sembcorp marine

EMBRACING CHALLENGES & OPPORTUNITIES

IN A CHANGING LANDSCAPE

ANNUAL REPORT 2019

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EMBRACING CHALLENGES & OPPORTUNITIES IN A CHANGING LANDSCAPE

Sembcorp Marine is continuing its transformation into a world-leading engineering solutions provider for the offshore, marine and energy industries. Our recent project wins and successful deliveries have demonstrated the Group's ability to compete for larger, higher-value and more complex undertakings.

While oil and gas remain our dominant focus, we have drawn impetus from the challenging market conditions to diversify further into clean energy, such as offshore wind, battery and hydrogen fuel cells.

We are acquiring new expertise, production capabilities and technologies continuously. Coupled with Sembcorp Marine's ethos of sustainability, we are ready to seize exciting opportunities emerging from the global shift towards a greener energy mix.

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, an extensive network of facilities and in-depth expertise, the Group focuses on four key capabilities, namely: Rigs & Floaters; Repairs & Upgrades; Offshore Platforms; and Specialised Shipbuilding.

Our customers include major energy 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.

MISSION

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

VISION

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

RIGS &
FLOATERS

REPAIRS &
UPGRADES

OUR SOLUTIONS, PRODUCTS AND SERVICES FOCUS ON

4 KEY CAPABILITIES

OFFSHORE
PLATFORMS

SPECIALISED
SHIPBUILDING

OUR CORE VALUES

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.

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

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

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

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

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

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

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

2019 HIGHLIGHTS

GROUP REVENUE

$2.88 BILLION

EBITDA

$104 MILLION

NEW ORDERS

$1.49 BILLION

NET ORDER BOOK

$2.44 BILLION

280
SHIP REPAIR AND UPGRADE PROJECTS INCLUDING:

55
LNG PROJECTS

16
CRUISE SHIPS

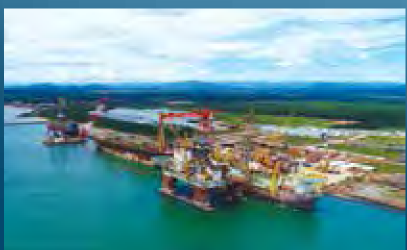
72
BALLAST WATER MANAGEMENT SYSTEM AND GAS SCRUBBER RETROFITS UNDER SEMBCORP MARINE'S GREEN TECHNOLOGY RETROFIT SOLUTIONS

OUR INTEGRATED GLOBAL PLATFORM

SEMBCORP MARINE – ONE INTEGRATED TEAM OPERATING IN STRATEGIC LOCATIONS TO SERVE CUSTOMERS GLOBALLY

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

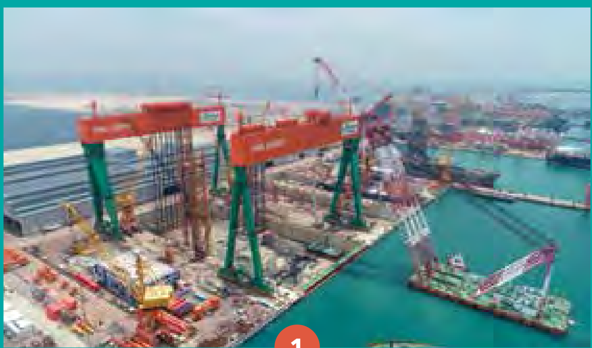
SEMBMARINE KARIMUN YARD (KARIMUN ISLAND)



SEMBMARINE ARACRUZ YARD (ESPIRITO SANTO)

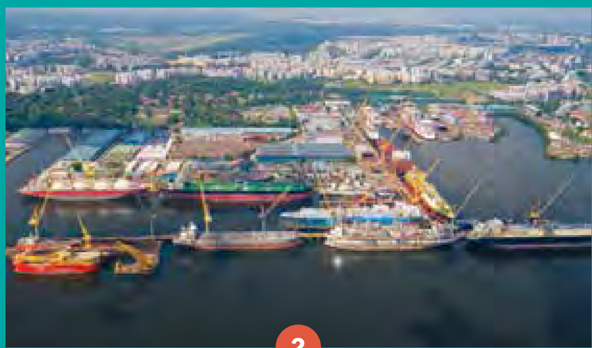
SEMBMARINE SLP YARD (LOWESTOFT, SUFFOLK)

SEMBMARINE BATAM YARD (BATAM ISLAND)



1

TUAS BOULEVARD YARD

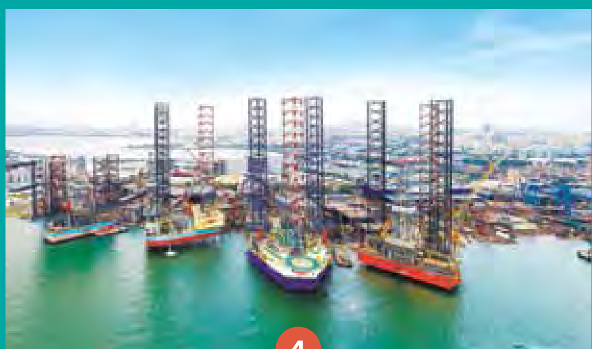


2

ADMIRALTY YARD

3

TANJONG KLING YARD
(closing in 2020)



4

PANDAN YARD

CHAIRMAN AND CEO'S JOINT REPORT

TAN SRI MOHD HASSAN MARICAN
CHAIRMAN

WONG WENG SUN
PRESIDENT & CEO

The Group is aligning its businesses with the rapidly changing energy dynamics and developing new products and solutions that will grow shareholder value. In FY2019, we achieved **$1.49 billion** in new orders, of which **$530 million** related to greener solutions, including gas and renewable energy projects.

TAN SRI MOHD HASSAN MARICAN
CHAIRMAN

Dear Shareholders,

2019 was the fifth difficult year the Company has had to ride through. We have done this while continuing to transform and diversify into a sustainable global business ready to seize opportunities in the new decade.

Following the global oil market crash in October 2014, the ensuing prolonged cyclical industry downturn severely impacted our financial performance. FY2019 remained challenging with volatile oil prices, intensifying competition, geopolitical uncertainties and ongoing structural changes in the global energy industry. All these factors continue to disrupt the offshore oil and gas value chain.

In response to the rapidly changing dynamics of the offshore, marine and energy industries, we are aligning our businesses with global trends and developing new products and solutions that will strengthen shareholder value.

One key initiative is Sembcorp Marine's sustainability journey. We are making good progress in the new age of greener energy and the increased worldwide awareness of the impact of climate change and global warming. To underline our green commitment, Sembcorp Marine will for the first time publish a separate sustainability report covering our plans, objectives and achievements on this front. Our goal over the next five years is to move the Group towards businesses and product segments that focus on cleaner fuel sources and provide greener energy solutions in partnership with our key customers.

We are glad to report that we are seeing results from the Group's transformation and diversification strategy and our active pursuit of projects involving a cleaner energy mix. Sembcorp Marine achieved $1.49 billion of new orders in FY2019, including contracts from new and existing customers across our broadened suite of products and solutions.

This is a 26% improvement over FY2018's total of $1.18 billion new contracts.

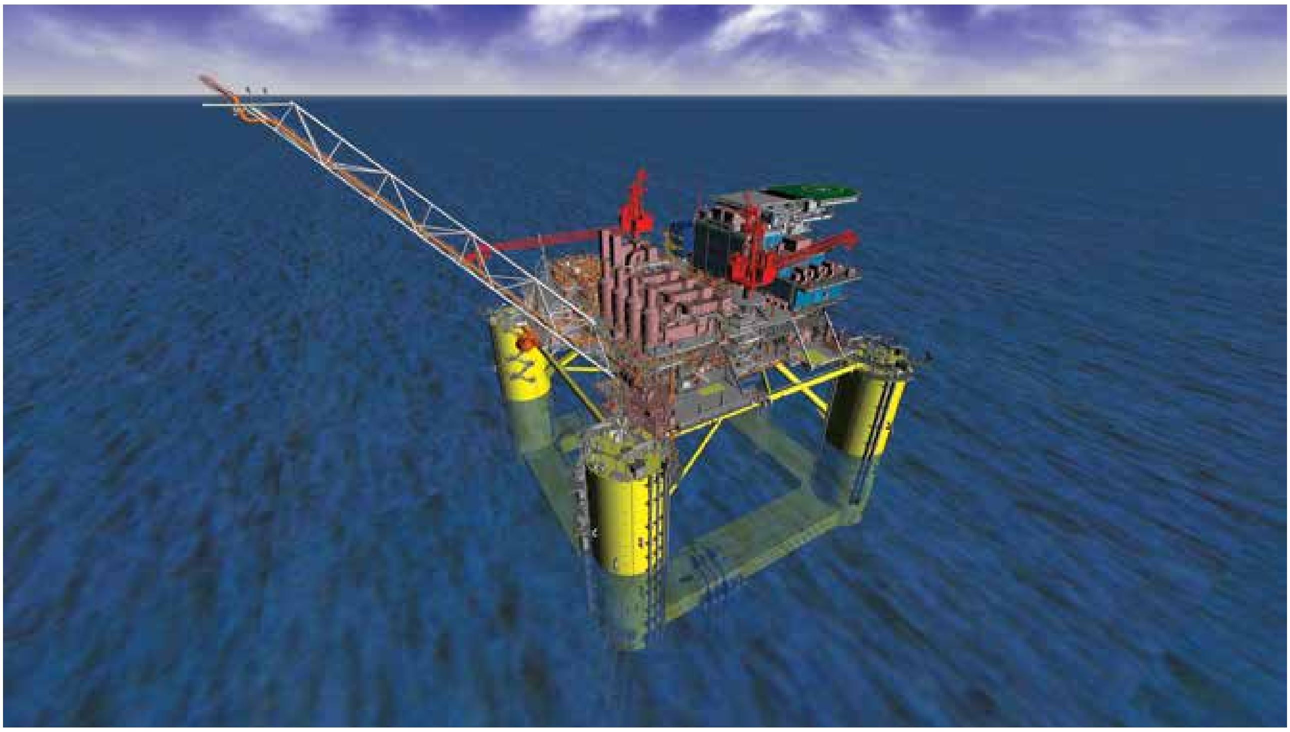
Some $530 million of our new orders in FY2019 – over one-third of the total – related to greener solutions, including scrubber and ballast water management system retrofits, and gas and renewable energy projects. Among them, the Group won a design-and-build contract from Mitsui O.S.K. Lines (MOL) for a 12,000-cubic-metre (cbm) capacity LNG bunker vessel.

Equipped with GTT's industry-leading membrane tank system, the vessel is the largest of its kind to be built in Singapore.

Another notable contract win in the offshore production segment is the Shell Whale Floating Production Unit (FPU) construction project. This follows the Shell Vito FPU project awarded to us in FY2018 for deep-water development in the US Gulf of Mexico. The Whale FPU began its construction phase with a strike-steel ceremony on Feb 12, 2020, and will draw considerable synergies from the ongoing Vito project.

Both the Vito and Whale FPUs will be delivered from our flagship Tuas Boulevard Yard (TBY) as single integrated structures, facilitated by the yard's new 30,000-tonne lifting capability, the world's heaviest for offshore construction.

Artist's impression of the 12,000cbm MOL LNG bunker vessel



Artist's impression of the Shell Whale FPU

CHAIRMAN AND CEO'S JOINT REPORT

In FY2019, we made further progress as a contender for big, high-value offshore projects, with more oil and gas exploration and production now taking place in deeper, harsher and colder environments. We are currently in talks for several such opportunities, having engaged these prospects early in the project life-cycle with solutions that optimise project execution as well as safety and efficiency in post-delivery field operations. We believe the more exacting technical requirements play to our strengths, but will require longer planning and development durations before the projects are awarded.

> "Sembcorp Marine has drawn further impetus from the challenging market conditions to diversify into new segments. And we are constantly honing our ability to compete for bigger and higher-value projects. We will continue to execute our ongoing jobs safely and efficiently, and manage our cost levels carefully."
>
> **WONG WENG SUN**
> **PRESIDENT & CEO**

To sustain our business growth over the next few years, we will continue our selective investment in strategic innovations, technologies and production capabilities to strengthen our competitive edge and improve our new orders flow. Our wealth of proprietary designs, for all types of ships and offshore engineering solutions, puts us in a strong position to vie for a wide spectrum of projects, including those related to oil, gas, offshore wind, battery and hydrogen fuel cell-powered applications.

FINANCIAL PERFORMANCE

In FY2019, the Group generated $2.88 billion in revenue, compared to $4.89 billion the year before. If the 2018 delivery of seven jack-ups and sale of a semi-submersible rig are excluded, our revenue in FY2019 would have recorded a 6% growth. We posted positive EBITDA of $104 million for the year, compared with $143 million in FY2018. Our group operating loss was $139 million in FY2019, compared with $52 million operating loss the year before.

While margins continued to be recognised from newly secured projects, FY2019's operating loss was mainly due to continued low overall business volumes and accelerated depreciation of $48 million arising from the Group's yard consolidation strategy. We relocated all operations from our Tanjong Kling Yard by end 2019, with resulting cost savings estimated at $48 million per annum gradually being realised from FY2020 onwards.

FY2019 net loss attributable to shareholders was $137 million, compared to a net loss of $74 million reported in FY2018.

Five-year $2 Billion Subordinated Loan Facility

On June 21, 2019, Sembcorp Marine announced jointly with Sembcorp Industries Ltd (SCI) that it had secured a five-year subordinated loan facility from SCI totalling $2 billion. SCI is our largest shareholder, with a 61% stake in the Company.

Approximately $1.5 billion of the subordinated loan has been deployed to retire a majority of our short-term borrowings and re-profile debt from short-term to longer term. The balance $500 million will be drawn down for working capital and general corporate purposes. These moves will improve the Group's financial flexibility and strengthen our financial position to seize more opportunities as the industry recovers.

Balance Sheet and Cash Flow

As at Dec 31, 2019, Sembcorp Marine's net debt totalled $4.01 billion. Excluding the $1.5 billion drawn down from our $2 billion subordinated loan facility, our net debt to equity ratio was 1.14 times.

Our operating cash flow generated before working capital changes was $103 million in FY2019, compared to $157 million in FY2018. Net cash used in operating activities was $296 million, mainly for working capital for ongoing projects, offset by receipts for completed projects.

As at Dec 31, 2019, the Group had net current liabilities totalling $310 million, arising mainly from loans which will mature in FY2020. We are finalising arrangements with our lenders to refinance and re-profile these loans with longer term maturities. We have adequate existing loan facilities to refinance current borrowings as they fall due.

Final Dividend

In view of the challenging conditions, the Sembcorp Marine Board is not proposing a final dividend for the financial year ended 2019.

NEW CONTRACTS

Other than the Shell Whale FPU and MOL LNG bunker vessel, Sembcorp Marine's contract wins in FY2019 included a project with first-time customer Jan De Nul to fabricate jacket foundations for Formosa 2, the biggest offshore wind farm in Taiwan. Through this collaboration, we have managed to penetrate the highly competitive Taiwanese offshore wind industry.

The Group also secured a Floating Production, Storage and Offloading (FPSO) conversion job from Shapoorji Pallonji and Bumi Armada. We closed the year with an announcement in late December of two new offshore platform contracts worth over $550 million for the Al Shaheen field and Tyra field redevelopment projects. The contracts were respectively awarded by the ultimate customers, North Oil Company and Total.

Going into FY2020, we are optimistic about our negotiations on several major projects, including the Siccar Point Cambo Field FPSO, for which we have concluded an exclusive FEED using our proprietary Sevan cylindrical hull design and will be moving into the next phase. This puts Sembcorp Marine in pole position for the contract once Siccar Point and their partners make the Final Investment Decision in 2020.

The Group's net order book now stands at $2.44 billion, excluding the Sete Brasil drill ships.

Sete Brasil Drill Ship Contracts

In October 2019, we announced a full and final settlement with the Sete Brasil Group on the claims under all seven drill ship contracts signed with them in 2012.

Under the settlement agreement, we retain the titles to five of the seven drill ships, while ownership of the remaining two vessels in advanced construction stages is apportioned between Sembcorp Marine and Sete Brasil based on payments we have already received from the latter.

The settlement agreement is subject to certain conditions precedent which have since been fulfilled. We have also terminated our arbitration proceedings against the Sete Brasil Group as part of this agreement.

Sembcorp Marine is now negotiating with a potential purchaser on completing two of the seven drill ships. We hope this will soon progress to new orders for us.

Sembcorp Marine upgraded FSRU BW Magna in 2019

Concurrent repair projects: Genting Cruise Lines' Explorer Dream (foreground, formerly Superstar Virgo) and Norwegian Cruise Line's Norwegian Joy at Sembcorp Marine Admiralty Yard

REPAIRS & UPGRADES AND GREEN TECHNOLOGY RETROFIT SOLUTIONS

Meanwhile, Sembcorp Marine's Repairs & Upgrades business did well in FY2019, having serviced 280 vessels with an average per-vessel revenue of $2.16 million, compared to $1.61 million in FY2018.

CHAIRMAN AND CEO'S JOINT REPORT

In the Floating Storage Unit (FSU) and Floating Storage & Regasification Unit (FSRU) business, we won five conversion and upgrading contracts, valued at $71 million in all. These projects were among 55 LNG-related repair and upgrade jobs we received in FY2019, which was a world record for the highest number of such contracts awarded to a single service provider in the global gas segment.

We also completed 16 cruise ship projects in FY2019, and with that, the Group retained its position as Asia's top cruise repair and upgrading company.

The new IMO regulations on ballast water treatment and fuel sulphur reduction have brought good opportunities to the Group. Over the past 18 months, we secured more than 200 installation orders for ballast water management systems and gas scrubber units, with some to be completed in 2020. These Green Technology Retrofit Solutions and related works contributed close to $100 million of revenue in FY2019.

Shell Vito FPU topside and living quarters under construction at Sembcorp Marine Tuas Boulevard Yard

PROJECTS IN PROGRESS AND DELIVERIES

Sembcorp Marine's projects in progress include: the Johan Castberg and Karish newbuild FPSOs; Shell Vito and Whale FPUs; Transocean drill ships; Norled battery-powered roll-on/roll-off passenger (ROPAX) ferries; MOL LNG bunker vessel; and the Ørsted Hornsea 2 offshore wind farm substation topsides, fabricated at our yard in Batam, Indonesia, and now undergoing additional work at Admiralty Yard in Singapore.

In July 2019, the Group delivered *Sleipnir*, the biggest and strongest semi-submersible crane vessel ever built, to our customer Heerema Marine Contractors. The dual-fuel (LNG and MGO) vessel, with its two 10,000-tonne capacity cranes, has since been in high demand for offshore installation and decommissioning jobs. *Sleipnir* recently set a world record for hoisting 15,300 tonnes in a single lift at Noble Energy's Leviathan field development in the Mediterranean.

Our Brazilian yard facility Estaleiro Jurong Aracruz (EJA) handed over the *P-68* FPSO to Petrobras in September 2019, successfully completing its first major project and demonstrating the yard's full capabilities in engineering, procurement, construction and commissioning (EPCC). EJA is now executing module fabrication and integration work for the Petrobras *P-71* FPSO.

Johan Castberg FPSO under construction at Sembcorp Marine Tuas Boulevard Yard

Hornsea 2 Offshore Wind Farm topsides, fabricated at Sembcorp Marine's Batam Yard

SSCV Sleipnir, delivered to Heerema Marine Contractors in July 2019

Q7000, delivered to Helix Energy Solutions in November 2019

The newly completed P-68 FPSO sailing away from EJA in September 2019

Besides the two projects, EJA last year took on a number of repair and upgrade jobs for FPSOs, semi-submersibles, drill ships and other ship types.

In November 2019, we delivered the *Q7000* well intervention semi-submersible rig to Helix Energy Solutions. This vessel combines the customer's well intervention technology with our twin-pontoon hull design optimised to reach 11.5 knots maximum transit speed – faster than any other semi-submersible rigs in the market. With its minus 20-degree-Celsius (°C) structural design temperature, *Q7000* showcases Sembcorp Marine's advanced engineering solutions for deeper, colder and harsher operating environments.

In 2019, EJA took on a number of repair and upgrade jobs for FPSOs, semi-submersibles, drill ships and other ship types

CHAIRMAN AND CEO'S JOINT REPORT

INVESTING IN FUTURE GROWTH

As the Group navigates its current business challenges, we are well-placed for the global shift towards cleaner energy use. Our long-term investment in innovation, Industry 4.0 technologies and specialised expertise will steer the development of new engineering solutions for gas and renewable energy production, storage, transportation and consumption. We are also selectively adding new production capabilities with an emphasis on optimising yard efficiency and sustainable operations.

Although offshore oil and gas remain our key markets, offshore wind is an area with attractive possibilities for us. To grow our order volume in this segment, we will raise our brand awareness especially in market regions that are unfamiliar with Sembcorp Marine's engineering solutions and track record.

With our new design solutions for the battery- and hydrogen fuel cell-powered segments, we are ready for more projects as we complete three zero-emission, battery-powered ROPAX ferries for Norwegian operator Norled, to be delivered in late 2020.

Our strategy of embracing new innovation and technologies, and developing future-ready capabilities and solutions, means that certain functions like engineering are becoming fixed costs. But the investment will boost our ability to cater for our customers' increasingly complex field developments. It will also open up exciting opportunities for the Group.

Strengthening Our Operations

Sembcorp Marine's new 30,000-tonne capacity gantry cranes at TBY will greatly enhance our value proposition as a one-stop production centre for fabricating, assembling and installing larger, heavier and more complex projects. Mega-structures can be completely integrated before leaving TBY, instead of being transported out in several smaller parts that require further assembly and which will incur more costs and logistics for customers. We believe our superior lifting capability will be a game-changing differentiator.

Sembcorp Marine's new gantry cranes at Tuas Boulevard Yard can hoist 30,000 tonnes in a single lift

In 2020, the 30,000-tonne cranes will support a number of projects, including the installation of the Shell Vito FPU's 9,200-tonne assembled topside on to its hull.

Sharpening Our Sustainability Focus

On the sustainability front, we replaced in 2019 over 5 gigawatt-hours (GWh) of grid-supplied electricity with clean energy harnessed from the solar-roof installed at TBY's steel fabrication facility. This amount of solar electricity – enough to power about 1,100 four-room flats for one full year – helps us avoid over 2,100 tonnes of carbon emissions (tCO_2e), which translates to taking 660 cars off the road for a year.

To improve our carbon footprint further, we will progressively scale up the solar power generation at TBY.

One other significant sustainability achievement last year was that we gained DNV GL certifications for our 3D printing procedures and specifications. We can now use 3D printing to make and restore parts for construction and repair projects. To strengthen our 3D printing experience and output, we will use large-format, metal-additive manufacturing printers to custom-make more components. This lowers material wastage, shortens production lead-times, and allows us to better manage supply chain risks by reducing our reliance on external procurement.

Our 3D printing development will come under an advanced manufacturing laboratory which we will set up soon at TBY, together with Singapore's Agency for Science, Technology and Research (A*STAR), to test-bed and implement Industry 4.0-related technologies. Besides 3D printing, this facility will develop integrated digital robotic systems,

Sembcorp Marine President & CEO Mr Wong Weng Sun (right) receiving the 3D printing certifications from Mr Remi Eriksen, Group President & CEO of DNV GL

new solutions for tracking of assets, materials and manpower through the Internet-of-Things (IoT), as well as Virtual and Augmented Reality applications for production control and visualisation.

We are also working with DNV GL and Nanyang Technological University on marine electric solutions for onshore, nearshore and seagoing applications. This collaboration will help us realise zero-emission energy use in offshore and marine activities.

Samples of 3D printed parts certified fit for repair and construction purposes

Empowering Our Workforce

Driving the Group's business excellence is a quality-oriented workforce with the expertise and commitment to execute work safely and effectively. As we continue to optimise manpower resources in the face of variations in work volumes, we are making sure our employees have the right type and level of skills to deliver good safety and productivity outcomes. They must also adapt to new and disruptive technologies introduced into our operations.

Our ongoing competence development covers such areas as Industry 4.0 Readiness, Digitalisation, Gas & Process Engineering Training, and application-based Leadership Development for middle and senior managers. We have as well rolled out up-skilling and re-skilling programmes in various trades that enable both our employees and resident contractors to support the widening spectrum of projects in our order book. Our engineers will also play a bigger role in developing and implementing innovative solutions to meet the more stringent requirements of our customers.

CHAIRMAN AND CEO'S JOINT REPORT

A Yishun Innova Junior College student receiving the SchoolBAG award from Ms Indranee Rajah, Minister, Prime Minister's Office, and Second Minister for Finance and Education, Singapore

A competent and empowered workforce underpins the Group's global competitiveness. An increasing number of our customers not only demand the best solutions but also see Sembcorp Marine as a partner in their own sustainability efforts. We welcome the opportunity to work with them to create a bigger and concerted impact in environmental care, employee well-being and human rights. To take this forward, we are actively aligning customers' requirements with our sustainability goals, strategies and daily practices.

SUPPORTING OUR COMMUNITY

As a global entity, Sembcorp Marine values the opportunity to support the local communities within our operational network. Both the Group and our employees contribute to diverse charitable causes, including: fund-raising for the medical needs of the elderly and infirm; bursaries for students from low-income families; activities promoting and preserving local cultures; and environmental conservation events.

The Group has a tradition of helping youths succeed as we believe they are the future leaders who can catalyse positive change for society and the environment. In 2019, Sembcorp Marine gave out $1.07 million worth of scholarships and bursaries through various programmes, such as the annual School Book Assistance Grant which we have organised since 2001.

The Sembcorp Marine Green Wave Environmental Care Competition, another yearly corporate social responsibility (CSR) event, attracted over 280 project submissions from 1,000 students in Singapore and Indonesia, with the top sustainability ideas winning prize monies of up to $10,000.

In all, we committed $1.81 million and more than 10,000 employee-volunteering-hours towards CSR initiatives last year.

LOOKING AHEAD

Sembcorp Marine's overall business activity levels are likely to remain low in FY2020, except for repairs and upgrades which will grow further, bolstered by IMO regulations for ballast water treatment systems and gas scrubbers.

We expect competition to remain intense in all our business segments. We will continue to face tough market and operating conditions, particularly with the COVID-19 virus outbreak disrupting supply chains and possibly affecting our project executions. As our topmost priority, we have taken all necessary measures and precautions at Sembcorp Marine facilities to protect our employees, customers and business associates from the virus outbreak.

Notwithstanding the foreseeable challenges, we have been steadily strengthening our capabilities and broadening our engineering designs, products and solutions. We have drawn further impetus from the challenging market conditions to diversify into new segments and are now competing more aggressively for bigger and higher-value works.

In 2020, we aim to bring our negotiations on several major projects to fruition. We will also stay focused on executing ongoing jobs safely and efficiently, and manage our cost levels carefully.

As always, the Group will strive to deliver long-term value to our stakeholders.

TERMINATION OF QUARTERLY REPORTING

In January 2020, the Stock Exchange of Singapore announced their decision to discontinue the mandatory quarterly reporting (QR) requirement for most listed companies. Sembcorp Marine will accordingly cease QR from the first quarter of FY2020 onwards and release only the Group's half-year and full-year financial results. However, we will continue to engage our stakeholders regularly and publish quarterly updates on key market and industry trends as well as our contract wins, projects in progress, major company developments and other pertinent issues. We will also maintain our practice of announcing all material developments related to the Group as and when necessary.

APPRECIATION

We wish to thank the Sembcorp Marine Board of Directors for their counsel and leadership in the past year. We are especially grateful to Mr Ron Foo and Mr Neil McGregor, who will both retire from the Board at the Annual General Meeting this year.

Mr Foo is currently the chairman of the Audit Committee. He joined Sembcorp Marine as a Non-executive and Independent Director in 2006 and has guided the Group in fulfilling our fiduciary duties over the past 14 years.

Mr McGregor, a Non-executive and Non-independent Director of Sembcorp Marine since 2017, has supported us as a member of the Executive Committee.

Next, we would like to thank the management team, employees, unions, sub-contractor partners, suppliers, bankers and bondholders for their contributions in 2019.

We are also grateful to all Sembcorp Marine customers for their trust and confidence in us.

Last but not least, we sincerely thank our valued shareholders for their continuous support during this challenging period.

TAN SRI MOHD HASSAN MARICAN
Chairman

WONG WENG SUN
President & CEO

9 March 2020

INVESTING IN CUTTING-EDGE CAPABILITIES TO SEIZE NEW OPPORTUNITIES

OUR GAME-CHANGING 30,000-TONNE LIFTING CAPABILITY

Sembcorp Marine's new 30,000-tonne capacity gantry cranes at Tuas Boulevard Yard (TBY) will greatly enhance our value proposition as a one-stop production centre for fabricating, assembling and installing larger, heavier and more complex projects. Mega-structures can be completely integrated before leaving TBY, instead of being transported out in several smaller parts that require further assembly and which will incur more costs and logistics for customers. TBY's superior lifting capability is a game-changing differentiator for us.

LEVERAGING R&D AS A STRATEGIC ENABLER

In 2019, Sembcorp Marine gained DNV GL certifications for our 3D printing procedures and specifications. We can now use 3D printing to make and restore parts for construction and repair projects. We will strengthen our 3D printing capability with large-format, metal-additive manufacturing printers to custom-make more components. This lowers material wastage, shortens production lead-times, and allows us to better manage Sembcorp Marine's supply chain risks by reducing our reliance on external procurement.

We will soon set up an advanced manufacturing lab at TBY, with Singapore's Agency for Science, Technology and Research (A*STAR), to test-bed and implement Industry 4.0-related technologies. Besides 3D printing, this facility will develop integrated digital robotic systems, new solutions for tracking of assets, materials and manpower through Internet-of-Things (IoT), as well as Virtual and Augmented Reality applications for production control and visualisation.

SIGNIFICANT EVENTS

JAN

15 JAN

Sembcorp Marine acquires a 100% stake in Semb-Eco Pte Ltd, Semb-Eco Technology Pte Ltd and Semb-Eco R&D Pte Ltd

Sembcorp Marine engineers inspecting the Semb-Eco LUV Ballast Water Management System

FEB

25 FEB

Sembcorp Marine secures a contract to design and construct a 12,000-cubic-metre (cbm) LNG bunker vessel for Indah Singa Maritime Pte Ltd, a subsidiary of Mitsui O.S.K. Lines, Ltd (MOL)

Designed by Sembcorp Marine subsidiary LMG Marin, the MOL LNG bunker vessel comes with two GTT Mark III Flex membrane tanks and will be the largest of its kind built in Singapore, in terms of size and tank capacity

MAR

11 MAR

Keel-laying Ceremony for the Johan Castberg FPSO at Tuas Boulevard Yard

Project management teams from Sembcorp Marine and Equinor

APR

8-11 APR

Sembcorp Marine Repairs & Upgrades exhibits at the 2019 Seatrade Cruise Global event, held at the Miami Beach Convention Center in Florida, USA

Sembcorp Marine Repairs & Upgrades team with other delegates at Seatrade Cruise Global

9-11 APR

Sembcorp Marine participates in Sea Asia 2019, a leading maritime conference and exhibition in Singapore

Sembcorp Marine representatives at the biennial Sea Asia 2019

MAY

2 MAY

Sembcorp Marine completes new Corporate Office Building at Tuas Boulevard Yard

Tan Sri Mohd Hassan Marican, Chairman of Sembcorp Marine, cutting the ribbon at the opening ceremony of the new Corporate Office Building at Tuas Boulevard Yard

Sembcorp Marine's Corporate Office Building at Tuas Boulevard Yard

6-9 MAY

Sembcorp Marine participates in the Offshore Technology Conference (OTC) 2019 in Houston, USA

Representatives of Sembcorp Marine at the customer reception held at the Asia Society Texas Center

13 MAY

Sembcorp Marine inks an agreement with NYK Cruises Co. Ltd. to upgrade the *Asuka II* cruise ship at Admiralty Yard

Mr Fukashi Sakamoto, President of NYK Cruises Co. Ltd., exchanging signed contracts with Ms Wong Lee Lin, Advisor of Sembcorp Marine Repairs & Upgrades

22 MAY

Sembcorp Marine holds prize-giving ceremony for the annual Green Wave Environmental Care Competition, which attracted 281 project submissions from over 1,000 students

Sembcorp Marine President & CEO Mr Wong Weng Sun and Associate Professor Muhammad Faishal Ibrahim, Senior Parliamentary Secretary for Education and Social and Family Development, with student participants at Green Wave prize-giving ceremony

SIGNIFICANT EVENTS

MAY

24 MAY

Sembcorp Marine completes *SSCV Sleipnir*, the world's biggest and strongest semi-submersible crane vessel, for Heerema Marine Contractors

VIPs and representatives of Sembcorp Marine and Heerema at the vessel's christening

Named after Norse god Odin's eight-legged stallion, *Sleipnir's* two main cranes are capable of hoisting 20,000 tonnes in a single lift

JUN

4-7 JUN

Sembcorp Marine participates in Nor-Shipping 2019, a biennial conference and exhibition in Lillestrøm, Norway

Sembcorp Marine and other Singapore Pavilion delegates at Nor-Shipping 2019

JUL

2 JUL

The Norled Battery-powered ROPAX Ferries Strike-steel Ceremony at Tuas Boulevard Yard

Sembcorp Marine Head of Operations Mr Wang Zijian and Norled Project Manager Mr Geir Haaland initiating the first steel cut

18-20 JUL

Sembcorp Marine participates in National Engineers Day (NED) 2019, held at Devan Nair Institute for Employment and Employability

Mr Ong Ye Kung (right), Minister for Education, visiting the Sembcorp Marine booth at NED 2019

AUG

9 AUG

Sembcorp Marine participates in the 2019 National Day Parade

A contingent of 43 Sembcorp Marine representatives marching proudly in front of 27,000 spectators at NDP 2019

SEP

2 SEP

Sembcorp Marine announces new projects:

- FPSO conversion of VLCC *Ariake*, with Shapoorji Pallonji and Bumi Armada
- Conversion of *LNG Tanker Dwiputra* into a 125,000cbm FSRU for Mitsui O.S.K. Lines and Karpower International B.V.
- Conversion of gas carrier *LNG Flora* into a 127,000cbm FSU for Gasfin Development S.A.
- Upgrading works on the 173,400cbm *FSRU BW Magna* for BW LNG Pte Ltd
- Fabrication of 15 jacket foundations under a contract with Jan De Nul N.V., for the Formosa 2 Offshore Wind Farm

Dwiputra is renamed Karmol LNGT Powership Africa

17 SEP

Sembcorp Marine's Brazilian shipyard Estaleiro Jurong Aracruz (EJA) completed Petrobras *P-68* FPSO, its first floating production, storage and offloading project

P-68 will be deployed to the ultra-deepwater Berbigão and Sururu fields in Brazil's Santos Basin

17-19 SEP

Sembcorp Marine participates in Gastech 2019 in Houston, USA

Sembcorp Marine representatives at Gastech 2019

15 AUG

Sembcorp Marine holds its first National Day Observance Ceremony at Tuas Boulevard Yard

Secretary-General of NTUC and Minister in the Prime Minister's Office, Mr Ng Chee Meng (centre in red), at Sembcorp Marine's National Day Observance Ceremony

29 AUG

Sembcorp Marine and Noble Corporation celebrate the successful upgrading of the *Noble Johnny Whitstine* and *Noble Joe Knight* jack-up rigs at Tuas Boulevard Yard

Sembcorp Marine and Noble Corporation project teams

SIGNIFICANT EVENTS

SEP

30 SEP

Strike-steel Ceremony of MOL's 12,000cbm LNG bunker vessel at Tuas Boulevard Yard Steel Fabrication Facility

(From right to left) Sembcorp Marine President & CEO Mr Wong Weng Sun, Pavilion Energy Executive Vice President Mr Alan Heng and MOL Senior Managing Executive Officer Mr Yoshikazu Kawagoe initiating the first steel cut

OCT

29 OCT

Sembcorp Marine earns 3D printing certifications for parts used in construction and repairs

Representatives of Sembcorp Marine, DNV GL, National Additive Manufacturing Innovation Cluster and 3D Metalforge at the 3D printing certifications award ceremony

8 OCT

Sembcorp Marine hosted Ms Liv Lønnum, Norway's Deputy Minister of Petroleum and Energy, at Tuas Boulevard Yard along with Ms Anita Nergaard, Ambassador of Norway to Singapore, and 20 other Norwegian delegates from 13 oil and gas companies

Ms Liv Lønnum, Norway's Deputy Minister of Petroleum and Energy (second from right), at Tuas Boulevard Yard

NOV

1 NOV

Sembcorp Marine secures FPU construction and integration contract for Shell's Whale field development in Gulf of Mexico

Shell Vice President (Deepwater Projects) Ms Lucia Andrade (seated, left) with Sembcorp Marine President & CEO Mr Wong Weng Sun and other representatives at the Whale FPU contract signing

DEC

26 DEC

Sembcorp Marine wins two offshore platform contracts worth over $550 million for Al Shaheen field and Tyra field redevelopment projects

North Oil Company CEO Mr Frederic Paux (seated, left) with Sembcorp Marine Head of Offshore Platforms Mr Samuel Wong and other representatives at the Al Shaheen field's Gallaf Batch 2 Project contract signing

8 NOV

Sembcorp Marine delivers the *Q7000* well intervention semi-submersible rig to Helix Energy Solutions Group, Inc.

Senior Management of Sembcorp Marine and Helix at the Q7000 Naming Ceremony

11 NOV

Sembcorp Marine awards $173,500 in SchoolBAG bursaries to 835 students

Sembcorp Marine SchoolBAG 2019 recipients with Guest-of-Honour Ms Indranee Rajah, 2nd Minister for Education

AWARDS AND ACCOLADES

38
AWARDS RECEIVED
2019

LOW COST LNG RETROFIT CHALLENGE

The Sembcorp Marine-Singapore Institute of Technology team emerges as one of the top three winners in the Low Cost LNG Retrofit Challenge

PMI PROJECT OF THE YEAR 2018 – 2019 AWARDS

Sembcorp Marine places second runner-up in the Engineering & Construction Category A at the Project Management Institute Singapore Chapter Project of the Year 2018-2019 Awards, for the Kaombo Norte project

SINGAPORE INTERNATIONAL MARITIME AWARDS 2019

Sembcorp Marine wins the Offshore and Marine Engineering Award at Singapore International Maritime Awards 2019

WSH AWARDS 2019

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)

Workplace Safety and Health Performance Award

Sembcorp Marine Tuas Boulevard Yard
Silver

Sembcorp Marine Pandan Yard
Silver

Workplace Safety and Health Award Recognition for Projects (SHARP)

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

Sembcorp Marine Tuas Boulevard Yard
FSO Ailsa
Benchamas Explorer
Deepwater Titan
JE3T
Johan Castberg Hull
Noble Clyde Boudreaux
Pyrenees Venture
Shell Vito
Sleipnir
Transocean Norge

Sembcorp Marine Pandan Yard
Borr Drilling – *Gyme*
Borr Drilling – *Natt*
Borr Drilling – *Groa*

WSH Innovation Award

Sembcorp Marine Tuas Boulevard Yard
Team Awesome – Eye Pad Arrangement System (EPAS)

WSH Supervisor Award

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

Sembcorp Marine Tuas Boulevard Yard
Mr. Andy Lai Yew Chiong

HR EXCELLENCE AWARDS 2019

Sembcorp Marine's unique transport service for employees, powered by the SWAT mobile app, wins a *Silver Award* in the *Excellence in HR Innovation* category of the HR Excellence Awards 2019

MARITIME HSSE CONTRACTOR CONFERENCE 2019

Sembcorp Marine Head of HSE Mr Alex Teo (left) represents Sembcorp Marine in receiving the *Most Noteworthy Effort in HSE Award* at the Maritime HSSE Contractor Conference 2019, held at Radisson Blu Edwardian, Heathrow, UK

AWARDS AND ACCOLADES

22ND ASMI CONVENTION ON WSH INNOVATIONS IN MARINE INDUSTRIES

GOLD AWARD

Awarded to Hull Innovators from Admiralty Yard for their WSH Innovation Project: the Conta-Lifter

Awarded to Lions VI from Tanjong Kling Yard for their WSH Innovation Project: EZI-LAP

SILVER AWARD

Awarded to Cactus from Tuas Boulevard Yard for their WSH Innovation Project: the Exo-Grinder

BRONZE AWARD

Awarded to OPS Challengers from Admiralty Yard for their WSH Innovation Project: Just-Plug-It!

51ST ASSOCIATION OF SINGAPORE MARINE INDUSTRIES (ASMI) ANNIVERSARY DINNER

Mr Wong Weng Sun, Sembcorp Marine President & CEO, receives the ASMI Special Recognition Award for his contributions to ASMI and to the development of Singapore's offshore and marine industry, while 11 Sembcorp Marine employees are presented with the ASMI Certified Marine Supervisor Award

GROUP FINANCIAL REVIEW

TURNOVER

The Group generated turnover of $2.88 billion for FY2019, a decrease of 41%. This was mainly due to lower revenue recognition from Rigs & Floaters and Offshore Platforms projects, mitigated by higher revenue from Repairs & Upgrades.

But if the turnover comparison excludes the 2018 delivery of seven jack-up rigs to Borr Drilling, one more to BOT Lease and sale of a semi-submersible rig, as well as 2019's delivery of another jack-up rig to Borr Drilling, turnover for FY2019 would have shown a 6% increase (FY2019: $2.67 billion vs FY2018: $2.53 billion).

NET LOSS

The Group recorded a net loss of $137 million in FY2019. This was mainly due to the accelerated depreciation of $48 million arising from Tanjong Kling Yard and continued low overall business volumes. The loss was partly offset by profit from the Repairs & Upgrades business, which rose on improved margins and better product mix.

FINANCIAL POSITION

The Group's shareholders' funds decreased to $2.17 billion as at Dec 31, 2019, from $2.31 billion as at Dec 31, 2018.

On Jan 1, 2019, the Group applied SFRS(I) 16 *Leases*. It thus recognised land leases as right-of-use assets and lease obligations as lease liabilities in the balance sheet.

Interests in associates and joint ventures decreased, mainly due to the Group's divestment of 50% shareholding interest in Pacific Workboats Pte Ltd on Oct 23, 2019.

Cash and cash equivalents decreased in 2019, mainly due to capital expenditures and working capital for the ongoing projects.

As at Dec 31, 2019, the Group had net current liabilities totalling $310 million, arising mainly from loans which mature in 2020. The Group is finalising with lenders to refinance and re-profile these loans with longer term maturities. The Group has adequate existing loan facilities to refinance current borrowings as they fall due.

FIVE-YEAR $2 BILLION SUBORDINATED LOAN FACILITY

On June 21, 2019, Sembcorp Marine announced jointly with Sembcorp Industries Ltd (SCI) that it had secured a five-year subordinated loan facility totalling $2 billion from SCI, which will strengthen the Group's financial position. SCI is the largest shareholder of Sembcorp Marine, with a 61% stake in the Company.

Approximately $1.5 billion of the subordinated loan was deployed to retire a majority of the Group's short-term borrowings and re-profile debt from short-term to longer term.

On Oct 23, 2019, the Group announced that it had obtained the consent of its bondholders to revise the definition of its debt covenant to exclude the $2 billion subordinated loan facility from the Group's net debt, so as to improve its financial flexibility.

CASH FLOW AND LIQUIDITY

As at Dec 31, 2019, the Group's cash and cash equivalents stood at $389 million.

Cash flows generated from operating activities before changes in working capital were $103 million in FY2019. Net cash used for operating activities in FY2019, at $296 million, was mainly due to working capital for ongoing projects, offset by receipts from completed projects.

Net cash used for investing activities in FY2019 was $312 million, mainly due to the installation of certain new capabilities and completion of Sembcorp Marine's corporate office building at Tuas Boulevard Yard.

Net cash generated from financing activities in FY2019 was $164 million. This related mainly to net proceeds from borrowings.

SHAREHOLDER RETURNS

The Group recorded a return on equity of -6.1% in FY2019. There was no dividend proposed for the financial year ended Dec 31, 2019.

Note: Financial figures for the years 2017, 2018 and 2019 are presented in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)), while figures prior to 2017 are prepared in accordance with the Financial Reporting Standards in Singapore (FRS).

