the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

- The following assessments have to be made on the basis of facts and circumstances that existed at 1 January 2018.

  - The determination of the business model within which a financial asset is held.

  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  - The designation of investment in equity instruments that is not held for trading as at fair value through other comprehensive income (FVOCI).

  - The designation of investments in unit trusts and funds as at fair value through profit or loss.

New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 *Financial Instruments: Recognition and Measurement* at 31 December 2017 that meet the criteria for hedge accounting under SFRS(I) 9 at 1 January 2018 will be regarded as continuing hedging relationships.

The expected impact on adoption of SFRS(I) 9 are described below. The information below reflects the Group's expectation of the implications arising from changes in the accounting treatment, however, the actual tax effect may change when the transition adjustments are finalised.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

43. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

(iii) SFRS(I) 9 (cont'd)

(a) Classification and measurement: financial assets

For financial assets currently held at amortised cost and at fair value, the Group expects to continue measuring these assets at fair value under SFRS(I) 9. The Group plans to elect to present in OCI the changes in fair value of the AFS equity securities that are held by the Group and the Company because these investments are not held for trading. The changes in fair value recognised in OCI will not be reclassified to profit or loss upon disposal of the AFS equity. The Group does not expect any significant impact on the financial statements from the Group's election to present in OCI the changes in fair value of its AFS equity securities. The Group's investments in unit trusts and funds, which is currently classified as available-for-sale financial assets, will be classified as fair value through profit and loss upon the adoption of SFRS(I) 9 and the fair value reserve relating to the fair value changes of the unit trusts and funds will be reclassified to revenue reserves. The amount to be reclassified as at 1 January 2018 is approximately $447,000.

(b) Impairment

SFRS(I) 9 replaces the current 'incurred loss' model with a forward-looking expected credit loss (ECL) model. The new impairment model will apply to financial assets measured at amortised cost or FVOCI (except for investments in equity instruments).

The Group plans to apply the simplified approach and record lifetime ECL on its trade receivables and any contract assets arising from the application of SFRS(I) 15. The Group expects an increase in impairment loss for trade and other receivables, and contract assets of $860,000 (net of tax) as at 1 January 2018.

The Group does not expect any material tax impact on the increase in impairment loss arising from SFRS(I) 9 adoption.

The Group is currently in the process of testing its expected credit loss model and the quantum of the final transition adjustments may be different upon finalisation.

Summary of Quantitative Impact

The Group is currently finalising the transition adjustments. The following reconciliations provide a preliminary estimate of the expected impacts on initial application of SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9 on the Group's and the Company's financial position as at 31 December 2017 and 1 January 2018 and the Group's profit or loss and other comprehensive income for the year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

43. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

Balance Sheet

	31 December 2017			1 January 2018	
	Current framework $'000	SFRS(I) 15 $'000	SFRS(I) framework $'000	SFRS(I) 9 $'000	SFRS(I) framework $'000
Group					
Non-current assets					
Property, plant and equipment	3,995,019	–	3,995,019	–	3,995,019
Trade and other receivables	168,740	–	168,740	–	168,740
Others	299,205	–	299,205	–	299,205
	4,462,964	–	4,462,964	–	4,462,964
Current assets					
Inventories and work-in-progress	2,775,847	(2,678,828)	97,019	–	97,019
Trade and other receivables	566,874	261,931	828,805	(1,036)	827,769
Contract costs	–	2,460,313	2,460,313	–	2,460,313
Contract assets	–	656,933	656,933	–	656,933
Others	1,345,763	–	1,345,763	–	1,345,763
	4,688,484	700,349	5,388,833	(1,036)	5,387,797
Total assets	9,151,448	700,349	9,851,797	(1,036)	9,850,761
Current liabilities					
Trade and other payables	2,061,446	(447,024)	1,614,422	–	1,614,422
Excess of progress billings over work-in-progress	174,356	(174,356)	–	–	–
Contract liabilities	–	1,368,956	1,368,956	–	1,368,956
Others	906,809	(8,029)	898,780	–	898,780
	3,142,611	739,547	3,882,158	–	3,882,158
Non-current liabilities					
Deferred tax liabilities	61,545	–	61,545	(176)	61,369
Others	3,427,920	–	3,427,920	–	3,427,920
	3,489,465	–	3,489,465	(176)	3,489,289
Total liabilities	6,632,076	739,547	7,371,623	(176)	7,371,447
Net assets	2,519,372	(39,198)	2,480,174	(860)	2,479,314
Equity attributable to owner of the Company					
Share capital	484,288	–	484,288	–	484,288
Other reserves	(25,724)	(4,981)	(30,705)	(447)	(31,152)
Revenue reserve	2,019,609	(34,217)[1]	1,985,392	(413)	1,984,979
	2,478,173	(39,198)	2,438,975	(860)	2,438,115
Non-controlling interests	41,199	–	41,199	–	41,199
Total equity	2,519,372	(39,198)	2,480,174	(860)	2,479,314