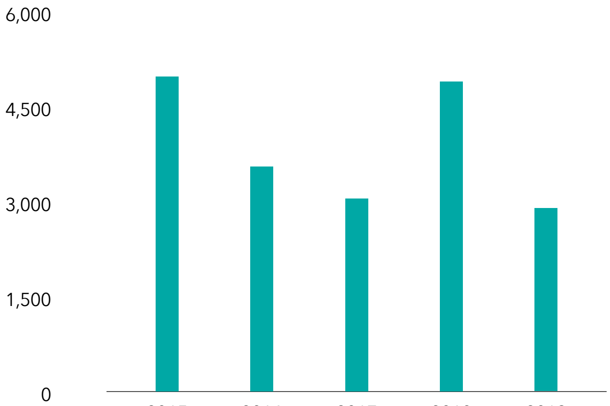
GROUP FINANCIAL REVIEW

Group Financial Highlights

	2019 $'000	2018 $'000	Change %
Group Income Statement			
Turnover	2,882,560	4,887,866	(41)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	103,678	143,123	(28)
Operating loss	(138,790)	(52,323)	n.m.
Loss before tax	(176,960)	(100,897)	75
Net loss	(137,174)	(74,131)	85
Group Balance Sheet			
Total assets	8,458,772	8,577,261	(1)
Total liabilities	6,251,994	6,228,826	–
Net tangible assets	1,926,967	2,102,750	(8)
Equity attributable to owners of the Company	2,173,308	2,311,684	(6)
Non-controlling interests	33,470	36,751	(9)
Total equity	2,206,778	2,348,435	(6)
Cash and cash equivalents	389,250	837,724	(54)
Interest-bearing borrowings	2,900,792	4,227,996	(31)
Subordinated loan	1,500,000	–	n.m.
Net debt	4,011,542	3,390,272	18
Economic Value Added (EVA)			
Net operating loss after tax (NOPAT)	(95,200)	(25,253)	n.m.
Capital charge	433,887	405,508	7
EVA	(529,087)	(430,761)	23
EVA attributable to owners of the Company	(521,575)	(422,021)	24
Financial Ratios			
Earnings per share (EPS)			
Basic (cents)	(6.57)	(3.55)	85
Diluted (cents)	(6.57)	(3.55)	85
Net asset value per share (cents)	103.96	110.68	(6)
Net tangible assets per share (cents)	92.18	100.68	(8)
Return on turnover (%)	(4.76)	(1.52)	n.m.
Return on total assets (%)	(0.12)	0.25	n.m.
Return on equity (%)	(6.12)	(3.12)	96

Turnover

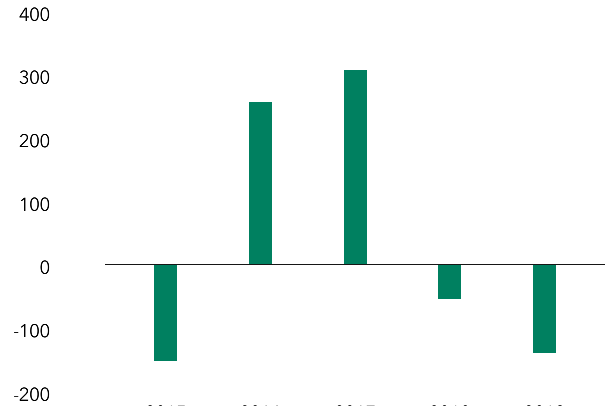
$ million



	2015	2016	2017	2018	2019
Turnover	4,968	3,545	3,035	4,888	2,883

Operating Profit

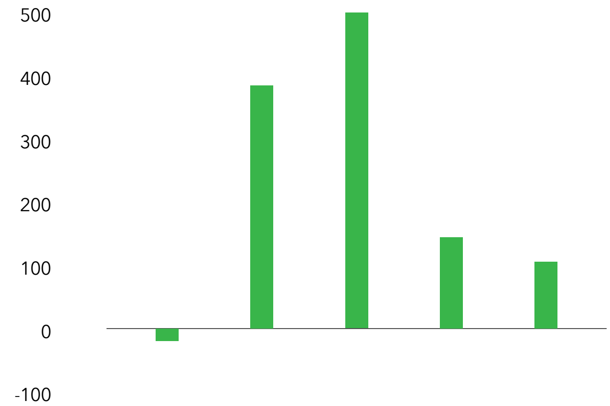
$ million



	2015	2016	2017	2018	2019
Operating profit/(loss)	(150)	225	306	(52)	(139)

EBITDA

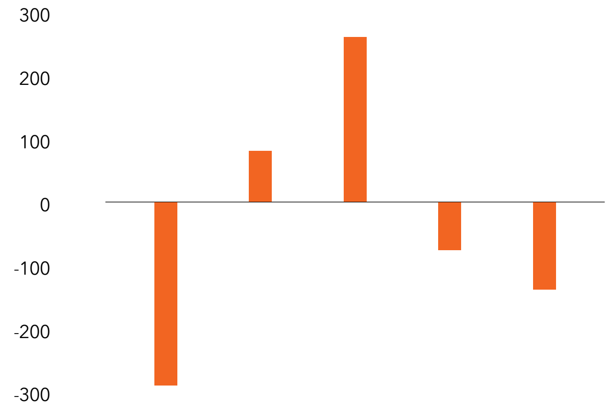
$ million



	2015	2016	2017	2018	2019
EBITDA	(18)	384	499	143	104

Net Profit

$ million

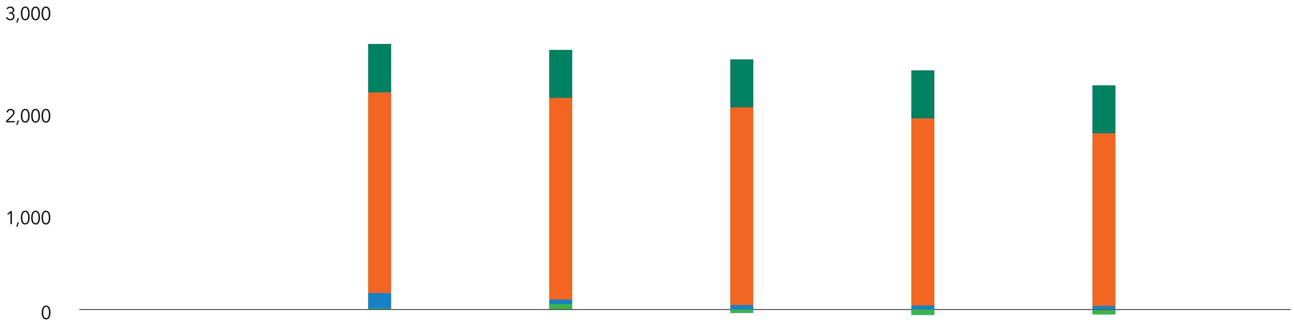


	2015	2016	2017	2018	2019
Net profit/ (loss)	(290)	79	260	(74)	(137)

GROUP FINANCIAL REVIEW

Total Equity

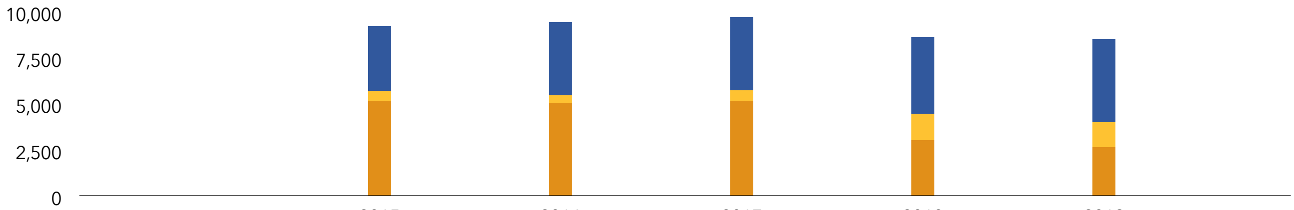
$ million



	2015	2016	2017	2018	2019
Share capital	484	484	484	484	486
Capital, foreign currency translation and other reserves	10	55	(31)	(51)	(45)
Revenue reserve	2,017	2,023	1,985	1,878	1,732
Non-controlling interests	153	46	41	37	33
Total	**2,664**	**2,608**	**2,480**	**2,348**	**2,207**

Assets

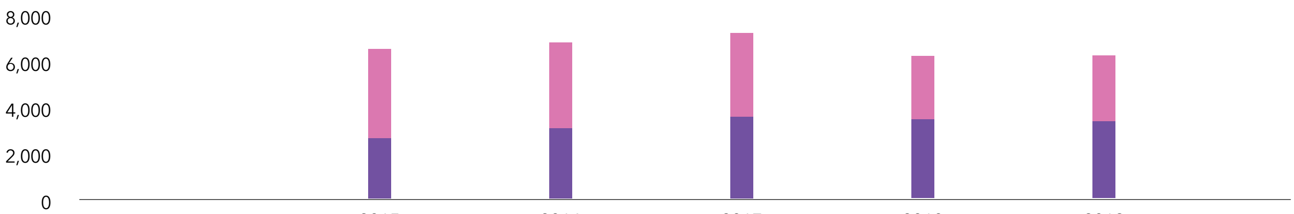
$ million



	2015	2016	2017	2018	2019
Property, plant and equipment, and Right-of-use assets	3,541	3,987	3,995	4,179	4,504
Other non-current assets	543	410	605	1,438	1,390
Current assets	5,117	5,018	5,092	2,960	2,565
Total	**9,201**	**9,415**	**9,692**	**8,577**	**8,459**

Liabilities

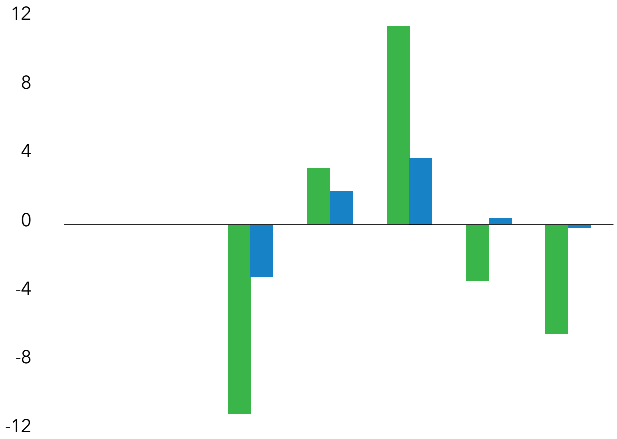
$ million



	2015	2016	2017	2018	2019
Current liabilities	3,897	3,748	3,647	2,763	2,875
Non-current liabilities	2,640	3,059	3,565	3,466	3,377
Total	**6,537**	**6,807**	**7,212**	**6,229**	**6,252**

Return on Equity and Return on Total Assets

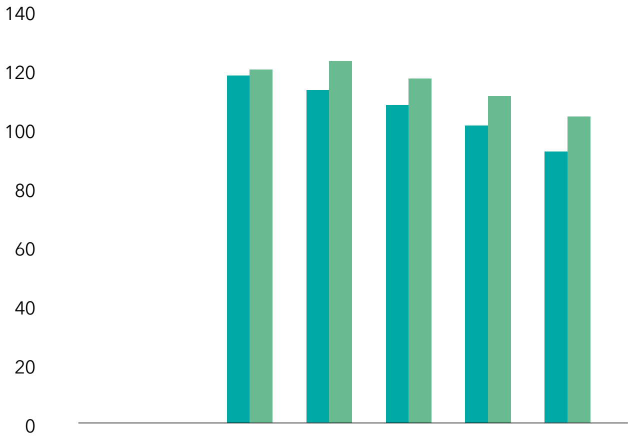
%



	2015	2016	2017	2018	2019
Return on Equity	(10.6)	3.1	11.1	(3.1)	(6.1)
Return on Total Assets	(2.9)	1.8	3.7	0.3	(0.1)

Net Tangible Assets and Net Asset Value Per Share

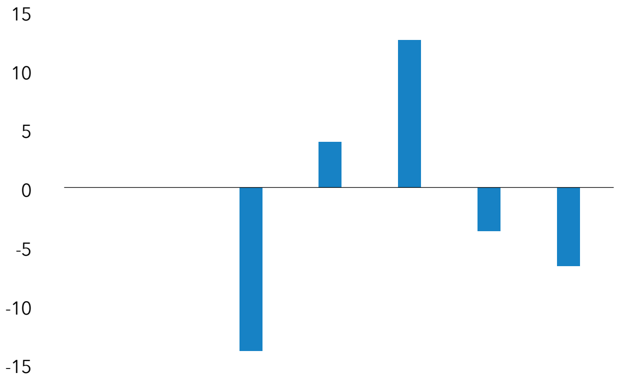
cents



	2015	2016	2017	2018	2019
Net Tangible Assets Per Share	118	113	108	101	92
Net Asset Value Per Share	120	123	117	111	104

Earnings Per Share

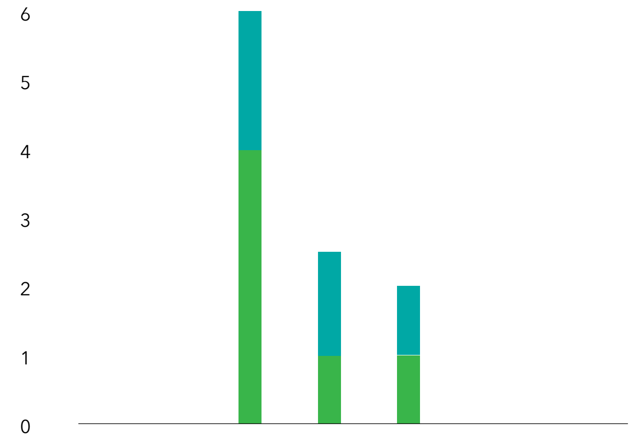
cents



	2015	2016	2017	2018	2019
Earnings Per Share	(13.9)	3.8	12.5	(3.6)	(6.6)

Dividend Per Share

cents

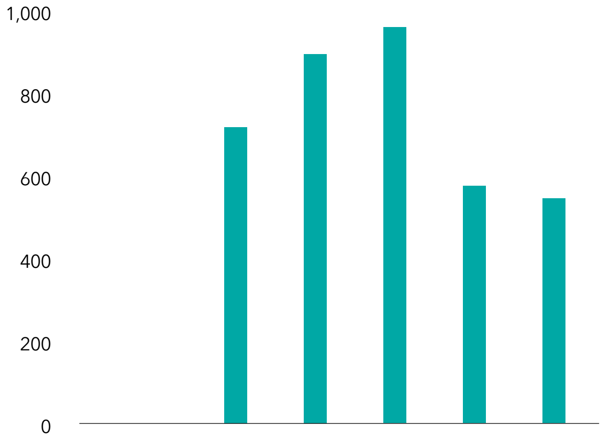


	2015	2016	2017	2018	2019
Dividend - Interim	4.0	1.5	1.0	-	-
Dividend - Final	2.0	1.0	1.0	-	-
Total	**6.0**	**2.5**	**2.0**	**-**	**-**

GROUP FINANCIAL REVIEW

Gross Value Added

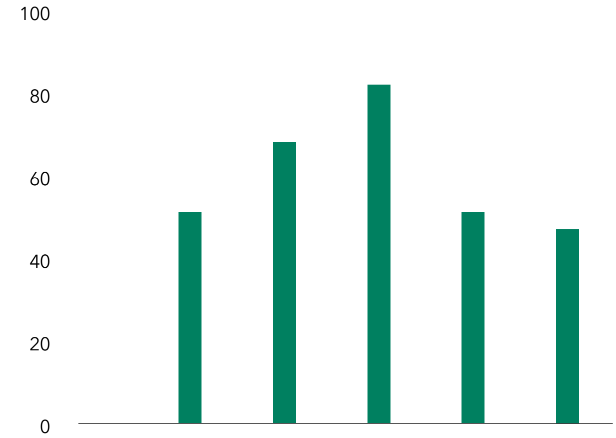
$ million



	2015	2016	2017	2018	2019
Gross Value Added	717	895	960	574	545

Value Added Per Employee

$'000

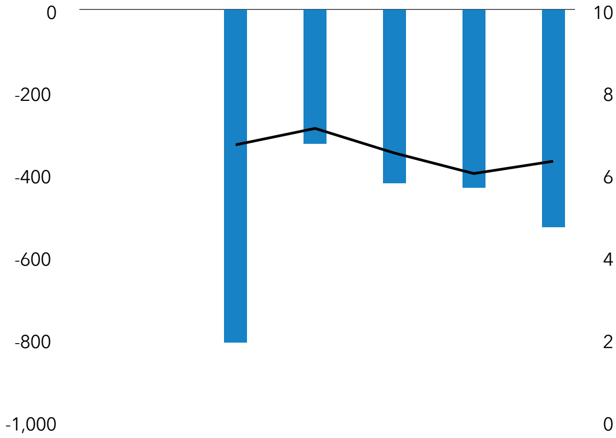


	2015	2016	2017	2018	2019
Value Added Per Employee	51	68	82	51	47

Economic Value Added (EVA)

EVA
$ million

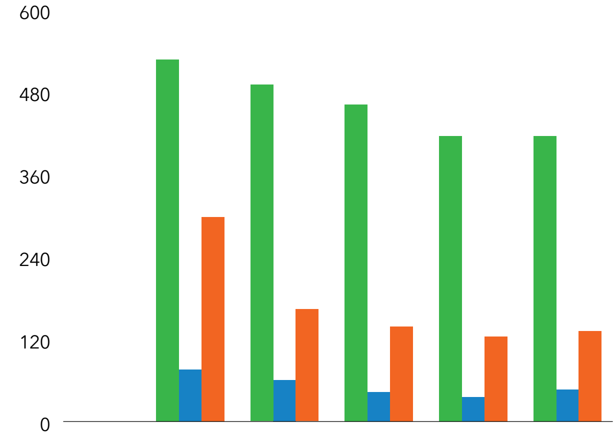
WACC
%



	2015	2016	2017	2018	2019
EVA	(809)	(324)	(421)	(431)	(529)
Weighted Average Cost of Capital	6.7	7.1	6.5	6.0	6.3

Distribution of Value Added

$ million



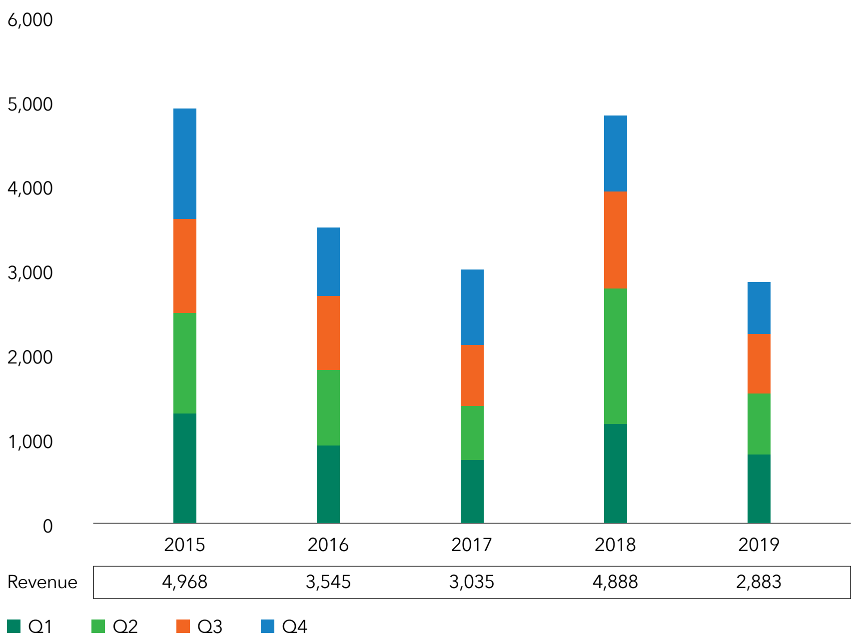
	2015	2016	2017	2018	2019
Distribution to Employees	527	490	461	415	416
Distribution to Government	74	59	41	34	45
Distribution to Providers of Capital	297	162	137	122	130

OPERATIONS REVIEW

Sembcorp Marine generated positive EBITDA (earnings before interest, tax, depreciation and amortisation) of $104 million for FY2019. However, at both operating and net levels, we posted losses of $139 million and $137 million respectively. This was the result of accelerated depreciation for our Tanjong Kling Yard and continued low business volumes, offset partly by profits from our Repairs & Upgrades business, which rose on improved margins and better product mix.

We recorded group revenue of $2.88 billion in FY2019, compared with $4.89 billion the year before. The revenue decline in FY2019 was largely due to lower revenue from Rigs & Floaters and Offshore Platforms projects, partially offset by higher revenue from Repairs & Upgrades. Excluding the effects of the delivery of one jack-up rig to Borr Drilling in FY2019 as well as the 2018 delivery of seven jack-up rigs to Borr Drilling, one jack-up rig to BOT Lease and sale of a semi-submersible rig, turnover would have been $2.67 billion – a 6% increase compared with $2.53 billion in FY2018.

FY2019 Turnover: $2.88 billion



	2015	2016	2017	2018	2019
Revenue	4,968	3,545	3,035	4,888	2,883

SEGMENTAL REVENUE

Rigs & Floaters

Our Rigs & Floaters business generated revenue of $2.07 billion in FY2019, compared with $4.15 billion in the previous year. The higher revenue in FY2018 was due to revenue recognition on the delivery of seven jack-up rigs to Borr Drilling, one jack-up rig to BOT Lease, and the sale of a semi-submersible rig.

Rigs & Floaters revenue in FY2019 was mainly attributed to higher percentage recognition from ongoing drill ship and floater projects, including the two Transocean drill ships, the Shell Vito floating production unit (FPU), and the Johan Castberg and Karish floating production, storage and offloading (FPSO) vessel projects.

Floater revenue increased 18% to $1.25 billion in FY2019, on higher percentage recognition for the Johan Castberg FPSO, Shell Vito FPU and Karish FPSO projects.

Rig building revenue totalled $822 million in FY2019 on recognition of one jack-up rig delivery, drill ship revenue from our ongoing Transocean drill ship projects and delivery of a semi-submersible crane vessel.

FY2018's high revenue of $3.1 billion was due to revenue recognition on the delivery of seven jack-up rigs to Borr Drilling, one jack-up to BOT Lease and the sale of a semi-submersible rig.

Offshore Platforms

Offshore Platforms revenue was $131 million in FY2019, with revenue recognition from the Hornsea 2 wind farm substations and Tangguh gas modules projects. Our FY2018 Offshore Platforms revenue was higher at $184 million due to contributions from the Culzean platforms project, which was completed and delivered in June 2018.

Repairs & Upgrades

The Group's Repairs & Upgrades business recorded a revenue of $605 million in FY2019, 27% more than the $476 million in FY2018, on account of higher revenue per vessel at $2.16 million (FY2018: $1.61 million) from an improved vessel mix of higher-value works. Our yards repaired and upgraded 280 vessels in the year (FY2018: 296 units).

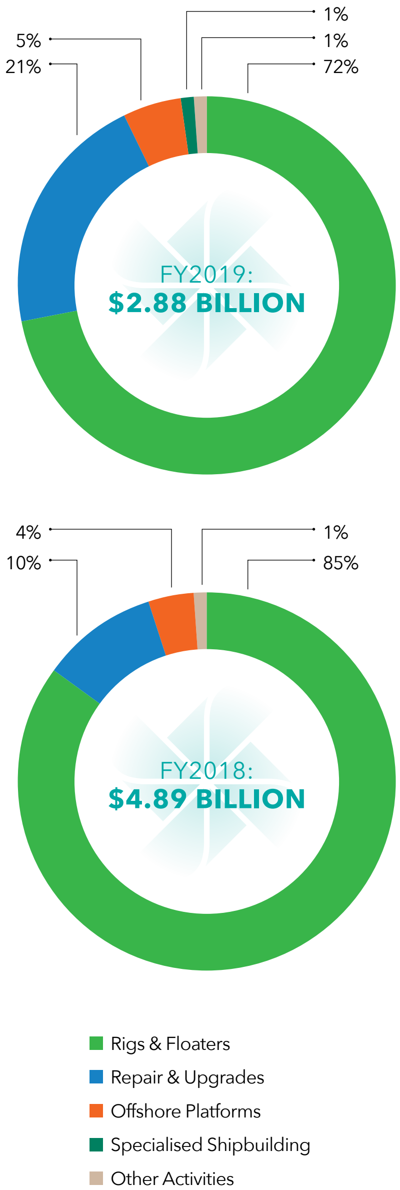
Specialised Shipbuilding

Maiden revenue contribution from the Group's Specialised Shipbuilding segment totalled $35 million in FY2019 on recognition of our ongoing ROPAX (roll-on/roll-off passenger) ferries project.

Note: Financial figures for the years 2017, 2018 and 2019 are presented in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)), while figures prior to 2017 are prepared in accordance with the Financial Reporting Standards in Singapore (FRS).

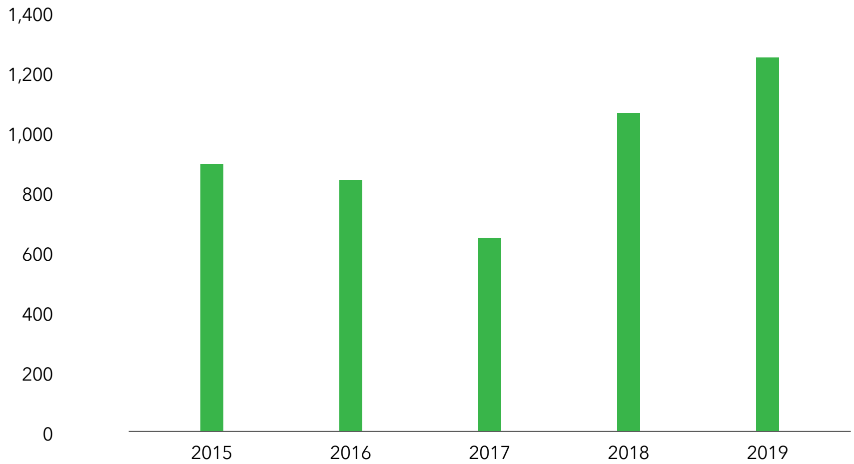
OPERATIONS REVIEW

Turnover Contribution by Segments



Turnover – Floaters

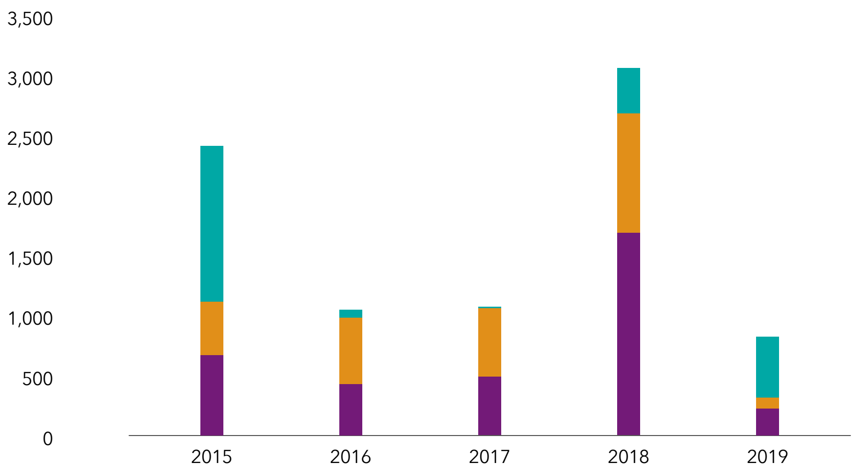
$ million



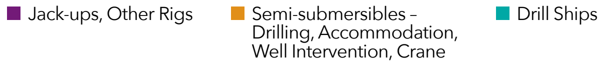
	2015	2016	2017	2018	2019
Turnover – Floaters	891	838	644	1,061	1,247

Turnover – Rig Building

$ million

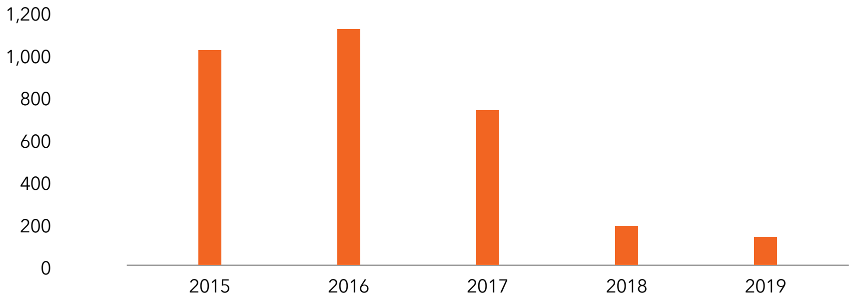


	2015	2016	2017	2018	2019
Turnover – Rig Building	2,428	1,049	1,073	3,086	822



Turnover – Offshore Platforms

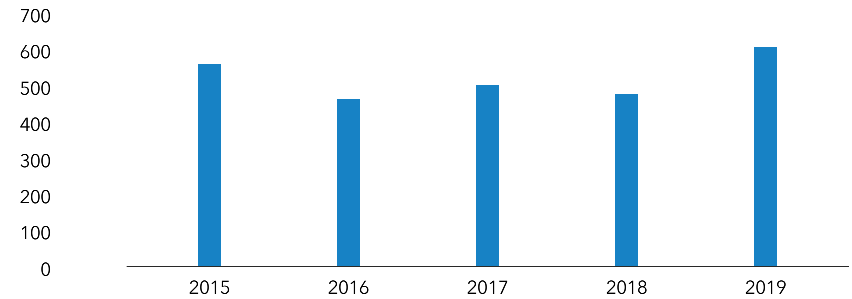
$ million



	2015	2016	2017	2018	2019
Turnover – Offshore Platforms	1,017	1,116	732	184	131

Turnover – Repairs & Upgrades

$ million



	2015	2016	2017	2018	2019
Turnover – Repairs & Upgrades	557	460	499	476	605

Sembcorp Marine delivered the Sleipnir, the largest and strongest semi-submersible crane vessel in the industry

PROJECT DELIVERIES

During the year, Sembcorp Marine delivered several major projects, some of which set global industry records.

In July 2019, the Group safely and successfully delivered *Sleipnir*, the world's largest, strongest and most sustainable semi-submersible crane vessel (SSCV) to Heerema Marine Contractors. With its 220-metre by 102-metre reinforced deck area and equipped with a pair of 10,000-tonne revolving cranes, the SSCV can hoist 20,000 tonnes in a single lift, boosting its operational efficiency to new levels in offshore installations and decommissioning.

Following its delivery, *Sleipnir* has been in high demand and has secured contracts for both installation and decommissioning work. In September 2019, the vessel set a world record for an offshore crane, completing a 15,300-tonne lift to install the topsides for Noble Energy's Leviathan development in the Mediterranean.

Sleipnir's line-up of contracts include the Tyra jackets and topsides installation and removal in the Danish North Sea; Brae Bravo jackets and topsides removal in the UK North Sea; as well as transportation and installation of the High Voltage Alternating Current (HVAC) platform for the Hollandse Kust Zuid (HKZ) Alpha project, one of the largest offshore wind farm zones being developed in the North Sea. With its large cranes capable of a 135-metre lifting height and a combined 20,000-tonne lifting capacity, *Sleipnir* is very well placed to accommodate the trend of increasingly bigger offshore wind turbines.

OPERATIONS REVIEW

Q7000: Sembcorp Marine delivered its second newbuild semi-submersible well intervention vessel to Helix, based on a design jointly developed by Sembcorp Marine and Helix

Significant operational milestone for Sembcorp Marine's wholly-owned and operated Brazilian subsidiary Estaleiro Jurong Aracruz (EJA): Completion of P-68, its first floating production, storage and offloading (FPSO) project

Other significant deliveries during the year included:

- The Helix *Q7000* semi-submersible well intervention vessel, a dynamic positioning Class 3 (DP3), North Sea environment capable well intervention unit which can execute operations in water depths of up to 3,000m (10,000 feet).

  With its open deck plan and tri-axial configuration, *Q7000* can undertake a wide range of production enhancement operations, including well clean-up and offshore field development support. Equally optimised for well decommissioning, including suspension, tubing removal, tree recovery and sea floor clearance, *Q7000* has secured a charter for an estimated minimum 80-day campaign to perform subsea workover and integrated well intervention services off the coast of Nigeria.

- *P-68*, the first FPSO project completed and delivered by Sembcorp Marine's wholly-owned and operated Brazilian subsidiary Estaleiro Jurong Aracruz (EJA).

  P-68 left the yard on Sep 16, 2019, for deployment at the ultra-deepwater Berbigão and Sururu fields in Brazil's Santos Basin. A newbuild vessel, *P-68* measures 316m in length and 54m in width. It produces up to 150,000 barrels of oil per day (BOPD), has a 1.6-million-barrel storage capacity and can accommodate 154 persons.

The vessel was constructed for Tupi B.V., a consortium comprising Petrobras Netherlands B.V. (PNBV), Total Brazil Services B.V., BG Gas Netherlands Holdings B.V. (Shell) and Galp Sinopec Brazil Services B.V. (Petrogal).

EJA's *P-68* work scope included fabricating six modules, pipe-racks and a flare, and integrating them on the vessel along with other free issue items. The yard also executed carry-over works on the FPSO's hull, which was built by another shipyard. In completing the project, EJA has cemented its status as a premier facility in Brazil capable of taking on full engineering, procurement, construction and commissioning (EPCC) work for large-scale offshore projects. It also offers vessel repair and upgrade solutions.

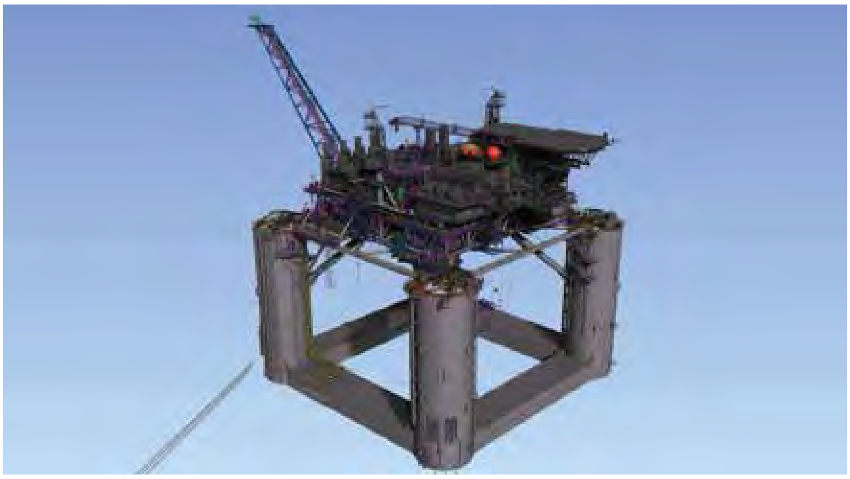
WORKS IN PROGRESS

Work on our ongoing projects continues apace. In our Singapore yards, the projects include:

- Turnkey engineering, procurement and construction of the newbuild FPSO hull and living quarters for Equinor's Johan Castberg field development in the Barents Sea;
- Engineering, procurement, construction and integration of vessel hull, living quarters and topside modules, including owner-furnished equipment, for TechnipFMC's newbuild FPSO, to be deployed in the Energean-operated Karish deepwater field in the Eastern Mediterranean;
- Construction and integration of hull, topsides and living quarters for Shell's newbuild Vito semi-submersible FPU;

Artist's impression of Johan Castberg FPSO

Artist's impression of Karish FPSO



Artist's impression of Shell Vito FPU

OPERATIONS REVIEW

Strike-steel of Shell Whale FPU

- Construction and integration of hull and topside for Shell's newbuild Whale semi-submersible FPU;
- Construction of two high-specification, ultra-deepwater drill ships for Transocean, based on Sembcorp Marine's proprietary Jurong Espadon 3T design;
- Engineering, procurement, construction, hook-up and commissioning works on two substation topsides and jackets for Ørsted's Hornsea 2 Offshore Wind Farm in the UK North Sea;
- Design and construction of three battery-powered ROPAX ferries for Norled; and
- Design and construction of a 12,000-cubic-metre (cbm) capacity LNG bunker vessel for Mitsui O.S.K Lines (MOL).

Sembcorp Marine's Brazil yard, EJA, is undertaking topside module construction and integration works for the Petrobras *P-71* FPSO for the Tupi Project.

Sembcorp Marine is building two drill ships for Transocean based on its proprietary Jurong Espadon 3T design

Ørsted's Hornsea 2 wind farm topsides were fabricated at Sembcorp Marine's Batam yard and are now at Admiralty Yard for additional work

REPAIRS & UPGRADES

Sembcorp Marine's Repairs & Upgrades business had a busy year in 2019. It serviced 280 vessels with an average per-vessel revenue of $2.16 million, compared to $1.61 million in FY2018.

In the Floating Storage Unit (FSU) and Floating Storage & Regasification Unit (FSRU) segment, we secured five conversion and upgrading contracts, valued at $71 million in total. These projects were among 55 LNG-related repair and upgrade jobs we won in FY2019. This was a new record for such contracts awarded to a single service provider in the global LNG segment.

Repairs & Upgrades also serviced 16 cruise ships last year. With this, the Group retained its position as Asia's top cruise vessel repair and upgrading company.

The new IMO regulations on ballast water treatment and fuel sulphur reduction brought in more than 200 ballast water management system and gas scrubber retrofit orders for the Group over the past 18 months, with some to be completed in 2020. These green technology retrofit solutions and related works contributed close to $100 million of revenue in FY2019.

Royal Caribbean's cruise ship Quantum of the Seas departing Tuas Boulevard Yard after a successful overhaul

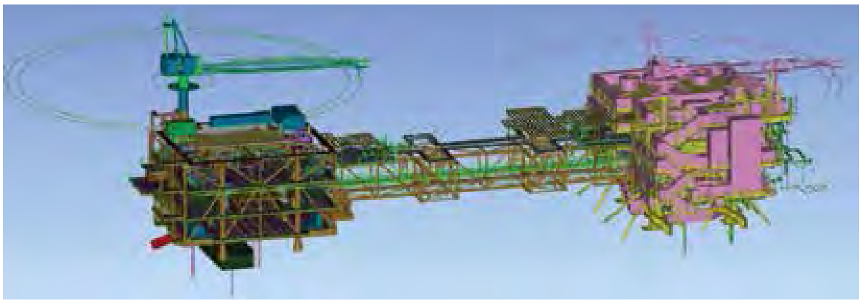
Sembcorp Marine set a new record with 55 LNG-related repair and upgrade jobs received in 2019 – the highest number of such contracts awarded to a single service provider in the global gas segment

Sembcorp Marine successfully completed repair works on LNG carrier Northwest Sanderling

OPERATIONS REVIEW

Gas scrubber retrofit projects for Maran Tankers

Karmol LNGT Powership Africa undocking from Sembcorp Marine Admiralty Yard after completing FSRU conversion



Artist's impression of well-head platforms for the Gallaf Batch 2 project

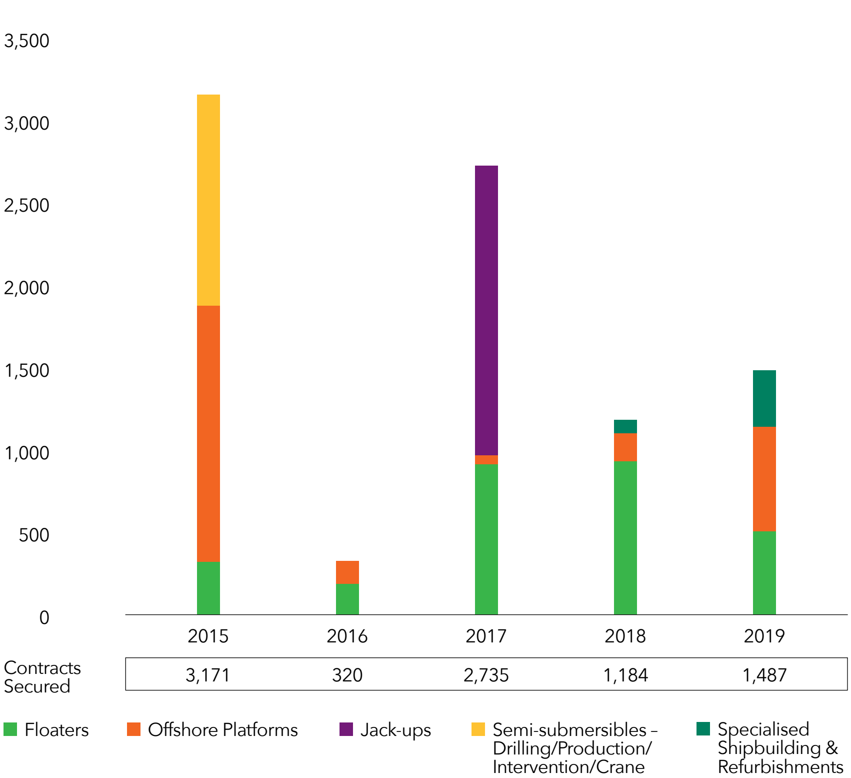
Artist's impression of a platform for the Tyra field project

CONTRACTS SECURED AND NET ORDER BOOK

Despite difficult market conditions, the Group clinched $1.49 billion of new contracts in FY2019, exceeding the $1.18 billion for FY2018. These included:

- Construction and integration of the topside and hull of an FPU for Shell Offshore Inc., for deployment to the Whale field in the Gulf of Mexico;
- Two offshore platform projects valued at $550 million for: the fabrication and integration of two well-head platforms under North Oil Company's Gallaf Batch 2 Project at the Al Shaheen oil field in Qatar; and platforms and bridges fabrication for the Tyra field redevelopment project in the Danish North Sea for Total;

Contracts Secured



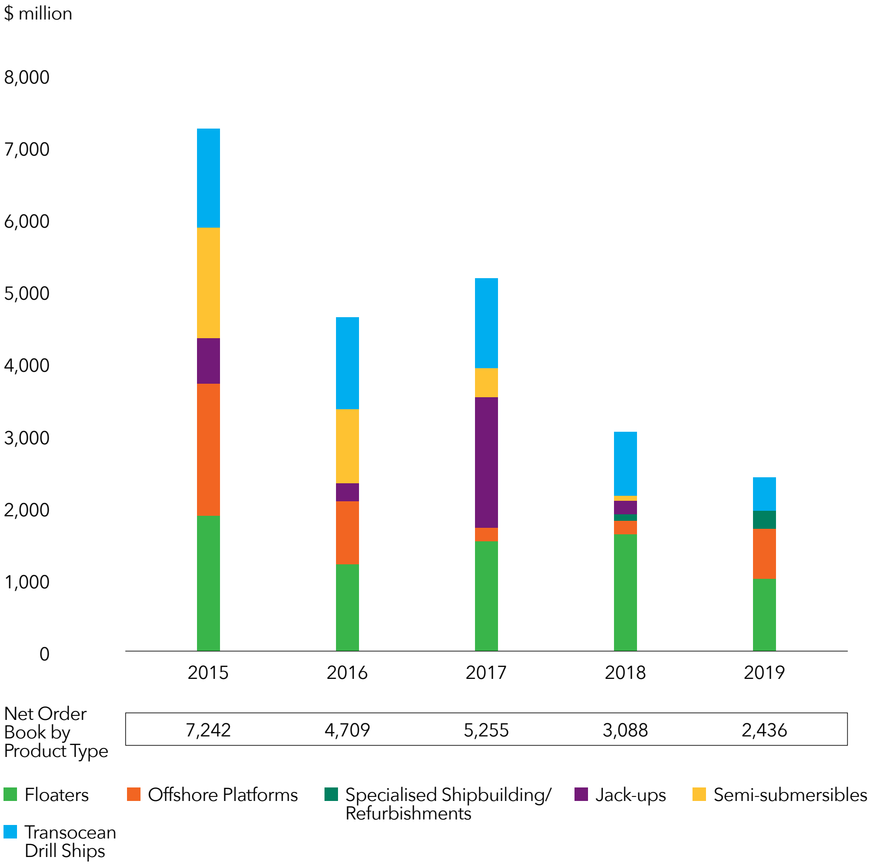
	2015	2016	2017	2018	2019
Contracts Secured	3,171	320	2,735	1,184	1,487

- Fabrication of 15 jacket foundations for the Formosa 2 Offshore Wind Farm, under a project with Jan De Nul;
- Design and construction of a 12,000cbm LNG bunker vessel for MOL;
- Conversion of the *Ariake* tanker into an FPSO for Shapoorji Pallonji Oil and Gas and Bumi Armada;
- Conversion/upgrade of five FSRU and FSU units; and
- Upgrade of 13 cruise ships, as well as a large-scale refit of *Asuka II*, Japan's largest cruise ship, for NYK Cruises.

As at the end of FY2019, our net order book stood at $2.436 billion (excluding the Sete Brasil drill ship contracts) with completion and deliveries stretching into 2022. This includes:

- $1.002 billion for floaters;
- $707 million for offshore platforms;
- $252 million for specialised shipbuilding and refurbishment projects; and
- $475 million for drill ships.