(1) Amount relates to the reversal of cumulative profits of certain contracts, recognised in prior years according to existing policy in Note 3.19, where such revenue and related costs of sales would be recognised on delivery to customers upon adoption of SFRS(I) 15.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

43. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

Consolidated Income Statement

	Year ended 31 December 2017		
	Current framework $'000	SFRS(I) 15 $'000	SFRS(I) framework $'000
Group			
Turnover	2,387,354	625,512[(2)]	3,012,866
Cost of sales	(2,326,848)	(340,255)[(2)]	(2,667,103)
Gross profit	60,506	285,257	345,763
Other operating income	63,705	–	63,705
Other operating expenses	(5,021)	–	(5,021)
General and administrative expenses	(98,737)	–	(98,737)
Operating profit	20,453	285,257	305,710
Finance income	11,548	11,259	22,807
Finance costs	(95,522)	–	(95,522)
Non-operating income	64,803	–	64,803
Non-operating expenses	(13,309)	–	(13,309)
Share of results of associates and joint ventures, net of tax	(3,617)	–	(3,617)
(Loss)/profit before tax	(15,644)	296,516	280,872
Tax credit/(expense)	25,592	(50,408)	(24,816)
Profit for the year	9,948	246,108	256,056
Attributable to:			
Owner of the Company	14,076	246,108	260,184
Non-controlling interests	(4,128)	–	(4,128)
Profit for the year	9,948	246,108	256,056

(2) Amount relates mainly to the reversal of adjustments (in relation to contract terminations) recorded in 2017 set-off partially by reversal of revenue and related costs of sales for other contracts, recognised in 2017 according to existing policy in Note 3.19, which would be recognised on delivery to customers upon adoption of SFRS(I) 15.

Consolidated Statement of Comprehensive Income

	Year ended 31 December 2017		
	Current framework $'000	SFRS(I) 15 $'000	SFRS(I) framework $'000
Group			
Profit for the year	9,948	246,108	256,056
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations	(62,451)	–	(62,451)
Others	6,942	–	6,942
Other comprehensive income for the year, net of tax	(55,509)	–	(55,509)
Total comprehensive income for the year	(45,561)	246,108	200,547
Total comprehensive income attributable to:			
Owner of the Company	(41,407)	246,108	204,701
Non-controlling interests	(4,154)	–	(4,154)
Total comprehensive income for the year	(45,561)	246,108	200,547

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

43. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

Balance Sheet

	31 December 2017			1 January 2018	
	Current framework $'000	SFRS(I) 15 $'000	SFRS(I) framework $'000	SFRS(I) 9 $'000	SFRS(I) framework $'000
Company					
Non-current assets					
Property, plant and equipment	79,418	–	79,418	–	79,418
Investment properties	17,190		17,190		17,190
Trade and other receivables	31,725	–	31,725	–	31,725
Others	1,502,598	–	1,502,598	–	1,502,598
	1,630,931	–	1,630,931	–	1,630,931
Current assets					
Trade and other receivables	117,283	–	117,283	–	117,283
Others	55,972	–	55,972	–	55,972
	173,255	–	173,255	–	173,255
Total assets	1,804,186	–	1,804,186	–	1,804,186
Current liabilities					
Trade and other payables	26,433	–	26,433	–	26,433
Others	7,245	–	7,245	–	7,245
	33,678	–	33,678	–	33,678
Non-current liabilities					
Deferred tax liabilities	11,070	–	11,070	–	11,070
Others	26,209	–	26,209	–	26,209
	37,279	–	37,279	–	37,279
Total liabilities	70,957	–	70,957	–	70,957
Net assets	1,733,229	–	1,733,229	–	1,733,229
Equity attributable to owner of the Company					
Share capital	484,288	–	484,288	–	484,288
Other reserves	(27,831)	–	(27,831)	(447)	(28,278)
Revenue reserve	1,276,772	–	1,276,772	447	1,277,219
Total equity	1,733,229	–	1,733,229	–	1,733,229

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

43. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

Applicable to financial statements for the year 2019 and thereafter

The following new SFRS(I)s, amendments to and interpretations of SFRS(I)s are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)

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).

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group's preliminary assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

SFRS(I) 16

SFRS(I) 16 replaces existing lease accounting guidance. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied. SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group also expects the ROU assets recognised at date of initial application to be equal to their lease liabilities.

The Group has performed a preliminary assessment of the impact on its financial statements based on its existing operating lease arrangements (refer to Note 39).

NOTES TO THE FINANCIAL STATEMENTS

43. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

Until 2018, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

(i) The Group as lessee

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. The operating lease commitments on an undiscounted basis amount to approximately 4.5% of the consolidated total assets and 6.2% of consolidated total liabilities. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will now change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

(ii) The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

SUPPLEMENTARY INFORMATION

Year ended 31 December 2017

(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 2017

Name of Director	Salary[1] $'000	Bonus Earned $'000	Fair value of share-based compensation granted for the year[2] $'000	Directors' Fees Cash-based[3] $'000	Directors' Fees Share-based[4] $'000	Brought Forward Bonus Bank[5] $'000
Payable by the Company:						
Tan Sri Mohd Hassan Marican	–	–	–	378	162	–
Wong Weng Sun	867	852	1,069	–	–	2,676
Ajaib Haridass	–	–	–	172	73	–
Ron Foo Siang Guan	–	–	–	140	60	–
Lim Ah Doo	–	–	–	152	65	–
Koh Chiap Khiong[3]	–	–	–	128	55	–
Eric Ang Teik Lim[3]	–	–	–	184	–	–
Gina Lee-Wan	–	–	–	102	44	–
Bob Tan Beng Hai	–	–	–	151	64	–
Neil McGregor[3]	–	–	–	79	34	–
William Tan Seng Koon	–	–	–	86	36	–
Tang Kin Fei[3]	–	–	–	74	–	–

Name of Key Executive	Salary[1] $'000	Bonus Earned $'000	Fair value of share-based compensation granted for the year[2] $'000	Directors' Fees Cash-based $'000	Directors' Fees Share-based $'000	Brought Forward Bonus Bank[5] $'000
Ong Poh Kwee	471	–	308	–	–	475
Wang Zijian	374	265	308	–	–	52
Goh Khor Boon William	396	138	308	–	–	317
William Gu	302	331	308	–	–	(138)
Tan Cheng Tat	360	197	173	–	–	(23)

Notes:

1. The amount shown is inclusive of basic salary, fixed allowances, AWS and other emoluments.
2. The fair value of the share plans granted for the year is disclosed. The shares granted to key executives are contingent upon meeting performance measures. If these performance measures are not met, the key executive will not be vested with any shares.
3. Cash portion of the Directors' fees for Mr Koh Chiap Khiong and Mr Neil McGregor, nominee Directors from Sembcorp Industries Ltd ("SCI"), will be paid to SCI. Mr Eric Ang Teik Lim's Director's fee will be paid entirely in cash to his employer, DBS Bank Ltd. Mr Tang Kin Fei had retired on 18 April 2017 and will receive his Director's fee entirely in cash.

SUPPLEMENTARY INFORMATION

Year ended 31 December 2017

(UNDER SGX-ST LISTING MANUAL REQUIREMENTS)

A. DIRECTORS' AND KEY EXECUTIVES' REMUNERATION EARNED FOR THE YEAR (CONT'D)

4. To align the interests of the non-executive Directors with the interests of shareholders, up to 30% of the aggregate Directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010.