Net Order Book by Product Type



	2015	2016	2017	2018	2019
Net Order Book by Product Type	7,242	4,709	5,255	3,088	2,436

Note: Excludes Sete Brasil drill ship contracts.

ROBUST HEALTH, SAFETY AND ENVIRONMENT STANDARDS

Sembcorp Marine stands by the dictum, “The Quality of Today is the Safety of Tomorrow”. Our employees deliver top quality work to ensure crew safety aboard the rigs, vessels and platforms built by the Group. They are in turn supported by a robust health, safety and environment (HSE) regime that keeps them safe and well at all Sembcorp Marine yards and facilities.

PROPELLING OUR EMPLOYEEES TOWARDS EXCELLENCE

EMPOWERING OUR WORKFORCE

We upgrade our employees continuously with the right type and level of skills to execute work safely and productively, and to adapt to new and disruptive technologies introduced into our operations.

Our ongoing competence development covers Industry 4.0 Readiness, Digitalisation and Gas & Process Engineering Training.

BOARD OF DIRECTORS

TAN SRI MOHD HASSAN MARICAN, 68
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: 18 April 2018
Length of service as a Director: 8 years 6 months
Chairman, Executive Committee
Chairman, Executive Resource & Compensation Committee
Chairman, Nominating Committee
Member, Special Committee

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

Tan Sri 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

Other Public Listed Companies
- Sembcorp Industries Ltd

PRINCIPAL COMMITMENTS

Public Non-Listed Companies

• Singapore Power Limited	Chairman
• Sarawak Energy Berhad	Director

Private Limited Companies

• Lambert Energy Advisory Limited	Director
• Lan Ting Holdings Pte Ltd	Chairman
• mh Marican Advisory Sdn Bhd	Director
• Pavilion Energy Pte Ltd	Chairman
• Pavilion Energy Trading & Supply Pte Ltd	Director
• Pavilion Energy Singapore Pte Ltd	Chairman

Others

• Temasek International Advisors	Senior International Advisor

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)
- Regional Economic Development Authority of Sarawak
- Khazanah Nasional Berhad

MR WONG WENG SUN, 58
Executive/Non-Independent Director

Date of appointment as a Director: 1 May 2009
Date of last re-election: 16 April 2019
Length of service as a Director: 10 years 11 months
Member, Executive Committee

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

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

PRESENT DIRECTORSHIPS

Other Public Listed Companies
Nil

PRINCIPAL COMMITMENTS

Public Non-Listed Companies
Nil

Private Limited Companies
Nil

Others

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

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)
Nil

MR RON FOO SIANG GUAN, 72

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: 13 years 9 months
Chairman, Audit Committee

Mr Ron Foo was a partner at PricewaterhouseCoopers, Singapore, for 22 years before retiring from active service in December 2005. He brings with him more than 40 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

Other Public Listed Companies

Nil

PRINCIPAL COMMITMENTS

Public Non-Listed Companies

Nil

Private Limited Companies

• Alliance Consultancy Corporation	Consultant

Others

• The Institute of Chartered Public Accountants, Singapore	Fellow
• The Canadian Institute of Chartered Accountants	Member

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)

Nil

MR BOB TAN BENG HAI, 68

Non-Executive/Independent Director

Date of appointment as a Director: 20 April 2015
Date of last re-election: 16 April 2019
Length of service as a Director: 4 years 11 months
Chairman, Board Risk Committee
Chairman, Special Committee
Member, Executive Committee

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

PRESENT DIRECTORSHIPS

Other Public Listed Companies

- Singapore Post Limited

PRINCIPAL COMMITMENTS

Public Non-Listed Companies

• Jurong Engineering Limited	Chairman

Private Limited Companies

• SingEx Holdings Pte Ltd	Director
• Ascott Residence Trust Management Limited (Manager of Ascott Residence Trust)	Director

Others

• Sentosa Development Corporation	Chairman
• Ong Teng Cheong Labour Leadership Institute	Director
• NTUC Club Management Council	Council Member
• Corporate Governance Advisory Committee Monetary Authority of Singapore	Member
• Securities Industry Council Monetary Authority of Singapore	Member

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)

- Singapore LNG Corporation Pte Ltd
- SMRT Corporation Ltd
- SMRT Trains Ltd
- Inland Revenue Authority of Singapore
- Board of Governors of the Institute of Technical Education

BOARD OF DIRECTORS

MR ERIC ANG TEIK LIM, 67

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: 6 years 11 months
Member, Audit Committee
Member, Board Risk Committee
Member, Executive Resource & Compensation Committee
Member, Nominating Committee

Mr Eric Ang was a Senior Executive Advisor at DBS Bank before retiring in January 2020. He has been with DBS Bank since the start of his banking career in 1978. Prior to his role as an advisor at DBS Bank, he was the head of its Capital Markets. Through the years, Mr Ang has developed a wealth of experience in Singapore's capital markets, having worked on landmark deals such as the listing of Singapore Airlines Ltd, Singapore Telecoms Ltd and CapitaMall Trust Ltd.

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

PRESENT DIRECTORSHIPS

Other Public Listed Companies
Raffles Medical Group Ltd

PRINCIPAL COMMITMENTS

Public Non-Listed Companies
Nil

Private Limited Companies

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

Others

• SGX Listings Disciplinary Committee	Co-Chairman
• Community Chest	Vice Chairman

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)

- Hwang Capital (Malaysia) Bhd
- NetLink Management Pte Ltd
- DBS Foundation Ltd

MR WILLIAM TAN SENG KOON, 67

Non-Executive/Independent Director

Date of appointment as a Director: 20 April 2017
Date of last re-election: 18 April 2018
Length of service as a Director: 2 years 11 months
Member, Board Risk Committee
Member, Executive Committee
Member, Executive Resource & Compensation Committee
Member, Nominating Committee

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

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

PRESENT DIRECTORSHIPS

Other Public Listed Companies
Nil

PRINCIPAL COMMITMENTS

Public Non-Listed Companies

• SMRT Trains Limited	Director

Private Limited Companies
Nil

Others
Nil

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)

- Eagle Services Asia
- Jamco Singapore Pte Ltd
- SIA Engineering Company Ltd
- Singapore Aero Engine Services Pte Ltd
- BOC Aviation Limited
- Virgin Atlantic Ltd

MR NEIL MCGREGOR, 65
Non-Executive/Non-Independent Director

Date of appointment as a Director: 20 April 2017
Date of last re-election: 18 April 2018
Length of service as a Director: 2 years 11 months
Member, Executive Committee

Mr Neil McGregor 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 India and Singapore as CEO, including Singapore LNG Corporation Pte Ltd and PowerSeraya Group. Prior to joining Sembcorp, Mr McGregor was Head of Temasek International's Energy and Resources Group, Head of Australia and New Zealand and Senior Managing Director of its 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, France.

PRESENT DIRECTORSHIPS

Other Public Listed Companies

• Sembcorp Industries Ltd	Director

PRINCIPAL COMMITMENTS

Public Non-Listed Companies

• Repono Holdco 1 Limited	Director

Private Limited Companies

• Subsidiaries of Sembcorp Industries Ltd	Director
• Singapore-Sichuan Investment Holdings Pte Ltd	Director

Others

Nil

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)

- Certis CISCO Security
- Sembcorp Gayatri Power Limited

MR KOH CHIAP KHIONG, 53
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: 8 years 10 months
Member, Audit Committee
Member, Special Committee

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

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

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

PRESENT DIRECTORSHIPS

Other Public Listed Companies

Nil

PRINCIPAL COMMITMENTS

Public Non-Listed Companies

Nil

Private Limited Companies

Subsidiaries of Sembcorp Industries Ltd	Director

Others

Nil

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)

Nil

BOARD OF DIRECTORS

MR PATRICK DANIEL, 65
Non-Executive/Independent Director

Date of appointment as a Director: 20 April 2018
Date of last re-election: 16 April 2019
Length of service as a Director: 1 year 11 months
Member, Audit Committee
Member, Executive Resource & Compensation Committee

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

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

PRESENT DIRECTORSHIPS

Other Public Listed Companies
Nil

PRINCIPAL COMMITMENTS

Public Non-Listed Companies
Nil

Private Limited Companies

• ShareInvestor.Com Holdings Pte Ltd	Non-Executive Chairman
• Vibranium Capital Pte Ltd	Director
• Imperial Gloucester Pte Ltd	Director
• Verdant.sg Pte Ltd	Director

Others

• Stewardship Asia Centre	Director
• Equal-Ark Singapore Ltd	Trustee
• EHL (Ecole Hotelier Lausanne) Singapore	Trustee
• Singapore Press Club	President

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)

- Subsidiaries of Singapore Press Holdings Limited
- Singapore University of Technology and Design
- National University Health System Ltd

MR TAN WAH YEOW, 59
Non-Executive/Independent Director

Date of appointment as a Director: 10 December 2018
Date of last re-election: 16 April 2019
Length of service as a Director: 1 year 3 months
Member, Audit Committee
Member, Board Risk Committee

Mr Tan Wah Yeow is Singapore's non-resident Ambassador to the Kingdom of Norway. He was previously the Deputy Managing Partner of KPMG Singapore and Head of KPMG Asia Pacific Healthcare Practice.

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

PRESENT DIRECTORSHIPS

Other Public Listed Companies
- Genting Singapore Limited
  (formerly registered as Genting Singapore PLC in the Isle of Man)

PRINCIPAL COMMITMENTS

Public Non-Listed Companies
- M1 Limited

Private Limited Companies

• Mapletree Logistics Trust Management Ltd (Manager of Mapletree Logistics Trust)	Director

Others

• Public Utilities Board	Director
• Viva Foundation for Children with Cancer	Director
• Gardens by the Bay	Director
• Mainly I Love Kids Fund	Executive Committee Member

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)

- PUB Consultants Private Limited

MRS GINA LEE-WAN, 63

Non-Executive/Independent Director

Date of appointment as a Director: 20 April 2015
Date of last re-election: 16 April 2019
Length of service as a Director: 4 years 11 months
Member, Board Risk Committee
Member, Special Committee

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

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

PRESENT DIRECTORSHIPS

Other Public Listed Companies

Nil

PRINCIPAL COMMITMENTS

Public Non-Listed Companies

Nil

Private Limited Companies

• Edge Insurance Brokers (Singapore) Pte. Ltd.	Director
• John Swire & Sons (S.E. Asia) Pte. Limited	Director
• Jurong Port Pte. Ltd.	Director

Others

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

PAST DIRECTORSHIPS (FOR THE LAST THREE YEARS)

- Edge Group Pte Ltd
- Singapore Maritime Foundation
- Sea Asia Singapore Pte. Ltd.

SENIOR MANAGEMENT

MR WONG WENG SUN
President & CEO

MR WILLIAM GOH
Director, Group Finance

MR WANG ZIJIAN
Head of Operations

MR CHUA SAN LYE
Chief Human Resource Officer

MR TAN CHENG TAT
Chief Financial Officer

MR WILLIAM GU
Head of Rigs & Floaters

MR ALVIN GAN
Head of Repairs & Upgrades

MR SAMUEL WONG
Head of Offshore Platforms

MR TAN HENG JACK
Head of Specialised Shipbuilding

MS TAN YAH SZE
Head of Legal and Corporate Secretariat

MR CHAN BOON SIONG
Chief Risk Officer

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

MR CHIA CHEE HING
Head of Information Technology

MR SIMON KUIK
Head of Research & Development

MR ROYCE LIM
Head of Supply Chain

MR DAVID WONG
Head of Corporate Communications

MS LISA LEE
Head of Investor Relations

MS JESSIE LAU
Head of Administration

MR STEPHEN WAN
Acting Head of Internal Audit

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

CORPORATE STRUCTURE

SEMBCORP MARINE LTD

SINGAPORE COMPANIES

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

OVERSEAS SHIPYARDS

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

SUPPORTING COMPANIES

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

TECHNOLOGY COMPANIES

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

CORPORATE DIRECTORY

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

BOARD OF DIRECTORS
Tan Sri Mohd Hassan Marican
Chairman

Wong Weng Sun
President & CEO

Ron Foo Siang Guan
Bob Tan Beng Hai
Eric Ang Teik Lim
Gina Lee-Wan
William Tan Seng Koon
Patrick Daniel
Tan Wah Yeow
Neil McGregor
Koh Chiap Khiong

AUDIT COMMITTEE
Ron Foo Siang Guan
Chairman

Eric Ang Teik Lim
Patrick Daniel
Tan Wah Yeow
Koh Chiap Khiong

BOARD RISK COMMITTEE
Bob Tan Beng Hai
Chairman

Eric Ang Teik Lim
Gina Lee-Wan
William Tan Seng Koon
Tan Wah Yeow

EXECUTIVE COMMITTEE
Tan Sri Mohd Hassan Marican
Chairman

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

EXECUTIVE RESOURCE & COMPENSATION COMMITTEE
Tan Sri Mohd Hassan Marican
Chairman

Eric Ang Teik Lim
William Tan Seng Koon
Patrick Daniel

NOMINATING COMMITTEE
Tan Sri Mohd Hassan Marican
Chairman

Eric Ang Teik Lim
William Tan Seng Koon

SPECIAL COMMITTEE
Bob Tan Beng Hai
Chairman

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

COMPANY SECRETARY
Tan Yah Sze

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
Citibank N.A.
DBS Bank Ltd
Mizuho Bank, Ltd.
MUFG 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: Ang Fung Fung
(Appointed during the financial year ended 31 December 2018)

SHAREHOLDERS' INFORMATION

STATISTICS OF SHAREHOLDINGS AS AT 9 MARCH 2020

Share Capital

Issued and fully paid-up capital	: $486,216,989.74
Number of issued shares	: 2,090,904,569
Number of treasury shares	: 416,840
Number of subsidiary holdings	: Nil
Number of shareholders	: 39,527
Class of shares and voting rights	: One vote per share#

Shareholdings Held by the Public

Based on the information available to the Company as at 9 March 2020, approximately 38.63% of the issued ordinary shares of the Company are held by the public, and therefore, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Substantial Shareholders

Substantial Shareholders	Direct Interest		Deemed Interest		Total Interest	
	No. of shares	%##	No. of shares	%##	No. of shares	%##
Sembcorp Industries Ltd ("SCI")	1,274,270,764	60.9557	–	–	1,274,270,764	60.9557
Temasek Holdings (Private) Limited ("Temasek")###	–	–	1,274,271,521	60.9557	1,274,271,521	60.9557

Top 20 Shareholders

Name	No. of Shares	%##
Sembcorp Industries Ltd	1,274,270,764	60.96
DBS Nominees Pte Ltd	86,497,497	4.14
Citibank Noms Spore Pte Ltd	78,688,952	3.76
United Overseas Bank Nominees PL	28,473,549	1.36
Raffles Nominees (Pte) Limited	24,226,245	1.16
DBSN Services Pte Ltd	20,234,893	0.97
OCBC Nominees Singapore Pte Ltd	13,610,472	0.65
BPSS Nominees Singapore (Pte.) Ltd.	12,504,118	0.60
OCBC Securities Private Ltd	11,253,462	0.54
UOB Kay Hian Pte Ltd	11,205,100	0.54
BNP Paribas Noms Spore PL	10,381,530	0.50
Tan Kwi Kin	10,293,210	0.49
HSBC (Singapore) Nominees Pte Ltd	9,823,751	0.47
Phillip Securities Pte Ltd	7,429,434	0.36
Maybank Kim Eng Securities Pte. Ltd.	7,190,424	0.34
CGS-CIMB Securities (Singapore) Pte Ltd	4,942,139	0.24
IMC Co., Ltd.	4,100,000	0.20
Wong Weng Sun	3,686,812	0.18
DBS Vickers Securities (S) Pte Ltd	3,122,800	0.15
Lim And Tan Securities Pte Ltd	2,582,030	0.12
Total	1,624,517,182	77.71

Location of Shareholders

Location of Shareholders	No. of Shareholders	%##	No. of Shares	%##
Singapore	38,358	97.04	2,064,976,622	98.78
Malaysia	797	2.02	13,138,413	0.63
Japan	9	0.02	5,961,000	0.29
Hong Kong	25	0.06	599,600	0.03
US	28	0.07	212,400	0.01
UK	21	0.05	338,400	0.02
Europe	26	0.07	156,000	0.01
Australia/ New Zealand	103	0.26	886,693	0.04
Others	159	0.40	4,218,601	0.20
Grand Total	39,526	100.00	2,090,487,729	100.00

Shareholding Distribution

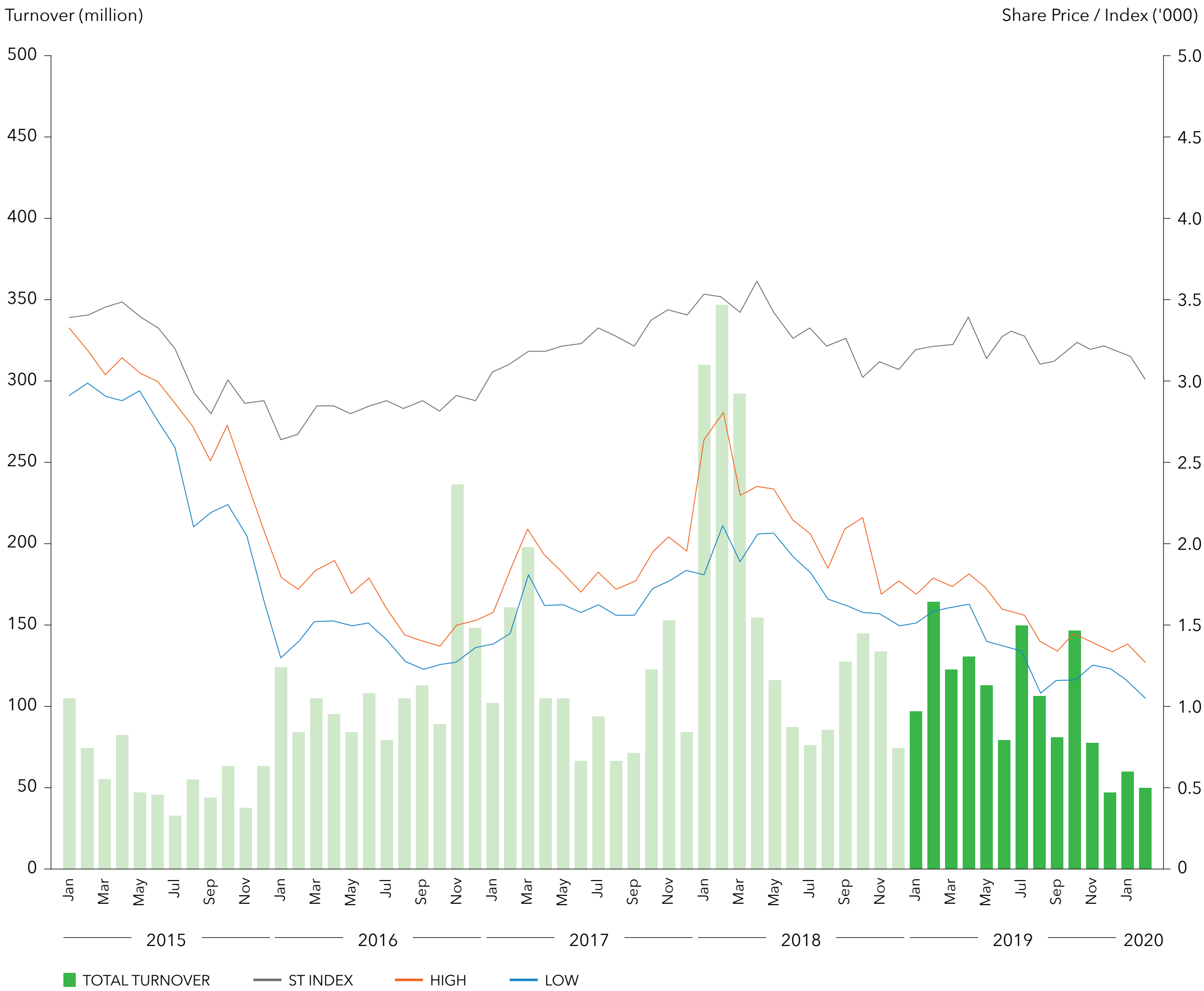
Size of Shareholdings	No. of Shareholders	%##	No. of Shares	%##
1 - 99	119	0.30	4,452	0.00
100 - 1,000	4,976	12.59	4,414,058	0.21
1,001 - 10,000	25,379	64.21	122,040,362	5.84
10,001 - 1,000,000	9,025	22.83	329,298,087	15.75
1,000,001 and above	27	0.07	1,634,730,770	78.20
Grand Total	39,526	100.00	2,090,487,729	100.00

Notes:
 # Ordinary shares purchased and held as treasury shares by the Company will have no voting rights.
Percentage is calculated based on the total number of issued ordinary shares, excluding treasury shares.
Temasek is deemed to be interested in the 1,274,270,764 shares held by SCI and the 757 shares in which its subsidiaries and/or associated companies have or are deemed to have an interest pursuant to Section 4 of the Securities and Futures Act, Chapter 289.

SHAREHOLDERS' INFORMATION

Share Prices and Monthly Volumes

Investor Data	2015	2016	2017	2018	2019
Earnings Per Share (cents)	-13.87	3.77	12.45	-3.55	-6.57
Total Dividend Per Share (cents)	6.00	2.50	2.00	–	–
Share Price ($)					
High	3.32	1.90	2.09	2.81	1.81
Low	1.65	1.22	1.39	1.49	1.08
Close	1.75	1.38	1.84	1.54	1.32
Turnover					
Volume (million shares)	696	1,366	1,320	1,945	1,312
Value ($ million)	1,890	2,024	2,321	4,091	1,949
Net Tangible Assets Per Share (cents)	118.00	112.95	108.23	100.68	92.18



INVESTOR RELATIONS

Sembcorp Marine upholds high standards of corporate transparency and governance in engaging the investment and financial communities. With our open dialogue and management access, we keep our diverse stakeholders regularly informed about the Group's financial performance and business activities, and the latest industry developments. We also channel stakeholder feedback to Management for strategy formulation and decision-making.

Active dialogue between shareholders and Board of Directors at Sembcorp Marine's Annual General Meeting

Combined analysts and media 2Q/1H2019 results briefing held for the first time at Sembcorp Marine's new corporate office at Tuas Boulevard Yard

Sembcorp Marine's President & CEO sharing company updates and industry insights during a post-results investor meeting

ACTIVE ENGAGEMENT & OUTREACH

In 2019, Sembcorp Marine's Investor Relations (IR) team organised more than 500 direct engagements with buy-side and sell-side stakeholders, with active participation from the Group's senior management. These engagements included quarterly briefings, post-results investors days, one-to-one investor meetings, conferences, non-deal road shows in Asia, Canada and the United States, and overseas forums.

As part of our institutional investor outreach programme, we participated in local conferences such as the DBS Vickers Pulse of Asia, Credit Suisse 10th Annual ASEAN Conference, Citi-ASEAN C-Suite Investor Conference, Macquarie ASEAN Conference, and the 3rd Maritime Capital Forum, co-organised by CLSA. Our overseas events included the 26th CLSA Investors' Forum in Hong Kong and the UBS OneASEAN Conference in Thailand.

We also kept an active schedule of yard visits for the investment community. In July 2019 at Tuas Boulevard Yard (TBY), the IR team hosted a group of fund managers and analysts aboard the *SSCV Sleipnir* for a firsthand view of the world's largest and strongest semi-submersible crane vessel. We completed this high-specification vessel for Heerema Marine Contractors.

INVESTOR RELATIONS

Analysts and fund managers aboard the SSCV *Sleipnir*

Yard visit by institutional investors as part of JP Morgan's Global Research Summit 2019 field trip

In October 2019 as part of JP Morgan's Global Research Summit field trip, Sembcorp Marine hosted 40 institutional investors at TBY, showcasing our Helix Energy *Q7000* semi-submersible well intervention newbuilding and the Royal Caribbean *Quantum of the Seas* cruise ship revitalisation project.

Besides investor engagements, the IR team prepares regular market intelligence reports on investor interests and industry trends for Management and Board review.

Results Briefings for Analysts and Media

Following each quarterly results announcement#, Sembcorp Marine's President & CEO, supported by the Director (Group Finance) and Chief Financial Officer, holds face-to-face meetings and teleconferences with analysts and banking institutions. These sessions are an important platform for the President & CEO to provide updates on the Group's strategy and performance, industry developments and market outlook.

We also invite the media to participate in our half-year and full-year results briefings. In May 2019, we held our first joint analyst and media briefing – on Sembcorp Marine's 1H2019 results – at our new corporate office in TBY.

Engaging Retail Shareholders

For the second year running, the Sembcorp Marine IR team arranged a retail shareholders' visit to TBY to introduce the Group's production facilities and projects, brief the visitors on our growth and development plans and to respond to their queries. Held on Nov 22, 2019, the event drew more than 60 participants.

 # From FY2020 onwards, Sembcorp Marine will publish operational updates in place of first and third quarter results announcements. This is in line with SGX's decision in January 2020 to discontinue the mandatory quarterly reporting requirement for most listed companies.

Sembcorp Marine's 56th Annual General Meeting

Over 700 shareholders and proxies attended Sembcorp Marine's 56th Annual General Meeting (AGM) on April 16, 2019, at the NTUC Centre Auditorium. Sembcorp Marine's Board and senior management presented updates on the Group's corporate strategy and development plans and responded to shareholder queries. All resolutions raised at the AGM were passed.

INVESTOR COMMUNICATIONS

Sembcorp Marine makes timely disclosures and updates on its corporate website, *www.sembmarine.com*. Interested parties can access the website's IR section to read and download information on the Company's stock, dividend history, analyst coverage, investors' frequently asked questions (FAQs), event information and shareholders' meetings. They can also sign up for an email alert service at the website to receive updates on the Group's latest announcements.

For assistance, please email the Sembcorp Marine IR team at *investor.relations@sembmarine.com*.

SUSTAINABILITY AND CORPORATE GOVERNANCE

Sembcorp Marine publishes its sustainability performance in an annual sustainability report prepared in accordance with the SGX sustainability reporting guidelines and GRI Standards: Core option. Our reporting also integrates internationally-recognised frameworks such as the United Nations Sustainable Development Goals, as well as the Oil and Gas Industry Guidance on Voluntary Sustainability Reporting issued by IPIECA, the American Petroleum Institute (API) and the International Association of Oil & Gas Producers (IOGP).

The Group's Sustainability Report was previously part of its Annual Report. But starting from FY2019, we are presenting our sustainability performance in a standalone publication *(Sembcorp Marine Sustainability Report 2019)*.

To promote high standards of corporate governance, transparency and sustainability in the business community, we support and participate in activities organised by the Investor Relations Professionals Association Singapore (IRPAS), Securities Investors Association Singapore (SIAS) and Global Compact Network Singapore.

Sembcorp Marine is a constituent of the FTSE4Good Index, the Singapore Exchange iEdge SG ESG Leaders Index and the iEdge SG Transparency Index.

Sembcorp Marine's Management responding to queries at the company's annual outreach event for retail shareholders

SHAREHOLDER DIVERSITY

Sembcorp Marine has 39,527 registered shareholders as at March 9, 2020. Approximately 60.96% of Sembcorp Marine's total shares were held by Sembcorp Industries on this date, with 38.63% in the hands of public shareholders such as institutional investors and retail shareholders.

Sembcorp Marine has a diverse and healthy shareholder base spread across Singapore, Malaysia, Hong Kong, Japan, Australia, Europe, the United Kingdom, the United States and Canada. This allows the Group to maintain market liquidity and mitigate concentration risk.

SHARE PERFORMANCE

The outlook for the offshore and marine industry remains cautious and challenging. Rising trade barriers, regional geopolitical tensions and associated uncertainties continue to weigh on global trade, economic growth and industry recovery.

In 2019, Sembcorp Marine shares reached an average daily turnover value of close to $1.95 million, recording a high of $1.81 and a low of $1.08 in the year. The Group's market capitalisation was $1.87 billion as at March 9, 2020, based on a closing share price of 89.5 cents.

INVESTOR RELATIONS

EVENT HIGHLIGHTS

1Q2019

- FY2018 Results Briefing for Analysts and Media
- Post-results Investors Lunch / Corporate Investors Day
- Participated in Singapore conferences:
  - DBS Vickers Pulse of Asia Conference 2019
  - Credit Suisse 10th Annual ASEAN Conference

2Q2019

- 1Q2019 Results Analyst Teleconference
- Post-results Investors Lunch / Corporate Investors Day
- 56th Annual General Meeting 2019
- Participated in Citi-ASEAN C-Suite Investor Conference 2019, Singapore
- Participated in UBS Hong Kong Non-deal Road Show
- Participated in SGX-UOB Singapore Corporate Day, Canada
- Participated in SGX-DBS Singapore Corporate Day, USA

3Q2019

- 2Q and 1H2019 Results Briefing for Analysts and Media
- Post-results Investors Lunch / Corporate Investors Day
- Participated in Singapore conferences/forums:
  - Macquarie ASEAN Conference 2019
  - SIAS Corporate Governance Week 2019
- Participated in 26th CLSA Investors' Forum 2019, Hong Kong
- Participated in UBS OneASEAN Conference 2019, Thailand
- Site visit / yard tour for analysts and institutional investors

4Q2019

- 3Q and 9M2019 Results Analyst Teleconference
- Post-results Investors Lunch / Corporate Investors Day
- Participated in Singapore conferences/forums:
  - 3rd Maritime Capital Forum co-organised by CLSA
  - Citi Access Day 2019
  - Global Compact Network Singapore Summit 2019
- Site visit / yard tour organised for major institutional stakeholders
- Site visit / yard tour organised for JP Morgan Research Summit 2019 institutional investors field trip
- Site visit / yard tour organised for retail shareholders

Extensive engagement with diverse stakeholders from the investment and financial communities

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

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

We set out here the Group's corporate governance practices with reference to the Singapore Code of Corporate Governance 2018 (the "Code"). The board of directors of Sembcorp Marine (the "Board") is pleased to confirm that the Group has complied with the principles and provisions of the Code. A summary of compliance disclosures in accordance with the Code is set out on page 76 of the Annual Report 2019.

Code of Business Conduct and Practice

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

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

Sembcorp Marine Corporate Governance Framework

THE BOARD OF SEMBCORP MARINE

11	8	2	1
DIRECTORS	**INDEPENDENT DIRECTORS**	**NON-EXECUTIVE AND NON-INDEPENDENT DIRECTORS**	**EXECUTIVE DIRECTOR**

CHAIRMAN'S RESPONSIBILITIES

Lead the Board to ensure effectiveness on all aspects of its role

Promote a culture of openness in the Board

Encourage constructive relations within the Board and between the Board and Management

Facilitate effective contributions of Non-Executive Directors

DIRECTOR'S RESPONSIBILITIES

Set values, mission and vision statements

Provide guidance to Management

Set strategic objectives

Review Management's performance

Establish a framework of prudent and effective internal controls

Consider sustainability issues

CORPORATE GOVERNANCE

Key responsibilities under the respective terms of reference of each Board committee:

AUDIT COMMITTEE
4 Independent Directors
1 Non-executive and Non-independent Director

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

BOARD RISK COMMITTEE
5 Independent Directors

Key Responsibilities
Assist the Board in ensuring that Management maintain a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets; and

Determine the nature and extent of the significant risks that the Board is willing to take in achieving its strategic objectives

EXECUTIVE COMMITTEE
3 Independent Directors
1 Non-executive and Non-independent Director
1 Executive Director

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

EXECUTIVE RESOURCE & COMPENSATION COMMITTEE
4 Independent Directors

Key Responsibilities
Assist the Board in overseeing the remuneration of the Board and senior management; and

Set appropriate remuneration framework and policies, including long-term incentive schemes, to deliver annual and long-term performance of the Group

NOMINATING COMMITTEE
3 Independent Directors

Key Responsibilities
Assist the Board in evaluating the performance of the Board, its committees and directors;

Review the profile and independence of directors; and

Make recommendations on directors' appointments, re-nominations and retirements

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

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

BOARD MATTERS

The Board's Conduct of Affairs

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

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

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

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

The Group has established financial authorisation and approval limits for operating and capital expenditures, procurement of goods and services, and 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 and the President & CEO to optimise operational efficiency.

Roles and Responsibilities of Directors

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

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

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

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

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

During the financial year, directors attended individually or as a group, various training such as workshops, seminars and briefings conducted internally or externally.

Board Committees

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

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

Board member	Audit Committee	Board Risk Committee	Executive Committee	Executive Resource & Compensation Committee	Nominating Committee	Special Committee
Tan Sri Mohd Hassan Marican			Chairman	Chairman	Chairman	Member
Ron Foo Siang Guan	Chairman					
Bob Tan Beng Hai		Chairman	Member			Chairman
Eric Ang Teik Lim	Member	Member		Member	Member	
Gina Lee-Wan		Member				Member
William Tan Seng Koon		Member	Member	Member	Member	
Patrick Daniel	Member			Member		
Tan Wah Yeow	Member	Member				
Neil McGregor			Member			
Koh Chiap Khiong	Member					Member
Wong Weng Sun			Member			
	4 out of 5 (including Chairman) are independent directors	All are independent directors	3 out of 5 (including Chairman) are independent directors	All are independent directors	All are independent directors	3 out of 4 (including Chairman) are independent directors

The profile of each director is set out on pages 44 to 49 of the Annual Report 2019.

CORPORATE GOVERNANCE

The Audit Committee ("AC"), Board Risk Committee ("BRC"), Executive Resource & Compensation Committee ("ERCC") and Nominating Committee ("NC") have been constituted in accordance with the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code.

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

(a) Reviewing and making recommendations on matters requiring the Board's approval, such as major projects tendered, progress of major projects, yard development, marketing, cybersecurity, tax issues, treasury shares and share buybacks; and

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

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

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

Board Practices

The schedules of all Board meetings, committee meetings and the annual general meeting ("AGM") are planned one year in advance in consultation with the directors. The Board meets at least four times a year at regular intervals. Besides the scheduled meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. 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, is updated on trends, and has in-depth discussions on the Group's strategic direction.

A record of the directors' attendance at Board and committee meetings in 2019 is disclosed below. Directors who are unable to attend a Board or committee meeting in person can attend the meeting via telephone conference, as permitted by the Company's Constitution.

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:9	No. of Meetings held:6	No. of Meetings held:4	No. of Meetings held:7	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	9			7	3	2	4
Ron Foo Siang Guan[1]	9	6	2				
Bob Tan Beng Hai	9		4	7			4
Eric Ang Teik Lim	9	6	4		3	2	
Gina Lee-Wan	8		4				4
William Tan Seng Koon	9		4	7	3	2	
Patrick Daniel	9	6			3		
Tan Wah Yeow[2]	8	6	3				
Neil McGregor	8			7			
Koh Chiap Khiong	7	5					4
Wong Weng Sun[3]	7			7			

Notes:
(1) Mr Ron Foo Siang Guan stepped down as a member of the BRC on 22 July 2019.
(2) Mr Tan Wah Yeow was appointed a member of the BRC on 18 April 2019.
(3) Mr Wong Weng Sun was not required to attend two ad hoc Board meetings which were for non-executive directors only.

The Board has adopted guidelines for addressing competing time commitments when directors serve on multiple boards and have other principal commitments. The Company has determined that the maximum number of directorships in listed companies to be held by a director be fixed at four to ensure that a director has sufficient time and attention for the Company's affairs. For the year 2019, all directors met the guidelines 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.

All directors have access to complete and adequate information and resources. Directors are provided with electronic tablets to enable them to access Board and Board committee papers three days prior to and during meetings. Management has provided the Board with monthly management reports on the Group's operational and financial performance. In addition, directors receive analyst reports, industry market updates, major projects tendered, progress updates on major projects, yard development updates and summaries of decisions made by Board committees on a quarterly basis.

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

The Company Secretary attends all Board and committee meetings. She is responsible for ensuring that meeting procedures are followed and applicable rules and regulations complied with. The Company Secretary assists the Board in implementing and strengthening corporate governance policies and practices.

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

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

BOARD COMPOSITION AND GUIDANCE

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

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

The Board currently comprises 11 directors, eight of whom (including Chairman of the Board) are independent directors, two are non-executive and non-independent directors, and one is an executive director. The proportion of independent directors on the Board is high (eight out of 11, or 73%).

The Company recognises and embraces the benefits of having a diverse Board. The benefits include adopting a broad strategic perspective, enhancing decision-making and ensuring effective governance. While striving for diversity, all Board appointments are made on merit, taking into account the skills, experience, independence and knowledge needed for the Board as a whole to be effective.

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

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

The Board sets aside time at each quarterly scheduled meeting to meet without the presence of Management. In 2019, they held four such meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

CORPORATE GOVERNANCE

The Chairman is responsible for the Board's leadership 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.

As the Chairman of the Board, Tan Sri Mohd Hassan Marican has promoted an open environment for debate and ensured that the independent directors are able to speak freely and contribute effectively. He has closely monitored the translation of the Board's decisions and directions into executive action. He has exercised control over the quality and quantity of information between the Board and Management. In addition, he has provided support, close oversight, guidance, advice and leadership to the President & CEO, Mr Wong Weng Sun, while respecting his executive responsibility.

At the Company's AGM held on April 16, 2019, the Chairman played a pivotal role in fostering constructive dialogue between shareholders, the Board and senior management.

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

Given that the roles of the Chairman and the President & CEO are separate and that the Chairman does not hold an executive function, no lead independent director is required to be appointed.

BOARD MEMBERSHIP

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

The Board has established a Nominating Committee (NC) whose key responsibilities are to:

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

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

- Tan Sri Mohd Hassan Marican (Chairman);
- Mr Eric Ang Teik Lim; and
- Mr William Tan Seng Koon.

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

Rotation and Re-election of Directors

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

One-third of directors who are longest-serving are required to retire from office every year at the AGM. All directors (including the President & CEO) are required to submit themselves for re-nomination and re-appointment at least once every three years. Mr Ron Foo Siang Guan, Mr Eric Ang Teik Lim, Mr Neil McGregor and Mr Koh Chiap Khiong will retire by rotation under Article 94 of the Company's Constitution at the AGM to be held in 2020. Mr Ang and Mr Koh, being eligible, have offered themselves for re-election at the AGM. Additional information on Mr Ang and Mr Koh is set out on pages 230 – 236 of the Annual Report 2019.

Mr Foo and Mr McGregor will not be standing for re-election at the AGM. The Board would like to record its appreciation to Mr Foo and Mr McGregor for their invaluable contributions to the Group.

Pursuant to the Company's Constitution, all newly appointed directors are 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.

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

New Appointments

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

(i) Review the candidates (including their qualifications, attributes, capabilities, skills, age, past experience); and

(ii) Ascertain that the candidates are independent from any substantial shareholders of the Group and/or from Management and business relationships with the Group.

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

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

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

Board Chairman Tan Sri Mohd Hassan Marican is an independent director of Sembcorp Industries Ltd ("SCI"), a controlling shareholder of the Company. He is also a Senior International Advisor of Temasek International Advisors, a subsidiary of Temasek Holdings (Private) Limited ("Temasek"). Temasek is an indirect substantial shareholder of the Company. Transactions between the Company and SCI, and between the Company and Temasek are safeguarded by the Interested Person Transactions ("IPTs") mandate granted by shareholders. In 2019, SCI provided consultancy services and a $2 billion subordinated loan to the Group. Tan Sri Mohd Hassan Marican was not involved in the decision-making of such transactions. The Board has considered Tan Sri Mohd Hassan Marican to be an independent director of the Company who has exercised strong and independent judgment in his deliberations and acted in the best interests of the Group.

Mr Ron Foo Siang Guan was first appointed to the Board on June 30, 2006. Although Mr Foo has served on the Board beyond nine years, he has continued to demonstrate strong independence in character and judgment in the discharge of his responsibilities as a director of the Company. The Board, on the recommendation of the NC, has considered Mr Foo as an independent director. Mr Foo will be stepping down as a director of the Company at the conclusion of the upcoming AGM.

The NC ensures that new directors are aware of their duties and obligations. The Company has adopted a directors' training and development policy whereby directors will be trained and informed of their duties and obligations. The NC also conducts a review of the time commitments of each director once annually. Each director can hold a maximum of four directorships in listed companies. Information on each director's other listed company directorships and principal commitments is disclosed on pages 44 to 49 of the Annual Report 2019.

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

BOARD PERFORMANCE

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

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

CORPORATE GOVERNANCE

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

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

For the 2019 Board evaluation, each director submitted a set of completed questionnaires directly to the Company Secretary who collated the responses and produced a summary report for the NC. The NC analysed the report and submitted its findings to the Board.

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

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

The Board has discussed the findings of the evaluation and will implement changes in response to the feedback given by the directors. Based on the assessment for 2019, the Board and committees were effective as a whole.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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

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

The ERCC comprises the following members who are all independent directors:

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

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

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

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

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

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

LEVEL AND MIX OF REMUNERATION

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

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

Remuneration of Non-Executive Directors

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

The ERCC reviews and recommends a framework to the Board for determining the remuneration of non-executive directors, including the Chairman of the Board.

The framework below is based on a scale of fees divided into basic retainer fees, attendance fees and allowances for travel and service on Board committees.

Directors' Fees Framework

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

Types of Meeting Fees[1]	
Board	$3,000
Committee	$1,500
Committee (held on same day as Board)	$1,000
Board (Teleconference)	$1,500
Committee (Teleconference)	$1,000
Overseas[2]	$5,000

Note:
(1) Attendance fees for committee meetings also apply to attendance at general meetings.
(2) This fee applies to attendance by a non-resident director who is required to travel into Singapore for meetings.

CORPORATE GOVERNANCE

In 2019, the Chairman of the Board continued to take a 10% reduction of his all-in fees. The Chairman does not receive the basic retainer fee for directors, or any further fees or allowances for his services as chairman or member of any Board committees.

The other non-executive directors also took a voluntary 10% reduction of their fees for FY2019.

Save for Mr Neil McGregor and Mr Koh Chiap Khiong, the fees payable to non-executive directors comprise a cash component and a share component. The ERCC has determined that up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010 ("RSP 2010"). The Company will be seeking shareholders' approval for the renewal of the RSP 2010 at the forthcoming AGM. The balance 70% is paid in cash. The payment of directors' fees (both the cash and share components) is contingent upon shareholders' approval. Directors and their associates abstain from voting on any resolution(s) relating to their remuneration.

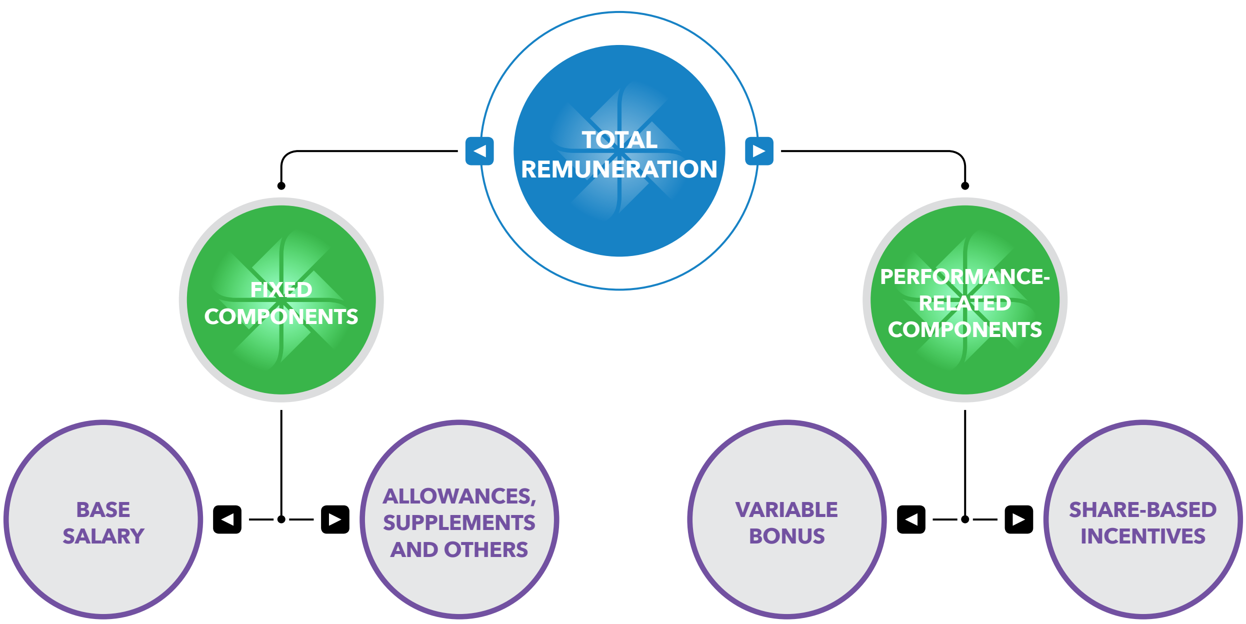
The directors' fees due to Mr McGregor and Mr Koh, who hold executive positions in SCI, are paid wholly in cash to SCI. The directors' fees due to Mr Eric Ang Teik Lim for the period from Jan 1, 2019, to Jan 31, 2020, will be paid wholly in cash to his then-employer, DBS Bank Ltd.

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

The actual number of shares awarded to each non-executive director is determined by reference to the volume-weighted price of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the AGM (or, if no final dividend is proposed at the AGM or if the resolution to approve such final dividend is not approved at the AGM, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded is rounded down to the nearest hundred and any residual balance settled in cash. The share component of the directors' fees for FY2019 is intended to be paid after the 2020 AGM.

At the last AGM held on April 16, 2019, the shareholders of the Company approved the payment of directors' fees of up to $2,300,000 for FY2019. The total directors' fees for FY2019 amounted to $2,020,462. For FY2020, the Company will be seeking shareholders' approval at the forthcoming 2020 AGM for payment of directors' fees of $2,000,000. Subject to shareholders' approval, the cash component of the directors' fees for year 2020 is intended to be paid half-yearly in

Remuneration of Senior Executives



arrears. The share component of the directors' fees for year 2020 will be paid after the 2021 AGM.

Remuneration for Senior Executives

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

The remuneration of the senior executives comprises three primary components:

Fixed Remuneration

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

Annual Variable Bonuses

The annual variable bonus recognises 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 Group's yearly EVA performance. There are provisions in the EVA incentive plan to allow for forfeiture of the outstanding balances in the bonus bank in exceptional circumstances of mis-statement of financial results or misconduct resulting in financial loss to the Company.

Share-based Incentives

The Company will be seeking shareholders' approval for the Company's 2020 performance share plan and restricted share plan at the forthcoming AGM. Through the share-based incentives, the Company motivates senior executives to continue striving for the Group's long-term shareholder value. In addition, the share-based incentive plans aim to align the interests of participants with the interests of shareholders, so as to improve performance and achieve sustainable growth for the Company.

DISCLOSURE ON REMUNERATION

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

Information regarding the remuneration of each director (including the President & CEO) is set out on page 227 of the Annual Report 2019.

Key Management Personnel

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

The President & CEO, as an executive director, does not receive directors' fees and is remunerated as part of senior management. As a lead member of senior management, his compensation consists of his salary, allowances, bonuses and share-based incentives conditional upon meeting certain performance targets. Details on the share-based incentives and performance targets are available on pages 90 – 101 and page 227 of the Annual Report 2019.

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

- Director (Group Finance);
- Head of Operations;
- Head of Rigs & Floaters;
- Chief Financial Officer; and
- Chief Human Resource Officer.

The FY2019 aggregate remuneration for the above-mentioned executives, comprising cash and benefits received, is stated on pages 227 and 228 of the Annual Report 2019.

Overall in 2019, the President & CEO and the top five key management personnel earned 59% less in total compensation, compared to 2018.

Due to the lower than expected levels of performance, all senior management executives have had a pay freeze since 2017 and their share-based incentives for 2019 were also suspended. While the cut in the monthly variable component (MVC) of their salaries – implemented in 2017 – was reinstated in 2018, the President & CEO continues to take a 14.5% salary reduction.

Senior management executives from corporate services also had their salaries reduced by 10% in 2019, via unpaid leave in the fourth quarter of the year.

No employee of the Group whose remuneration exceeded $100,000 during the financial year ended Dec 31, 2019, is a substantial shareholder of the Company or an immediate family member of either a director, the President & CEO or a substantial shareholder of the Company.

CORPORATE GOVERNANCE

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

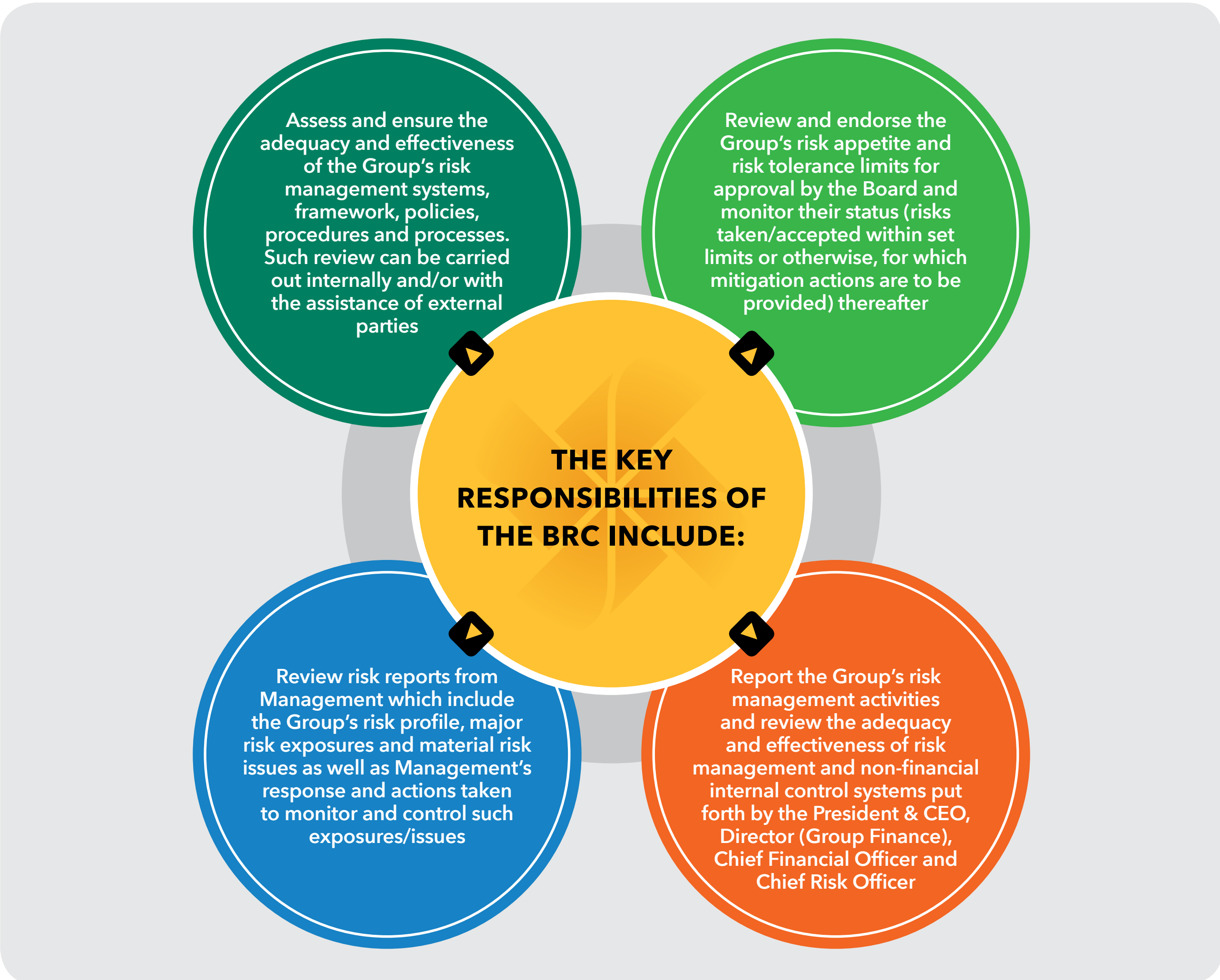
BRC Responsibilities

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

- Mr Bob Tan Beng Hai (Chairman);
- Mr Eric Ang Teik Lim;
- Mrs Gina Lee-Wan;
- Mr William Tan Seng Koon; and
- Mr Tan Wah Yeow.

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

The Group has implemented an Enterprise Risk Management ("ERM") programme since 2004. The ERM



programme helps the Group identify, assess and manage key risks in the challenging business environment that it operates in. Please refer to pages 77 – 82 of the Annual Report 2019 for more information on the Group's ERM programme.

The Group has put in place a Risk Governance and Assurance Framework ("RGAF") to assist the Board in forming an opinion on the adequacy and effectiveness of the system of risk management and internal controls. The RGAF takes a risk-based approach in identifying key risk areas as well as corresponding processes and controls. Assessment is done to ensure adequate and effective controls are designed to mitigate the risks. The RGAF is set out on page 82 of the Annual Report 2019.

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

Assurance to the Board

For FY2019, the Board has received assurances from:

(a) The President & CEO and Director (Group Finance) that as at Dec 31, 2019, the financial records were properly maintained and the financial statements gave a true and fair view of the Group's operations and finances; and

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

The Board is satisfied that the Company's financial, operational, compliance and information technology controls and its risk management system were adequate and effective as at Dec 31, 2019, to meet the needs of the Group in the current business environment. The AC and BRC, having performed their reviews, concurred with the Board's opinion.

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

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

AUDIT COMMITTEE

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

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

AC Appointments

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

- Mr Ron Foo Siang Guan (Chairman);
- Mr Eric Ang Teik Lim;
- Mr Patrick Daniel;
- Mr Tan Wah Yeow; and
- Mr Koh Chiap Khiong.

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

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

CORPORATE GOVERNANCE

AC Responsibilities

The key responsibilities of the AC include:

Financial Reporting	Internal Controls	Internal Audit
• Review significant financial reporting issues and judgments so as to ensure the integrity of the Group's consolidated financial statements; • Review the Group's consolidated financial statements and any related announcements; • Assess and challenge, where necessary, the accuracy, completeness and consistency of the consolidated financial statements (both final and interim), before they are submitted to the Board for approval; and • Review the assurance certificate jointly provided by the President & CEO and Director (Group Finance) that the financial records have been properly maintained, the financial statements give a true and fair view of the Group's operations and finances, and that the Group's internal controls and risk management systems are adequate and effective.	• Review with the external and internal auditors the adequacy of the Group's internal control systems in relation to significant internal control issues which are likely to have a material impact on the Group's operating results and/or financial position; • Review the representation and opinion of Management on internal controls, and the results of work performed by the internal and external auditors; • Review and make amendments, when necessary, to the 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.	• Review and approve the Internal Audit Charter and related policies; • Review and approve the audit plans and annual budget of the internal audit function; • Review and approve the Head of Internal Audit's appointment, performance and remuneration; • Review the adequacy of staffing and qualification levels of the internal audit function; • Review the report on IPTs prepared by the internal audit department; • Meet internal auditors at least once a year in the absence of Management to review the assistance given by the Group's officers to the internal audit function and to determine that no restrictions have been placed on them by Management; and • Review, at least annually, the independence, adequacy and effectiveness of the internal audit function.

External Audit		Interested Person Transactions
• Review the audit plans of the external auditors; • Review the statutory audit report prepared by the external auditors on the Group's full year consolidated financial statements and other reports relating to internal controls and Management's response and actions on any noted weaknesses; • Review and assess annually that the external auditors' independence and objectivity are not impaired;	• Review and approve (prior to engagement) the non-audit services provided by the external auditors, and provide a confirmation in the Group's annual report that it has undertaken a review of these non-audit services and that such services, if any, have not affected the independence of the external auditors; • Recommend the appointment or re-appointment of the external auditors and their audit fees to the Board; and • Meet the external auditors at least once a year in the absence of Management to review the assistance given by the Group's officers to the external auditors, to determine that no restrictions have been placed on them by Management.	• Review and approve, if so required, IPTs in accordance with the requirements of the Listing Manual and the IPT Mandate.

AC Procedures

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

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

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

During the year under review, the AC evaluated all the non-audit services provided to the Group by KPMG LLP ("KPMG"), the Company's external auditors. The AC is satisfied that the independence of KPMG has not been impaired by the provision of these services. A breakdown of the fees for audit and non-audit services paid to KPMG for FY2019 can be found on page 173 of the Annual Report 2019.

The AC discussed key audit matters for FY2019 with Management and the external auditors. The AC concurred with the basis and conclusions included in the independent auditors' report with respect to the key audit matters. For more information on the key audit matters, please refer to pages 103 – 108 of the Annual Report 2019.

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

The Group's Head of the Internal Audit ("HIA") reports functionally to the AC and administratively to the President & CEO. The AC decides on the appointment, termination and remuneration of the HIA.

The Group's Internal Audit Department ("IAD") comprises a team of seven staff members, including the HIA, all of whom are suitably qualified professionals with the relevant experience and requisite skill sets. Training and development opportunities are provided to these staff on an ongoing basis. HIA has unfettered access to the AC and all of the Company's documents, records, properties and personnel, and has appropriate standing within the Company.

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

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

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

Whistle-Blowing Policy

The Group has put in place a whistle-blowing policy and procedures, which the AC oversees. Through this avenue, employees of the Group or any other persons can, 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 or reputational loss to the Group.

The policy establishes various confidential communication channels for whistle-blowing reports to be sent directly to the AC Chairman or HIA. This is to ensure that investigations are independent and objective, and that appropriate follow-up actions are taken.

The Company treats all information received through these channels as confidential and protects the identity of all whistle-blowers. Anonymous reporting is also accepted. Employees who act in good faith are treated fairly and protected from reprisals. The whistle-blowing policy is covered in the staff orientation programme on an on-going basis.

CORPORATE GOVERNANCE

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

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

Disclosure Policy

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

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

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

The Company does not practise selective disclosure of price-sensitive information.

Annual General Meetings

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

Each shareholder receives a notice of meeting which is also advertised in The Business Times as well as posted on the websites of SGX-ST and Sembcorp Marine. The Company holds its general meetings at a central location in Singapore with convenient access to public transport.

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

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 are tallied and displayed live on-screen to shareholders immediately after the votes have been cast. This data is also announced after the meetings via SGXNet.

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

All members of the Board as well as the Director (Group Finance), Chief Financial Officer, Company Secretary and senior management are required to attend all shareholders' meetings and were present at the AGM held on April 16, 2019. The external auditors are also present to address shareholders' queries on the conduct of audit and the preparation and content of the auditors' report.

Voting in absentia by mail, facsimile or email is currently not permitted as such voting methods will need to be carefully evaluated to ensure no compromise to the integrity of the information and the authenticity of the shareholders' identities. However, shareholders can appoint proxies (including the Chairman of the meeting) to cast their votes.

The Company publishes minutes of general meetings on its corporate website. The minutes record substantial and relevant comments or queries from shareholders, and responses from the Board and Management.

Dividends

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

For 2019, the Board adopted a prudent approach to conserving cash in light of the challenging business environment. As such, no interim and final dividends have been declared for FY2019.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12
The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

General meetings are the principal forum for dialogue with shareholders. This includes 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 Company has in place a comprehensive investor relations policy and programme which allow for ongoing exchange of views and active engagement. It also promotes regular, effective and fair communication with investors and shareholders.

The Company's investor relations and corporate communications personnel are available by email or telephone to answer questions from shareholders, the media and analysts at any time as long as the information requested does not conflict with the SGX-ST's rules of fair disclosure.

Apart from attending Singapore conferences, conducting regular meetings and communicating with investors and analysts via email and teleconferences, the Chief Financial Officer and the Head of Investor Relations also travel regularly to overseas road shows and conferences to reach out to foreign institutional investors. More information on investor relations activities can be found on pages 55 to 58 of the Annual Report 2019.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with stakeholders

Principle 13
The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company has in place guidelines and policies for engaging its stakeholders. Please refer to the Sembcorp Marine Sustainability Report 2019 and pages 55 to 58 of our Annual Report 2019.

Dealings in Securities

The Company has in place a policy which prohibits dealings in the Company's securities during the blackout period by its directors and the following staff (the "Officers"): senior executives; persons who are in attendance at meetings of the board and board committees, as well as senior management committees; and employees who are involved in the preparation of the Group's financial statements. The blackout period commences:

(a) two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, and one month before the announcement of the Company's full-year financial statements (if the Company announces its quarterly financial statements); or

(b) one month before the announcement of the Company's half-year and full-year financial statements (if the Company does not announce its quarterly financial statements).

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

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

Interested Person Transactions ("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 have approved the renewal of a general mandate for IPTs at the AGM on April 16, 2019. The mandate sets out the levels and procedures for obtaining approval for each type of IPTs covered under the mandate. Information regarding the mandate can be found on the Company's website at *www.sembmarine.com*.

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

Detailed information on IPTs for FY2019 is found on page 228 of the Annual Report 2019.

Material Contracts

In 2019, the Company's subsidiary obtained a $2 billion subordinated loan from its controlling shareholder, Sembcorp Industries Ltd (SCI). This was announced on June 21, 2019, via SGXNET and reported as an IPT. Further details can be found on page 168 of our Annual Report 2019. Save as disclosed above and in the IPTs listed on page 228 of the Annual Report 2019, no other material contracts involving the interests of any director or SCI had been entered into by the Company or any of its subsidiaries and no such contracts subsisted as at Dec 31, 2019.

CORPORATE GOVERNANCE

SUMMARY OF DISCLOSURES OF CODE OF CORPORATE GOVERNANCE 2018

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

Board Matters

The Board's Conduct of Affairs	
Principle 1	Page reference in Annual Report 2019
Provision 1.1	Pages 60 and 61
Provision 1.2	Page 61
Provision 1.3	Page 60
Provision 1.4	Pages 60, 61 and 62
Provision 1.5	Pages 62 and 63
Provision 1.6	Page 63
Provision 1.7	Page 63

Board Composition and Guidance	
Principle 2	Page reference in Annual Report 2019
Provision 2.1	Page 63
Provision 2.2	Page 63
Provision 2.3	Page 63
Provision 2.4	Page 63
Provision 2.5	Page 63

Chairman and Chief Executive Officer	
Principle 3	Page reference in Annual Report 2019
Provision 3.1	Pages 63 and 64
Provision 3.2	Page 64
Provision 3.3	Page 64

Board Membership	
Principle 4	Page reference in Annual Report 2019
Provision 4.1	Page 64
Provision 4.2	Page 64
Provision 4.3	Pages 64 and 65
Provision 4.4	Page 65
Provision 4.5	Page 65

Board Performance	
Principle 5	Page reference in Annual Report 2019
Provision 5.1	Pages 65 and 66
Provision 5.2	Page 66

Remuneration Matters

Procedures for Developing Remuneration Policies	
Principle 6	Page reference in Annual Report 2019
Provision 6.1	Page 66
Provision 6.2	Page 66
Provision 6.3	Page 66
Provision 6.4	Page 66

Level and Mix of Remuneration	
Principle 7	Page reference in Annual Report 2019
Provision 7.1	Pages 67 and 69
Provision 7.2	Pages 67 and 68
Provision 7.3	Pages 67, 68 and 69

Disclosure on Remuneration	
Principle 8	Page reference in Annual Report 2019
Provision 8.1	Pages 69, 227 and 228
Provision 8.2	Page 69
Provision 8.3	Pages 97 to 101 and 227 to 228

Accountability and Audit

Risk Management and Internal Controls	
Principle 9	Page reference in Annual Report 2019
Provision 9.1	Pages 70 and 71
Provision 9.2	Page 71

Audit Committee	
Principle 10	Page reference in Annual Report 2019
Provision 10.1	Page 72
Provision 10.2	Page 71
Provision 10.3	Page 71
Provision 10.4	Page 73
Provision 10.5	Page 73

Shareholder Rights and Engagement

Shareholder Rights and Conduct of General Meetings	
Principle 11	Page reference in Annual Report 2019
Provision 11.1	Page 74
Provision 11.2	Page 74
Provision 11.3	Page 74
Provision 11.4	Page 74
Provision 11.5	Page 74
Provision 11.6	Page 74

Engagement with Shareholders	
Principle 12	Page reference in Annual Report 2019
Provision 12.1	Page 75
Provision 12.2	Page 75
Provision 12.3	Page 75

Managing Stakeholders Relationships

Engagement with Stakeholders	
Principle 13	Page reference in Annual Report 2019
Provision 13.1	Page 75
Provision 13.2	Page 75
Provision 13.3	Pages 75 and 57

RISK MANAGEMENT

Risks are involved when pursuing business opportunities. While risk management does not eliminate risks completely, it strives to ensure that the risk-reward tradeoff is well understood before decisions are made, and that foreseeable outcomes are within Sembcorp Marine's risk appetite.

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

- Reduce the effects of uncertainties on the achievement of its objectives;
- Integrate risk management into its values, culture and processes;
- Manage risks across Commercial Units, Yards and Centralised Functions; and
- Improve the safety, effectiveness and efficiency of operations and processes.

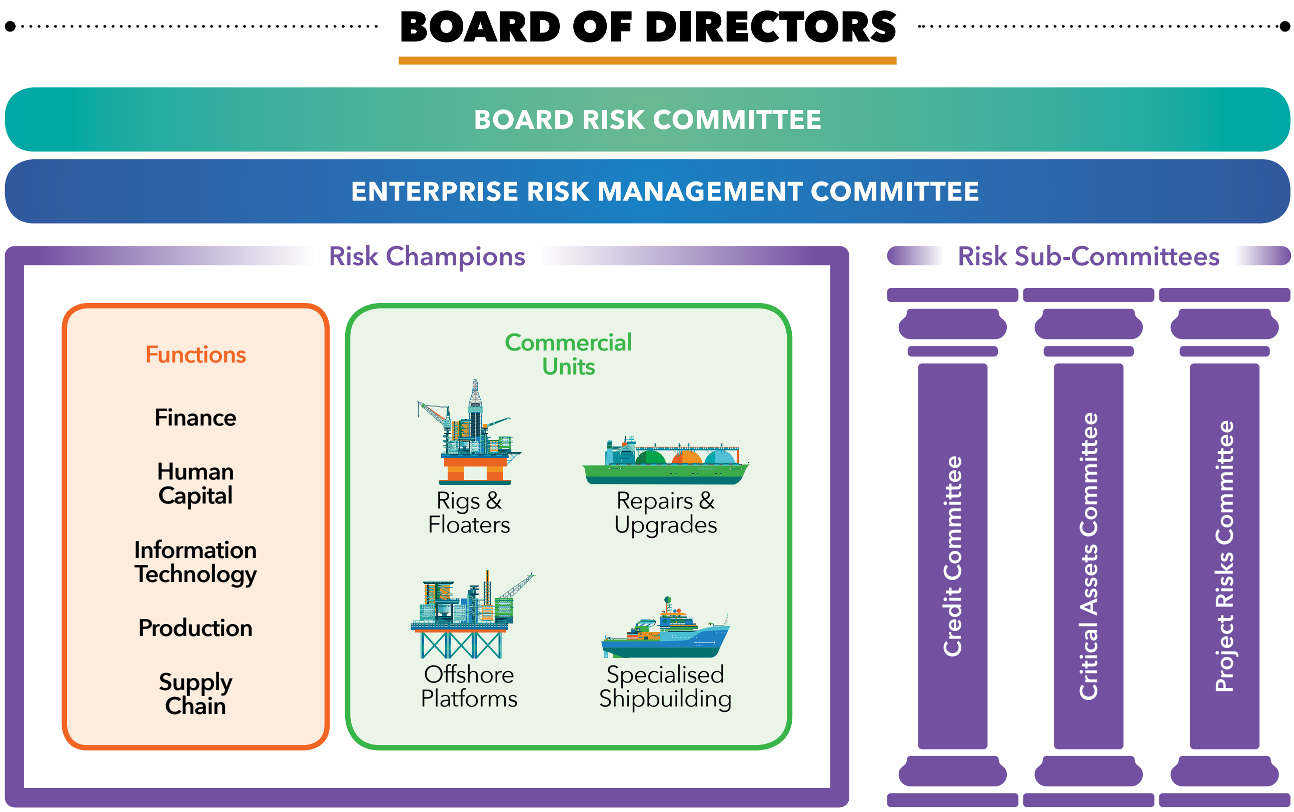
RISK GOVERNANCE

At the apex of Sembcorp Marine's Risk Governance structure is the Board of Directors which sets the tone and direction in the way we manage risks. In particular, the Board:

- Determines the nature and extent of the significant risks the Group takes in achieving its objectives, and its levels of risk tolerance;
- Oversees Management in the design, implementation and monitoring of the risk management and internal control systems; and
- Reviews the adequacy and effectiveness of our risk management and internal control systems.

The Board of Directors delegates authority to the Board Risk Committee (BRC) to fulfil its risk governance responsibilities, while Sembcorp Marine's President & CEO is overall responsible for managing the enterprise-wide risks that impact the Group's objectives and strategies. Guided by the Board's risk direction and approved policies, the President & CEO chairs the Enterprise Risk Management Committee (ERMC) to deliberate and endorse risk policies, guidelines, risk profiles, treatment plans and other material risk issues. This committee comprises the Chief Risk Officer (CRO) and key staff from the Group's commercial units, yards and centralised functions.

The CRO assists the President & CEO in driving and sustaining Sembcorp Marine's ERM and collaborates with internal and external stakeholders to achieve this.



RISK MANAGEMENT

Various ERM sub-committees consisting of Sembcorp Marine subject matter experts (e.g. in Finance, Health, Safety & Environment, and Procurement) oversee their respective areas and provide feedback and insights to the ERM Committee.

The Commercial and Yard Heads, who are responsible for managing their own domain risks, ensure that their respective risk management frameworks and systems are in line with the principles, guidelines and requirements set out in the Group's ERM policy.

Sembcorp Marine Risk Champions assist Heads with risk issues. They work with the CRO to implement the Group's risk management initiatives across Sembcorp Marine units, yards and functions.

The Heads in turn appoint the appropriate staff (eg. managers, supervisors and engineers) to manage risks in their respective areas of responsibilities. They reinforce the maxim that all employees have a role in risk management, including giving feedback and identifying, assessing and mitigating work risks.

In this regard, Sembcorp Marine conducts a risk survey biennially to assess the awareness, behaviour and perception among Sembcorp Marine staff, Management and the Board about ERM effectiveness in the Group. This survey also gauges the maturity of the risk culture within the Group. Based on the feedback received, we will tailor appropriate ERM-related communication and training for survey respondents who require them.

KEY RISKS AND CONTROLS

Credit Risks

Credit risk is the risk of loss arising from a deterioration in credit quality or failure of an obligor, counterparty or third party to honour their financial or contractual obligations.

A concentrated business portfolio, unfavourable contractual payment terms and business partners with poor financial standing can increase the probability of Sembcorp Marine incurring losses.

To mitigate this risk, we utilise a credit rating tool that takes into account both financial data and qualitative attributes to regularly track the financial health of our obligors. The BRC and ERMC are updated on customers' credit ratings, including significant ratings deterioration (if any) and corresponding remedial actions.

Sembcorp Marine limits backend-loaded payment terms to mitigate financial stress from customer defaults. We maintain a diversified customer portfolio, ensuring that concentration in the respective credit tiers is commensurate with the Group's loss tolerance.

Outstanding payments are also closely monitored. The Credit Committee tracks customer receivables and related collection plans and keeps the ERMC apprised of payments, which are categorised according to delinquency status and collectability.

Financial Market Risks

Financial market risk is the risk of loss arising from fluctuations in the value of financial assets and liabilities. This may result from a rising interest rate environment, wider loan credit margins due to Sembcorp Marine's financial performance, losses from foreign-exchange (FX) exposures which are unhedged on account of the uncertain NETP (nature, extent, timing and probability) factors of some project requirements, or increasing commodity prices.

The Treasury department monitors the Group's FX and interest rate exposures and updates the BRC on the latest developments, key drivers and geo-political events that could potentially impact our FX exposures and mark-to-market valuations.

The Foreign Exchange Committee monitors and manages Sembcorp Marine's FX risks according to our FX hedging policy, strategy and procedures. This ensures that key metrics such as the limits, tenor, timing and value-at-risk for all transactions are in line with our approved hedging strategy.

FX transactions are for hedging purposes only and not for speculation. The Foreign Exchange Committee reviews and recommends FX policies for approval, reviews and approves hedging plans, and monitors project-level FX Value at Risk (VaR) and Group VaR. Limits for VaR are defined, tolerance limits specified and follow-up actions for each tolerance band stipulated.

Sembcorp Marine manages the prices of raw materials by sourcing globally for quality supplies at competitive rates. We lock in prices at favourable levels, for example, by negotiating bulk purchases. The risks related to these activities are monitored and managed by the Procurement Outsourcing Risk Committee.

Liquidity Risks

Liquidity risk results from inadequate cash or working capital adversely affecting the Group's operations or ability to meet its financial obligations. This risk can materialise from a number of circumstances, such as customers deferring payments, a mismatch occurring between the maturities of financial assets and liabilities, banks requesting to withdraw their short-term facilities, or banks or bond-holders calling default and demanding loan repayment.

To maximise liquidity and achieve a neutral cash flow, Sembcorp Marine targets upfront and higher milestone payments from new contracts (where possible) and minimises backend loaded projects. We manage our debt maturity profiles by tracking short-term loans used to finance long-term assets, seeking loan maturity extensions, and by exploring alternative funding sources to minimise our cash flow mismatch as much as possible.

We monitor our cash flow projections closely. If certain short-term loans are deemed unlikely to be extended, the Group ensures that there is sufficient cash and facilities for drawdown to repay these loans. We also regularly review available committed and uncommitted banking lines with our existing bankers and explore new banking relationships and other capital raising options.

Sembcorp Marine's liquidity position is monitored closely by the Finance Management Committee, Executive Committee, Audit Committee and the Board of Directors.

Compliance Risks

Compliance risk arises from the violation of, or non-conformance with, local or cross-border laws, rules or regulations. It encompasses conduct risks, stemming from undesirable consequences that the personal conduct of Sembcorp Marine's employees or partners may cause deliberately or through negligence. Compliance risks also include breaching contractual terms and not complying with rules mandated by relevant tax authorities.

To mitigate such risks, we publish a Guide to the Code of Business Conduct that sets out the Group's expectation of standards of behaviour and actions by Sembcorp Marine directors, employees, subsidiaries, joint venture entities, business partners and third parties engaging in business transactions. Our employees and business partners sign a deed of undertaking and are subject to due diligence screening before they are formally engaged. We also organise for these stakeholders forums and refresher training on the Group's Code of Business Conduct. In particular, all employees go through an Anti-Bribery and Anti-Corruption e-learning module.

The Group has put in place HR practices conforming to the applicable standards and requirements. We monitor our corporate bank accounts for unusual activities, segregate payment processing duties and check payments stringently to ensure that they are authorised according to all requirements.

Our whistle-blowing channel has been widely communicated to encourage reporting of unethical or unscrupulous activities. Whistle-blowers' identities and information they have provided are shared strictly on a 'need to know' basis with those responsible for resolving the whistle-blowers' concerns. Sembcorp Marine strictly prohibits any form of retaliation against whistle-blowers.

On Oct 25, 2019, Sembcorp Marine received certification for setting up and operationalising an Anti-Bribery Management System according to ISO 37001:2016 requirements. This certification covers four locations, namely, Tuas Boulevard Yard, Tanjong Kling Yard, Admiralty Yard and Pandan Yard.

RISK MANAGEMENT

We also launched our inaugural Compliance Awareness Week in November 2019 to reinforce a culture of compliance across all levels within the Group. This event highlighted specific themes on compliance and ethics to help all participants understand the standards they were expected to meet.

Strategic Risks

Strategic risks are the risks Sembcorp Marine faces that may affect the validity of its business plans for pursuing growth opportunities.

These risks relate to:

- Order book size;
- Adequacy of internally generated funds to support the Group's operations and meet its financial obligations;
- Fatalities and serious injuries sustained during yard operations and production activities;
- The Group's ability to arrange financing or guarantees that affect our chances of winning projects;
- Country-level competition from China and Korea; and
- Changing industry conditions resulting in more stringent contractual terms that increase our risk exposure, or unlimited liability from more onerous performance requirements and higher possibility of contract breaches.

In addition, we monitor the following risks closely:

- Loss of intellectual property (IP) and sensitive information due to hacking;
- Non-compliant and errant employees and business partners causing financial or reputational damage and invalidation of our business contracts;
- Uncompetitive compensation and benefits hindering the Group's talent attraction and retention; and
- Vendors and competitors using sensitive procurement information to their advantage.

To manage the identified risks, Sembcorp Marine's Management, in consultation with the Board, summarises the Group's top strategic risks on a heat map, where the probability and materiality of each strategic risk is assessed. By implementing the agreed mitigation measures and controls, we aim to reduce the gross level of each risk to the target net risk level. The BRC regularly reviews the Group's strategic risks heat map, mitigation measures and controls.

The ERMC and BRC also track various risks using the Risk Appetite Statement Dashboard. Any deviation from tolerable limits is thoroughly investigated. Risk Appetite Statements, metrics and tolerance limits with corresponding control measures and corrective actions are evaluated regularly and recalibrated as needed, ensuring that the Group has an acceptable balance between risk taking and optimising returns.

Sembcorp Marine's senior management, led by the President & CEO, proactively develops and executes the Group's strategy, with significant strategic actions reviewed and approved by the Board through periodic presentations and an annual strategy meeting.

Heads of Commercial Units are accountable for executing Group-wide strategies, including decisions on new business and products. They regularly update senior management and the Board on performance against operating plans. Such matters are also regularly discussed between the President & CEO and the Executive Committee.

Operational Risks

Operational risk is the risk of loss arising from inadequate or failed internal processes related to Project Management, Information Technology, Human Capital, Health, Safety & Environment (HSE), and Supply Chain. Specific committees within Sembcorp Marine oversee these risks and ensure that they are in line with the Group's risk policies and risk appetite.

Project Risks

Project risk is the risk of loss arising from project-related problems, such as delays in project milestones and cost overruns.

Sembcorp Marine manages multiple projects at any one time. Besides optimising resource planning and use, the Group levels resource utilisation effectively across various projects to minimise costs and deliver quality projects safely and within schedule.

We make sure our work processes are rigorous and well understood, allowing risks to be identified upfront or detected early. For example, we review our projects' progress regularly and determine if the resources allocated have been optimised and right-sized. We also invest in technology to boost our operational efficacy, and upgrade our workforce continuously to achieve sustainable productivity improvements.

Sembcorp Marine's Project Risk Committee, chaired by the President & CEO, reviews all projects' progress, paying particular attention to the schedule and budget variances of major projects that may expose the Group to liquidated damages and potential losses. The committee tracks mitigation plans and reinforces the required project management discipline. The Audit Committee is updated on any significant project delays or budgetary deviations.

IT Risks

IT risk is the risk of loss arising from cyber-threats. These threats include the theft, loss, misuse or disclosure of confidential information, and disruption of work processes due to unavailability of IT assets or resources that can cause reputational damage, financial loss, and legal and regulatory penalties.

Sembcorp Marine's IT security infrastructure protects our critical business applications. To mitigate the identified risks, we expend significant resources to implement robust safeguards, and to maintain and update our systems and networks.

To raise the level of cyber hygiene across the Group and especially our awareness of the proper methods of dealing with cyber-threats, we implemented a mandatory cybersecurity e-learning module for all employees in 2019. Regular memos and reminders are also disseminated to reinforce the importance of proper conduct when using IT assets.

In the event of a critical system failure, the Group has in place a Disaster Recovery plan with strict Recovery Time and Recovery Point objectives. We test and review the plan annually and keep the BRC updated on the outcomes.

Human Capital Risks

Human capital risk arises from gaps between the Group's goals and objectives and the core capabilities of our employees. This can be due to high staff turnover, complacency or ineffective hiring.

The ERMC and BRC monitor human capital risks by tracking staff turnover rate and succession index annually. To retain the core capabilities within our workforce and ensure our functions are adequately resourced, Sembcorp Marine's competitive staff benefits include a Flexible Benefits Plan and Group Insurance. We promote career growth opportunities by offering scholarships, job rotations and training. Key personnel and high-potential employees are further identified for leadership-grooming.

HSE Risks

Sembcorp Marine adopts a Vision Zero incidence goal. We strive to achieve zero harm to people and the environment through awareness building, vigilance and creating an environment that prioritises HSE issues across all levels.

To strengthen our Workplace Safety and Health strategic thrusts, we continuously upgrade our HSE competencies and capabilities, improve our risk and safety management systems, and encourage both employees and partners to embrace a positive HSE culture at Sembcorp Marine. Our unique Stop-Work Authority, for example, empowers employees, vendors and customers to stop ongoing work at the yard if they notice anything that may potentially harm people, property or the environment.

BRC is kept updated on HSE statistics, near misses and severe incidents, including investigation findings and analyses that address root causes and recurrence prevention.

Supply Chain Risk

Supply chain risk arises from disruptions that threaten supply chain continuity or result in unfavourable quality or prices of supplies. These disruptions include price volatilities, supply shortages, high product demand, pandemics, natural disasters, corrupt conduct and financial failure of suppliers.

RISK MANAGEMENT

To minimise supply chain risks, Sembcorp Marine qualifies its vendors and suppliers based on company profile, financial health, technical capabilities and expertise, as well as qualitative aspects outlined in our Supplier Code of Conduct. We also expand our pool of alternative vendors and suppliers constantly.

Sembcorp Marine's Supplier Code of Conduct describes our requirements regarding Ethics, Conflicts of Interest, Human Rights, Environmental Responsibility and Sustainability, Conflict Materials, HSE, Data Protection and Dealing with Sanctioned Entities.

The Group has clear procurement processes and procedures in place to ensure our transactions with vendors and suppliers are fair, open, ethical and corruption-free. We review the performance of key and qualified vendors annually.

OTHER GROUP-WIDE RISK-BASED ACTIVITIES

Risk and Governance Assurance Framework (RGAF) and Control Self-Assessment (CSA)

The Board conducts an annual assessment before issuing its statement in Sembcorp Marine's annual report about the adequacy and effectiveness of our risk management systems and internal controls. A Risk and Governance Assurance Framework (RGAF) provides the basis for the Board to form its view.

In our yearly Control Self-Assessment (CSA) exercise, Sembcorp Marine's centralised functions, commercial units and yards review and rank their key risks, assess the corresponding risk controls and sources of assurance and develop additional controls as necessary. The Heads of centralised functions, commercial units and yards sign off the RGAF register annually.

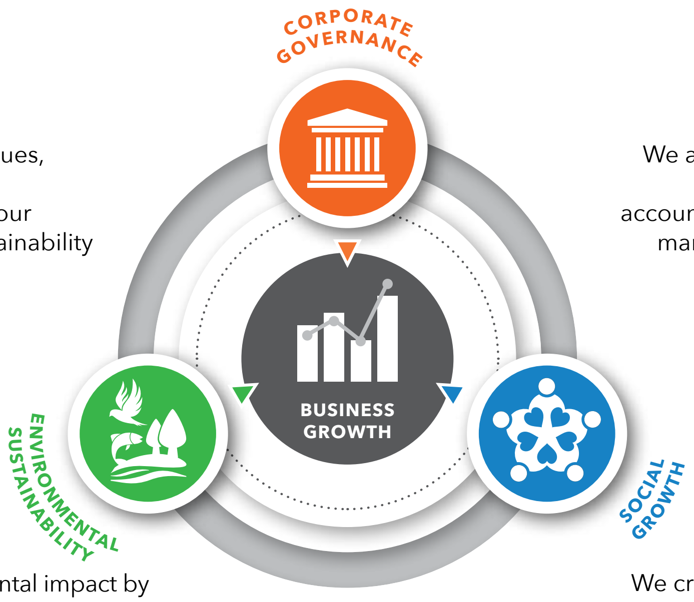
Sembcorp Marine's assurance principle is based on reasonableness, where we acknowledge the need to develop and implement systems that provide the appropriate balance between risk and the controls required for ensuring that we can meet our objectives. Other than ascertaining our key controls are adequate and effective, our CSA programme instils ownership among the process and control owners, and promotes a sense of accountability.

Insurance

Where it is cost-effective or required by contractual obligations or legislation to do so, the Group leverages insurance as a means of risk transfer. We have undertaken insurance coverage against foreseeable events that may result in material financial losses. Our approach on insurance is to strike a balance between our capabilities for mitigating risk exposures and the costs and benefits of a comprehensive insurance programme.

OUR SUSTAINABILITY

To create long-term value for our stakeholders, Sembcorp Marine aims to deliver strong business performance, underpinned by good governance and positive environmental and social impact.



Business Growth

We actively address the values, needs and priorities of our stakeholders in managing our long-term growth and sustainability

Material Issues:
- *Innovation & Solutions*
- *Customer Alignment*

Corporate Governance

We are committed to regulatory compliance, transparency, accountability and a proactive risk management culture with high ethical standards

Material Issue:
- *Business Integrity*

Environmental Sustainability

We mitigate our environmental impact by improving resource and operational efficiency, reducing our carbon footprint, and developing sustainable products and solutions

Material Issue:
- *Environmental Sustainability*

Social Growth

We create positive impact on our communities and for our stakeholders through our business and corporate social responsibility activities

Material Issues:
- *Human Capital*
- *Total Workplace Safety & Health*
- *Community Engagement*

We embrace the United Nations Sustainable Development Goals in our sustainability management

SUSTAINABILITY REPORTING

Sembcorp Marine now publishes separate sustainability and annual reports. We have also extended our sustainability reporting to cover the Group's operations in Singapore, Indonesia and Brazil.

See Sembcorp Marine Sustainability Report 2019

OUR SUSTAINABILITY

OUR VALUE CREATION AND SUPPLY CHAIN MANAGEMENT

Sembcorp Marine has a track record of delivering our projects on time, within budget and according to specifications. We achieve these outcomes by identifying areas in each project's life-cycle where we can apply innovation and standardisation to optimise resources and cost-savings, and improve quality and execution efficiency. Our projects in turn are supported by a supply chain management framework comprising:

- Strategic sourcing and responsible procurement;
- Due diligence and compliance;
- Engagement and collaboration;
- Harnessing technologies; and
- Inventory optimisation.

Robust governance practices ensure that our supply chain and procurement processes as well as our suppliers meet Sembcorp Marine's required environmental, social and governance (ESG) standards.

Sembcorp Marine's suppliers declare their compliance with our Supplier Code of Conduct and Code of Business Conduct, which set out the Group's expectations relating to business integrity, conflicts of interest, human rights, fair employment, decent labour practices, ethical sourcing, health, safety and environmental responsibility, data protection and privacy, as well as compliance with rules and regulations.

The Group's due diligence process includes pre-qualifications, audits and surveillance on key suppliers against our ESG requirements. As part of our ISO 37001:2016 Anti-bribery Management System certification in 2019, our Supply Chain and Procurement function went through an independent third-party audit.

We also regularly share best practices, technical knowledge and technology developments with our suppliers and contractors.

Hosting Norwegian Energy Partners (Norwep)

OUR VALUE CHAIN

Innovation & Solutions Development

Strategic technology research and solutions development programmes contribute to the design, engineering and production of safer, smarter and more environmentally sustainable products and services

Procurement

Due diligence of supply chain partners and contractors on adherence to environmental, social and governance principles in our Supplier Code of Conduct

Construction & Commissioning

- Management of resources, project execution and production activities
- Quality, health, safety and environment management
- Adoption of greener production processes
- Community engagement for managing social impact

Quality, Health, Safety & Environment

Quality, health, safety and environment assurance and compliance checks to ensure products and solutions conform to rules and standards of regulatory bodies and classification societies

Transportation and Delivery

- Management of customer requirements and fulfilling their delivery specifications
- Provision of innovative and sustainable solutions to support customers in their transportation and logistic needs

Product in Operation

Management systems and risk mitigation measures to control product-related safety and environmental impact

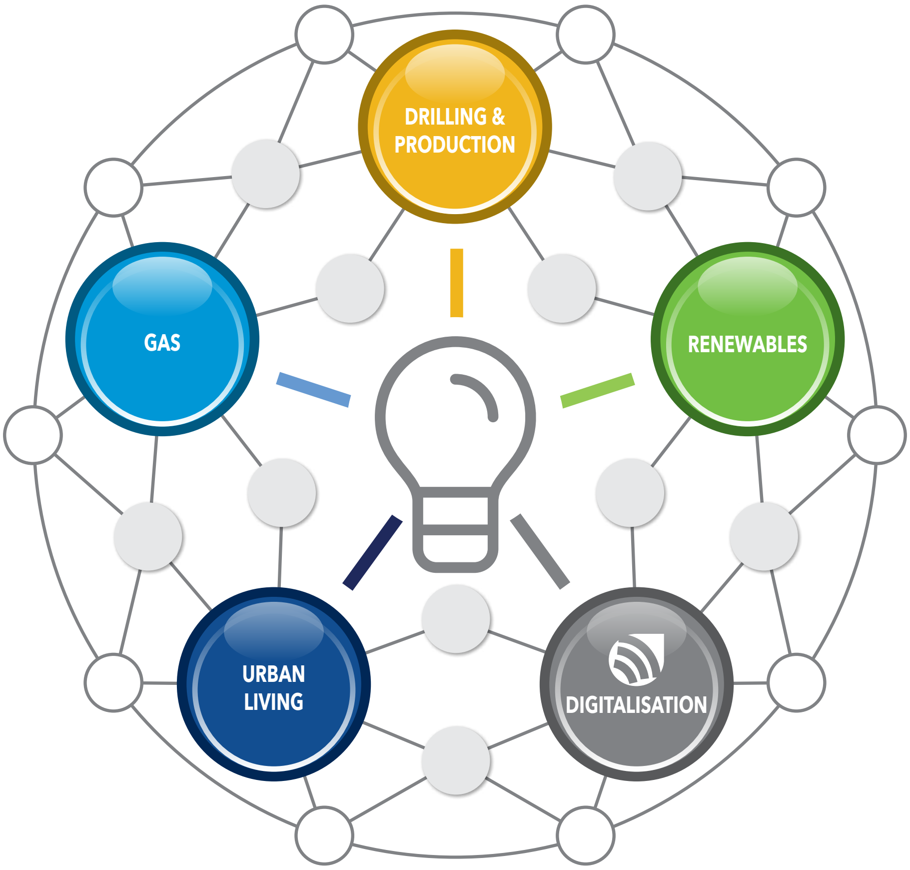
For more Information on our Value Creation and Supply Chain Management, please refer to pages 6 – 9 of our Sustainability Report 2019.