   For year 2017, the awards granted under the Sembcorp Marine Restricted Share Plan 2010 to all Directors as part of their Directors' fees (except for (i) Mr Wong Weng Sun, who is the President & CEO, and who does not receive any Directors' fees, and (ii) Mr Eric Ang Teik Lim) will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. These non-executive Directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer (currently S$75,000), any excess may be sold as desired. These non-executive Directors can dispose of all of the shares one year after leaving the Board.

   The actual number of shares to be awarded to each non-executive Director, (other than Mr Eric Ang Teik Lim) will be determined by reference to the volume-weighted average price of a share on the Singapore Exchange Securities Trading Limited (SGX-ST) over the 14 trading days immediately following the date of the Annual General Meeting. The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

5. The Brought Forward Bonus Bank is the outstanding balance of bonus as at 31 December 2017 (incorporating any adjustment made to the bank balance but excluding the bonus earned during the financial year). Typically, one-third of the accumulated bonus comprising Bonus Earned in the financial year and the Brought Forward Bonus is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the Bonus Bank.

Details on the share options, performance shares and restricted shares granted to the directors are set out in the Share-based Incentive Plans of the Directors' Report.

B. INTERESTED PERSON TRANSACTIONS

	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than $100,000)	
	2017 **$'000**	**2016** **$'000**
Transaction for the Sales of Goods and Services		
PSA International Pte Ltd and its associates	3,996	1,981
Transaction for the Purchase of Goods and Services		
Sembcorp Industries Limited and its associates	106	235
Singapore Technologies Engineering Ltd and its associates	–	327
Management and Support Services		
Sembcorp Industries Limited	250	250
Total Interested Person Transactions	4,352	2,793

MAJOR PROPERTIES

Location	Description & Approximate Land Area	Tenure	Usage
SINGAPORE YARDS			
• Tanjong Kling Road	Land area: 491,056 m^2 Buildings, workshops, drydocks and quays	10 years leasehold 10 years renewal (JTC Land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydocks, berthage and workshops
• Admiralty Road East/ Admiralty Road West	Land area: 860,716 m^2 Buildings, workshops, drydocks and quays	22 years leasehold	Ship repairs, ship conversion, offshore engineering and rig building including drydocks, berthage and workshops
• Pandan Road	Land area: 141,791 m^2	15 years leasehold (JTC Land)	Rig building, repairs, upgrading and fabrication including berthage and workshops
• Pandan Road	Land area: 9,182 m^2	30 years leasehold (JTC Land)	Steel fabrication and precision machining of components for offshore jack-up oil rigs
• Tuas Crescent	Land area: 58,226 m^2	9.5 years leasehold (JTC Land)	Fabrication of jack-up oil rigs and associated sub-structure modules
• Shipyard Road*	Land area: 63,300 m^2 Buildings, workshops and drydocks	22 months tenancy (JTC Land)	Ship repairs and shipbuilding including drydocks, berthage and workshops
• Tuas Road*	Land area: 59,942 m^2 Buildings, workshops, docks and quays	14 years leasehold (JTC Land)	Shipbuilding and fabrication including berthage and workshops
• Tuas South Boulevard Phase 1	Land area: 733,104 m^2 Docks, quays, workshops, buildings and berthage	30 plus 30 years leasehold (JTC land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydocks, berthage and workshops
• Tuas South Boulevard Phase II	Land area: 345,600 m^2	30 plus 30 years leasehold (JTC land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydocks, berthage and workshops

* The properties are being prepared to be handed back to JTC following expiry of tenure.