DEVELOPING INNOVATIVE & SUSTAINABLE SOLUTIONS

Sembcorp Marine's value proposition centres on providing cutting-edge solutions that not only fulfil our customers' requirements but also enhance their operational sustainability and competitiveness. To achieve this, we place great emphasis on innovation development, particularly in areas that promote cleaner energy production, storage, transportation and consumption. We actively harness Industry 4.0 technologies to improve the safety, quality and sustainability of our own yard operations.

More details on our Innovation and Solutions approach can be found in our Sustainability Report 2019 on pages 12 – 15.

OUR INNOVATION FOCUS



OUR CUSTOMER FOCUS

By building long-term relationships based on trust and a continuous understanding of our customers' needs, we aspire to be a partner of choice in the global offshore, marine and energy industries. Our collaborations with customers, vendors and suppliers often go beyond the scope of commercial projects to include joint efforts in R&D, cybersecurity management and workplace safety & health. In this way, we multiply our contributions across the value chain.

Read more about our Customer Alignment approach on pages 18 – 23 of our Sustainability Report 2019.

OUR SUSTAINABILITY

ADDRESSING ENVIRONMENTAL CHALLENGES

In all aspects of our operations, we are committed to mitigating our environmental impact and reducing our carbon footprint. We support Singapore's Ministry of Environment Climate Action Pledge and are steadily increasing our use of renewable energy and energy-efficient equipment. We optimise our power consumption through smart energy-saving systems.

Across our global operations, we manage our resources responsibly by monitoring materials handling and use, and waste disposal.

CLIMATE, OCEAN AND EARTH

Sembcorp Marine's 'Climate, Ocean and Earth' sustainability programmes focus on reducing carbon emissions, conserving oceans and managing natural resources responsibly.

For more Information on our Environmental Sustainability approach, please refer to pages 26 – 33 of our Sustainability Report 2019.

NURTURING OUR HUMAN CAPITAL

At Sembcorp Marine, we create an equal-opportunity workplace to attract and retain the best talent and to empower our employees' growth. We embrace a fair, inclusive and equitable work culture. We adhere to international and local human rights principles, regulations, guidelines and best practices.

OUR HUMAN CAPITAL STRATEGY

SEMBCORP MARINE STRIVES TO BE AN EMPLOYER OF CHOICE

Please see pages 36 – 43 of our Sustainability Report 2019 for more information on our Human Capital approach.

PROTECTING OUR PEOPLE

Sembcorp Marine's Workplace Safety and Health (WSH) 2028 Vision Zero incidence goal is an important foundation of our work ethos. It encompasses all staff, contractors, customers and suppliers operating within our facilities.

More details on our Total WSH approach can be found on pages 46 – 51 of our Sustainability Report 2019.

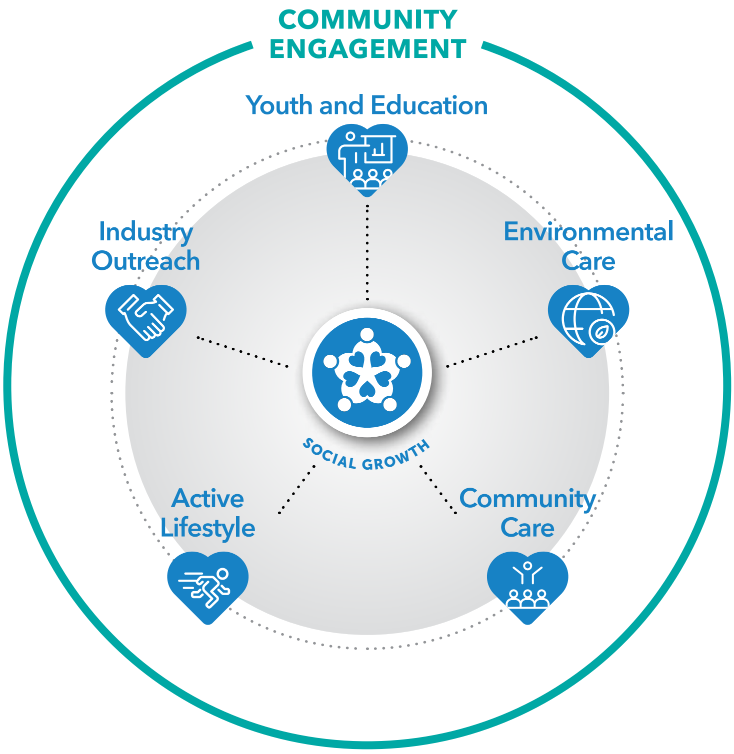
CARING FOR OUR COMMUNITIES

Sembcorp Marine's community engagement initiatives are aligned with the United Nations Sustainable Development Goals and ISO 26000 Guidance on Social Responsibility.

Community contributions in 2019

- **$1.81 MILLION** through global corporate social responsibility initiatives, sponsorships, corporate donations, staff contributions and industry programmes
- Over **10,000 VOLUNTEERING HOURS**

OUR COMMUNITY ENGAGEMENT FOCUS



For more Information on our Community Engagement approach, please refer to pages 54 – 59 of our Sustainability Report 2019.

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2019

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 2019.

In our opinion:

(a) the financial statements set out on pages 111 to 226 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50, Singapore Financial Reporting Standards (International) and International Financial Reporting Standards; and

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

The Board of Directors 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
Ron Foo Siang Guan	
Koh Chiap Khiong	
Eric Ang Teik Lim	
Gina Lee-Wan	
Bob Tan Beng Hai	
Neil McGregor	
William Tan Seng Koon	
Patrick Daniel	
Tan Wah Yeow	

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 21/01/2020	At beginning of the year	At end of the year	At 21/01/2020
Tan Sri Mohd Hassan Marican							
Sembcorp Marine Ltd	Ordinary shares (Note 1)	371,500	466,500	466,500	–	–	–
Sembcorp Industries Ltd	Ordinary shares (Note 1)	94,300	113,500	113,500	–	–	–

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2019

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 21/01/2020	At beginning of the year	At end of the year	At 21/01/2020
Wong Weng Sun							
Sembcorp Marine Ltd	Ordinary shares	3,637,934	3,686,812	3,686,812	–	–	–
	Conditional award of 638,000 performance shares to be delivered after 2018 (Note 2a)	Up to 957,000	–	–	–	–	–
	Conditional award of 550,000 performance shares to be delivered after 2019 (Note 2b)	Up to 825,000	Up to 825,000	Up to 825,000	–	–	–
	Conditional award of 481,000 performance shares to be delivered after 2020 (Note 2c)	Up to 721,500	Up to 721,500	Up to 721,500	–	–	–
	Conditional award of 127,500 restricted shares to be delivered after 2016 (Note 3a)	6,375	–	–	–	–	–
	Conditional award of 191,000 restricted shares to be delivered after 2017 (Note 3b)	19,100	9,550	9,550	–	–	–
	Conditional award of 181,000 restricted shares to be delivered after 2018 (Note 3c)	Up to 271,500	19,307	19,307	–	–	–

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2019

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 21/01/2020	At beginning of the year	At end of the year	At 21/01/2020
Wong Weng Sun (cont'd)							
Sembcorp Marine Ltd (cont'd)	Conditional award of 233,000 restricted shares to be delivered after 2018 (Note 4)	Up to 349,500	46,600	46,600	–	–	–
Sembcorp Industries Ltd	Ordinary shares	79,000	79,000	79,000	–	–	–
Ron Foo Siang Guan							
Sembcorp Marine Ltd	Ordinary shares	282,680	316,180	316,180	28,000	28,000	28,000
Sembcorp Industries Ltd	Ordinary shares	82,820	82,820	82,820	–	–	–
Koh Chiap Khiong							
Sembcorp Marine Ltd	Ordinary shares (Note 6)	148,700	148,700	148,700	–	–	–
Sembcorp Industries Ltd	Ordinary shares (Note 6)	589,395	702,832	702,832	–	–	–
	Conditional award of 133,000 performance shares to be delivered after 2018 (Note 2a)	Up to 199,500	–	–	–	–	–
	Conditional award of 100,000 performance shares to be delivered after 2019 (Note 2b)	Up to 150,000	Up to 150,000	Up to 150,000	–	–	–

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2019

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 21/01/2020	At beginning of the year	At end of the year	At 21/01/2020
Koh Chiap Khiong (cont'd)							
Sembcorp Industries Ltd (cont'd)	Conditional award of 225,000 performance shares to be delivered after 2020 (Note 2c)	Up to 337,500	Up to 337,500	Up to 337,500	–	–	–
	Conditional award of 230,000 performance shares to be delivered after 2021 (Note 2d)	–	Up to 345,000	Up to 345,000	–	–	–
	Conditional award of 85,000 restricted shares to be delivered after 2016 (Note 5a)	34,000	–	–	–	–	–
	Conditional award of 96,000 restricted shares to be delivered after 2017 (Note 5b)	37,760	18,880	18,880	–	–	–
	Conditional award of 100,000 restricted shares to be delivered after 2018 (Note 5c)	Up to 150,000	41,333	41,333	–	–	–

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2019

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 21/01/2020	At beginning of the year	At end of the year	At 21/01/2020
Koh Chiap Khiong (cont'd)							
Sembcorp Industries Ltd (cont'd)	Grant of award of 159,557 restricted shares to be delivered between 2019 to 2022 (Note 5d)	–	119,667	119,667	–	–	–
Gina Lee-Wan							
Sembcorp Marine Ltd	Ordinary shares	69,800	100,100	100,100	–	–	–
Bob Tan Beng Hai							
Sembcorp Marine Ltd	Ordinary shares	91,400	135,600	135,600	–	–	–
Neil McGregor							
Sembcorp Marine Ltd	Ordinary shares	15,700	15,700	15,700	–	–	–
Sembcorp Industries Ltd	Ordinary shares	159,400	360,875	360,875	–	–	–
	Conditional award of 429,553 performance shares to be delivered after 2019 (Note 2b)	Up to 644,330	Up to 644,330	Up to 644,330	–	–	–
	Conditional award of 638,000 performance shares to be delivered after 2020 (Note 2c)	Up to 957,000	Up to 957,000	Up to 957,000	–	–	–

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2019

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 21/01/2020	At beginning of the year	At end of the year	At 21/01/2020
Neil McGregor (cont'd)							
Sembcorp Industries Ltd (cont'd)	Conditional award of 740,000 performance shares to be delivered after 2021 (Note 2d)	–	Up to 1,110,000	Up to 1,110,000	–	–	–
	Conditional award of 416,667 restricted shares to be delivered after 2018 (Note 5c)	Up to 625,001	172,222	172,222	–	–	–
	Grant of award of 287,051 restricted shares to be delivered between 2019 to 2022 (Note 5d)	–	215,288	215,288	–	–	–
William Tan Seng Koon							
Sembcorp Marine Ltd	Ordinary shares	16,900	54,700	54,700	–	–	–
Patrick Daniel							
Sembcorp Marine Ltd	Ordinary shares	–	19,500	19,500	–	–	–
Tan Wah Yeow							
Sembcorp Marine Ltd	Ordinary shares	–	1,000	1,000	–	–	–

DIRECTORS' INTERESTS (CONT'D)

Note 1: The 466,500 Sembcorp Marine Ltd shares and 113,500 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 2016 to 2018*
(b) Period from 2017 to 2019
(c) Period from 2018 to 2020
(d) Period from 2019 to 2021

* For this period, no shares earned based on achievement factor at the end of the prescribed performance period, the conditional awards covering the period has thus lapsed.

Note 3: The actual number to be delivered will depend on the achievement of set targets at the end of 2-year performance period as indicated below. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

(a) Period from 2015 to 2016*
(b) Period from 2016 to 2017**
(c) Period from 2017 to 2018***

* For this period, 6,375 shares (the final release of 1/3 of the 19,125 shares) were vested under the award on 29 March 2019. The 1st and 2nd release of 6,375 shares each have been vested on 28 March 2017 and 28 March 2018 respectively.

** For this period, 9,550 shares (2nd release of 1/3 of the 28,650 shares) were vested under the award on 29 March 2019 and the remaining 9,550 shares will be vested in year 2020. The 1st release of 9,550 shares has been vested on 28 March 2018.

*** For this period, 9,653 shares (1st release of 1/3 of the 28,960 shares) were vested under the award on 15 October 2019 and the remaining 19,307 shares will be vested in year 2020 and 2021.

Note 4: The actual number to be delivered will depend on the achievement of set targets over one financial year performance period from 1 January 2018 to 31 December 2018. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered. For this period, 23,300 shares (1st release of 1/3 of the 69,900 shares) were vested under the award on 15 October 2019 and the remaining 46,600 shares will be vested in year 2020 and 2021.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2019

DIRECTORS' INTERESTS (CONT'D)

Note 5: The actual number to be delivered will depend on the achievement of set targets at the end of the 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 2015 to 2016

For this period, 34,000 shares (the final release of 1/3 of the 102,000 shares) were vested under the award on 28 March 2019. The 1st and 2nd release of 34,000 shares each have been vested in 2017 and 2018 respectively.

(b) Period from 2016 to 2017

For this period, 18,880 shares (2nd release of 1/3 of the 56,640 shares) were vested under the award on 28 March 2019 and the remaining 18,880 shares will be vested in year 2020. The 1st release of 18,880 shares has been vested on 28 March 2018.

(c) Period from 2017 to 2018

For this period, 20,667 shares (1st release of 1/3 of the 62,000 shares) were vested under the award to Koh Chiap Khiong on 28 March 2019 and the remaining 41,333 shares will be vested in year 2020 and 2021.

For this period, 86,112 shares (1st release of 1/3 of the 258,334 shares) were vested under the award to Neil McGregor on 28 March 2019 and the remaining 172,222 shares will be vested in year 2020 and 2021.

(d) With effect from 2019, restricted shares will be granted based on the financial performance and corporate objectives achieved in the preceding year.

In 2019, 39,890 shares (1st release of 1/4 of the 159,557 shares) were vested under the award to Koh Chiap Khiong on 28 March 2019 and the remaining shares will be vested in year 2020, 2021 and 2022.

In 2019, 71,763 shares (1st release of 1/4 of the 287,051 shares) were vested under the award to Neil McGregor on 28 March 2019 and the remaining shares will be vested in year 2020, 2021 and 2022.

Note 6: The 148,700 Sembcorp Marine Ltd shares and 589,395 Sembcorp Industries Ltd shares are held in the name of DBS Nominees Pte Ltd.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year or 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 2020.

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 28(a) and 39(b) to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2019

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 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
Eric Ang Teik Lim	
William Tan Seng Koon	
Patrick Daniel	

The SCM RSP 2010 is the incentive scheme for directors and employees of the Company and its subsidiaries (the "Group") whereas the SCM PSP 2010 is aimed primarily at key executives of the Group.

The 2010 Share Plans are intended to increase the Company's flexibility and effectiveness in its continuing efforts to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of the Group. The 2010 Share Plans will strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives.

The Company designates Sembcorp Industries Ltd as the Parent Group.

The SCM RSP 2010 is intended to apply to a broad base of senior executives as well as to the non-executive directors, while the SCM PSP 2010 is intended to apply to a select group of key senior management. Generally, it is envisaged that the range of performance targets to be set under the SCM RSP 2010 and the SCM PSP 2010 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

The 2010 Share Plans will provide incentives to high performing key senior management and senior executives to excel in their performance and encourage greater dedication and loyalty to the Company. Through the 2010 Share Plans, the Company will be able to motivate key senior management and senior executives to continue to strive for the Group's long-term shareholder value. In addition, the 2010 Share Plans aim to foster a greater ownership culture within the Group which align the interests of participants with the interests of shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment.

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.

SHARE-BASED INCENTIVE PLANS (CONT'D)

Other information regarding the 2010 Share Plans is as follows:

(a) 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.

Award granted until 2017

Under the Performance Share Plan ("SCM PSP 2010"), the awards granted conditional on performance targets are set based on corporate objectives at the start of each rolling three-year performance qualifying period. The performance criteria for the performance shares are calibrated based on Wealth Added, Total Shareholder Return and Earnings per Share for awards granted in 2017.

Award granted in 2018 and onwards

In 2018, following the review of the performance targets, the performance levels will be calibrated based on Return on Capital Employed, Total Shareholder Return and Earnings per Share. For awards granted in 2018 and onwards, both market-based and non-market-based performance conditions are taken into account.

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

To create alignment between senior management and other employees at the time of vesting, SCM PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2018 to 2020 will be vested to the senior management participants only if the restricted shares for the performance period 2020 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:

Performance Shares participants	At 1 January	Movements during the year: Conditional performance shares awarded	Movements during the year: Conditional performance shares lapsed	Movements during the year: Performance shares lapsed arising from targets not met	At 31 December
2019					
Director of the Company					
Wong Weng Sun	1,669,000	–	–	(638,000)	1,031,000
Key executives of the Group	2,419,000	–	–	(832,000)	1,587,000
	4,088,000	–	–	(1,470,000)	2,618,000
2018					
Director of the Company					
Wong Weng Sun	1,563,000	481,000	–	(375,000)	1,669,000
Key executives of the Group	3,170,000	687,000	(598,000)	(840,000)	2,419,000
	4,733,000	1,168,000	(598,000)	(1,215,000)	4,088,000

SHARE-BASED INCENTIVE PLANS (CONT'D)

(a) Performance Share Plan (cont'd)

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2016 to 2018 (2018: performance period 2015 to 2017), there were no (2018: nil) performance shares released.

In 2019, there were 1,470,000 (2018: 1,215,000) performance shares that lapsed for under-achievement of the performance targets for the performance period 2016 to 2018 (2018: 2015 to 2017).

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 2019, was 2,618,000 (2018: 4,088,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,927,000 (2018: 6,132,000) performance shares.

(b) Restricted Share Plan

Award granted until 2017

Under the Restricted Share Plan ("SCM RSP 2010"), the awards granted conditional on performance targets are set based on corporate objectives at the start of each rolling two-year performance qualifying period. The performance criteria for the restricted shares are calibrated based on Return on Capital Employed and Earnings before Interest and Taxes for awards granted in 2016 and 2017.

Award granted in 2018 and onwards

In 2018, under the Restricted Share Plan ("SCM RSP 2010"), the awards granted conditional on performance targets will be set based on corporate objectives at the start of the one-year performance qualifying period. The performance criteria for the restricted shares will be calibrated based on Earnings before Interest and Taxes only for awards granted in 2018 and onwards.

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

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.

SHARE-BASED INCENTIVE PLANS (CONT'D)

(b) Restricted Share Plan (cont'd)

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 2019 and 2018, 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 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:

		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**
2019						
Directors of the Company						
Tan Sri Mohd Hassan Marican	–	95,000	–	(95,000)	–	–
Wong Weng Sun	439,475	–	(315,140)	(48,878)	–	75,457
Ron Foo Siang Guan	–	33,500	–	(33,500)	–	–
Gina Lee-Wan	–	30,300	–	(30,300)	–	–
Bob Tan Beng Hai	–	44,200	–	(44,200)	–	–
William Tan Seng Koon	–	37,800	–	(37,800)	–	–
Patrick Daniel	–	19,500	–	(19,500)	–	–
Tan Wah Yeow	–	1,000	–	(1,000)	–	–
Other executives	15,177,252	–	(10,844,781)	(1,579,928)	(455,025)	2,297,518
	15,616,727	261,300	(11,159,921)	(1,890,106)	(455,025)	2,372,975
2018						
Directors of the Company						
Tan Sri Mohd Hassan Marican	–	75,200	–	(75,200)	–	–
Wong Weng Sun	397,500	233,000	(162,350)	(28,675)	–	439,475
Ron Foo Siang Guan	–	27,900	–	(27,900)	–	–
Koh Chiap Khiong	–	25,500	–	(25,500)	–	–
Gina Lee-Wan	–	20,300	–	(20,300)	–	–
Bob Tan Beng Hai	–	29,900	–	(29,900)	–	–
Neil McGregor	–	15,700	–	(15,700)	–	–
William Tan Seng Koon	–	16,900	–	(16,900)	–	–
Former director of the Company	–	64,400	–	(64,400)	–	–
Other executives	14,985,913	7,615,188	(5,915,800)	(883,228)	(624,821)	15,177,252
	15,383,413	8,123,988	(6,078,150)	(1,187,703)	(624,821)	15,616,727

SHARE-BASED INCENTIVE PLANS (CONT'D)

(b) Restricted Share Plan (cont'd)

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2018, a total of 759,914 (2018: Nil) restricted shares were released. For awards in relation to the performance period 2017 to 2018, a total of 377,226 (2018: Nil) restricted shares were released. For awards in relation to the performance period 2016 to 2017, a total of 312,823 (2018: 395,199) restricted shares were released. For awards in relation to the performance period 2015 to 2016, a total of 178,843 (2018: 198,575) restricted shares were released. In 2018, a total of 318,129 restricted shares were released for awards in relation to the performance period 2014 to 2015. In 2019, there were 261,300 (2018: 275,800) restricted shares released to non-executive directors. The restricted shares were either released via the issuance of treasury shares or the issuance of new shares.

In 2019, there were 5,338,217 (2018: Nil) restricted shares that lapsed for under-achievement of the performance targets for the performance period 2018. For the performance period 2017 to 2018 (2018: performance period 2016 to 2017), a total of 5,821,704 (2018: 6,078,150) restricted shares lapsed for under-achievement of the performance targets.

The total number of restricted shares outstanding, including awards achieved but not released, as at 31 December 2019, was 2,372,975 (2018: 15,616,727). Of this, there was no (2018: 14,817,138) restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at 31 December 2019. Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 22,225,707 restricted shares as at 31 December 2018.

<u>Sembcorp Marine Challenge Bonus</u>

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2018, a total of $1,091,088 (2018: Nil), equivalent to 634,427 (2018: Nil) notional restricted shares, were paid. For the performance period 2017 to 2018 (2018: performance period 2016 to 2017), a total of $548,657 (2018: $789,088), equivalent to 319,024 (2018: 354,774) notional restricted shares, were paid.

In 2019, there were no (2018: 2,520,117) notional restricted shares awarded (2018: awarded on 23 August 2018) 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 2019, was nil (2018: 4,684,737). 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 nil (2018: 7,027,106).

(c) Maximum Number of Shares Issuable

The maximum number of performance shares and restricted shares which could be delivered, when aggregated with the number of new shares issued and issuable in respect of all options granted, is within the 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
Koh Chiap Khiong	
Eric Ang Teik Lim	
Patrick Daniel	
Tan Wah Yeow	

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2019

AUDIT COMMITTEE (CONT'D)

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

The Audit Committee performs the functions specified in Section 201B of the Singapore Companies Act, Chapter 50, the Listing Manual of the Singapore Exchange, and the Code of Corporate Governance.

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
3 March 2020

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 2019, 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 111 to 226.

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"), Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets (the "shipyard assets")
(Refer to Notes 4, 5, 13 and 44 to the financial statements: Property, plant and equipment of $4,250,971,000, Right-of-use assets of $253,304,000 and Intangible assets of $246,341,000)

Risk:

The Group's shipyard assets were subject to impairment test assessments, owing to the continued 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 its recoverable amount, which is defined as the higher of the asset's fair value less costs of disposal, and value in use. As the fair values of these shipyard assets are not readily determinable, the Group measures the recoverable amount based on value in use, 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 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

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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 can also be significantly impacted by political risk.

The outcome of the impairment tests on the shipyard assets for the Singapore cash generating unit and Brazil cash generating unit shows 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, including our valuation specialists to the extent appropriate, 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 assessments have incorporated the known relevant considerations as at the reporting date. The disclosures describing the inherent degree of estimation uncertainties and the sensitivity of the assumptions applied are appropriate. If unfavourable changes to these assumptions occur, this could lead to lower operating cash inflows and material impairment outcomes which might in turn affect the financial position and performances of the Group.

Recognition of revenue from construction contracts with customers
(Refer to Notes 27 and 44 to the financial statements: Turnover of $2,882,560,000)

Risk:

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

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

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

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

Our response:

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

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

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

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

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

Our findings:

The Group has a process to determine the amounts of revenue recognised in the financial statements.

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

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

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

Recoverability of trade receivables and contract balances in relation to contracts with customers
(Refer to Notes 10, 12, 16 and 44 to the financial statements: Trade receivables of $1,436,934,000, Contract assets of $1,462,340,000 and Contract costs of $88,640,000)

Risk:

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

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

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

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
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Our response:

- We reviewed the Group's estimation process used in determining the amounts of loss allowance recognised on expected credit losses on financial assets and contract assets.
- We reviewed the significant inputs to management's assessment of the amounts of loss allowance recognised on expected credit losses, and considered the reasonableness of the inputs by reference to the recent credit review assessments prepared by management.
- We reviewed the re-forecast of each significant contract and enquired with management on any current on-going negotiations that may impair the recoverability of significant receivables and contract balances.
- We assessed the adequacy of disclosures in describing the areas of judgement and estimation uncertainties involving recoverability of receivables and contract balances in relation to contracts with customers.

Our findings:

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

The judgements applied by management around the recovery of receivables and contract balances were 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.

Acquisition of subsidiary and intellectual property rights
(Refer to Note 38 to the financial statements: Intangible assets of $60,433,000, Negative goodwill of $4,999,000 and Goodwill of $852,000)

Risk:

In 2018, the Group acquired a subsidiary and intangible assets from Sevan Marine ASA ("Sevan Marine"). With the acquisition, the litigation between the Group and Sevan Marine relating to an infringement of intellectual property rights of the Group was also terminated.

In 2019, the Group completed its valuation and purchase price allocation exercise. Judgement is required in determining the allocation of the purchase price. In accounting for a business combination, estimates are also required in measuring the fair value of identifiable assets acquired and liabilities assumed, and settlement of the litigation.

Our response:

- We assessed the competency and objectivity of the independent professional firm that assisted management in the valuation and purchase price allocation exercise.
- We reviewed management's assessment of the purchase price allocation, reviewed the valuation technique adopted and significant inputs to the valuation model and performed a re-computation of the negative goodwill derived by management.
- We assessed the adequacy of disclosures in describing the areas of judgement and estimate in determining the allocation of the purchase price and measurement of the fair value of the identifiable assets acquired and liabilities assumed.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
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Our findings:

The judgement applied by management in the allocation of the purchase price and the estimates by management used in valuation of the respective assets acquired and liabilities assumed were found to be fair.

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

Litigation, claims and other contingencies (Refer to Note 41 to the financial statements)

Update in relation to Brazil (Refer to Note 48 to the financial statements)

Risk:

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

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

Update in relation to Brazil

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

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

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

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

Our response:

We assessed the Group's process for identifying and monitoring significant adverse developments arising from contingencies and where appropriate, legal, regulatory and political developments. We have reviewed the terms of reference of Ad-hoc Committees formed.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
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We evaluated management's assessment of the likely outcome and potential exposures arising from all significant contingencies and allegations subject to on-going investigations; and considered the requirements for any provision and related disclosures. Our work included:

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

Our findings:

We found that the Group has a process for identifying and monitoring potential exposures arising from legal, regulatory and political developments as well as determination of the appropriate measurement and/or disclosures of such contingencies in the Group's financial statements.

From our audit procedures performed and representations obtained from management and the Ad-hoc Committee, we found the disclosures on contingencies in respect of this matter to be appropriate.

Other Information

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

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

- Chairman and CEO's Joint 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:

- 2019 Highlights
- Our Integrated Global Platform
- Significant Events
- Awards and Accolades
- Board of Directors
- Senior Management
- Corporate Structure
- Corporate Directory
- Shareholders' Information
- Investor Relations
- Corporate Governance
- Risk Management
- Our Sustainability
- 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.

Responsibilities of management and directors for the financial statements

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

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

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

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.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
SEMBCORP MARINE LTD

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
3 March 2020

BALANCE SHEETS

AS AT 31 DECEMBER 2019

	Note	Group 31 December 2019 $'000	Group 31 December 2018 $'000	Company 31 December 2019 $'000	Company 31 December 2018 $'000
Non-current assets					
Property, plant and equipment	4	4,250,971	4,179,257	11,287	57,988
Right-of-use assets	5	253,304	–	3,556	–
Investment properties	6	–	–	47,695	13,870
Investments in subsidiaries	7	–	–	1,786,269	1,786,386
Interests in associates and joint ventures	8	14,887	66,533	–	–
Other financial assets	9	11,342	2,881	–	–
Trade and other receivables	10	1,087,631	1,136,124	29,396	31,719
Intangible assets	13	246,341	208,934	122	122
Deferred tax assets	14	29,195	23,223	3,382	–
		5,893,671	5,616,952	1,881,707	1,890,085
Current assets					
Inventories	15	113,108	80,171	–	–
Trade and other receivables	10	483,300	690,550	208,442	107,163
Contract costs	16	88,640	328,690	–	–
Contract assets	12	1,462,340	998,666	–	–
Tax recoverable		11,658	10,568	–	–
Assets held for sale	17	985	1,657	–	–
Other financial assets	9	15,820	12,283	–	–
Cash and cash equivalents	18	389,250	837,724	40,233	79,584
		2,565,101	2,960,309	248,675	186,747
Total assets		8,458,772	8,577,261	2,130,382	2,076,832
Current liabilities					
Trade and other payables	19	1,341,010	1,532,746	32,020	24,706
Contract liabilities	21	60,186	139,731	–	–
Provisions	22	16,433	16,875	–	–
Other financial liabilities	23	7,703	9,809	–	–
Current tax payable		3,758	7,591	12,328	5,304
Interest-bearing borrowings	24	1,421,620	1,055,496	50,000	50,000
Lease liabilities	5	23,978	483	6,907	483
		2,874,688	2,762,731	101,255	80,493
Net current (liabilities)/assets		(309,587)	197,578	147,420	106,254
Non-current liabilities					
Deferred tax liabilities	14	28,989	52,808	–	4,975
Provisions	22	106,821	120,861	26,759	26,094
Other financial liabilities	23	2,204	10,162	–	–
Interest-bearing borrowings	24	1,479,172	3,172,500	–	–
Subordinated loan	24	1,500,000	–	–	–
Lease liabilities	5	254,120	951	38,678	951
Other long-term payables	19	6,000	108,813	4,002	5,574
		3,377,306	3,466,095	69,439	37,594
Total liabilities		6,251,994	6,228,826	170,694	118,087
Net assets		2,206,778	2,348,435	1,959,688	1,958,745
Equity attributable to owners of the Company					
Share capital	25	486,217	484,288	486,217	484,288
Other reserves	26	(44,996)	(51,027)	(22,223)	(23,770)
Revenue reserve		1,732,087	1,878,423	1,495,694	1,498,227
		2,173,308	2,311,684	1,959,688	1,958,745
Non-controlling interests	34	33,470	36,751	–	–
Total equity		2,206,778	2,348,435	1,959,688	1,958,745

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

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000
Turnover	27	2,882,560	4,887,866
Cost of sales		(2,974,378)	(4,884,772)
Gross (loss)/profit		(91,818)	3,094
Other operating income		44,879	49,608
Other operating expenses		(6,325)	(2,811)
General and administrative expenses		(85,526)	(102,214)
Operating loss	28	(138,790)	(52,323)
Finance income	29	93,275	55,026
Finance costs	29	(130,027)	(101,356)
Non-operating income	30	185	141
Share of results of associates and joint ventures, net of tax	31	(1,603)	(2,385)
Loss before tax		(176,960)	(100,897)
Tax credit	32	36,773	22,531
Loss for the year		(140,187)	(78,366)
Loss attributable to:			
Owners of the Company		(137,174)	(74,131)
Non-controlling interests	34	(3,013)	(4,235)
Loss for the year		(140,187)	(78,366)
Earnings per share (cents)	35		
Basic		(6.57)	(3.55)
Diluted		(6.57)	(3.55)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000
Loss for the year		(140,187)	(78,366)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(12,823)	9,000
Net change in fair value of cash flow hedges		12,783	(43,906)
Net change in fair value of cash flow hedges transferred to profit or loss		(5,749)	10,387
Realisation of reserve upon disposal of subsidiaries		(539)	–
		(6,328)	(24,519)
Items that may not be reclassified subsequently to profit or loss:			
Net change in fair value of equity investments at fair value through other comprehensive income (FVOCI)		–	(11,339)
Other comprehensive income for the year, net of tax	33	(6,328)	(35,858)
Total comprehensive income for the year		(146,515)	(114,224)
Total comprehensive income attributable to:			
Owners of the Company		(143,312)	(109,854)
Non-controlling interests	34	(3,203)	(4,370)
Total comprehensive income for the year		(146,515)	(114,224)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company									
	Share capital $'000	Reserve for own shares $'000	Capital reserves $'000	Currency translation reserve $'000	Share-based payments reserve $'000	Hedging reserve $'000	Revenue reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group										
At 31 December 2018										
As previously stated	484,288	(2,151)	(13,011)	(13,577)	(24,686)	2,398	1,878,423	2,311,684	36,751	2,348,435
Adjustment on initial application of SFRS(I) 16, net of tax (Note 46)	–	–	–	–	–	–	980	980	–	980
Adjusted balance at 1 January 2019	484,288	(2,151)	(13,011)	(13,577)	(24,686)	2,398	1,879,403	2,312,664	36,751	2,349,415
Total comprehensive income for the year										
Loss for the year	–	–	–	–	–	–	(137,174)	(137,174)	(3,013)	(140,187)
Other comprehensive income										
Foreign currency translation differences for foreign operations	–	–	–	(12,788)	–	–	–	(12,788)	(35)	(12,823)
Net change in fair value of cash flow hedges	–	–	–	–	–	12,783	–	12,783	–	12,783
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	–	(5,749)	–	(5,749)	–	(5,749)
Realisation of reserves upon disposal of subsidiaries	–	–	11,328	(149)	(480)	–	(11,083)	(384)	(155)	(539)
Realisation of reserves upon disposal of a joint venture	–	–	–	(941)	–	–	941	–	–	–
Total other comprehensive income for the year	–	–	11,328	(13,878)	(480)	7,034	(10,142)	(6,138)	(190)	(6,328)
Total comprehensive income for the year	–	–	11,328	(13,878)	(480)	7,034	(147,316)	(143,312)	(3,203)	(146,515)
Transactions with owners of the Company, recognised directly in equity										
Contributions by and distributions to owners of the Company										
Issue of new shares	1,929	–	–	–	(1,929)	–	–	–	–	–
Treasury shares transferred to employees	–	1,380	–	–	(896)	–	–	484	–	484
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(78)	(78)
Share-based payments	–	–	–	–	3,472	–	–	3,472	–	3,472
Total contributions by and distributions to owners of the Company	1,929	1,380	–	–	647	–	–	3,956	(78)	3,878
At 31 December 2019	486,217	(771)	(1,683)	(27,455)	(24,519)	9,432	1,732,087	2,173,308	33,470	2,206,778

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	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 31 December 2017											
As previously stated	484,288	(3,451)	(13,011)	(17,732)	(27,894)	35,917	447	2,019,609	2,478,173	41,199	2,519,372
Adjustment on initial application of SFRS(I) 15, net of tax	–	–	–	(4,980)	–	–	–	(34,217)	(39,197)	–	(39,197)
Adjusted balance at 31 December 2017	484,288	(3,451)	(13,011)	(22,712)	(27,894)	35,917	447	1,985,392	2,438,976	41,199	2,480,175
Adjustment on initial application of SFRS(I) 9, net of tax	–	–	–	–	–	–	(447)	(641)	(1,088)	–	(1,088)
Adjusted balance at 1 January 2018	484,288	(3,451)	(13,011)	(22,712)	(27,894)	35,917	–	1,984,751	2,437,888	41,199	2,479,087
Total comprehensive income for the year											
Loss for the year	–	–	–	–	–	–	–	(74,131)	(74,131)	(4,235)	(78,366)
Other comprehensive income											
Foreign currency translation differences for foreign operations	–	–	–	9,135	–	–	–	–	9,135	(135)	9,000
Net change in fair value of cash flow hedges	–	–	–	–	–	(43,906)	–	–	(43,906)	–	(43,906)
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	–	10,387	–	–	10,387	–	10,387
Net change in fair value of equity investments at FVOCI	–	–	–	–	–	–	(11,339)	–	(11,339)	–	(11,339)
Reclassification of reserve on disposal of equity investments at FVOCI	–	–	–	–	–	–	11,339	(11,339)	–	–	–
Total other comprehensive income for the year	–	–	–	9,135	–	(33,519)	–	(11,339)	(35,723)	(135)	(35,858)
Total comprehensive income for the year	–	–	–	9,135	–	(33,519)	–	(85,470)	(109,854)	(4,370)	(114,224)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	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											
Transactions with owners of the Company, recognised directly in equity											
Contributions by and distributions to owners of the Company											
Purchase of treasury shares	–	(916)	–	–	–	–	–	–	(916)	–	(916)
Treasury shares transferred to employees	–	2,216	–	–	(1,702)	–	–	–	514	–	514
Dividends paid to											
– owners of the Company (Note 36)	–	–	–	–	–	–	–	(20,888)	(20,888)	–	(20,888)
– non-controlling interests	–	–	–	–	–	–	–	–	–	(78)	(78)
Unclaimed dividends	–	–	–	–	–	–	–	30	30	–	30
Share-based payments	–	–	–	–	4,910	–	–	–	4,910	–	4,910
Total contributions by and distributions to owners of the Company	–	1,300	–	–	3,208	–	–	(20,858)	(16,350)	(78)	(16,428)
At 31 December 2018	484,288	(2,151)	(13,011)	(13,577)	(24,686)	2,398	–	1,878,423	2,311,684	36,751	2,348,435

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Group 2019 $'000	Group 2018 $'000
Cash flows from operating activities		
Loss for the year	(140,187)	(78,366)
Adjustments for:		
Finance income	(93,275)	(55,026)
Finance costs	130,027	101,356
Depreciation of property, plant and equipment, and right-of-use assets	214,938	170,752
Amortisation of intangible assets	27,530	24,694
Share of results of associates and joint ventures, net of tax	1,603	2,385
Loss/(gain) on disposal of property, plant and equipment, net	2,428	(2,371)
Gain on disposal of intangible assets	–	(106)
Gain on disposal of a joint venture	(185)	–
Gain on disposal of other financial assets	–	(27)
Negative goodwill (Note 38)	(4,999)	–
Changes in fair value of financial instruments	(2,619)	2,405
Net change in fair value of financial assets measured through profit or loss	–	(114)
Impairment losses on property, plant and equipment	541	4,663
Share-based payment expenses	2,268	5,833
Property, plant and equipment written off	3,042	58
Inventories written (back)/down, net	(651)	432
(Write-back of)/allowance for doubtful debts and bad debts, net	(338)	2,673
Tax credit	(36,773)	(22,531)
Operating profit before working capital changes	103,350	156,710
Changes in working capital:		
Inventories	(32,286)	15,170
Contract costs	190,539	2,157,763
Contract assets	(463,674)	(346,305)
Contract liabilities	(79,545)	(1,071,427)
Trade and other receivables	272,328	(1,023,301)
Trade and other payables	(245,898)	(10,076)
Cash used in operations	(255,186)	(121,466)
Dividend and interest income received	68,555	55,107
Interest paid	(108,192)	(97,899)
Tax paid	(1,346)	(5,726)
Net cash used in operating activities	(296,169)	(169,984)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Group	
	2019 $'000	2018 $'000
Cash flows from investing activities		
Purchase of property, plant and equipment (Note (a))	(316,270)	(343,395)
Proceeds from sale of property, plant and equipment	1,919	7,643
Proceeds from sale of intangible assets	–	168
Acquisition of subsidiary and intellectual property rights, net of cash acquired (Note 38, (b))	–	(54,594)
Proceeds from disposal of equity investments at FVOCI	–	6,861
Proceeds from disposal of equity investments at FVTPL	–	835
Proceeds from disposal of a joint venture	55	–
Dividend received from associate	160	–
Dividend received from joint venture	2,404	–
Net cash used in investing activities	(311,732)	(382,482)
Cash flows from financing activities		
Proceeds from borrowings	2,732,839	1,101,622
Repayment of borrowings	(2,547,941)	(990,635)
Payment of lease liabilities	(20,732)	(512)
Purchase of treasury shares	–	(916)
Dividends paid to owners of the Company	–	(20,888)
Dividends paid to non-controlling interests of subsidiaries	(78)	(78)
Unclaimed dividends	–	30
Net cash generated from financing activities	164,088	88,623
Net decrease in cash and cash equivalents	(443,813)	(463,843)
Cash and cash equivalents at beginning of the year	837,173	1,301,000
Effect of exchange rate changes on balances held in foreign currencies	(4,110)	16
Cash and cash equivalents at end of the year (Note 18)	389,250	837,173

(a) During the year, the Group acquired property, plant and equipment with an aggregate cost of $364,407,000 (2018: $342,241,000), of which $47,483,000 (2018: $nil) was settled non-cash via an offset of payables to Pacific Workboats Pte Ltd ("PWPL") for the acquisition and dividends receivable from PWPL.

(b) During the year, the Group acquired intangible assets with an aggregate cost of $9,004,000 (2018: $54,604,000), which was acquired by means of a swap of shares and other monetary items.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 3 March 2020.

1 DOMICILE AND ACTIVITIES

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

The Company's immediate holding company is Sembcorp Industries Ltd 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 45.

2 BASIS OF PREPARATION

2.1 Going concern basis of accounting

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

As at 31 December 2019, the Group recorded net current liabilities of $309,587,000 (2018: net current assets of $197,578,000), and incurred a loss for the year of $140,187,000 (2018: $78,366,000) and negative operating cash flows of $296,169,000 (2018: $169,984,000) for the year ended 31 December 2019. The Group is finalising with lenders to refinance and re-profile current loans with longer term maturities. The Group also has adequate existing loan facilities to refinance current borrowings as they fall due.

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

2.2 Statement of compliance

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

This is the first set of the Group's annual financial statements in which SFRS(I) 16 *Leases* has been applied. Changes to significant accounting policies are described in Note 46.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the accounting policies below.

2 BASIS OF PREPARATION (CONT'D)

2.4 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand ($'000), unless otherwise stated.

2.5 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is discussed in Note 44.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in Note 46, which addresses changes in accounting policies.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Business combinations

Acquisitions from 1 January 2017

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Deferred consideration comprises obligations to pay specific amounts at future dates. Deferred consideration is recognised and measured at fair value at the acquisition date and included in the consideration transferred. The unwinding of any interest element of deferred consideration is recognised in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(i) Business combinations (cont'd)

Acquisitions before 1 January 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

Acquisitions prior to 1 January 2010

All business combinations are accounted for using the purchase method. Under the purchase method, the cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition.

(ii) Non-controlling interests

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I).

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their own capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of net assets of the subsidiary.

Prior to 1 January 2010, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(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 financial asset at fair value through other comprehensive income depending on the level of influence retained.

(v) Associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has significant influence over another entity. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Associates are accounted for using the equity method of accounting from the date that significant influence commences until the date that significant influence ceases and are recognised initially at cost. The cost of investments includes transaction costs. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment (including any other unsecured receivables, that in substance, form part of the Group's net investment in the associate) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or made payments on its behalf to satisfy obligations of the associate that the Group has guaranteed or otherwise committed on behalf of.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition. Where the audited financial statements are not available, the share of results is arrived at from unaudited management financial statements made up mainly to the end of the accounting year to 31 December.

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(vii) Transactions eliminated on consolidation

All intra-group balances, transactions, and unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(viii) Accounting for subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are measured in the Company's balance sheet at cost less accumulated impairment losses.