MAJOR PROPERTIES

Location	Description & Approximate Land Area	Tenure	Usage
OVERSEAS YARDS			
P.T. Karimun Sembawang Shipyard			
• Karimun Island, Indonesia	Land area: 307,650 m^2 Buildings, workshops and wharves	30 years leasehold with option for 20 years plus another option for 30 years	Ship repair and fabrication including berthage and workshop
Estaleiro Jurong Aracruz			
• Municipality of Aracruz, State of Espirito Santo, Brazil	Land area: 825,000 m^2 Slipways, berthing quays, drydock, ancillary steel and piping facilities	Freehold	Drillship construction, building of semi-submersible rigs, FPSO integration, fabrication of topside modules, PSVs construction, drilling rig repairs and modification works
P.T. SMOE Indonesia			
• Batam Island, Indonesia	Land area: 685,300 m^2 Workshops, office buildings and 547 metres of jetty for modules load out	30 years leasehold	Workshops and fabrication facilities
MISCELLANEOUS			
JPL Industries			
• Jurong Pier Road	Land area: 27,783 m^2	20 years leasehold (JTC Land)	Copper slag recycling
SES Engineering Sdn Bhd			
• Perindustrian Taman Johor, Johor Bahru	Land area: 5,235 m^2 Workshop and a 3-storey office building	Freehold	Metal fabrication workshop
Sembmarine SLP Ltd			
• Lowestoft, Suffolk, UK	Land area: 55,000 m^2 Workshops and office building	Freehold and leasehold land ranging from 22 years to 99 years	Workshops and fabrication facilities
Mendon Spring			
• Pasir Panjang	9 units of 3-room apartment with built-in area of 99 m^2 per unit	Freehold	Residential properties

SEMBCORP MARINE LTD
NOTICE OF ANNUAL GENERAL MEETING

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

NOTICE IS HEREBY GIVEN THAT the 55th Annual General Meeting of Sembcorp Marine Ltd (the "Company") will be held at ***The Auditorium, NTUC Centre, Level 7, One Marina Boulevard, Singapore 018989*** on Wednesday, 18 April 2018 at 11.00 am to transact the following businesses:

ROUTINE BUSINESS

1. To receive and adopt the Directors' Statement and audited Financial Statements for the year ended 31 December 2017 and the Auditor's Report thereon. **Resolution 1**

2. To declare a one-tier tax exempt Final Dividend of 1 cent per ordinary share for the year ended 31 December 2017 (2016: Final Dividend of 1 cent per ordinary share). **Resolution 2**

3. To re-elect Tan Sri Mohd Hassan Marican who will retire by rotation pursuant to Article 94 of the Company's Constitution and who, being eligible, has offered himself for re-election. **Resolution 3**

   Mr Ajaib Haridass and Mr Lim Ah Doo, directors who will cease to hold office pursuant to Article 94 of the Company's Constitution, will not be offering themselves for re-election.

4. To re-appoint the following directors, each of whom who will cease to hold office pursuant to Article 100 of the Company's Constitution and who, being eligible, have offered themselves for re-election:

   (a) Mr William Tan Seng Koon **Resolution 4**
   (b) Mr Neil McGregor **Resolution 5**

5. To approve directors' fees of up to S$2,500,000 for the year ending 31 December 2018 (2017: up to S$2,500,000). **Resolution 6**

6. To re-appoint KPMG LLP as the auditor of the Company and authorise the directors to fix their remuneration. **Resolution 7**

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following resolutions, of which Resolutions 8, 9, 10 and 11 will be proposed as Ordinary Resolutions:

7. **Renewal of Share Issue Mandate** **Resolution 8**

   That authority be and is hereby given to the directors to:

   (a) (i) issue shares of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the directors may, in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares excluding treasury shares (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 5% of the total number of issued shares excluding treasury shares (as calculated in accordance with paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue or consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

8. **Renewal of Share Plan Mandate** **Resolution 9**

That approval be and is hereby given to the directors to:

(a) grant awards in accordance with the provisions of the Sembcorp Marine Performance Share Plan 2010 (the "**Performance Share Plan**") and/or the Sembcorp Marine Restricted Share Plan 2010 (the "**Restricted Share Plan**") (the Performance Share Plan and the Restricted Share Plan, together the "**Share Plans**"); and

(b) allot and issue from time to time such number of ordinary shares of the Company as may be required to be delivered pursuant to the vesting of awards under the Share Plans,

provided that:

(i) the aggregate number of (i) new ordinary shares allotted and issued and/or to be allotted and issued, (ii) existing ordinary shares (including shares held in treasury) delivered and/or to be delivered, and (iii) ordinary shares released and/or to be released in the form of cash in lieu of shares, pursuant to the Share Plans, shall not exceed 7% of the total number of issued shares of the Company (excluding treasury shares) from time to time; and

SEMBCORP MARINE LTD
NOTICE OF ANNUAL GENERAL MEETING

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

(ii) the aggregate number of ordinary shares under awards to be granted pursuant to the Share Plans during the period commencing from this Annual General Meeting and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 1% of the total number of issued shares of the Company (excluding treasury shares) from time to time.

9. **Renewal of IPT Mandate** **Resolution 10**

That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("**Chapter 9**") of the Singapore Exchange Securities Trading Limited, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to the Company's Letter to Shareholders dated **29 March 2018** (the "**Letter**") with any party who is of the class of interested persons described in the Appendix to the Letter, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;

(b) the approval given in paragraph (a) above (the "**IPT Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

(c) the directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

10. **Renewal of Share Purchase Mandate** **Resolution 11**

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the exercise by the directors of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

   (i) market purchase(s) on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and/or any other securities exchange on which the Shares may for the time being be listed and quoted ("**Other Exchange**"); and/or
   (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, the Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange, as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the directors pursuant to the Share Purchase Mandate may be exercised by the directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held;

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; and

(iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"**Average Closing Price**" means the average of the last dealt prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST or, as the case may be, the Other Exchange, immediately preceding the date of the market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five day period;

"**date of the making of the offer**" means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the off-market purchase;

"**Maximum Limit**" means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date); and

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a market purchase of a Share, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an off-market purchase of a Share pursuant to an equal access scheme, 110% of the Average Closing Price of the Shares; and

(d) the directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

By Order of the Board

Tan Yah Sze / Chay Suet Yee
Company Secretaries
Sembcorp Marine Ltd

29 March 2018
Singapore

SEMBCORP MARINE LTD
NOTICE OF ANNUAL GENERAL MEETING

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

Explanatory Notes:

Resolutions 3 to 5 – Detailed information on these directors can be found under the Board of Directors and Corporate Governance Report sections in the Annual Report 2017.

Resolution 3 – Resolution 3 is to approve the re-election of Tan Sri Mohd Hassan Marican, retiring under Article 94 of the Company's Constitution, as Director of the Company. Upon re-election, Tan Sri Mohd Hassan Marican will remain as Chairman of the Board, Chairman of the Executive Committee, Chairman of the Executive Resource & Compensation Committee, a member of the Nominating Committee and a member of the Special Committee. Tan Sri Mohd Hassan Marican is considered an independent director.

Resolution 4 – Resolution 4 is to approve the re-election of Mr William Tan Seng Koon, retiring under Article 100 of the Company's Constitution, as Director of the Company. Upon re-election, Mr Tan will remain as a member of the Board Risk Committee, a member of the Executive Committee and a member of the Executive Resource & Compensation Committee. Mr Tan is considered an independent director.

Resolution 5 – Resolution 5 is to approve the re-election of Mr Neil McGregor, retiring under Article 100 of the Company's Constitution, as Director of the Company. Upon re-election, Mr McGregor will remain as a member of the Executive Committee. Mr McGregor is considered a non-independent director.

Resolution 6 – Resolution 6 is to approve the payment of an aggregate amount of S$2,500,000 as Directors' fees for the non-executive Directors of the Company for the year ending 31 December 2018. The amount of directors' fees is computed based on the anticipated number of board and committee meetings for year 2018, assuming full attendance by all of the non-executive directors. In the event that the amount proposed is insufficient, approval will be sought at the next Annual General Meeting in year 2019 ("**2019 AGM**") before payments are made to directors for the shortfall.

The approved payment of Directors' fees approved in the 2017 AGM was S$2,500,000. In light of the immediate challenging outlook in the offshore and marine industry, all non-executive directors volunteered for a 10% reduction of their total fees for FY2017. The total amount of Directors' fees paid to the Directors for FY2017 was S$2,238,450, full details of which can be found on page 288 of the Annual Report 2017. Directors and their associates will abstain from voting on Resolution 6.