3.2 Foreign currencies

(i) Foreign currency transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. At each reporting date:

- Foreign currency monetary assets and liabilities are retranslated to the functional currency using exchange rates at that date;
- Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using exchange rate at the date of the transaction; and
- Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at exchange rates at the date the fair value was determined.

Foreign currency differences arising from the settlement or from translation of monetary items are recognised in profit or loss.

Foreign currency differences arising on retranslation are recognised directly in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:

- Equity instruments designated at fair value through other comprehensive income (FVOCI);
- A financial liability designated as a hedge of net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the 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; and
- All resulting foreign currency differences are taken to the foreign currency translation reserve in other comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies (cont'd)

(ii) Foreign operations (cont'd)

Goodwill (except those relating to acquisitions of foreign operations prior to 1 January 2004) and fair value adjustments arising from the acquisition of foreign operations are translated to the presentation currency for consolidation at the rates of exchange ruling at the balance sheet date. Goodwill arising from the acquisition of foreign operations prior to 1 January 2004 are translated at foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

(iii) Net investment in a foreign operation

Foreign currency differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's profit or loss. Such differences are reclassified to the foreign currency translation reserve in the consolidated statement of comprehensive income and are released to the consolidated income statement upon disposal of the investment as part of the gain or loss on disposal.

3.3 Property, plant and equipment

(i) Owned assets

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Cost may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

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

Policy applicable before 1 January 2019:

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.

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 31 years
Cranes and floating docks	3 to 30 years
Plant, machinery and tools	3 to 30 years
Motor vehicles	3 to 10 years
Furniture and office equipment	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. This includes properties that are held as right-of-use assets, as well as properties that are owned by the Group.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives ranging from 45 to 60 years or the lease period of 15 to 16 years. The assets' depreciation methods, useful lives and residual values are reviewed, if not insignificant, annually, and adjusted if appropriate. No depreciation is provided on the freehold land.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as additions when it increases the future economic benefits, embodied in the specific asset to which it relates, and its costs can be measured reliably. The carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvements is recognised as an expense when incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Investment properties (cont'd)

For properties held as right-of-use assets, refer to Note 3.21 for initial and subsequent measurement of cost.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

3.5 Intangible assets

(i) Goodwill

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, less the net amount recognised (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, negative goodwill is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures, respectively. An impairment loss on such investments is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investments.

Goodwill is tested for impairment on an annual basis in accordance with Note 3.12.

(ii) Intellectual property rights

Intellectual property rights are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives ranging from 10 to 15 years.

(iii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials and direct labour that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Intangible assets (cont'd)

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(v) Amortisation

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Financial assets

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instruments.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, in the case of financial asset not carried at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect on initial recognition to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis. The Group's equity investments are classified as FVOCI.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial assets (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Financial assets at FVTPL

All other financial assets not classified as at amortised cost or FVOCI as described above are measured at FVTPL. This includes derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held because this best reflects the way the business is managed and information is provided to Management. The information considered includes:

- the stated policies and objectives for the respective financial assets and the operation of those policies in practice;
- how the performance of the respective financial assets is evaluated and reported to the Group's Management;
- the risks that affect the performance of the business model and how those risks are managed; and
- the frequency, volume and timing of disposals of investments in prior periods, the reasons for such disposals and its expectations about future activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing and amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- prepayment features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial assets (cont'd)

(ii) Classification and subsequent measurement (cont'd)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. For derivatives designated as hedging instruments, see Note 9.

Financial assets at amortised cost

The assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its balance sheet, but retains either all or substantially all of its risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial assets (cont'd)

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand. Bank overdrafts are shown within interest-bearing borrowings in current liabilities on the balance sheet.

3.7 Impairment of financial assets and contract assets

The Group recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortised cost; and
- contract assets (as defined in SFRS(I) 15).

Loss allowance of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected credit life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified Approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General Approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without due costs or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and forward-looking information.

If the credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset remains outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of financial assets and contract assets (cont'd)

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- breach of contract such as a default or past due outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend;
- the restructuring of a loan or advanced by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation or is having significant financial difficulty; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of loss allowance for ECLs in the balance sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Derivatives

Derivatives are used to manage exposures to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivatives are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are re-measured at fair value and any changes in its fair value are recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant changes in the fair value depends on the nature of the item being hedged as described in Note 3.9.

3.9 Hedging activities

At inception or upon reassessment of the arrangement, the Group documents, at the inception of the transaction, the relationship between the hedging instruments and hedged items, together with the methods that will be used to assess the effectiveness of the hedge relationship as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, the economic relationship between the hedged item and the hedging instrument, including whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

(i) Fair value hedges

Where a derivative hedges the changes in fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on the hedging instrument is recognised in profit or loss. The hedged item is also measured at fair value in respect of the risk being hedged, with any changes recognised in profit or loss.

(ii) Cash flow hedges

Where a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised directly in other comprehensive income and presented in the hedging reserve in equity. The ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is reclassified from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated changes in fair value that were recognised directly in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Hedging activities (cont'd)

(ii) Cash flow hedges (cont'd)

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Specific policies applicable from 1 January 2019 for hedges directly affected by IBOR reform

On initial designation of the hedging relationship, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated. For the purpose of evaluating whether the hedging relationship is expected to be highly effective (i.e. prospective effectiveness assessment), the Group assumes that the benchmark interest rate is not altered as a result of IBOR reform.

The Group will cease to apply the amendments to its effectiveness assessment of the hedging relationship when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued.

3.10 Inventories

Inventories consist mainly of steel and other materials used for ship and rig repair, building and conversion and are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Government grants

Asset related grants are credited to a deferred asset grant account at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as other income on the straight-line basis over the estimated useful lives of the relevant assets.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment of non-financial assets (cont'd)

(ii) Reversals of impairment (cont'd)

Goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or joint venture may be impaired.

3.13 Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group classifies financial liabilities as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantively different, in which case a new financial liability based on the modified terms is recognised at fair value.

Financial assets and liabilities are offset and the net amount presented in the balance sheets when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits (cont'd)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits (cont'd)

(v) Equity and equity-related compensation benefits (cont'd)

Performance Share Plan

The fair value of equity-related compensation is measured using the Monte Carlo simulation method as at the date of the grant. The method involves projecting future outcomes using statistical distributions of key random variables including the share prices and volatility of returns. This model takes into account the probability of achieving the performance conditions in the future.

The fair value of the compensation cost is measured at grant date and amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. In estimating the fair value of the compensation cost, market-based performance conditions are taken into account. From 2014 onwards, awards granted have both market-based and non-market-based performance conditions. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates, irrespective of whether this performance condition is satisfied.

The share-based payments reserve relating to the performance shares released is transferred to share capital when new shares are issued. When treasury shares are issued, the cost of treasury shares is transferred to share-based payments reserve.

Restricted Share Plan

Similar to the Performance Share Plan, the fair value of equity-related compensation is measured using the Monte Carlo simulation method as at the date of the grant. The method involves projecting future outcomes using statistical distributions of key random variables including the share prices and volatility of returns. This model takes into account the probability of achieving the performance conditions in the future.

The fair value of the compensation cost is measured at grant date and are then amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. Awards granted have non-market based performance conditions. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates.

At the balance sheet date, the Company revises its estimates of the number of performance-based restricted shares that the employees are expected to receive based on the achievement of non-market performance conditions and the number of shares ultimately given. It recognises the impact of the revision of the original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits (cont'd)

(vi) Cash-related compensation benefits

Sembcorp Marine Challenge Bonus

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the share price of the Company. The Group recognises a provision when contractually obliged to pay or where there is a past practice that has created a constructive obligation to pay.

The compensation cost is measured at the fair value of the liability at each balance sheet date and spread over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the bonus. The liability takes into account the probability of achieving the performance conditions in the future.

Until the liability is settled, the Group will re-measure the fair value of the liability at each balance sheet date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

3.15 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.16 Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to business combinations, or to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Tax expense (cont'd)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

3.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new ordinary shares and share options are deducted against the share capital account, net of any tax effects.

Where the Company's ordinary shares are repurchased (treasury shares), the consideration paid, excluding any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders and presented as reserve for own shares within equity, until they are cancelled, sold or reissued.

When treasury shares are cancelled, the cost of treasury shares is deducted against the share capital account, if the shares are purchased out of capital of the Company, or against the accumulated profits of the Company, if the shares are purchased out of profits of the Company.

When treasury shares are subsequently sold or reissued pursuant to the Share-based Incentive Plans, the cost of the treasury shares is reversed from the reserve for own shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related tax, is recognised as a change in equity of the Company. No gain or loss is recognised in profit or loss.

3.18 Dividends

Dividends on ordinary shares are recognised when they are approved for payments. Dividends on ordinary shares classified as equity are accounted for as movements in revenue reserve.

3.19 Revenue

(i) Contract revenue

The Group builds specialised assets for customers through fixed price contracts. Contracts relating to services for ship and rig repair, building, conversion and overhaul represents a single performance obligation ("PO"), due to the inter-dependence of services provided in these contracts.

Revenue is recognised when the control over the specialised asset has been transferred to the customer and performance obligations are fulfilled. At contract inception, the Group assesses whether the Group transfers control of the asset over time or at a point in time by determining if its performance creates an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date for ship and rig building and conversion, or where the Group's performance creates or enhances an asset that the customer controls as the asset is being created or enhanced for ship and rig repairs and overhaul.

The specialised asset has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the specialised asset. The stage of completion is typically assessed by reference to surveys of work performed (output method), which is commensurate with the pattern of transfer of control to the customer.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Revenue (cont'd)

(i) Contract revenue (cont'd)

For certain contracts where the Group does not have enforceable right to payment, revenue is recognised only when the completed specialised asset is delivered to the customers and the customers have accepted it in accordance with the contract. On signing of the contract, customers are usually required to make an advance payment that is non-refundable if the contract is cancelled. The advance payment is presented as contract liability. No financing component has been recognised on these advance payments as the payment terms are for reasons other than financing. Where extended payment terms are granted to customers, interest is charged and recognised as finance income.

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, the Group recognises a financing component using a discount rate that reflects this as a separate financing transaction with the customer at contract inception. If the period between transfer and payment is one year or less, the Group elects the practical expedient not to adjust for significant financing component.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled to in exchange for transferring the promised goods or services. The transaction price may be fixed or variable, and is adjusted for time value of money if the contract includes a significant financing component. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Certain contracts include standard warranty terms as guarantee on the performance of the asset. The warranty is recognised as a provision, based on estimated claims made from historical data, from known and expected warranty work and contractual obligation for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made.

The Group accounts for modifications to the scope and price of a contract as separate contracts if the modification adds distinct goods or services at their stand-alone selling prices. For contract modifications that add distinct goods or services but not at their stand-alone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations to be satisfied. For contract modifications that do not add distinct goods or services, the Group accounts for the modifications as continuation of the original contract and recognises as a cumulative adjustment to revenue at the date of modification.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceeds the payments received, a contract asset is recognised. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional. If the payments received exceed the value of the goods transferred, a contract liability is recognised.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (e.g. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Revenue (cont'd)

(i) Contract revenue (cont'd)

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

(ii) Income on goods sold and services rendered

Revenue from goods sold and services rendered in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. Revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO on the basis of the relative stand-alone selling prices of the promised goods or services and excludes goods and services or other sales taxes. Trade discounts or variable considerations are allocated to one or more, but not all, of the POs if they relate specifically to those POs.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled to in exchange for transferring the promised goods or services. The transaction price may be fixed or variable, and is adjusted for time value of money if the contract includes a significant financing component. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue may be recognised at a point in time or over time following the satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of the PO.

(iii) Charter hire and rental income

Charter hire and rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

3.20 Dividend and finance income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance income is recognised in profit or loss as it accrues, using the effective interest rate method.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Leases

Policy applicable from 1 January 2019:

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and

- the Group has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(i) The Group as lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Right-of-use assets are depreciated from the commencement date over the shorter of the asset's useful life and the lease term on a straight-line basis. The estimated useful lives of the assets are determined on the same basis as those of property, plant and equipment. In addition, the assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liabilities.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate.

The Group determines the lessee’s incremental borrowing rate by making certain adjustments to its interest rates on its issued notes to reflect the terms of the lease and security over the asset leased.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Leases (cont'd)

(i) The Group as lessee (cont'd)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments);
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and payments of penalties for early termination unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of equipment that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

(ii) The Group as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases in profit or loss on a straight-line basis over the lease term. Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Leases (cont'd)

(ii) The Group as lessor (cont'd)

Policies applicable before 1 January 2019:

The Group determines whether an arrangement is or contains a lease at inception.

At the inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

(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.

In calculating the interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to gross basis.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.23 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise awards of share options granted to employees.

3.24 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's President & CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.25 Financial guarantee contracts

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Company will be required to make a payment under the guarantee. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

3.26 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.27 Assets held for sale

Non-current assets are classified as assets held for sale and measured at the lower of carrying amount and fair value less costs to sell if they are expected to be recovered principally through a sale transaction rather than through continuing use.

Any impairment losses on initial classification and subsequent gains or losses on re-measurement are recognised in profit or loss. Subsequent increases in fair value less costs to sell are recognised in profit or loss (not exceeding the accumulated impairment loss that has been previously recognised).

4 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings							
	Freehold $'000	Leasehold $'000	Construction-in-progress[1] $'000	Docks and quays $'000	Marine vessels[2] $'000	Plant, machinery and tools $'000	Others[3] $'000	Total[4] $'000
Group								
Cost								
Balance at 1 January 2018	165,544	975,734	837,714	1,504,528	278,966	1,474,410	167,743	5,404,639
Translation adjustments	2,933	1,933	9,803	4,293	3,157	3,536	360	26,015
Additions	35	2,401	318,360	8,118	1,499	9,124	2,704	342,241
Reclassifications	72,621	–	(99,294)	439	–	26,145	89	–
Disposals	(4,644)	(420)	(7)	(212)	–	(7,303)	(1,197)	(13,783)
Balance at 31 December 2018	236,489	979,648	1,066,576	1,517,166	283,622	1,505,912	169,699	5,759,112
Balance at 1 January 2019	236,489	979,648	1,066,576	1,517,166	283,622	1,505,912	169,699	5,759,112
Adjustment on initial application of SFRS(I) 16	–	(62,878)	(4,210)	(41,545)	–	–	(2,328)	(110,961)
Adjusted balance at 1 January 2019	236,489	916,770	1,062,366	1,475,621	283,622	1,505,912	167,371	5,648,151
Translation adjustments	(3,468)	(1,926)	(8,043)	(4,817)	(3,091)	(3,290)	(356)	(24,991)
Additions	46	1,498	295,316	561	47,517	9,536	9,933	364,407
Reclassifications	84,734	167,124	(401,398)	92,765	–	41,495	15,280	–
Disposals	–	(3,740)	–	–	(1,263)	(7,941)	(964)	(13,908)
Transfer to assets held for sale	(2,054)	–	–	–	–	(224)	(88)	(2,366)
Balance at 31 December 2019	315,747	1,079,726	948,241	1,564,130	326,785	1,545,488	191,176	5,971,293

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Land and buildings							
	Freehold $'000	Leasehold $'000	Construction-in-progress[1] $'000	Docks and quays $'000	Marine vessels[2] $'000	Plant, machinery and tools $'000	Others[3] $'000	Total[4] $'000
Group								
Accumulated depreciation and impairment losses								
Balance at 1 January 2018	14,518	292,319	–	266,924	60,079	665,423	110,357	1,409,620
Translation adjustments	193	860	–	330	658	951	281	3,273
Depreciation for the year	3,350	37,166	–	45,648	11,145	57,991	15,452	170,752
Disposals	(862)	(271)	–	(212)	–	(5,919)	(1,189)	(8,453)
Impairment losses	–	–	–	–	4,663	–	–	4,663
Balance at 31 December 2018	17,199	330,074	–	312,690	76,545	718,446	124,901	1,579,855
Balance at 1 January 2019	17,199	330,074	–	312,690	76,545	718,446	124,901	1,579,855
Adjustment on initial application of SFRS(I) 16	–	(15,276)	–	(21,332)	–	1,287	(683)	(36,004)
Adjusted balance at 1 January 2019	17,199	314,798	–	291,358	76,545	719,733	124,218	1,543,851
Translation adjustments	(218)	(860)	–	(351)	(735)	(829)	(248)	(3,241)
Depreciation for the year	5,405	36,026	–	66,509	10,179	54,755	14,197	187,071
Reclassifications	24	(26)	–	–	–	2	–	–
Disposals	–	(810)	–	–	(492)	(4,280)	(937)	(6,519)
Impairment losses	541	–	–	–	–	–	–	541
Transfer to assets held for sale	(1,069)	–	–	–	–	(224)	(88)	(1,381)
Balance at 31 December 2019	21,882	349,128	–	357,516	85,497	769,157	137,142	1,720,322
Carrying amounts								
At 1 January 2018	151,026	683,415	837,714	1,237,604	218,887	808,987	57,386	3,995,019
At 31 December 2018	219,290	649,574	1,066,576	1,204,476	207,077	787,466	44,798	4,179,257
At 31 December 2019	293,865	730,598	948,241	1,206,614	241,288	776,331	54,034	4,250,971

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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 2018	160,505	2,240	39,136	201,881
Additions	–	–	22	22
Balance at 31 December 2018	160,505	2,240	39,158	201,903
Balance at 1 January 2019	160,505	2,240	39,158	201,903
Adjustment on initial application of SFRS(I) 16	(25,900)	–	(2,328)	(28,228)
Adjusted balance at 1 January 2019	134,605	2,240	36,830	173,675
Additions	–	–	675	675
Balance at 31 December 2019	134,605	2,240	37,505	174,350
Accumulated depreciation				
Balance at 1 January 2018	105,658	1,770	15,035	122,463
Depreciation for the year	15,127	134	6,191	21,452
Balance at 31 December 2018	120,785	1,904	21,226	143,915
Balance at 1 January 2019	120,785	1,904	21,226	143,915
Adjustment on initial application of SFRS(I) 16	(20,148)	–	(683)	(20,831)
Adjusted balance at 1 January 2019	100,637	1,904	20,543	123,084
Depreciation for the year	33,968	330	5,681	39,979
Balance at 31 December 2019	134,605	2,234	26,224	163,063
Carrying amounts				
At 1 January 2018	54,847	470	24,101	79,418
At 31 December 2018	39,720	336	17,932	57,988
At 31 December 2019	–	6	11,281	11,287

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 right-of-use assets and certain intangible assets were tested for impairment and described in Note 44.

(1) During the year, interest charge of $45,912,000 (2018: $48,312,000) was capitalised as construction-in-progress.

(2) The 5-year time charter contract of the Group's marine accommodation vessel ended during 2018. 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 the expected renewal rates based on prevailing market conditions. The renewal rates have been adjusted assuming a certain level of discount from the contractual rates under the last charter contract 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 pre-tax weighted average cost of capital determined to be at 10.78% (2018: 12.66%). Based on the Group's assessment of the recoverable amount of the marine accommodation vessel of $267,006,000 (2018: $196,463,000), no impairment loss (2018: $4,663,000) was recognised in the current year's profit or loss. The above assumptions are inherently judgemental. The forecasted charter rates and utilisation assumed in the value in use is subject to estimation uncertainties. Any unfavourable changes to the above assumptions would lead to impairment. No reversal of the prior year's impairment loss is hence made in the current year as there remains uncertainty in the estimates, and there is yet to be an indicator of reversal.

(3) Others comprise motor vehicles, furniture and office equipment, utilities and fittings, and computer equipment.

(4) During the year, property, plant and equipment included additional provision for restoration costs amounting to $nil (2018: $1,083,000) (Note 22).

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Change in estimates

During the year ended 31 December 2019, the Group revised its estimate for the useful life of a marine vessel from 25 years to 31 years after conducting an operational review of its useful life. The effect of these changes on depreciation expense in current and future periods on assets currently held is as follows:

	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	Later $'000
Group						
(Decrease)/increase in depreciation expense and (increase)/decrease in profit before tax	(1,059)	(2,117)	(2,117)	(2,117)	(2,117)	9,527

As part of the Group's transformation and yard consolidation strategy, the Group is scheduled to move out completely from its yard at Tanjong Kling Road ("Tanjong Kling Yard") by end 2019 and return the yard to the Government ahead of its original schedule. Accordingly, the Group had revised its estimates for the useful lives of certain assets at Tanjong Kling Yard in 2018. The effect of these changes on depreciation expense in current and future periods on assets currently held is as follows:

	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	Later $'000
Group						
Increase/(decrease) in depreciation expense and decrease/(increase) in profit before tax	10,978	43,902	(9,554)	(9,382)	(9,194)	(26,750)
Company						
Increase/(decrease) in depreciation expense and decrease/(increase) in profit before tax	9,769	39,079	(8,542)	(8,370)	(8,182)	(23,754)

5 RIGHT-OF-USE ASSETS AND LEASES

As a lessee

The Group leases many assets including land and buildings and tugboats. Information about leases for which the Group is a lessee is presented below:

Right-of-use assets	Land and buildings[1] $'000	Marine vessels[2] $'000	Others[3] $'000	Total $'000
Group				
Balance at 1 January 2019	203,513	55,144	1,728	260,385
Translation adjustments	(547)	–	(1)	(548)
Additions during the year	18,444	–	3,230	21,674
Depreciation charge for the year	(23,568)	(3,453)	(846)	(27,867)
Provision	(340)	–	–	(340)
Balance at 31 December 2019	197,502	51,691	4,111	253,304

	Others[3] $'000	Total $'000
Company		
Balance at 1 January 2019	1,645	1,645
Additions during the year	2,658	2,658
Depreciation charge for the year	(747)	(747)
Balance at 31 December 2019	3,556	3,556

(1) The leases for land and buildings typically run for a period of 1 to 30 years with options to renew the lease for an additional period of the same duration after the end of the contract term. The Group had determined that it is reasonably certain to exercise the extension option for certain leases.

(2) The Group leases tugboats with lease terms of 8 years, and options to purchase the asset at the end of the lease term. The Group had determined that it is reasonably certain to exercise the purchase option.

(3) Others comprise furniture and office equipment.

	2019 $'000
Group	
Amounts recognised in profit or loss	
Interest on lease liabilities	9,382
Expenses relating to short-term leases	3,471
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	1,317
Amounts recognised in the statement of cash flows	
Total cash outflow for leases	25,859

Extension options

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. The extension options held are exercisable by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $16,844,000.

5 RIGHT-OF-USE ASSETS AND LEASES (CONT'D)

As a lessor

The Group leases out its marine vessel and has classified these leases as operating leases, because they do not transfer substantially all the risk and rewards incidental to the ownership of the vessel.

The table below sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	2019 $'000	2018 $'000
Within 1 year	5,883	–

6 INVESTMENT PROPERTIES

	Owned assets $'000	Company Right-of-use assets $'000	Total $'000
Cost			
Balance at 1 January 2018 and 31 December 2018	62,664	–	62,664
Adjustment on initial application of SFRS(I) 16	(1,995)	78,609	76,614
Adjusted balance at 1 January 2019	60,669	78,609	139,278
Additions	–	–	–
Balance at 31 December 2019	60,669	78,609	139,278
Accumulated depreciation			
Balance at 1 January 2018	45,474	–	45,474
Depreciation for the year	3,320	–	3,320
Balance at 31 December 2018	48,794	–	48,794
Balance at 1 January 2019	48,794	–	48,794
Adjustment on initial application of SFRS(I) 16	(1,865)	22,013	20,148
Adjusted balance at 1 January 2019	46,929	22,013	68,942
Depreciation for the year	7,707	14,934	22,641
Balance at 31 December 2019	54,636	36,947	91,583
Carrying amounts			
At 1 January 2018	17,190	–	17,190
At 31 December 2018	13,870	–	13,870
At 31 December 2019	6,033	41,662	47,695

Investment properties comprise owned assets and land leases held as right-of-use assets. The investment properties of the Company are used by the Group in carrying out its principal activities and are reclassified as property, plant and equipment or right-of-use assets at the Group. In 2018, the Company revised its estimates for the useful lives of its owned assets and the effects are included in the Group's balances in Note 4.

The following amounts are recognised in profit or loss:

	Company 2019 $'000	Company 2018 $'000
Rental income	(66,135)	(35,573)
Operating expenses arising from rental of investment properties	62,592	30,824

7 INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 $'000	2018 $'000
Unquoted shares, at cost	1,786,269	1,786,386

Details of the Company's subsidiaries are set out in Note 45.

8 INTERESTS IN ASSOCIATES AND JOINT VENTURES

	Group	
	2019 $'000	2018 $'000
Interests in associates	695	822
Less: allowance for impairment loss	(342)	(342)
	353	480
Interests in joint ventures	14,534	66,053
	14,887	66,533

In 2019, the Group received dividends of $49,253,000 (2018: $nil) from its investments in associates and joint ventures.

Associates

The Group has a number of associates that are individually immaterial to the Group. All are equity accounted. Summarised financial information of associates presented in aggregate, representing the Group's share, is as follows:

	2019 $'000	2018 $'000
Carrying amount	353	480
Profit/(loss) for the year	33	(665)
Other comprehensive income	–	–
Total comprehensive income	33	(665)

Joint ventures

The Group has a number of joint ventures that are individually immaterial to the Group. All are equity accounted. Summarised financial information of joint ventures presented in aggregate, representing the Group's share, is as follows:

	2019 $'000	2018 $'000
Carrying amount	14,534	66,053
Loss for the year	(1,636)	(1,720)
Other comprehensive income	(44)	599
Total comprehensive income	(1,680)	(1,121)

9 OTHER FINANCIAL ASSETS

	Group 2019 $'000	Group 2018 $'000
(a) Non-current assets		
Financial assets at fair value through other comprehensive income:		
– Unquoted equity shares	2,642	2,642
Cash flow hedges:		
– Forward foreign currency contracts	7,805	239
Financial assets at fair value through profit or loss:		
– Forward foreign currency contracts	895	–
	11,342	2,881
(b) Current assets		
Cash flow hedges:		
– Forward foreign currency contracts	12,832	11,949
– Interest rate swaps	–	334
Financial assets at fair value through profit or loss:		
– Forward foreign currency contracts	2,988	–
	15,820	12,283

During 2018, the Group disposed of its quoted equity shares to maximise returns after assessing the market outlook for the investment. The investment had been disposed in parts between March 2018 to May 2018, at total proceeds of $6,861,000. The Group recorded an accumulated loss on disposal of $3,502,000 in fair value reserve, which had been transferred to revenue reserve as at 31 December 2018.

10 TRADE AND OTHER RECEIVABLES

	Note	2019 Non-current $'000	2019 Current $'000	2019 Total $'000	2018 Non-current $'000	2018 Current $'000	2018 Total $'000
Group							
Trade receivables		1,059,025	529,359	1,588,384	952,989	554,143	1,507,132
Amounts due from related parties	11	28,123	5,232	33,355	31,510	6,606	38,116
Staff loans	(a)	–	98	98	–	64	64
GST refundable		–	17,709	17,709	–	17,843	17,843
Interest receivable		–	138	138	–	293	293
Deposits		–	3,205	3,205	–	3,189	3,189
Sundry receivables		–	17,396	17,396	–	14,946	14,946
Unbilled receivables		–	11,581	11,581	–	11,235	11,235
Loan receivables	(b)	–	–	–	137,000	205,500	342,500
Recoverable		–	13,584	13,584	–	6,428	6,428
		1,087,148	598,302	1,685,450	1,121,499	820,247	1,941,746
Loss allowance		–	(156,047)	(156,047)	–	(161,488)	(161,488)
Financial assets at amortised cost		1,087,148	442,255	1,529,403	1,121,499	658,759	1,780,258
Prepayments and advances		483	41,045	41,528	14,625	31,791	46,416
		1,087,631	483,300	1,570,931	1,136,124	690,550	1,826,674

10 TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Staff loans

Staff loans are unsecured and bear interest at 3.0% (2018: 3.0%) per annum.

(b) Loan receivables

In 2018, the non-current loan receivables relate to loan extended to a customer. During the year, the Group monetised these receivables at face value, through a non-recourse assignment to a bank.

The impairment losses on trade receivables are as follows:

	2019			2018		
	Gross $'000	Impairment $'000	Total $'000	Gross $'000	Impairment $'000	Total $'000
Group						
Trade receivables	1,588,384	(151,450)	1,436,934	1,507,132	(156,139)	1,350,993

	Note	2019			2018		
		Non-current $'000	Current $'000	Total $'000	Non-current $'000	Current $'000	Total $'000
Company							
Amounts due from related parties	11	29,396	194,436	223,832	31,719	90,197	121,916
GST refundable		–	–	–	–	11	11
Interest receivable		–	–	–	–	93	93
Sundry receivables		–	11,029	11,029	–	11,254	11,254
Financial assets at amortised cost		29,396	205,465	234,861	31,719	101,555	133,274
Prepayments and advances		–	2,977	2,977	–	5,608	5,608
		29,396	208,442	237,838	31,719	107,163	138,882

11 AMOUNTS DUE FROM RELATED PARTIES

	Note	Associates and joint ventures		Related companies		Total	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Group							
Amounts due from:							
- Trade	(a)	510	1,220	125	37	635	1,257
- Loans and advances	(c)	28,123	31,510	–	–	28,123	31,510
		28,633	32,730	125	37	28,758	32,767
Amount due within 1 year	10	(510)	(1,220)	(125)	(37)	(635)	(1,257)
	10	28,123	31,510	–	–	28,123	31,510

11 AMOUNTS DUE FROM RELATED PARTIES (CONT'D)

	Note	Subsidiaries 2019 $'000	Subsidiaries 2018 $'000	Associates and joint ventures 2019 $'000	Associates and joint ventures 2018 $'000	Related companies 2019 $'000	Related companies 2018 $'000	Total 2019 $'000	Total 2018 $'000
Company									
Amounts due from:									
– Trade	(a)	137,376	24,228	10	21	8	8	137,394	24,257
– Non-trade	(b)	57,042	65,940	–	–	–	–	57,042	65,940
– Loans and advances	(c)	29,396	31,719	–	–	–	–	29,396	31,719
		223,814	121,887	10	21	8	8	223,832	121,916
Amount due within 1 year	10	(194,418)	(90,168)	(10)	(21)	(8)	(8)	(194,436)	(90,197)
	10	29,396	31,719	–	–	–	–	29,396	31,719

(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 $28,123,000 (2018: $31,510,000) of loan to a joint venture that bears interest rates ranging from 1.66% to 1.91% (2018: 1.03% to 1.64%) per annum. The loans and advances to related parties are repayable on demand, and settlement of loans and advances to these related parties is neither planned nor likely to occur in the foreseeable future.

The impairment losses on amounts due from associates and joint ventures are as follows:

	2019 Gross $'000	2019 Impairment $'000	2019 Total $'000	2018 Gross $'000	2018 Impairment $'000	2018 Total $'000
Group						
Amounts due from associates and joint ventures	33,230	(4,597)	28,633	38,079	(5,349)	32,730

12 CONTRACT ASSETS

	Group 2019 $'000	Group 2018 $'000
Contract assets	1,462,340	998,666

The contract assets mainly relate to the Group's rights to consideration for work completed but not yet billed at reporting date on the long-term contracts for ship and rig building, conversion and repair. The contract assets are transferred to trade receivables when the rights become unconditional. Significant changes in the contract assets balances during the year are as follows:

	2019 $'000	2018 $'000
Transfer from contract assets recognised at the beginning of the year to receivables	(710,569)	(452,879)
Recognition of revenue, net of recognised in receivables	1,174,215	799,306
Impairment loss on contract assets	–	(160)

13 INTANGIBLE ASSETS

	Note	Goodwill $'000	Club memberships $'000	Intellectual property rights $'000	Designs under development $'000	Total $'000
Group						
Cost						
Balance at 1 January 2018		13,717	652	228,724	–	243,093
Translation adjustments		5	–	(144)	–	(139)
Acquisition of subsidiary and intellectual property rights	38	–	–	54,604	–	54,604
Disposals		–	(62)	–	–	(62)
Balance at 31 December 2018		13,722	590	283,184	–	297,496
Balance at 1 January 2019		13,722	590	283,184	–	297,496
Translation adjustments		(37)	–	(295)	–	(332)
Additions		–	–	9,004	–	9,004
Reclassification	(a)	–	–	–	49,511	49,511
Acquisition of subsidiary and intellectual property rights	38	852	–	5,829	–	6,681
Balance at 31 December 2019		14,537	590	297,722	49,511	362,360
Accumulated amortisation and impairment losses						
Balance at 1 January 2018		2,558	468	60,866	–	63,892
Translation adjustments		5	–	(29)	–	(24)
Amortisation for the year		–	–	24,694	–	24,694
Balance at 31 December 2018		2,563	468	85,531	–	88,562
Balance at 1 January 2019		2,563	468	85,531	–	88,562
Translation adjustments		(4)	–	(69)	–	(73)
Amortisation for the year		–	–	27,530	–	27,530
Balance at 31 December 2019		2,559	468	112,992	–	116,019
Carrying amounts						
At 1 January 2018		11,159	184	167,858	–	179,201
At 31 December 2018		11,159	122	197,653	–	208,934
At 31 December 2019		11,978	122	184,730	49,511	246,341

(a) During the year, engineering designs under development of $49,511,000 (2018: $nil) was reclassified from contract costs to intangible assets as management had re-assessed that the costs incurred met the criteria for recognition as development costs as these relate to technical knowledge gained from development activities that are not contract specific and will give rise to future economic benefits.

13 INTANGIBLE ASSETS (CONT'D)

	Club memberships 2019 $'000	Club memberships 2018 $'000
Company		
Cost		
Balance at 1 January	590	652
Disposals	–	(62)
Balance at 31 December	590	590
Accumulated impairment losses		
Balance at 1 January and 31 December	468	468
Carrying amounts		
At 1 January	122	184
At 31 December	122	122

Amortisation

The amortisation of intangible assets amounting to $27,530,000 (2018: $24,694,000) 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 2019 $'000	Group 2018 $'000
Rigs and floaters, repairs & upgrades, offshore platforms, and specialised shipbuilding	10,955	10,136
Others	1,023	1,023
Total	11,978	11,159

Intellectual property rights

Intellectual property rights relate to acquired patents for the Jurong Espadon Drillship, Satellite Services Platform offshore designs, re-deployable modularised LNG and LPG solutions, and geostationary cylindrical hull design.

Impairment test assessment

The goodwill 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 44. Such goodwill and intellectual property rights are attributed to the Singapore cash generating unit.

14 DEFERRED TAX ASSETS AND LIABILITIES

	At 1 January 2018 $'000	Recognised in profit or loss (Note 32) $'000	Recognised in other comprehensive income (Note 33) $'000	Translation adjustments/ Others $'000	At 31 December 2018 $'000	At 1 January 2019* $'000	Recognised in profit or loss (Note 32) $'000	Acquisition $'000	Recognised in other comprehensive income (Note 33) $'000	Translation adjustments/ Others $'000	At 31 December 2019 $'000
Group											
Deferred tax liabilities											
Property, plant and equipment	120,418	(8,811)	–	7	111,614	111,614	(22,829)	–	–	(3)	88,782
Other financial assets	7,429	–	(5,780)	–	1,649	1,649	(1)	–	641	–	2,289
Unutilised tax losses, capital and investment allowances	–	–	–	–	–	–	15	–	–	–	15
Intangible assets	39,956	(4,349)	–	–	35,607	35,607	(5,869)	600	–	1,034	31,372
Provisions	–	–	–	–	–	–	613	–	–	–	613
Other items	20	(10)	–	–	10	10	–	–	–	–	10
	167,823	(13,170)	(5,780)	7	148,880	148,880	(28,071)	600	641	1,031	123,081
Deferred tax assets											
Property, plant and equipment	(3,020)	(833)	–	(17)	(3,870)	(3,870)	746	–	–	34	(3,090)
Trade and other receivables	(2,041)	1,451	–	(220)	(810)	(810)	485	–	–	–	(325)
Trade and other payables	(8,124)	(5,267)	–	–	(13,391)	(13,112)	(4,056)	–	–	–	(17,168)
Unutilised tax losses, capital and investment allowances	(94,156)	9,246	–	219	(84,691)	(84,691)	(1,808)	–	–	30	(86,469)
Provisions	(4,435)	(10,335)	–	–	(14,770)	(14,770)	(1,236)	–	–	10	(15,996)
Other financial liabilities	–	–	(960)	–	(960)	(960)	–	–	960	–	–
Other items	(8,421)	7,593	–	25	(803)	(803)	566	–	(2)	–	(239)
	(120,197)	1,855	(960)	7	(119,295)	(119,016)	(5,303)	–	958	74	(123,287)
Net deferred tax (assets)/ liabilities	47,626	(11,315)	(6,740)	14	29,585	29,864	(33,374)	600	1,599	1,105	(206)
Company											
Deferred tax liabilities											
Property, plant and equipment	12,532	(3,347)	–	–	9,185	9,185	(7,549)	–	–	–	1,636
Deferred tax assets											
Trade and other payables	–	(434)	–	–	(434)	(434)	(35)	–	–	–	(469)
Unutilised tax losses, capital and investment allowances	(505)	165	–	–	(340)	(340)	340	–	–	–	–
Provisions	(957)	(2,479)	–	–	(3,436)	(3,436)	(1,113)	–	–	–	(4,549)
	(1,462)	(2,748)	–	–	(4,210)	(4,210)	(808)	–	–	–	(5,018)
Net deferred tax (assets)/ liabilities	11,070	(6,095)	–	–	4,975	4,975	(8,357)	–	–	–	(3,382)

* Included deferred tax assets of $279,000 arising from transitional adjustments on adoption of SFRS(I) 16 on 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

14 DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

Deferred tax liabilities and assets are set off when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting included in the balance sheets are as follows:

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deferred tax liabilities	28,989	52,808	–	4,975
Deferred tax assets	(29,195)	(23,223)	(3,382)	–
	(206)	29,585	(3,382)	4,975

As at 31 December 2019, a deferred tax liability of $9,456,000 (2018: $11,061,000) for temporary difference of $92,847,000 (2018: $109,170,000) 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	
	2019 $'000	2018 $'000
Deductible temporary differences	277	19
Tax losses	524,109	451,542
Capital allowances	458	307
	524,844	451,868

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.

15 INVENTORIES

	Group	
	2019 $'000	2018 $'000
Raw materials	112,813	79,734
Finished goods	295	437
	113,108	80,171

In 2019, raw materials and changes in finished goods included as cost of sales amounted to $976,871,000 (2018: $669,811,000).

16 CONTRACT COSTS

	Group	
	2019 $'000	2018 $'000
Current assets		
Contract costs		
– Fulfilment cost	88,640	328,690

In adopting SFRS(I) 15, costs incurred relating to ship and rig building that are to be sold upon completion had been capitalised as fulfilment cost for future performance obligations. These costs are expected to be recoverable and are amortised to the profit or loss when the related revenue is recognised. In 2019, $559,250,000 (2018: $2,286,647,000) was amortised and no impairment loss (2018: $nil) had been recognised. During the year, engineering designs under development of $49,511,000 (2018: $nil) was reclassified from contract costs to intangible assets.

17 ASSETS HELD FOR SALE

	Note	Group	
		2019 $'000	2018 $'000
Ecospec Global Technology Pte. Ltd.	(a)	–	1,657
Property, plant and equipment	(b)	985	–
		985	1,657

(a) Ecospec Global Technology Pte. Ltd.

The Group's subsidiaries, Sembcorp Marine Repairs and Upgrades Pte. Ltd. ("SMRU") and Semb-Eco Pte. Ltd. ("Semb-Eco") entered into a share swap agreement with Ecospec Global Technology Pte. Ltd. ("EGT") and their shareholders, Mr Chew Hwee Hong and Neonlite Investments Pte Ltd, to exchange 10,000,000 ordinary shares representing 20% of the issued share capital of EGT for 23,801,653 ordinary shares representing 45% of the issued share capital of Semb-Eco (the "Transaction"). As part of the Transaction, EGT will assign to SMRU certain of its intellectual property and proprietary rights. The sale was completed on 15 January 2019.

In consequence, Semb-Eco, Semb-Eco Technology Pte. Ltd. and Semb-Eco R&D Pte. Ltd. became wholly-owned subsidiaries of the Group, while EGT ceased to be an associated company of the Group.

The Group also recognised an addition to its intangible assets of $9,004,000 relating to intellectual property and proprietary rights.

(b) Property, plant and equipment

In 2019, the Group's subsidiary, SES Engineering (M) Sdn Bhd reclassified a workshop in Malaysia from property, plant and equipment to assets held for sale.

18 CASH AND CASH EQUIVALENTS

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Fixed deposits	(a)	5,256	249	–	–
Cash and bank balances	(b)	383,994	837,475	40,233	79,584
Cash and cash equivalents in the balance sheets		389,250	837,724	40,233	79,584
Bank overdrafts		–	(551)	–	–
Cash and cash equivalents in the consolidated statement of cash flows		389,250	837,173	40,233	79,584

(a) Fixed deposits with banks of the Group earn interest at rates ranging from 0.65% to 6.26% (2018: 0.10% to 6.26%) per annum.

(b) Included in the Group's cash and bank balances at the balance sheet date are amounts of $48,039,497 (2018: $312,701,278) 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 1.21% to 1.61% (2018: 0.99% to 1.67%) 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 2.35% (2018: up to 2.57%) and up to 0.55% (2018: up to 0.55%) per annum, for the Group and the Company respectively, which are also the effective interest rates.

Included in the Group's cash and bank balances are amounts of $204,628,000 (2018: $294,999,000) placed with a related corporation. The Company's cash and bank balances of $19,948,000 (2018: $14,963,000) are also placed with a related corporation.

19 TRADE AND OTHER PAYABLES

		Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
(a)	**Current liabilities**					
	Trade and accrued payables[1]		1,268,085	1,479,997	10,783	13,544
	Advance payments from customers		463	675	–	–
	Amounts due to related parties – Trade	20	5,018	6,550	4,498	626
			1,273,566	1,487,222	15,281	14,170
	Deposits received		1,888	1,852	26	26
	GST payables		550	733	72	–
	Interest payable[2]		17,382	27,897	155	186
	Other creditors		13,195	12,684	474	474
	Accrued capital expenditure		8,003	103	–	–
	Amounts due to related parties – Non-trade	20	26,426	2,255	16,012	9,850
			67,444	45,524	16,739	10,536
	Total		1,341,010	1,532,746	32,020	24,706
(b)	**Non-current liabilities**					
	Other long-term payables[3]		6,000	108,813	4,002	5,574

(1) Included in the Group's accrued payables are amounts of $11,000,000 (2018: $11,000,000) relating to an assumption of liabilities on behalf of a joint venture.

(2) Included in the Group's interest payable are amounts of $3,901,000 (2018: $2,829,000) payable to a related corporation.

(3) Other long-term payables in 2019 include deferred grants and long-term employee benefits. In 2018, this balance also includes accrued land lease.

20 AMOUNTS DUE TO RELATED PARTIES

	Note	Immediate holding company 2019 $'000	Immediate holding company 2018 $'000	Associates and joint ventures 2019 $'000	Associates and joint ventures 2018 $'000	Related companies 2019 $'000	Related companies 2018 $'000	Total 2019 $'000	Total 2018 $'000
Group									
Amounts due to:									
- Trade		514	500	2,022	4,729	2,482	1,321	5,018	6,550
- Non-trade		–	–	21	2,255	26,405	–	26,426	2,255
	19	514	500	2,043	6,984	28,887	1,321	31,444	8,805

	Note	Immediate holding company 2019 $'000	Immediate holding company 2018 $'000	Subsidiaries 2019 $'000	Subsidiaries 2018 $'000	Related companies 2019 $'000	Related companies 2018 $'000	Total 2019 $'000	Total 2018 $'000
Company									
Amounts due to:									
- Trade		514	500	3,872	12	112	114	4,498	626
- Non-trade		–	–	16,012	9,850	–	–	16,012	9,850
	19	514	500	19,884	9,862	112	114	20,510	10,476

The trade and non-trade amounts due to related parties are unsecured, repayable on demand and interest-free.

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21 CONTRACT LIABILITIES

	Group 2019 $'000	Group 2018 $'000
Current liabilities		
Contract liabilities	60,186	139,731

The contract liabilities primarily relate to the advance consideration received from customers amounting to $36,479,000 (2018: $35,740,000) for which revenue is recognised over time, and $23,707,000 (2018: $89,606,000) for which revenue is recognised at point in time.