The current intention is that the directors' fees for the non-executive directors for year 2018 will comprise a cash component and a share component, with up to 30% being paid out in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010. Any such award would typically consist of the grant of fully paid shares outright with no performance or vesting conditions attached, but with a selling moratorium. Under the directors' fee framework (which is set out on page 89 of the 2017 Annual Report), non-executive directors are required to hold shares (including shares obtained by other means) worth S$75,000; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The cash component of the directors' fees for year 2018 is intended to be paid half-yearly in arrears. The share component of the directors' fees for year 2018 is intended to be paid after the 2019 AGM has been held. The actual number of shares to be awarded to each non-executive director holding office at the time of the payment is intended to be determined by reference to the volume-weighted average price of a share on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the 2019 AGM (or, if no final dividend is proposed at the 2019 AGM, or the resolution to approve any such final dividend is not approved at the 2019 AGM, over the 14 trading days immediately following the date of the 2019 AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. A non-executive director who steps down before the payment of the share component will receive all of his directors' fees for year 2018 (calculated on a pro-rated basis, where applicable) in cash.

Resolution 8 – Resolution 8 is to empower the directors to issue shares of the Company and to make or grant Instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such Instruments, up to a number not exceeding 50% of the total number of issued shares of the Company excluding treasury shares, of which up to 5% may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of issued shares of the Company excluding treasury shares at the time that Resolution 8 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 8 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

SEMBCORP MARINE LTD
NOTICE OF ANNUAL GENERAL MEETING

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

Resolution 9 – Resolution 9 is to empower the directors to offer and grant awards pursuant to the Sembcorp Marine Performance Share Plan 2010 and the Sembcorp Marine Restricted Share Plan 2010 (collectively, the "**Share Plans**") and to issue ordinary shares of the Company pursuant to the vesting of awards granted pursuant to the Share Plans provided that: (a) the aggregate number of (i) new ordinary shares allotted and issued and/or to be allotted and issued, (ii) existing ordinary shares (including shares held in treasury) delivered and/or to be delivered, and (iii) ordinary shares released and/or to be released in the form of cash in lieu of shares, pursuant to the Share Plans, shall not exceed 7% of the total number of issued shares of the Company (excluding treasury shares) from time to time; and (b) the aggregate number of ordinary shares under awards to be granted pursuant to the Share Plans during the period commencing from this Annual General Meeting and ending on the date of the next Annual General Meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 1% of the total number of issued shares of the Company (excluding treasury shares) from time to time. Approval for the adoption of the Share Plans was given by shareholders at an Extraordinary General Meeting of the Company held on 20 April 2010. The grant of awards under the Share Plans will be made in accordance with their respective provisions.

Resolution 10 – Resolution 10 is to renew the mandate to enable the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual), or any of them, to enter into certain interested person transactions with specified classes of interested persons, as described in the Letter to Shareholders dated **29 March 2018** (the "**Letter**"). Please refer to the Letter for more details.

Resolution 11 – Resolution 11 is to renew the mandate to enable the Company to purchase or otherwise acquire issued ordinary shares of the Company, on the terms and subject to the conditions set out in the resolution.

The Company intends to use internal and/or external sources of funds to finance the purchase or acquisition of its ordinary shares. The amount of financing required for the Company to purchase or acquire its ordinary shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of ordinary shares purchased or acquired, the price at which such ordinary shares were purchased or acquired and whether the ordinary shares purchased or acquired are held in treasury or cancelled.

Based on the existing issued Shares as at **6 March 2018** (the "**Latest Practicable Date**") and excluding any Shares held in treasury, the purchase by the Company of 10% of its issued Shares (and disregarding the **1,850,187** Shares held in treasury) will result in the purchase or acquisition of **208,790,992** Shares.

In the case of market purchases by the Company and assuming that the Company purchases or acquires the **208,790,992** ordinary shares at the Maximum Price of S$2.17 for one ordinary share (being the price equivalent to 105% of the average closing price of the ordinary shares for the five consecutive market days on which the ordinary shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the **208,790,992** ordinary shares is S$453,076,453.