Significant changes in the contract liabilities balances during the year are as follows:

	2019 $'000	2018 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	(123,987)	(1,122,093)
Increases due to cash received, excluding amounts recognised as revenue during the year	44,896	51,985

22 PROVISIONS

	Retirement gratuities $'000	Warranty $'000	Restoration costs $'000	Total $'000
Group				
2019				
Balance at 1 January	935	57,916	78,885	137,736
Translation adjustments	4	53	12	69
Provision made during the year	480	8,989	1,659	11,128
Provision reversed during the year	–	(23,893)	–	(23,893)
Provision utilised during the year	(177)	(961)	(2,203)	(3,341)
Unwind of discount on restoration costs	–	–	1,555	1,555
Balance at 31 December	1,242	42,104	79,908	123,254
Provisions due:				
– within 1 year	151	14,568	1,714	16,433
– after 1 year but within 5 years	311	27,536	47,401	75,248
– after 5 years	780	–	30,793	31,573
	1,242	42,104	79,908	123,254
2018				
Balance at 1 January	928	20,853	75,988	97,769
Translation adjustments	(21)	(33)	43	(11)
Provision made during the year	142	64,478	1,083	65,703
Provision reversed during the year	–	(27,382)	(257)	(27,639)
Provision utilised during the year	(114)	–	(49)	(163)
Unwind of discount on restoration costs	–	–	2,077	2,077
Balance at 31 December	935	57,916	78,885	137,736

22 PROVISIONS (CONT'D)

	Retirement gratuities $'000	Warranty $'000	Restoration costs $'000	Total $'000
Group				
2018				
Provisions due:				
– within 1 year	179	16,696	–	16,875
– after 1 year but within 5 years	316	41,220	22,811	64,347
– after 5 years	440	–	56,074	56,514
	935	57,916	78,885	137,736

	Restoration costs 2019 $'000	Restoration costs 2018 $'000
Company		
Balance at 1 January	26,094	24,807
Unwind of discount	665	1,287
Balance at 31 December	26,759	26,094
Provisions due:		
– after 1 year but within 5 years	26,759	–
– after 5 years	–	26,094
	26,759	26,094

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.

23 OTHER FINANCIAL LIABILITIES

		Group	
		2019	2018
		$'000	$'000
(a)	**Current liabilities**		
	Cash flow hedges:		
	– Forward foreign currency contracts	2,332	9,806
	– Interest rate swaps	5,371	3
		7,703	9,809
(b)	**Non-current liabilities**		
	Cash flow hedges:		
	– Forward foreign currency contracts	1,209	3,748
	– Interest rate swaps	995	6,414
		2,204	10,162

24 INTEREST-BEARING BORROWINGS AND SUBORDINATED LOAN

		Group		Company	
	Note	2019	2018	2019	2018
		$'000	$'000	$'000	$'000
Current liabilities					
Unsecured term loans					
– Floating rate		1,371,620	569,345	–	–
– Fixed rate		50,000	485,600	50,000	50,000
Bank overdrafts		–	551	–	–
		1,421,620	1,055,496	50,000	50,000
Non-current liabilities					
Unsecured term loans	(a)				
– Floating rate		879,172	2,572,500	–	–
– Fixed rate		600,000	600,000	–	–
Subordinated loan	(b)	1,500,000	–	–	–
		2,979,172	3,172,500	–	–
		4,400,792	4,227,996	50,000	50,000

Of the Group's interest-bearing borrowings, $556,000,000 (2018: $661,000,000) were borrowed from a related corporation.

24 INTEREST-BEARING BORROWINGS AND SUBORDINATED LOAN (CONT'D)

Effective interest rates and maturity of liabilities

	Group	
	2019	**2018**
	%	**%**
Floating rate loans	2.33 – 6.43	2.52 – 7.35
Fixed rate loans	2.06 – 5.53	2.19 – 5.53
Notes	2.95 – 3.85	2.95 – 3.85

	Group	
	2019	**2018**
	$'000	**$'000**
Within 1 year	1,421,620	1,055,496
After 1 year but within 5 years	2,654,172	2,847,500
After 5 years	325,000	325,000
Total borrowings	4,400,792	4,227,996

(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 2019, an amount of $167,500,000 (2018: $167,500,000) for the medium term notes maturing in 2021 was subscribed by a related corporation.

24 INTEREST-BEARING BORROWINGS AND SUBORDINATED LOAN (CONT'D)

(b) Subordinated loan

On 21 June 2019, the Company's subsidiary, Sembcorp Marine Financial Services Pte. Ltd., secured a five-year subordinated loan facility from Sembcorp Financial Services Pte. Ltd., a subsidiary of Sembcorp Industries Ltd of $2,000,000,000, of which $1,500,000,000 was drawn down on 8 July 2019 to retire short term borrowings and re-profile the remaining borrowings with longer term maturities.

The details of the loan facility are as follows:

Borrower	:	Sembcorp Marine Financial Services Pte. Ltd.
Guarantor	:	Sembcorp Marine Ltd
Lender	:	Sembcorp Financial Services Pte. Ltd.
Loan amount	:	Facility A: $1,500,000,000 Facility B: $500,000,000
Maturity dates	:	Facility A: 8 July 2024 Facility B: 5 years from drawdown
Interest payment dates	:	Facility A: Payable semi-annually in arrear Facility B: One, three or six months
Interest rate	:	Facility A: Fixed rate @ 3.55% per annum Facility B: SOR + 1.91% per annum
Undertakings	:	Customary undertakings such as negative pledge with agreed carve outs, restrictions in borrowings and dividend payments, while not restricting its ability to conduct its business efficiently

24 INTEREST-BEARING BORROWINGS AND SUBORDINATED LOAN (CONT'D)

(b) Subordinated loan (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Interest-bearing borrowings* $'000	Finance lease liabilities $'000	Lease liabilities $'000	Total $'000
Group				
Balance at 31 December 2018	4,227,445	1,434	–	4,228,879
Adjustment on initial application of SFRS(I) 16	–	–	272,623	272,623
Reclassification on initial application of SFRS(I) 16	–	(1,434)	1,434	–
Adjusted balance at 1 January 2019	4,227,445	–	274,057	4,501,502
Cash flows				
Cash payments	(2,547,941)	–	(25,859)	(2,573,800)
Cash proceeds	2,732,839	–	–	2,732,839
Non-cash items				
Additions	–	–	21,674	21,674
Capitalised borrowing cost	–	–	9,382	9,382
Foreign exchange movement	(11,551)	–	(1,156)	(12,707)
Balance at 31 December 2019	4,400,792	–	278,098	4,678,890
Balance at 1 January 2018	4,098,255	1,868	–	4,100,123
Cash flows				
Cash payments	(990,635)	(512)	–	(991,147)
Cash proceeds	1,101,622	–	–	1,101,622
Non-cash items				
Capitalised borrowing cost	–	78	–	78
Foreign exchange movement	18,203	–	–	18,203
Balance at 31 December 2018	4,227,445	1,434	–	4,228,879

* Excluding finance lease liabilities and bank overdrafts.

25 SHARE CAPITAL

	Group and Company No. of ordinary shares 2019	2018
Issued and fully paid, with no par value:		
Balance at 1 January	2,089,760,107	2,089,760,107
Restricted shares released	1,144,462	–
Balance at 31 December	2,090,904,569	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 745,644 (2018: 1,187,703) treasury shares during the year pursuant to its share based incentive plans (Note 37).

26 OTHER RESERVES

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Distributable					
Reserve for own shares	(a)	(771)	(2,151)	(771)	(2,151)
Non-distributable					
Currency translation reserve	(b)	(27,455)	(13,577)	–	–
Share-based payments reserve	(c)	(24,519)	(24,686)	(22,412)	(22,579)
Hedging reserve	(d)	9,432	2,398	–	–
Capital reserves	(e)	(1,683)	(13,011)	960	960
		(44,996)	(51,027)	(22,223)	(23,770)

(a) Reserve for own shares comprises the cost of the Company's shares held by the Company. As at 31 December 2019, the Company holds 416,840 (2018: 1,162,484) 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) Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.

(e) Capital reserves comprise mainly reserves arising from acquisition and disposals of non-controlling interests that do not result in a change of control.

27 TURNOVER

Turnover represents sales from the various activities described in Note 1 and Note 45, including the revenue recognised on contracts relating to rigs & floaters, repairs & upgrades and offshore platforms.

	Group 2019 $'000	Group 2018 $'000
Contract revenue	2,871,362	4,831,789
Charter hire income	2,224	47,873
Services rendered	4,441	2,915
Sale of goods	4,533	5,289
	2,882,560	4,887,866

The amount of revenue recognised during the year from performance obligations satisfied or partially satisfied in previous periods, mainly due to change in estimate for the transaction price is $nil (2018: $nil).

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27 TURNOVER (CONT'D)

(a) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major product and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 43).

	Reportable segments			
	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Total $'000
Primary geographical markets				
2019				
Singapore	160,665	–	8,974	169,639
United Kingdom	175,200	–	–	175,200
Norway	667,640	–	–	667,640
France	350,015	–	–	350,015
The Netherlands	71,396	2,224	–	73,620
Brazil	358,604	–	–	358,604
U.S.A.	823,732	–	–	823,732
Other countries	264,110	–	–	264,110
Total	2,871,362	2,224	8,974	2,882,560
2018				
Singapore	145,375	–	8,204	153,579
Japan	339,829	–	–	339,829
United Kingdom	195,484	–	–	195,484
Norway	1,627,871	–	–	1,627,871
France	488,606	–	–	488,606
The Netherlands	349,641	47,873	–	397,514
Brazil	243,344	–	–	243,344
U.S.A.	1,183,777	–	–	1,183,777
Other countries	257,862	–	–	257,862
Total	4,831,789	47,873	8,204	4,887,866

27 TURNOVER (CONT'D)

(a) Disaggregation of revenue from contracts with customers (cont'd)

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Total $'000
Major product and service lines				
2019				
Ship and rig building or conversion	2,103,752	–	–	2,103,752
Repair, maintenance and related services	605,431	–	–	605,431
Offshore platforms	130,538	–	–	130,538
Charter hire	–	2,224	–	2,224
Services rendered	–	–	4,441	4,441
Sale of goods	–	–	4,533	4,533
Others	31,641	–	–	31,641
Total	2,871,362	2,224	8,974	2,882,560
Timing of revenue recognition				
Control transferred over time	2,608,475	2,224	4,441	2,615,140
Control transferred at a point in time	262,887	–	4,533	267,420
Total	2,871,362	2,224	8,974	2,882,560
Major product and service lines				
2018				
Ship and rig building or conversion	4,147,900	–	–	4,147,900
Repair, maintenance and related services	476,304	–	–	476,304
Offshore platforms	184,234	–	–	184,234
Charter hire	–	47,873	–	47,873
Services rendered	–	–	2,915	2,915
Sale of goods	–	–	5,289	5,289
Others	23,351	–	–	23,351
Total	4,831,789	47,873	8,204	4,887,866
Timing of revenue recognition				
Control transferred over time	2,437,934	47,873	2,915	2,488,722
Control transferred at a point in time	2,393,855	–	5,289	2,399,144
Total	4,831,789	47,873	8,204	4,887,866

27 TURNOVER (CONT'D)

(b) Transaction price allocated to remaining performance obligation

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at reporting date:

Reportable segments	Estimated based on expected project progress			
	Within the next 12 months $'000	Between 1 to 5 years $'000	More than 5 years $'000	Total $'000
2019				
Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding	1,787,480	648,773	–	2,436,253
2018				
Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding	2,175,205	912,654	–	3,087,859

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about remaining performance obligations that have an original expected duration of one year or less, as allowed by SFRS(I) 15.

28 OPERATING LOSS

Detailed below are the key amounts recognised in arriving at operating loss:

	Note	Group 2019 $'000	Group 2018 $'000
Amortisation of intangible assets	13	27,530	24,694
Audit fees paid/payable			
– auditors of the Company		579	501
– other member firms of KPMG International		355	334
– other auditors		15	12
Non-audit fees paid/payable			
– auditors of the Company		83	44
– other member firms of KPMG International		16	24
– other auditors		1,119	864
(Write-back of)/allowance for doubtful debts and bad debts, net		(338)	2,673
Depreciation of property, plant and equipment, and right-of-use assets	4, 5	214,938	170,752
Negative goodwill	38	(4,999)	–
Changes in fair value of financial instruments		(2,619)	2,405
Foreign currency exchange loss/(gain), net		3,357	(8,593)
Loss/(gain) on disposal of property, plant and equipment, net		2,428	(2,371)
Gain on disposal of intangible assets		–	(106)
Impairment losses on property, plant and equipment		541	4,663
Inventories (written back)/written down, net		(651)	432
Property, plant and equipment written off		3,042	58
Staff costs	(a)	415,677	414,689

28 OPERATING LOSS (CONT'D)

	Group 2019 $'000	Group 2018 $'000
(a) Staff costs		
Salaries and bonus	342,679	338,162
Defined contribution plan	37,947	22,998
Equity-settled share-based payments	3,472	4,910
Cash-settled share-based payments	(1,204)	923
Directors' fee	2,010	2,271
Other employee benefits	30,773	45,425
	415,677	414,689

29 FINANCE INCOME AND FINANCE COSTS

	Group 2019 $'000	Group 2018 $'000
Finance income		
Interest income from:		
– Trade receivables and contracts with customers	85,508	46,320
– Fixed deposits and bank balances	7,021	8,262
– Joint venture	531	444
	93,060	55,026
Net dividend from unquoted investment	215	–
	93,275	55,026
Finance costs		
Interest expense on lease liabilities	9,382	–
Interest paid and payable to:		
– Bank and others	113,838	95,822
– Commitment and facility fee	5,252	3,457
Unwind of discount on restoration costs	1,555	2,077
	130,027	101,356

30 NON-OPERATING INCOME

	Group 2019 $'000	Group 2018 $'000
Non-operating income:		
– Gain on disposal of a joint venture	185	–
– Gain on disposal of other financial asset	–	27
– Net change in fair value of financial assets measured through profit or loss	–	114
	185	141

31 SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	Note	Group 2019 $'000	Group 2018 $'000
Share of loss before tax for the year		(1,130)	(2,170)
Share of tax for the year		(473)	(215)
	32	(1,603)	(2,385)

32 TAX CREDIT

	Note	Group 2019 $'000	Group 2018 $'000
Current tax expense/(credit)			
Current year		4,168	11,257
Over provided in prior years		(7,567)	(22,473)
		(3,399)	(11,216)
Deferred tax expense/(credit)			
Movements in temporary differences		(31,028)	(28,862)
(Over)/under provided in prior years		(2,346)	17,547
		(33,374)	(11,315)
Tax credit		(36,773)	(22,531)
Reconciliation of effective tax rate			
Loss for the year		(140,187)	(78,366)
Tax credit		(36,773)	(22,531)
Share of results of associates and joint ventures	31	1,603	2,385
Loss before share of results of associates and joint ventures, and tax credit		(175,357)	(98,512)
Tax calculated using Singapore tax rate of 17% (2018: 17%)		(29,811)	(16,747)
Exempt income, capital gains and tax incentives/concessions		(13,779)	(5,794)
Effect of different tax rates in foreign jurisdictions		1,284	795
Tax adjustment on changes in undistributed profits from foreign entities*		(12,013)	(17,250)
Effect on utilisation of deferred tax assets not previously recognised		(601)	(2,674)
Non-deductible expenses		6,978	5,320
Over provision in respect of prior years		(9,913)	(4,926)
Deferred tax assets not recognised*		21,036	18,722
Others		46	23
Tax credit		(36,773)	(22,531)

As at 31 December 2019, certain subsidiaries have unutilised tax losses and capital and investment allowances of $524,567,000 (2018: $451,849,000) and other deductible temporary differences of $277,000 (2018: $19,000) available for set-off against future taxable income subject to the tax provisions and agreement by the relevant tax authorities of the various jurisdictions.

* Comparative balances have been revised to conform to current year presentation.

33 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income are set out below:

	2019			2018		
	Before tax $'000	Tax expense $'000	Net of tax $'000	Before tax $'000	Tax expense $'000	Net of tax $'000
Group						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation differences for foreign operations	(12,823)	–	(12,823)	9,000	–	9,000
Net change in fair value of cash flow hedges	15,559	(2,776)	12,783	(52,774)	8,868	(43,906)
Net change in fair value of cash flow hedges transferred to profit or loss	(6,926)	1,177	(5,749)	12,515	(2,128)	10,387
Realisation of reserve upon disposal of subsidiaries	(539)	–	(539)	–	–	–
	(4,729)	(1,599)	(6,328)	(31,259)	6,740	(24,519)
Items that may not be reclassified subsequently to profit or loss:						
Net change in fair value of equity investments at FVOCI	–	–	–	(11,339)	–	(11,339)
Other comprehensive income	(4,729)	(1,599)	(6,328)	(42,598)	6,740	(35,858)

34 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 2019 %	2018 %
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 SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

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34 NON-CONTROLLING INTERESTS (CONT'D)

	Gravifloat AS $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'000
31 December 2019				
Revenue	–			
Loss for the year	(7,667)			
Other comprehensive income	(40)			
Total comprehensive income	(7,707)			
Attributable to non-controlling interests:				
Loss for the year	(3,374)	361	–	(3,013)
Other comprehensive income	(18)	(172)	–	(190)
Total comprehensive income	(3,392)	189	–	(3,203)
Non-current assets	82,906			
Current assets	13			
Non-current liabilities	(18,253)			
Current liabilities	(80)			
Net assets	64,586			
Net assets attributable to non-controlling interests	28,418	5,052	–	33,470
Cash flows from operating activities	–*			
Cash flows from investing activities	–*			
Cash flows from financing activities	–*			
Net decrease in cash and cash equivalents	–*			
31 December 2018				
Revenue	–			
Loss for the year	(10,121)			
Other comprehensive income	(16)			
Total comprehensive income	(10,137)			
Attributable to non-controlling interests:				
Loss for the year	(4,453)	218	–	(4,235)
Other comprehensive income	(7)	(128)	–	(135)
Total comprehensive income	(4,460)	90	–	(4,370)
Non-current assets	96,398			
Current assets	11			
Non-current liabilities	(24,104)			
Current liabilities	(20)			
Net assets	72,285			
Net assets attributable to non-controlling interests	31,805	4,946	–	36,751
Cash flows from operating activities	–*			
Cash flows from investing activities	–*			
Cash flows from financing activities	–*			
Net decrease in cash and cash equivalents	–*			

* Amount is immaterial to meaningfully disclose it.

35 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the loss attributable to owners of the Company of $137,174,000 (2018: $74,131,000) by the weighted average number of ordinary shares outstanding of 2,089,017,000 (2018: 2,088,437,000) as follows:

	Group 2019 $'000	Group 2018 $'000
Loss attributable to owners of the Company	(137,174)	(74,131)

	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 performance shares and restricted shares released	419	617
Effect of own shares held	(1,162)	(1,940)
Weighted average number of ordinary shares during the year	2,089,017	2,088,437

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the loss attributable to owners of the Company of $137,174,000 (2018: $74,131,000) by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 2,089,017,000 (2018: 2,088,437,000) as follows:

	Group 2019 $'000	Group 2018 $'000
Loss attributable to owners of the Company	(137,174)	(74,131)

	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	2,089,017	2,088,437
Effect of dilutive share options	–	–
Weighted average number of ordinary shares during the year	2,089,017	2,088,437

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.

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.

36 DIVIDENDS

No dividends had been declared or proposed in respect of the year ended 31 December 2019 and 31 December 2018.

	Group and Company	
	2019	2018
	$'000	$'000
Dividends paid		
Final one-tier tax-exempt dividend of 1.0 cent per share in respect of year 2017	–	20,888

37 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 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 director, while the SCM PSP 2010 is intended to apply to a select group of key senior management. Generally, it is envisaged that the range of performance targets to be set under the SCM RSP 2010 and the SCM PSP 2010 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

The 2010 Share Plans will provide incentives to high performing key senior management and senior executives to excel in their performance and encourage greater dedication and loyalty to the Company. Through the 2010 Share Plans, the Company will be able to motivate key senior management and senior executives to continue to strive for the Group's long-term shareholder value. In addition, the 2010 Share Plans aim to foster a greater ownership culture within the Group which align the interests of participants with the interests of shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment.

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.

37 SHARE-BASED INCENTIVE PLANS (CONT'D)

Other information regarding the 2010 Share Plans is as follows:

(a) Performance Share Plan

Fair value of Performance Shares

The fair values of the performance shares are estimated using a Monte Carlo simulation methodology at the grant dates. In 2019, there were no performance shares granted. The fair value of performance shares granted in 2018 is as follows:

Date of grant	23 August 2018
Fair value at measurement date	$1.94
Assumptions under the Monte Carlo model	
Share price	$1.93
Expected volatility:	
Sembcorp Marine Ltd	39.8%
Morgan Stanley Capital International ("MSCI") AC Asia Pacific excluding Japan Industrials Index	12.2%
Correlation with MSCI	41.5%
Risk-free interest rate	1.9%
Expected dividend	1.8%

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 $1,529,000 (2018: $2,072,000) to profit or loss based on the fair value of the performance shares at the grant date being expensed over the vesting period.

(b) Restricted Share Plan

Fair value of Restricted Shares

The fair values of the restricted shares are estimated using a Monte Carlo simulation methodology at the grant dates. In 2019, there were no restricted shares granted. The fair value of restricted shares granted in 2018 is as follows:

Date of grant	23 August 2018
Fair value at measurement date	$1.78
Assumptions under the Monte Carlo model	
Share price	$1.93
Expected volatility:	
Sembcorp Marine Ltd	39.8%
Risk-free interest rate	0.6% – 1.9%
Expected dividend	1.8%

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 $1,943,000 (2018: $2,838,000) to profit or loss based on the fair value of restricted shares at the grant date being expensed over the vesting period.

37 SHARE-BASED INCENTIVE PLANS (CONT'D)

(b) Restricted Share Plan (cont'd)

Fair value of Sembcorp Marine Challenge Bonus

During the year, the Group wrote-back charges of $1,204,000 (2018: charged $923,000) 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.

38 ACQUISITION OF SUBSIDIARY AND INTELLECTUAL PROPERTY RIGHTS

In prior year, the Company's wholly-owned subsidiary, Sembcorp Marine Integrated Yard Pte. Ltd. ("SMIY"), acquired the title to all of Sevan Marine ASA ("Sevan Marine")'s intellectual property, and 95% of the shares of HiLoad LNG AS ("HiLoad"), a Sevan Marine subsidiary. The intellectual property acquired relates mainly to patents for the geostationary cylindrical hull design. In addition, SMIY acquired the balance 5% equity interest in HiLoad from a minority shareholder. Consequently, the intangible asset and financial statements of HiLoad were consolidated into the Group's financial statements.

Effect of acquisition

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 2018, the contribution to the Group's consolidated revenue and consolidated profit for the year ended 31 December 2018 would not have been significantly impacted.

Consideration transferred

The final allocation of the purchase price to the identifiable assets acquired and liabilities assumed in the business combination has been completed during the year.

The following table summarises the estimated fair value of the assets acquired and liabilities assumed as at the date of acquisition and has been updated for the finalisation of the purchase equation:

		2018 $'000
(a)	**Effect on cash flows of the Group**	
	Cash paid	54,619
	Less: Cash and cash equivalents in subsidiary acquired	(25)
	Cash outflow on acquisition	54,594

38 ACQUISITION OF SUBSIDIARY AND INTELLECTUAL PROPERTY RIGHTS (CONT'D)

		Note	As reported 2018 $'000	Fair value Adjustment[1] $'000	Final purchase equation $'000
(b)	**Identifiable assets acquired and liabilities assumed**				
	Intangible assets	13	54,604	5,829	60,433
	Trade and other receivables		5	–	5
	Cash and cash equivalents		25	–	25
	Total assets		54,634	5,829	60,463
	Trade and other payables		15	48	63
	Deferred tax liabilities		–	1,634	1,634
	Total liabilities		15	1,682	1,697
	Net identifiable assets		54,619	4,147	58,766
	Add: Goodwill		–	852	852
	Less: Negative goodwill		–	(4,999)	(4,999)
	Consideration transferred for the business		54,619	–	54,619

Acquisition-related costs

The acquisition-related costs incurred in relation to the acquisition were immaterial, but charged to profit or loss.

Negative goodwill

Negative goodwill of $4,999,000 is recognised within other operating income in profit or loss. It arose mainly due to fair value adjustments on completion of valuation and final allocation of purchase price for the acquisition.

(1) Purchase price adjustments, which are non-cash in nature, made during the measurement period have not been applied retrospectively as these adjustments, which relate mainly to balance sheet effects and certain consequential income statement effects, are immaterial to the Group.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

39 RELATED PARTIES

(a) Related party transactions

In addition to those disclosed elsewhere in the financial statements, the Group had the following outstanding balances and significant transactions with related parties during the year:

	Outstanding balances Group		Significant transactions Group	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Immediate holding company				
Management fee payable	(500)	(500)	(250)	(250)
Others	(135)	(318)	(286)	(318)
Related corporations				
Sales	125	37	111	201
Purchases	(2,482)	(1,321)	(40,390)	(41,814)
Payment on behalf	–	–	30	105
Rental income	–	–	3	7
Finance income	–	–	875	1,185
Finance costs	(30,306)	(2,829)	(49,783)	(22,133)
Associates and joint ventures				
Sales	218	1,220	40	–
Purchases	(2,022)	(4,729)	(7,878)	(7,786)
Finance income	292	–	531	444
Others	(21)	(2,255)	40	(72)

(b) Compensation of key management personnel

The Group considers the directors of the Company (including the President & Chief Executive 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, the Chief Financial Officer and the Chief Human Resource Officer of the Company to be key management personnel in accordance with SFRS(I) 1-24 *Related Party Disclosures*.

These persons have the authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation is as follows:

	Group	
	2019 $'000	2018 $'000
Directors' fees and remuneration	3,794	4,184
Other key management personnel remuneration	2,673	2,959
	6,467	7,143
Fair value of share-based compensation	1,461	2,514

Remuneration includes salary (which includes allowances, fees and other emoluments) and bonuses (which includes AWS, discretionary bonus and performance targets bonus).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

39 RELATED PARTIES (CONT'D)

(b) Compensation of key management personnel (cont'd)

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.

40 FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's activities expose it to market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk.

As part of the Group's Enterprise Risk Management framework, the Group's treasury policies and financial authority limits are documented and reviewed periodically. The policies set out the parameters for management of Group liquidity, counterparty risk, foreign exchange and derivative transactions and financing.

The Group utilises foreign exchange contracts, interest rate swaps and various financial instruments to manage exposures to interest rate and foreign exchange risks arising from operating, financing and investment activities. Exposures to foreign currency risks are also hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount where possible. All such transactions must involve underlying assets or liabilities and no speculative transactions are allowed.

The financial authority limits seek to limit and mitigate transactional risks by setting out the threshold of approvals required for the entry into contractual obligations and investments.

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and reduce market risk exposures within acceptable parameters.

(i) Interest rate risk

The Group's exposure to market risk for changes in interest rate environment relates mainly to its debt obligations.

The Group's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts and long-term and short-term borrowings.

The Group's risk management policy is to ensure that at least 50% of its debt portfolio is at fixed interest rates. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps to hedge the variability in cash flows attributable to the floating interest rates.

40 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(i) Interest rate risk (cont'd)

The Group designates the interest rate swaps in their entirety to hedge its interest rate risk and applies a hedge ratio of 1:1. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item by looking at the critical terms.

In these hedge relationships, the main source of ineffectiveness is the effect of the counterparties' and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates.

At 31 December 2019, the Group had interest rate swaps with an aggregate notional amount of $1,010,330,000 (2018: $1,300,020,000). The Group receives a variable interest rate and pays a fixed rate interest ranging from 2.95% to 5.53% (2018: 2.19% to 5.53%) per annum on the notional amount. Interest rate swaps with notional amounts of $225,000,000 (2018: $300,000,000) were entered with a related corporation.

Sensitivity analysis

It is estimated that 50 basis points ("bp") change in interest rate at the reporting date would increase/(decrease) equity and profit before tax by the following amounts. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit before tax		Equity	
	50 bp Increase $'000	50 bp Decrease $'000	50 bp Increase $'000	50 bp Decrease $'000
Group				
31 December 2019				
Variable rate financial instruments	(2,315)	2,315	1,807	(1,827)
31 December 2018				
Variable rate financial instruments	(4,791)	4,791	6,663	(6,754)
Company				
31 December 2019				
Variable rate financial instruments	101	(101)	–	–
31 December 2018				
Variable rate financial instruments	396	(396)	–	–

40 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(ii) Foreign currency risk

The Group operates globally and is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company and its subsidiaries. The currencies in which these transactions are primarily denominated in are Singapore dollars ("SGD"), United States dollars ("USD"), Euros ("EUR"), Pounds sterling ("GBP") and Brazilian Real ("BRL"). Such risks are hedged either by forward foreign currency contracts in respect of actual or forecasted currency exposures which are reasonably certain or hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount. Forward foreign currency contracts with notional amounts of $664,260,000 (2018: $154,339,000) were entered with a related corporation.

The Group's risk management policy is to hedge 50% to 100% of its estimated net foreign currency exposure in respect of its forecasted project cash inflows and outflows over the lifespans of the projects.

The Group designates the forward foreign currency contracts in their entirety to hedge its foreign currency risk and applies a hedge ratio of 1:1. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item by looking at the critical terms.

In these hedge relationships, the main sources of ineffectiveness may be due to:

- the effect of the counterparties' and the Group's own credit risk on the fair value of the forward foreign currency contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and

- changes in the timing of the hedged transactions.

40 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

The summary of quantitative data about the Group's exposure to foreign currency risk as provided to the management of the Group based on its risk management policy is as follows:

	SGD $'000	USD $'000	EUR $'000	GBP $'000	BRL $'000	Others $'000	Total $'000
Group							
31 December 2019							
Financial assets							
Cash and cash equivalents	4,989	56,330	5,215	179	4,766	2,018	73,497
Trade and other receivables	36,909	2,087,413	14,625	24	20,460	11,729	2,171,160
	41,898	2,143,743	19,840	203	25,226	13,747	2,244,657
Financial liabilities							
Trade and other payables	(93,421)	(498,174)	(60,561)	(2,541)	(69,532)	(25,035)	(749,264)
Interest-bearing borrowings	(20)	(392,796)	–	–	–	–	(392,816)
Lease liabilities	(21,721)	(48,085)	–	–	(183)	–	(69,989)
	(115,162)	(939,055)	(60,561)	(2,541)	(69,715)	(25,035)	(1,212,069)
Net financial (liabilities)/assets	(73,264)	1,204,688	(40,721)	(2,338)	(44,489)	(11,288)	1,032,588
Add: Contract assets	–	1,139,919	76,958	–	–	13,753	1,230,630
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(1,149)	176,880	(122,116)	(8,786)	–	(40,963)	3,866
Less: Foreign currency forward contracts	–	(1,775,912)	(100,774)	–	–	–	(1,876,686)
Net currency exposure	(74,413)	745,575	(186,653)	(11,124)	(44,489)	(38,498)	390,398

40 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

	SGD $'000	USD $'000	EUR $'000	GBP $'000	BRL $'000	Others $'000	Total $'000
Group							
31 December 2018							
Financial assets							
Cash and cash equivalents	5,763	183,593	3,471	7,874	1,823	2,865	205,389
Trade and other receivables	16,177	1,358,576	26,347	1,317	7,887	6,696	1,417,000
	21,940	1,542,169	29,818	9,191	9,710	9,561	1,622,389
Financial liabilities							
Trade and other payables	(122,932)	(328,140)	(56,296)	(5,574)	(79,886)	(16,698)	(609,526)
Interest-bearing borrowings	(20)	(427,440)	–	–	–	–	(427,460)
	(122,952)	(755,580)	(56,296)	(5,574)	(79,886)	(16,698)	(1,036,986)
Net financial (liabilities)/assets	(101,012)	786,589	(26,478)	3,617	(70,176)	(7,137)	585,403
Add: Contract assets	–	954,376	764	2,898	–	8,841	966,879
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(2,717)	157,100	(221,173)	(20,693)	54,609	(101,085)	(133,959)
Less: Foreign currency forward contracts	–	(1,189,368)	–	–	–	–	(1,189,368)
Net currency exposure	(103,729)	708,697	(246,887)	(14,178)	(15,567)	(99,381)	228,955

40 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

The Company's gross exposure to foreign currencies is as follows:

	USD $'000	Others $'000	Total $'000
Company			
31 December 2019			
Financial assets			
Cash and cash equivalents	352	–	352
Trade and other receivables	113	–	113
	465	–	465
Financial liabilities			
Trade and other payables	(1,383)	(19)	(1,402)
Net financial liabilities	(918)	(19)	(937)
31 December 2018			
Financial assets			
Cash and cash equivalents	2,355	–	2,355
Trade and other receivables	1	–	1
	2,356	–	2,356

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 2018.

	Group		Company	
	Equity $'000	Profit before tax $'000	Equity $'000	Profit before tax $'000
2019				
SGD	–	(7,326)	–	–
USD	(93,129)	170,723	–	(92)
EUR	(7,991)	3,624	–	–
GBP	–	(235)	–	–
BRL	–	(4,449)	–	–
Others	–	247	–	(2)
2018				
SGD	–	(10,101)	–	–
USD	(94,125)	180,623	–	236
EUR	–	(2,571)	–	–
GBP	–	651	–	–
BRL	–	(7,018)	–	–
Others	–	171	–	–

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40 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

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.

(iii) Price risk

As at 31 December 2018, the Group is not exposed to significant price risk as its quoted equity securities and unit trust was disposed during the year. No acquisition of equity instruments was done during the year.

(iv) Cash flow hedges

At the reporting date, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates:

			Maturity		
	Forward contract rate $	Interest rate %	Within 1 year $'000	Between 1 to 5 years $'000	More than 5 years $'000
2019					
Foreign currency risk					
Forward foreign currency contracts					
– SGD/USD	1.32 – 1.38	–	1,122,421	653,492	–
– EUR/SGD	1.58 – 1.63	–	66,158	34,616	–
Interest rate risk					
Interest rate swaps					
– Float-to-fixed	–	2.95 – 5.53	785,330	225,000	–
2018					
Foreign currency risk					
Forward foreign currency contracts					
– SGD/USD	1.32 – 1.42	–	966,046	223,321	–
Interest rate risk					
Interest rate swaps					
– Float-to-fixed	–	2.19 – 5.53	213,020	1,087,000	–

40 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(iv) Cash flow hedges (cont'd)

The amounts at the reporting date relating to items designated as hedged items were as follows:

	Cash flow hedge reserve for continuing hedges $'000
2019	
Foreign currency risk	
Highly probable sales	11,581
Sales receipts	3,376
Interest rate risk	
Variable rate borrowings	(5,525)
2018	
Foreign currency risk	
Sales receipts	7,552
Interest rate risk	
Variable rate borrowings	(5,154)

40 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(iv) Cash flow hedges (cont'd)

The amounts related to items designated as hedging instruments and hedge ineffectiveness were as follows:

	2019				During the year 2019				
	Nominal amount $'000	Assets $'000	Liabilities $'000	Line item in the balance sheet where the hedging instrument is included	Change in value of hedging instrument recognised in OCI $'000	Hedge ineffectiveness recognised in profit or loss $'000	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from hedging reserve to profit or loss $'000	Line item affected in profit or loss because of the reclassification
Foreign currency risk									
Forward foreign currency contracts	1,235,421	20,637	3,541	Other financial assets, other financial liabilities	13,154	3,777	Other operating income, other operating expenses	(9,526)	Other operating income, other operating expenses
Interest rate risk									
Interest rate swaps	1,010,330	-	6,366	Other financial assets, other financial liabilities	(371)	-	Other operating income, other operating expenses	-	Other operating income, other operating expenses

40 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(iv) Cash flow hedges (cont'd)

	2018				During the year 2018				
	Nominal amount $'000	Assets $'000	Liabilities $'000	Line item in the balance sheet where the hedging instrument is included	Change in value of hedging instrument recognised in OCI $'000	Hedge ineffectiveness recognised in profit or loss $'000	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from hedging reserve to profit or loss $'000	Line item affected in profit or loss because of the reclassification
Foreign currency risk									
Forward foreign currency contracts	1,189,367	12,188	13,554	Other financial assets, other financial liabilities	(44,318)	1,421	Other operating income, other operating expenses	8,966	Other operating income, other operating expenses
Interest rate risk									
Interest rate swaps	1,300,020	334	6,417	Other financial assets, other financial liabilities	412	-	Other operating income, other operating expenses	-	Other operating income, other operating expenses

40 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(iv) Cash flow hedges (cont'd)

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting:

	$'000
Cash flow hedge reserve	
Balance at 1 January 2019	2,398
Changes in fair value:	
Foreign currency risk	15,848
Interest rate risk	(289)
Amount reclassified to profit or loss:	
Foreign currency risk	(6,926)
Tax on movements on reserves during the year	(1,599)
Balance at 31 December 2019	9,432
Balance at 1 January 2018	35,917
Changes in fair value:	
Foreign currency risk	(53,395)
Interest rate risk	621
Amount reclassified to profit or loss:	
Foreign currency risk	12,515
Tax on movements on reserves during the year	6,740
Balance at 31 December 2018	2,398

(b) Credit risk

The Group monitors its exposure to credit risks arising from sales to trade customers on an on-going basis, and credit evaluations are done on customers that require credit. The credit quality of customers is assessed after taking into account its financial position and past experience with the customers.

The Group only deals with pre-approved customers and financial institutions with good credit rating. To minimise the Group's counterparty risk, the Group enters into derivative transactions only with creditworthy institutions. Cash and fixed deposits are placed in banks and financial institutions with good credit rating.

The Group assumes that credit risk of a financial asset has increased significantly when the financial asset remains outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend.

The Group and the Company's maximum exposure to credit risk, before taking into account any collateral held, is the carrying amount of each financial asset, including derivatives, in the balance sheets.

The carrying amount of receivables from the Group's most significant customer was $1,073,249,000 as at 31 December 2019 (2018: $955,367,000). The receivable is secured over a right to repossess and to re-sell the assets delivered in the event of default by the customer, and no loss allowance is therefore recognised. There is no concentration of customer's credit risk at the Company level.

40 FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

The Group's and the Company's maximum exposure to credit risk for financial assets at amortised cost and contract assets at the balance sheet date is as follows:

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
By business activity					
Rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding		2,978,526	2,768,969	–	–
Ship chartering		2,175	12	–	–
Others		11,042	9,943	234,861	133,274
		2,991,743	2,778,924	234,861	133,274
Financial assets at amortised cost and contract assets					
Non-current*	10	1,087,148	1,121,499	29,396	31,719
Current	10, 12	1,904,595	1,657,425	205,465	101,555
		2,991,743	2,778,924	234,861	133,274

* Not past due.

The age analysis of financial assets at amortised cost and contract assets for the Group is as follows:

	Gross 2019 $'000	Impairment 2019 $'000	Gross 2018 $'000	Impairment 2018 $'000
Group				
Not past due	2,948,451	94	2,692,583	160
Past due 0 to 3 months	22,221	31	34,462	117
Past due 3 to 6 months	6,716	329	16,237	167
Past due 6 to 12 months	3,084	6	4,060	313
More than 1 year	167,318	155,587	193,230	160,891
	3,147,790	156,047	2,940,572	161,648
Company				
Not past due	234,861	–	133,274	–

Expected credit loss (ECL) assessment for customers with credit ratings (or equivalent)

The Group allocates exposure from key customers to a credit risk grade based on data that is determined to be indicative of the risk of loss (including but not limited to external ratings if available, audited financial statements to calculate the internal risk rating using the Altman Z-score method, and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from Standards and Poor's.

40 FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

ECL rate is calculated based on probabilities of default and loss given default. Lifetime probabilities of default for individual customers are based on external ratings from Bloomberg L.P. adjusted for time horizon of the credit exposure, or historical data supplied by Standards and Poor's for each credit rating. The Group monitors changes in credit risk through on-going review of customer credit worthiness and by tracking published external credit ratings.

Loss rates are adjusted for current conditions and the Group's view of economic conditions over the expected lives of the receivables only if these factors have a significant impact to the credit loss.

The following table provides information about the exposure to credit risk and ECLs for financial assets at amortised cost and contract assets for customers with credit ratings (or equivalent):

	Credit impaired	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
2019				
Group				
Receivables measured at lifetime ECL				
– Trade receivables	Yes	154,916	154,916	–
Receivables measured at lifetime ECL				
– Trade receivables and contract assets	No	2,678,823	220	2,678,603
Company				
Receivables measured at lifetime ECL				
– Trade receivables	No	–	–	–
2018				
Group				
Receivables measured at lifetime ECL				
– Trade receivables	Yes	158,715	158,715	–
Receivables measured at lifetime ECL				
– Trade receivables and contract assets	No	2,532,900	1,904	2,530,996
Company				
Receivables measured at lifetime ECL				
– Trade receivables	No	–	–	–

There were no trade and other receivables and contract assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets.

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YEAR ENDED 31 DECEMBER 2019

40 FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

Expected credit loss assessment for customers (allowance matrix)

The Group uses an allowance matrix to measure the ECLs of trade receivables for customers not allocated specific credit ratings, which comprises large number of small balances.

Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through succession stages of delinquency to write-off.

Loss rates are based on actual credit loss experience over the past 5 years adjusted for current conditions and the Group's view of economic conditions over the expected lives of the receivables only if these factors have a significant impact to the credit loss.

The following table provides information about the exposure to credit risk and ECLs for financial assets at amortised cost and contract assets for customers with no credit rating or no representative credit rating or equivalent:

	Credit impaired	Weighted average loss rate %	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
2019					
Group					
Not past due	No	–	299,638	–	299,638
Past due 0 to 3 months	No	–	2,343	–	2,343
Past due 3 to 6 months	No	11.87	2,299	273	2,026
Past due 6 to 12 months	No	–	1,751	–	1,751
More than 1 year	No	7.96	8,020	638	7,382
Total			314,051	911	313,140
Company					
Not past due	No	–	234,861	–	234,861
2018					
Group					
Not past due	No	–	228,908	–	228,908
Past due 0 to 3 months	No	–	10,077	–	10,077
Past due 3 to 6 months	No	5.47	2,302	126	2,176
Past due 6 to 12 months	No	11.64	1,581	184	1,397
More than 1 year	No	11.81	6,089	719	5,370
Total			248,957	1,029	247,928
Company					
Not past due	No	–	133,274	–	133,274

40 FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

Movements in the allowance for impairment of financial assets at amortised cost and contract assets are as follows:

	Group Lifetime ECL $'000
Balance at 1 January 2019	161,648
Currency translation difference	(4,717)
Impairment loss recognised	2,244
Loss allowance written back	(2,742)
Allowance utilised	(386)
Balance at 31 December 2019	156,047
Balance at 1 January 2018 per FRS 39	165,581
Adjustments on initial application of SFRS(I) 9	1,310
Balance at 1 January 2018 under SFRS(I) 9	166,891
Currency translation difference	(7,916)
Impairment loss recognised	3,162
Loss allowance written back	(489)
Balance at 31 December 2018	161,648

The total net write back of impairment loss of $498,000 (2018: net impairment loss of $2,673,000) have been recognised in the general and administrative expenses.

Non-trade amounts due from subsidiaries

The Company held non-trade receivables from its subsidiaries of $57,042,000 (2018: $65,940,000). These balances are amounts lent to subsidiaries to satisfy short-term funding requirements. The Company uses a similar approach for assessment of ECLs for these receivables to those used for debt investments. Impairment on these balances has been measured on the lifetime ECL basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

(c) Liquidity risk

The Group manages its liquidity risk with the view to maintaining a healthy level of cash and cash equivalents appropriate to the operating environment and expected cash flows of the Group. Liquidity requirements are maintained within the credit facilities established and are adequate and available to the Group to meet its obligations. The Group will continue to take steps to manage cost, cash flows and gearing to address its financial position. While the majority of contracts and new orders are secured on progressive payment terms, future new orders may result in increased working capital needs.