In the case of off-market purchases by the Company and assuming that the Company purchases or acquires the **208,790,992** ordinary shares at the Maximum Price of S$2.28 for one ordinary share (being the price equivalent to 110% of the average closing price of the ordinary shares for the five consecutive market days on which the ordinary shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the **208,790,992** ordinary shares is S$476,043,462.

The financial effects of the purchase or acquisition of such ordinary shares by the Company pursuant to the proposed Share Purchase Mandate on the audited financial statements of the Group and the Company for the financial year ended 31 December 2017 based on these assumptions are set out in paragraph 3.7 of the Letter.

Please refer to the Letter for more details.

SEMBCORP MARINE LTD
NOTICE OF ANNUAL GENERAL MEETING

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

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the annual general meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the annual general meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be lodged at the office of the Company's Share Registrar, KCK Corpserve Pte. Ltd., at 333 North Bridge Road #08-00 KH Kea Building, Singapore 188721 not less than 72 hours before the time of the Annual General Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Register of Members and Share Transfer Books of the Company will be closed on 30 April 2018 to determine the members' entitlements to the proposed dividend.

Duly completed transfers of shares received by the Company's Share Registrar, KCK Corpserve Pte. Ltd., 333 North Bridge Road #08-00, KH KEA Building, Singapore 188721, up to 5.00 pm on 27 April 2018 (the "**Book Closure Date**") will be registered to determine members' entitlements to the proposed dividend. Subject as aforesaid, shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares of the Company as at 5.00 pm on the Book Closure Date will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the 55th Annual General Meeting, will be paid on 11 May 2018.

PROXY FORM

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

IMPORTANT
1. Relevant intermediaries as defined in Section 181 of the Companies Act Chapter 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS moneys to buy shares in Sembcorp Marine Ltd, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks / SRS Operators if they have any queries regarding their appointment as proxies. The Annual Report to Shareholders dated 29 March 2018 is forwarded to them at the request of their CPF/SRS Approved Nominees and is sent FOR INFORMATION ONLY.

PERSONAL DATA PRIVACY
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of the Annual General Meeting dated 29 March 2018.

I/We ______________________________ (Name) ______________________________(NRIC/Passport No.)

of ____ (Address)

being a member/members of Sembcorp Marine Ltd, hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

as my/our proxy/proxies to attend and vote for me/us on my/our behalf and, if necessary, to demand a poll, at the 55th Annual General Meeting of the Company to be held at The Auditorium, NTUC Centre, Level 7, One Marina Boulevard, Singapore 018989 on Wednesday, 18 April 2018 at 11.00 am and at any adjournment thereof.

(Please indicate with a "√" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of Annual General Meeting where Resolutions 1 to 11 will be proposed as Ordinary Resolutions. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	For	Against
	Routine Resolutions		
1	To adopt the directors' statement and audited financial statements		
2	To declare a final dividend		
3	To re-elect Tan Sri Mohd Hassan Marican		
4	To re-appoint Mr William Tan Seng Koon		
5	To re-appoint Mr Neil McGregor		
6	To approve directors' fees for financial year ending 31 December 2018		
7	To re-appoint KPMG LLP as auditor and to authorise the directors to fix their remuneration		
	Special Business		
8	To approve the renewal of Share Issue Mandate		
9	To approve the renewal of Share Plan Mandate		
10	To approve the renewal of Interested Person Transactions Mandate		
11	To approve the renewal of Share Purchase Mandate		

Total Number of Shares Held	

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

Date

IMPORTANT: PLEASE READ NOTES OVERLEAF

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Notes:

1. If a member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If a member has shares registered in his name in the Register of Members, you should insert that number of shares. If he has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by him.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the annual general meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be lodged at the office of the Company's Share Registrar, KCK Corpserve Pte. Ltd., at 333 North Bridge Road #08-00, KH Kea Building, Singapore 188721 not less than 72 hours before the time of the annual general meeting.
5. Completion and return of this instrument appointing a proxy or proxies shall not exclude a member from attending and voting in person at the Annual General Meeting if he finds that he is able to do so. In such event, the relevant instrument appointing a proxy or proxies will be deemed to be revoked.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where an instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by a resolution of its directors or other governing body or such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment) appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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Stamp

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

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