The table below analyses the maturity profile of the Group's and Company's financial instruments (including derivatives) based on contractual undiscounted cash inflows/(outflows), including estimated interest payments and excluding the impact of netting agreements:

40 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
Group					
31 December 2019					
Derivative financial liabilities					
Interest rate swaps	(6,366)	(5,757)	(5,036)	(721)	–
Forward foreign currency contracts	(3,541)				
– Inflow		387,766	163,393	224,373	–
– Outflow		(391,307)	(165,725)	(225,582)	–
Derivative financial assets					
Forward foreign currency contracts	24,520				
– Inflow		1,488,919	1,025,186	463,733	–
– Outflow		(1,464,399)	(1,009,365)	(455,034)	–
Non-derivative financial liabilities					
Trade and other payables*#	(1,294,322)	(1,294,322)	(1,294,322)	–	–
Interest-bearing borrowings#	(2,918,174)	(3,115,662)	(1,502,587)	(1,225,478)	(387,597)
Subordinated loan#	(1,526,405)	(1,772,548)	(54,599)	(1,717,949)	–
Lease liabilities	(278,098)	(687,524)	(25,224)	(112,125)	(550,175)
	(6,002,386)	(6,854,834)	(2,868,279)	(3,048,783)	(937,772)
31 December 2018					
Derivative financial liabilities					
Interest rate swaps	(6,417)	(5,807)	(2,863)	(2,944)	–
Forward foreign currency contracts	(13,554)				
– Inflow		778,332	600,099	178,233	–
– Outflow		(791,886)	(609,905)	(181,981)	–
Derivative financial assets					
Interest rate swaps	334	251	251	–	–
Forward foreign currency contracts	12,188				
– Inflow		411,035	365,947	45,088	–
– Outflow		(398,847)	(353,998)	(44,849)	–
Non-derivative financial liabilities					
Trade and other payables*#	(1,501,589)	(1,501,589)	(1,501,589)	–	–
Interest-bearing borrowings#	(4,257,327)	(4,566,897)	(1,166,026)	(3,004,567)	(396,304)
	(5,766,365)	(6,075,408)	(2,668,084)	(3,011,020)	(396,304)

* Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grants and long-term employee benefits in 2019. In 2018, accrued land lease is also excluded.

The carrying amount of trade and other payables excludes finance costs payable while the interest-bearing borrowings and subordinated loan include finance costs payable, for the purposes of presentation of this liquidity table.

40 FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	Cash flows Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000
Company					
31 December 2019					
Non-derivative financial liabilities					
Trade and other payables*#	(31,767)	(31,767)	(31,767)	–	–
Interest-bearing borrowings#	(50,155)	(50,414)	(50,414)	–	–
Lease liabilities	(45,585)	(55,509)	(7,354)	(48,155)	–
	(127,507)	(137,690)	(89,535)	(48,155)	–
31 December 2018					
Non-derivative financial liabilities					
Trade and other payables*#	(24,494)	(24,494)	(24,494)	–	–
Interest-bearing borrowings#	(51,620)	(52,332)	(51,309)	(1,023)	–
	(76,114)	(76,826)	(75,803)	(1,023)	–

* Excludes deposits received, Goods and Services Tax and long-term employee benefits.

\# The carrying amount of trade and other payables excludes finance costs payable while the interest-bearing borrowings include finance costs payable, for the purposes of presentation of this liquidity table.

The following table indicates the periods in which the cash flow associated with derivatives that are cash flow hedges are expected to impact profit or loss and the fair value of the related hedging instruments:

	Carrying amount $'000	Contractual cash flows $'000	Cash flows Less than 1 year $'000	Between 1 and 5 years $'000
Group				
31 December 2019				
Derivative financial liabilities				
Interest rate swaps	(6,366)	(5,757)	(5,036)	(721)
Forward foreign currency contracts	(3,541)			
– Inflow		387,766	163,393	224,373
– Outflow		(391,307)	(165,725)	(225,582)
Derivative financial assets				
Forward foreign currency contracts	20,637			
– Inflow		847,654	532,377	315,277
– Outflow		(827,017)	(519,544)	(307,473)
	10,730	11,339	5,465	5,874

40 FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (cont'd)

	Carrying amount $'000	Cash flows: Contractual cash flows $'000	Cash flows: Less than 1 year $'000	Cash flows: Between 1 and 5 years $'000
Group				
31 December 2018				
Derivative financial liabilities				
Interest rate swaps	(6,417)	(5,807)	(2,863)	(2,944)
Forward foreign currency contracts	(13,554)			
– Inflow		778,332	600,099	178,233
– Outflow		(791,886)	(609,905)	(181,981)
Derivative financial assets				
Interest rate swaps	334	251	251	–
Forward foreign currency contracts	12,188			
– Inflow		411,035	365,947	45,088
– Outflow		(398,847)	(353,998)	(44,849)
	(7,449)	(6,922)	(469)	(6,453)

(d) Estimation of fair values

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – Fair values are measured based on quoted prices (unadjusted) from active markets for identical financial instruments.
- Level 2 – Fair values are measured using inputs, other than those used for Level 1, that are observable for the financial instruments either directly (prices) or indirectly (derived from prices).
- Level 3 – Fair values are measured using inputs which are not based on observable market data (unobservable input).

Securities

The fair value of financial assets at fair value through profit or loss, and fair value through other comprehensive income, is based on quoted market prices (bid price) in an active market at the balance sheet date without any deduction for transaction costs. If the market for a quoted financial asset is not active, and for unquoted financial assets, the Group establishes fair value by using other valuation techniques.

Derivatives

The fair value of forward exchange contracts is accounted for based on the difference between the contractual price and the current market price.

The fair value of interest rate swaps is the indicative amount that the Group is expected to receive or pay to terminate the swap with the swap counterparties at the balance sheet date.

40 FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimation of fair values (cont'd)

Non-derivative non-current financial assets and liabilities

Fair values determined for non-derivative non-current financial assets and liabilities are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date. This includes determination for fair value disclosure purpose as well.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

For financial instruments that are not actively traded in the market, the fair value is determined by independent third party or using valuation techniques where applicable. The Group may use a variety of methods and make assumptions that are based on existing market conditions at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used to estimate the fair value for medium term notes for disclosure purpose. Other techniques, such as estimated discounted cash flows, are used to determine the fair value for the remaining financial instruments. Where discounted cash flow techniques are used, the management will estimate the future cash flows and use relevant market rate as the discount rate at the balance sheet date.

Non-current amount due from related parties

Fair values are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date.

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 2019. 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.

40 FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimation of fair values (cont'd)

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 2019				
Financial assets at fair value through other comprehensive income				
– Unquoted equity shares	–	–	2,642	2,642
Derivative financial assets	–	24,520	–	24,520
Derivative financial liabilities	–	(9,907)	–	(9,907)
Total	–	14,613	2,642	17,255
At 31 December 2018				
Financial assets at fair value through other comprehensive income				
– Unquoted equity shares	–	–	2,642	2,642
Derivative financial assets	–	12,522	–	12,522
Derivative financial liabilities	–	(19,971)	–	(19,971)
Total	–	(7,449)	2,642	(4,807)

In 2018, there were no transfers between the different levels of the fair value hierarchy.

*Assets and liabilities not carried at fair value but for which fair values are disclosed**

	Fair value measurement using:			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
At 31 December 2019				
Interest-bearing borrowings	–	(2,994,947)	–	(2,994,947)
At 31 December 2018				
Interest-bearing borrowings	–	(3,134,900)	–	(3,134,900)

* Excludes financial assets and liabilities whose carrying amounts measured on the amortised cost basis that approximate their fair values due to their short-term nature frequent repricing, and/or where the effect of discounting is immaterial.

40 FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheets are as follows:

	Note	Mandatorily at FVTPL $'000	Fair value – hedging instruments $'000	FVOCI – Unquoted equity shares $'000	Financial assets at amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
Group								
At 31 December 2019								
Cash and cash equivalents	18	–	–	–	389,250	–	389,250	389,250
Trade and other receivables*	10	–	–	–	1,511,694	–	1,511,694	1,511,694
Financial assets at fair value through other comprehensive income								
– Unquoted equity shares	9(a)	–	–	2,642	–	–	2,642	2,642
Cash flow hedges								
– Forward foreign currency contracts	9(a)&(b)	–	20,637	–	–	–	20,637	20,637
Financial assets at fair value through profit or loss								
– Forward foreign currency contracts	9(a)&(b)	3,883	–	–	–	–	3,883	3,883
		3,883	20,637	2,642	1,900,944	–	1,928,106	1,928,106
Trade and other payables**	19	–	–	–	–	1,338,109	1,338,109	1,338,109
Cash flow hedges								
– Forward foreign currency contracts	23(a)&(b)	–	3,541	–	–	–	3,541	3,541
– Interest rate swaps	23(a)&(b)	–	6,366	–	–	–	6,366	6,366
Interest-bearing borrowings								
– Short-term borrowings	24	–	–	–	–	1,421,620	1,421,620	1,421,620
– Long-term borrowings	24	–	–	–	–	1,479,172	1,479,172	1,481,089
– Subordinated loan	24	–	–	–	–	1,500,000	1,500,000	1,513,858
		–	9,907	–	–	5,738,901	5,748,808	5,764,583

* Excludes Goods and Services Tax.
** Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grants and long-term employee benefits.

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40 FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair value versus carrying amounts (cont'd)

	Note	Mandatorily at FVTPL $'000	Fair value – hedging instruments $'000	FVOCI – Unquoted equity shares $'000	Financial assets at amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
Group								
At 31 December 2018								
Cash and cash equivalents	18	–	–	–	837,724	–	837,724	837,724
Trade and other receivables*	10	–	–	–	1,762,415	–	1,762,415	1,762,415
Financial assets at fair value through other comprehensive income								
– Unquoted equity shares	9(a)	–	–	2,642	–	–	2,642	2,642
Cash flow hedges								
– Forward foreign currency contracts	9(a)&(b)	–	12,188	–	–	–	12,188	12,188
– Interest rate swaps	9(b)	–	334	–	–	–	334	334
		–	12,522	2,642	2,600,139	–	2,615,303	2,615,303
Trade and other payables**	19	–	–	–	–	1,529,486	1,529,486	1,529,486
Cash flow hedges								
– Forward foreign currency contracts	23(a)&(b)	–	13,554	–	–	–	13,554	13,554
– Interest rate swaps	23(a)&(b)	–	6,417	–	–	–	6,417	6,417
Interest-bearing borrowings								
– Short-term borrowings	24	–	–	–	–	1,055,496	1,055,496	1,055,496
– Long-term borrowings	24	–	–	–	–	3,172,500	3,172,500	3,134,900
		–	19,971	–	–	5,757,482	5,777,453	5,739,853

* Excludes Goods and Services Tax.
** Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grants, accrued land lease and long-term employee benefits.

40 FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair value versus carrying amounts (cont'd)

	Note	Financial assets at amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
Company					
At 31 December 2019					
Cash and cash equivalents	18	40,233	–	40,233	40,233
Trade and other receivables*	10	234,861	–	234,861	234,861
		275,094	–	275,094	275,094
Trade and other payables**	19	–	31,922	31,922	31,922
At 31 December 2018					
Cash and cash equivalents	18	79,584	–	79,584	79,584
Trade and other receivables*	10	133,263	–	133,263	133,263
		212,847	–	212,847	212,847
Trade and other payables**	19	–	24,680	24,680	24,680

* Excludes Goods and Services Tax.
** Excludes deposits received, Goods and Services Tax and long-term employee benefits.

(f) Capital management

The Group aims to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders. The Group monitors Economic Value Added attributable to shareholders, which the Group defines as net operating profit after tax less capital charge excluding non-controlling interests. Management also monitors the level of dividends paid to ordinary shareholders.

The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Capital is defined as equity attributable to the equity holders. The Group's debt to capitalisation ratio as at the balance sheet date was as follows:

	Group 2019 $'000	Group 2018 $'000
Unsecured term loans	2,900,792	4,227,996
Subordinated loan	1,500,000	–
Debt	4,400,792	4,227,996
Total equity	2,206,778	2,348,435
Total debt and equity	6,607,570	6,576,431
Debt-to-capitalisation ratio	0.67	0.64

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. During the year, the Group had obtained the consent of its bondholders to revise the definition of its debt covenant to exclude the $2 billion subordinated loan facility from the Group's net debt to improve its financial flexibility. This externally imposed capital requirement has been complied with at each quarter in the financial year ended 31 December 2019.

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YEAR ENDED 31 DECEMBER 2019

40 FINANCIAL INSTRUMENTS (CONT'D)

(g) Interest rate benchmark reform

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates (IBORs) with alternative rates. In Singapore, the fundamental review and reform of the two key Singapore Dollar interest rate benchmarks that are widely referenced in financial contracts, namely Singapore interbank offered rates (SIBORs) and Singapore swap offer rates (SORs), and the transition from SOR to the Singapore Overnight Rate Average (SORA), is also ongoing.

The Group evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at the reporting date. The Group's exposure to SOR and LIBOR designated in a hedging relationship that is directly affected by the interest rate benchmark reform approximates nominal amount of $1,010,330,000 at 31 December 2019 attributable to the interest rate swaps hedging SOR and LIBOR cash flows on the Group's bank loans maturing between 2020 to 2021. The Group is managing the transition to new benchmark rates for affected financial liabilities.

The Group early adopted the amendments to SFRS(I) 9 and SFRS(I) 7 issued in December 2019 in relation to the project on interest rate benchmark reform to hedging relationships directly affected by IBOR reform. The related disclosures for the comparative period are made under SFRS(I) 7 before the amendments.

41 CONTINGENT LIABILITIES

The Group is subject to various litigation, regulatory and arbitration matters in the normal course of business.

The Group rigorously defends the claims and, in the opinion of management, the resolution of these matters will not have a material effect on the financial position of the Group.

Corporate guarantees

	Company	
	2019 $'000	2018 $'000
Unsecured corporate guarantees granted in respect of:		
– Performance of subsidiaries	4,442,296	4,996,361
– Unsecured term loans by subsidiaries	800,599	861,650
– Unsecured revolving credit facilities by subsidiaries	1,450,192	1,930,176
– Unsecured bonds issued by a subsidiary	600,000	600,000
– Subordinated loan	1,500,000	–

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.

41 CONTINGENT LIABILITIES (CONT'D)

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.

42 COMMITMENTS

Commitments not provided for in the financial statements are as follows:

		Group		Company	
		2019	**2018**	**2019**	**2018**
		$'000	**$'000**	**$'000**	**$'000**
(a)	*Approved capital commitment:*				
	– Approved capital expenditure commitment	66,523	265,704	–	–
(b)	*Minimum lease rental payable in respect of land and buildings:*				
	– Within 1 year	–	18,093	–	10,625
	– After 1 year but within 5 years	–	36,270	–	24,978
	– After 5 years	–	465,523	–	48,587
		–	519,886	–	84,190

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.

43 OPERATING SEGMENTS

(a) Business segments

The Group has two reportable segments, which are the Group's strategic business units. They are: (i) rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding; and (ii) ship chartering. The strategic business units are managed separately because of their different business activities. The results of all projects related to shipbuilding and repairs are reviewed as a whole and form the basis for resource allocation decisions of the shipyard activities.

The accounting policies are described in Note 3. Inter-segment sales and transfers are carried out on an arm's length basis. Segment assets consist primarily of property, plant and equipment, intangible assets, current assets and exclude inter-segment balances. Segment liabilities comprise mainly operating liabilities and exclude inter-segment balances. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's President & CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Other operations include bulk trading in marine engineering related products; provision of harbour tug services to port users; collection and treatment of used copper slag, and the processing and distribution of copper slag for blast cleaning purposes.

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Eliminations $'000	Total $'000
31 December 2019					
Turnover					
Sales to external parties	2,871,362	2,224	8,974	–	2,882,560
Inter-segment sales	–	–	109,823	(109,823)	–
Total	2,871,362	2,224	118,797	(109,823)	2,882,560
Results					
Segment results	(122,824)	(21,176)	5,210	–	(138,790)
Finance income	116,571	–	63,853	(87,149)	93,275
Finance costs	(153,512)	(597)	(63,067)	87,149	(130,027)
Non-operating income	–	–	185	–	185
Share of results of associates and joint ventures, net of tax	(368)	(1,814)	579	–	(1,603)
(Loss)/profit before tax	(160,133)	(23,587)	6,760	–	(176,960)
Tax credit/(expense)	38,286	–	(1,513)	–	36,773
(Loss)/profit for the year	(121,847)	(23,587)	5,247	–	(140,187)

43 OPERATING SEGMENTS (CONT'D)

(a) Business segments (cont'd)

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Eliminations $'000	Total $'000
31 December 2019					
Assets					
Segment assets	8,963,831	188,900	2,906,927	(3,656,626)	8,403,032
Investments in associates and joint ventures	4,084	–	10,803	–	14,887
Deferred tax assets	29,195	–	–	–	29,195
Tax recoverable	10,996	–	662	–	11,658
Total assets	9,008,106	188,900	2,918,392	(3,656,626)	8,458,772
Liabilities					
Segment liabilities	7,007,805	4,855	2,863,213	(3,656,626)	6,219,247
Deferred tax liabilities	28,329	–	660	–	28,989
Current tax payable	1,928	–	1,830	–	3,758
Total liabilities	7,038,062	4,855	2,865,703	(3,656,626)	6,251,994
Capital expenditure	375,380	–	59	–	375,439
Significant non-cash items					
Depreciation and amortisation	229,745	7,947	4,776	–	242,468
Changes in fair value of financial instruments	1,042	–	(3,661)	–	(2,619)
Impairment losses on property, plant and equipment	541	–	–	–	541
Property, plant and equipment written off	2,928	–	114	–	3,042
Inventories written back, net	(558)	–	(93)	–	(651)
Write-back of doubtful debts and bad debts, net	(338)	–	–	–	(338)

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43 OPERATING SEGMENTS (CONT'D)

(a) Business segments (cont'd)

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Eliminations $'000	Total $'000
31 December 2018					
Turnover					
Sales to external parties	4,831,789	47,873	8,204	–	4,887,866
Inter-segment sales	–	–	210,133	(210,133)	–
Total	4,831,789	47,873	218,337	(210,133)	4,887,866
Results					
Segment results	(49,395)	(2,673)	(255)	–	(52,323)
Finance income	54,838	–	188	–	55,026
Finance costs	(99,470)	(1,836)	(50)	–	(101,356)
Non-operating income	–	–	141	–	141
Share of results of associates and joint ventures, net of tax	(927)	(2,643)	1,185	–	(2,385)
(Loss)/profit before tax	(94,954)	(7,152)	1,209	–	(100,897)
Tax credit/(expense)	22,837	–	(306)	–	22,531
(Loss)/profit for the year	(72,117)	(7,152)	903	–	(78,366)
Assets					
Segment assets	7,844,064	250,736	382,137	–	8,476,937
Investments in associates and joint ventures	4,581	51,068	10,884	–	66,533
Deferred tax assets	22,597	–	626	–	23,223
Tax recoverable	10,099	–	469	–	10,568
Total assets	7,881,341	301,804	394,116	–	8,577,261

NOTES TO THE FINANCIAL STATEMENTS
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43 OPERATING SEGMENTS (CONT'D)

(a) Business segments (cont'd)

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Eliminations $'000	Total $'000
31 December 2018					
Liabilities					
Segment liabilities	5,899,865	70,049	198,513	–	6,168,427
Deferred tax liabilities	52,724	–	84	–	52,808
Current tax payable	6,329	–	1,262	–	7,591
Total liabilities	5,958,918	70,049	199,859	–	6,228,826
Capital expenditure	342,216	–	25	–	342,241
Significant non-cash items					
Depreciation and amortisation	181,218	13,579	649	–	195,446
Changes in fair value of financial instruments	2,405	–	–	–	2,405
Impairment losses on property, plant and equipment	–	4,663	–	–	4,663
Property, plant and equipment written off	58	–	–	–	58
Inventories written down/ (written back), net	447	–	(15)	–	432
Allowance for doubtful debts and bad debts, net	2,673	–	–	–	2,673
Net change in fair value of financial assets measured through profit or loss	–	–	(114)	–	(114)
Gain on disposal of other financial assets	–	–	(27)	–	(27)

43 OPERATING SEGMENTS (CONT'D)

(b) Geographical segments

The Group operates in 12 (2018: 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
31 December 2019				
Singapore	169,639	3,864,558	6,230,080	310,080
Rest of Asia, Australia & India	155,954	134,092	170,689	3,624
Middle East & Africa	15,225	–	–	–
United Kingdom	175,200	3,963	6,293	–
Norway	667,640	121,615	135,901	48
France	350,015	87	2,071	66
The Netherlands	73,620	186,183	191,744	–
Rest of Europe	85,161	57	963	3
Brazil	358,604	1,541,626	1,718,283	61,552
U.S.A.	823,732	953	2,748	66
Other countries	7,770	–	–	–
Total	2,882,560	5,853,134	8,458,772	375,439
31 December 2018				
Singapore	153,579	3,587,067	6,279,436	250,316
Japan	339,829	–	–	–
Rest of Asia, Australia & India	84,113	145,318	177,109	3,002
Middle East & Africa	10,575	–	–	–
United Kingdom	195,484	4,224	5,351	52
Norway	1,627,871	136,607	147,491	30
France	488,606	59	2,048	25
The Netherlands	397,514	196,465	251,296	–
Rest of Europe	73,749	56	742	27
Brazil	243,344	1,520,998	1,711,554	88,776
U.S.A.	1,183,777	54	2,234	13
Other countries	89,425	–	–	–
Total	4,887,866	5,590,848	8,577,261	342,241

(1) Non-current assets presented consist of property, plant and equipment, investments in associates and joint ventures, trade and other receivables and intangible assets. In 2019, this includes right-of-use assets.

(c) Major customers

In 2019, turnover from four (2018: two) customers of the Group's rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding segment represents approximately 55 per cent (2018: 42 per cent) of the Group's total turnover.

44 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 44(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 32.

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.

44 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.

In 2019, the Group revised its estimate for the useful life of a marine vessel (2018: certain assets at Tanjong Kling Yard). The effects of the changes are presented in Note 4.

(d) Impairment assessment of property, plant and equipment and intangible assets

Impairment assessment of the Group's shipyards

Owing to the continuing difficult market conditions impacting the offshore and marine sector, 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 for Singapore and Brazil (the "projection periods"), with applicable growth rates for Singapore and Brazil beyond the projection periods (up to a maximum of 40 years). Key drivers supporting the recoverable amounts include: forecasted order book, project margins which are projected with reference to historical experience, and long term growth rate of less than 5%.

The cash flows are projected based on 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 9.43% (2018: 6.60%) and 11.82% (2018: 12.46%) 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.

44 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key sources of estimation uncertainty (cont'd)

(d) Impairment assessment of property, plant and equipment and intangible assets (cont'd)

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 in their forecast. 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 from the original forecast or if discount rate were to increase by 1.8%. The recoverable amount of the Brazil cash generating unit is further subject to political risk and will be reviewed at regular intervals.

Changes to the assumptions used in relation to the above key drivers, such as delays and/or decrease in order book, and reduction in project margins could lead to lower operating cash inflows and material impairment outcomes, which might in turn affect the financial position and performance of the Group.

(e) Provisions and contingent liabilities

Estimates of the Group's obligations arising from contracts that exist as at balance sheet date may be affected by future events, which cannot be predicted with any certainty. The assumptions and estimates are made based on the management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates.

Warranty

The provision for warranty is based on estimates from known and expected warranty work and contractual obligation for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made. Movements in provision for warranty are detailed in Note 21.

Site restoration costs

The provision for site restoration costs arising from operating leases is based on the best estimate of the costs to be incurred beyond the 12 months period provided by external consultants. 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 41.

(f) Determination of net realisable value of inventories

The net realisable value of inventories is estimated by reference to contract prices. However, such net realisable value may not be the actual realisable value, arising from contract modifications, if any, which may result in other variable considerations. Such contract modifications may significantly affect the eventual realisable value of inventories; and there is a significant risk of resulting in a material adjustment to the carrying amounts of inventories in future periods.

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YEAR ENDED 31 DECEMBER 2019

44 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key sources of estimation uncertainty (cont'd)

(g) Determination of the appropriate rate to discount lease payments

The Group is required to exercise considerable judgement in determining the discount rate by taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and the effective date of any lease modification.

Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

(a) Revenue recognition and assessment of risk of foreseeable losses on long term construction contracts

The Group has assessed its contracts relating to services for ship and rig repair, building, conversion and overhaul as a single performance obligation due to the inter-dependence of services provided in these contracts.

Significant judgement is required in determining whether the performance obligations are distinct. Such considerations include the Group's assessment of whether the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customers and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contracts.

For contracts with variable considerations (such as liquidated damages and discounts), the Group has applied judgement in determining the transaction price for the recognition of revenue. Such judgement includes assessment of the evaluation of any potential risks and factors which may affect the timely completion of the project as well as the quality of the output delivered to the customer.

The Group has recognised revenue on construction contracts, rigs & floaters, repairs & upgrades and offshore platforms based on the percentage of completion method in proportion to the stage of completion. The percentage of completion is assessed by reference to surveys of work performed. Significant judgement is required in determining the appropriate stage of completion for revenue recognition; and likewise, judgement is required in determining the triggering point of suspension of revenue recognition when it is no longer probable that inflow of economic benefits associated with the contracts will occur. Such considerations include the Group's assessment of the credit-worthiness of customers and an evaluation of the contract performance obligations discharged by the customers.

The Group conducts critical review of all its long term construction contracts regularly. Allowance is made where necessary to account for onerous contracts. To determine the total costs, the Group monitors and reviews constantly the progress of all long term construction contracts taking into consideration all inputs from both internal project managers and external customers. The review includes evaluating any potential risks and factors which may affect the contract price and timely completion of the construction contracts. The review also encompasses the cost analysis process whereby both actual costs incurred and future costs to complete are critically examined.

44 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical accounting judgements in applying the Group's accounting policies (cont'd)

(b) Contract costs – fulfilment costs

For ship and rig building contracts with customers where revenue is recognised at a point in time (i.e. upon delivery to customer), the costs incurred during the construction phase are recognised as an asset (i.e. contract costs – fulfilment). Upon fulfilment of the performance obligation and recognition of revenue, these costs will be recognised in profit or loss. Significant judgement is required to determine if the contract costs recognised are expected to be recovered. Such judgement includes assessment of the evaluation of any potential risks and factors which may affect the customer ability to take delivery of the ship and rig. The review also encompasses the analysis of the industry outlook and the customers' financial health.

(c) Impairment of financial assets and contract assets

The Group follows the guidance of SFRS(I) 9 *Financial Instruments* in recognising loss allowances for expected credit losses on financial assets and contract assets.

The loss allowances for financial assets and contract assets are based on assumptions about risk of default and expected loss rates to be applied for the respective category of the financial assets and contract assets. The Group uses judgement in making these assumptions and selecting the input to the impairment calculation including credit default ratings, evaluation of the Group's past history of loss rate, existing market conditions as well as forward looking estimates at the end of each reporting period. The Group also evaluates, among other factors, financial restructuring (where relevant), credit-worthiness and financial health of and near-term business outlook of its customers, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

In assessing the segmenting of the customers for the loss allowance, judgement is involved in determining the credit-worthiness and financial health of its customers whose conditions are subject to changes, which may require changes in the customers' segmentation, which in turn may affect the level of loss allowance in future periods.

The carrying amounts of financial assets and contract assets are disclosed in the following notes:

- Note 9 – Other financial assets
- Note 10 – Trade and other receivables
- Note 12 – Contract assets

(d) Exercise of extension option, purchase option and termination option

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, purchase option or option to terminate. Extension options (or periods after an optional termination date) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows are not included in the lease liability if it is not reasonably certain that the leases will be extended (or not terminated) or that purchase options will be exercised. The assessment is reviewed if a significant event or a significant change in circumstances that within the control of the lessee occurs and affects this assessment.

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YEAR ENDED 31 DECEMBER 2019

44 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical accounting judgements in applying the Group's accounting policies (cont'd)

(e) Hedging accounting relationships

The Group determines whether an economic relationship exists between the cash flows of the hedged item and hedging instrument based on an evaluation of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Group considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The Group evaluates whether the cash flows of the hedged item and the hedging instrument respond similarly to the hedged risk, such as the benchmark interest rate or foreign currency. For cash flow hedging relationships directly impacted by IBOR reform (i.e. hedges of SOR and LIBOR), the Group assumes that the cash flows of the hedged item and hedging instrument will not be altered as a result of IBOR reform. The Group further supports this qualitative assessment by using regression analysis to assess whether the hedging instrument is expected to be and has been highly effective in offsetting changes in the present value of the hedged item.

Significant accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the variability of interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 31 December 2019. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. In Singapore, SIBOR and SOR continue to be used as reference rates in financial markets and are used in the valuation of instruments with maturities that exceed the expected end date for SIBOR and SOR. Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at 31 December 2019.

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations for when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness. The Group has applied its best judgement to analyse market expectations when determining the fair value of the hedging instrument and present value of estimated cash flows of the hedged item.

(f) Capitalisation of development costs

Significant managerial judgement and detailed evaluation is required to determine whether it is appropriate to capitalise or to continue to carry costs associated with the development of engineering designs for offshore solutions on the balance sheet. Such costs remain on the balance sheet while additional review and feasibility studies are performed on the designs. All such carried costs are subject to regular technical, commercial and management review on at least an annual basis to confirm the continued intent to develop. Where there is no longer an intention to continue the development, the costs are immediately expensed. The Group remains committed to developing the engineering designs and expects to carry the capitalised costs on its balance sheet.

The carrying amount of engineering designs under development is included in Note 13. When available for use, the costs capitalised will be reclassified within intangible assets and commence amortisation.

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YEAR ENDED 31 DECEMBER 2019

45 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 2019 %	2018 %
Subsidiaries				
Dolphin Shipping Company Private Limited[(1)]	Singapore	Ship owning and chartering	100	100
Gravifloat AS[(2)]	Norway	Engineering and related services	56	56
Jurong Shipbuilders Private Limited[(1)]	Singapore	Investment holding	100	100
Jurong Shipyard Pte Ltd[(1)]	Singapore	Ship and rig repair, building, conversion and related services	100	100
PPL Shipyard Pte Ltd[(1)]	Singapore	Rig building, repair and related services	100	100
SCM Investment Holdings Pte Ltd[(1)]	Singapore	Struck off on 4 February 2019	–	100
Sembcorp Holdings, LLC.[(4)]	United States of America	Investment holding	100	100
Sembcorp Marine Financial Services Pte. Ltd.[(1)]	Singapore	Acting as the finance and treasury centre for the Group	100	100
Sembcorp Marine Integrated Yard Pte. Ltd.[(1)]	Singapore	Ship and rig repair, building, conversion, offshore engineering and related services	100	100
Sembcorp Marine Technology Pte Ltd[(1)]	Singapore	Struck off on 6 May 2019	–	100
SembMarine Investment Pte Ltd[(1)]	Singapore	Struck off on 6 May 2019	–	100
SML Shipyard Pte Ltd[(1)]	Singapore	Ship repair and related services	100	100
Joint venture of Dolphin Shipping Company Private Limited				
Pacific Workboats Pte Ltd[(3), a]	Singapore	Divested on 23 October 2019	–	50
Subsidiaries of Jurong Shipyard Pte Ltd				
Dolphin Rig 1 Pte. Ltd.[(1)]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 2 Pte. Ltd.[(1)]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 3 Pte. Ltd.[(1)]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 4 Pte. Ltd.[(1)]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 5 Pte. Ltd.[(1)]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 6 Pte. Ltd.[(1)]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 7 Pte. Ltd.[(1)]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Estaleiro Jurong Aracruz Ltda[(2)]	Brazil	Ship and rig repair, building, conversion and related services	100	100
JED Centre Sdn. Bhd.[(2)]	Malaysia	Render services for engineering	100	100
Jurong 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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

45 GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group 2019 %	2018 %
Subsidiaries of Jurong Shipyard Pte Ltd (cont'd)				
Jurong Offshore Pte. Ltd.[(1)]	Singapore	Investment holding	100	100
Sembmarine SSP Inc[(4)]	United States of America	In the business of engineering design, research and development, marketing and client services support centre	100	100
Subsidiaries of PPL Shipyard Pte Ltd				
Baker Marine Pte Ltd[(1)]	Singapore	Rig enhancement and upgrading services, engineering consultancy and project management, and supply of rig equipment and parts	100	100
Baker Marine Services (HK) Limited[(2)]	Hong Kong	Provision of rig designs	100	100
Baker Marine Technology Inc.[(4)]	United States of America	Engineering design, research and development, marketing and client services support centre	100	100
Subsidiaries of Sembcorp Holdings, LLC.				
Sabine Offshore Service, Inc.[(4), b]	United States of America	Merged and dissolved	100	100
Sembcorp-Sabine Industries, Inc.[(4), b]	United States of America	Merged and dissolved	100	100
Sembcorp-Sabine Shipyard, Inc.[(4), b]	United States of America	Merged and dissolved	100	100
Subsidiaries, associates and joint ventures of Sembcorp Marine Integrated Yard Pte. Ltd.				
Aquarius Brasil B.V.[(3)]	Netherlands	Shipowner	100	100
Aragon AS[(2)]	Norway	Process design and engineering	50	50
Bulk Trade Pte Ltd[(1)]	Singapore	Bulk trading	100	100
Ecospec Global Technology Pte. Ltd.[(3), c]	Singapore	Divested on 15 January 2019	–	20
HiLoad LNG AS[(2)]	Norway	Design, development and engineering of LNG related offshore solutions	100	100
Joint Shipyard Management Services Pte Ltd[(1)]	Singapore	Managing dormitories	32	32
JPL Industries Pte Ltd[(1)]	Singapore	Processing and distribution of copper slag	85.8	85.8
JPL Concrete Products Pte Ltd[(1)]	Singapore	Production of concrete products	85.8	85.8
Jurong Marine Services Pte Ltd[(1)]	Singapore	Provision of tugging and sea transportation services	100	100
Karimun Shiprepair and Engineering Pte Ltd[(1)]	Singapore	Investment holding	100	100
LMG Marin AS[(2)]	Norway	Ship design and engineering	100	100
LMG Marin France[(2)]	France	Ship design and engineering	60	60
LMG Oilcraft AS[(2)]	Norway	Ship design and engineering	100	100
Marine Housing Services Pte. Ltd.[(3)]	Singapore	Provision of dormitory housing services	50	50
Midcon Designer Sp. Z.o.o.[(2)]	Poland	Ship design and engineering	72.4	72.4

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

45 GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group 2019 %	Effective equity held by the Group 2018 %
Subsidiaries, associates and joint ventures of Sembcorp Marine Integrated Yard Pte. Ltd. (cont'd)				
Pegasus Marine & Offshore Pte. Ltd.[1]	Singapore	Marine services	100	100
P.T. Karimun Sembawang Shipyard[3]	Indonesia	Ship repair and related services	100	100
PT SMOE Indonesia[2]	Indonesia	Engineering, construction and fabrication of offshore structures	90	90
PT SMOE Singgar Mulia Engineering[2]	Indonesia	Liquidation completed on 2 September 2019	–	55
Semb-Eco Pte. Ltd.[1], c	Singapore	Investment holding	100	55
Semb-Eco R&D Pte. Ltd.[1], c	Singapore	Research and development, holding of patents	100	55
Semb-Eco Technology Pte. Ltd.[1], c	Singapore	Manufacturing and commercialisation of patents	100	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	35.8	35.8
Sembcorp Marine Contractors Pte. Ltd.[1]	Singapore	Provision of contract services	100	100
Sembcorp Marine Offshore Platforms Pte. Ltd.[1]	Singapore	Engineering, construction and fabrication of offshore structures	100	100
Sembcorp Marine Repairs & Upgrades Pte. Ltd.[1]	Singapore	Ship repair and related services	100	100
Sembcorp Marine Rigs & Floaters Pte. Ltd.[1]	Singapore	Ship and rig building, conversion and related services	100	100
Sembcorp Marine Solutions Pte. Ltd.[1]	Singapore	Provision of management and technical services	100	100
Sembcorp Marine Specialised Shipbuilding Pte. Ltd.[1]	Singapore	Shipbuilding, ship repair and related services	100	100
Sembmarine North Sea Limited[2]	United Kingdom	Struck off on 2 July 2019	–	100
Sembmarine SLP Limited[2]	United Kingdom	Design, engineering, fabrication and installation of offshore platforms, modules and structures for the oil, gas and renewable energy industry	100	100
SES Engineering (M) Sdn Bhd[2]	Malaysia	Fabrication of metal structures	100	100
SES Marine Services (Pte) Ltd[1]	Singapore	Marine services	100	100
Sevan SSP AS[2]	Norway	Design, development, engineering and consulting related to offshore solutions	100	100
Shenzhen Chiwan Offshore Petroleum Engineering Company Ltd[3]	People's Republic of China	Equipment inspection, repair and maintenance services for oil reconnoiter and exploitation in South China Sea	35	35

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

45 GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group 2019 %	2018 %
Subsidiaries, associates and joint ventures of Sembcorp Marine Integrated Yard Pte. Ltd. (cont'd)				
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

(1) Audited by KPMG LLP, Singapore
(2) Audited by member firms of KPMG International in the respective countries
(3) Audited by other firms and not significant
(4) These companies are not required to be audited under the laws of their country of incorporation and not significant

a On 23 October 2019, the Company's wholly-owned subsidiary, Dolphin Shipping Company Private Limited divested its 50% interest in Pacific Workboats Pte Ltd to PACC Offshore Services Holdings Ltd.

b On 25 February 2020, the Company announced that its indirect wholly-owned subsidiaries, Sabine Offshore Service, Inc., Sembcorp-Sabine Industries, Inc. ("SSIC") and Sembcorp-Sabine Shipyard, Inc., were merged under the Texas Business Organizations Code (the "Merger"). SSIC, which was the entity surviving the Merger, was also subsequently dissolved by way of voluntary winding up.

c On 15 January 2019, the Company, and together with its subsidiaries entered into a share swap agreement with Ecospec Global Technology Pte. Ltd. ("EGT") and their shareholders to exchange 20% interest in EGT for 45% interest in Semb-Eco Pte. Ltd. (Semb-Eco). In consequence, Semb-Eco, Semb-Eco R&D Pte. Ltd. and Semb-Eco Technology Pte. Ltd. became the Company's wholly-owned subsidiaries, while EGT ceased to be an associate.

46 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following SFRS(I)s, interpretations of SFRS(I) and requirement of SFRS(I) which are mandatorily effective from 1 January 2019:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- Amendments to SFRS(I) 3 and SFRS(I) 11 *Previously Held Interest in a Joint Operation*
- Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*
- Amendments to SFRS(I) 1-12 *Income tax consequences of payments on financial instruments classified as equity*
- Amendments to SFRS(I) 1-19 *Plan Amendment, Curtailment or Settlement*
- Amendments to SFRS(I) 1-23 *Borrowing Costs Eligible for Capitalisation*
- Amendments to SFRS(I) 1-28 *Long-Term Interests in Associates and Joint Ventures*

The adoption of the above standards do not have any significant impact on the financial statements except for SFRS(I) 16.

The Group applied SFRS(I) 16 on 1 January 2019, using the modified retrospective approach. The cumulative effect of adopting SFRS(I) 16 is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group also applied the practical expedient to grandfather the definition of a lease on transition.

At transition, the Group had measured the Right-of-use (ROU) assets at either its carrying amounts as if SFRS(I) 16 had been applied since the commencement date, but discounted using the incremental borrowing rate at the date of initial application; or at amounts equal to the lease liabilities as at 1 January 2019. For lease contracts that contain the option to renew, the Group used hindsight in determining the lease term.

46 CHANGES IN ACCOUNTING POLICIES (CONT'D)

The Group and Company recognise their existing operating lease arrangements as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments that are increased to reflect market rentals and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application.

As at 1 January 2019, the adoption of SFRS(I) 16 resulted in the following key effects at the Group and Company:

	Group $'000	Company $'000
Assets		
Property, plant and equipment	(74,957)	(7,397)
Right-of-use assets	260,385	1,645
Investment properties	–	56,466
Deferred tax assets	(495)	–
Prepayment	(12,099)	–
Liabilities		
Lease liabilities	272,623	50,714
Other long-term payables	(100,553)	–
Deferred tax liabilities	(216)	–
Equity		
Revenue reserve	980	–

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4.40%.

	$'000
Operating lease commitment at 31 December 2018*	341,093
Discounted using the incremental borrowing rate at 1 January 2019	212,020
Finance lease liabilities recognised as at 31 December 2018	1,434
Recognition exemption for:	
– short-term leases	(3,605)
– leases of low-value assets	(690)
Extension and termination options reasonably certain to be exercised	64,898
Lease liabilities recognised at 1 January 2019	274,057

* Revised due to certain contingent rent payments based on future market indices included in the operating lease commitment disclosure in 2018 which should be excluded under SFRS(I) 1-17.

46 CHANGES IN ACCOUNTING POLICIES (CONT'D)

Amendments to SFRS(I) 9 and SFRS(I) 7 *Interest Rate Benchmark Reform*

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates (IBORs) with alternative rates. Such uncertainty may impact the Group's hedging relationships, for example its effectiveness assessment and highly probable assessment.

The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationship that existed at 1 January 2019 or were designated thereafter and that are directly affected by interest rate benchmark reform (IBOR). The details of the accounting policies are disclosed in Note 3.9. See Note 44 for related disclosures about the risks and hedge accounting.

47 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

Applicable to financial statements for the year 2020 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 2019:

Applicable to 2020 financial statements

- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- *Amendments to References to the Conceptual Framework in SFRS(I) Standards* (Amendments to SFRS(I) Standards)

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

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)

48 UPDATE IN RELATION TO BRAZIL

The Company refers to its earlier announcements on 3 July 2019, 8 July 2019, 3 February 2020, and 21 February 2020 in relation to ongoing investigations related to Operacao Lava Jato ("Operation Car Wash") in Brazil. It has come to the Company's attention that the Ministerio Publico Federal in Brazil ("MPF") have filed charges against Mr Guilherme Esteves de Jesus ("GDJ") for money laundering and ex-employee Mr Martin Cheah Kok Choon ("MCKC") for money laundering and corruption in connection with certain drilling rig construction contracts entered into in 2012 by subsidiaries of the Company with subsidiaries of Sete Brasil ("Contracts"). GDJ has been convicted by the Federal Courts of Curitiba of the crimes of corruption, money laundering and participation in a criminal organization. GDJ is connected to the consultant engaged by the Company's subsidiaries in connection with the Contracts.

MCKC is the former President of Estaleiro Jurong Aracruz Ltda (EJA), the Company's Brazilian subsidiary. MCKC's employment with the Group was terminated in June 2015. The Company has lodged suspicious transaction reports in respect of MCKC with the Commercial Affairs Department of the Singapore Police Force.

The above charges filed against MCKC and GDJ by the MPF are in their personal capacities and not against EJA. Other than MCKC, the Company is not aware of any other employee past or present of the Company that is a subject of the ongoing investigations by the Brazilian authorities related to Operation Car Wash.

The Group continues to cooperate fully with the Brazilian authorities investigating the above matter.

As at the date of these financial statements, proceedings are ongoing and it is premature to predict and the Group cannot reliably determine the eventual outcome to this matter. The time line for resolution of this matter also cannot be determined presently.

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2019

(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 2019

Name of Director	Salary[1] $'000	Bonus Earned $'000	Fair value of share-based compensation granted for the year[2] $'000	Directors' Fees		Brought Forward Bonus Bank[5] $'000
				Cash-based[3] $'000	Share-based[4] $'000	
Payable by the Company:						
Tan Sri Mohd Hassan Marican	–	–	–	378	162	–
Wong Weng Sun	788	(173)	–	–	–	1,825
Ron Foo Siang Guan	–	–	–	113	48	–
Koh Chiap Khiong[3]	–	–	–	149	–	–
Eric Ang Teik Lim[3]	–	–	–	192	–	–
Gina Lee-Wan	–	–	–	103	44	–
Bob Tan Beng Hai	–	–	–	153	65	–
Neil McGregor[3]	–	–	–	124	–	–
William Tan Seng Koon	–	–	–	136	59	–
Patrick Daniel	–	–	–	105	45	–
Tan Wah Yeow	–	–	–	101	43	–

Name of Key Executive	Salary[1] $'000	Bonus Earned $'000	Fair value of share-based compensation granted for the year[2] $'000	Directors' Fees		Brought Forward Bonus Bank[5] $'000
				Cash-based[3] $'000	Share-based[4] $'000	
Wang Zijian	501	(8)	–	–	–	136
Goh Khor Boon William	417	(22)	–	–	–	244
William Gu	390	43	–	–	–	29
Tan Cheng Tat	357	(23)	–	–	–	46
Chua San Lye	354	(1)	–	–	–	70

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. Directors' fees for Mr Koh Chiap Khiong and Mr Neil McGregor, nominee Directors from Sembcorp Industries Ltd ("SCI"), will be paid entirely in cash to SCI. Mr Eric Ang Teik Lim's Director's fee will be paid entirely in cash to his employer, DBS Bank Ltd.
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 2019, 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 Koh Chiap Khiong, Mr Eric Ang Teik Lim and Mr Neil McGregor) 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 Koh Chiap Khiong, Mr Eric Ang Teik Lim and Mr Neil McGregor) 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 2019 (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.

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2019

(UNDER SGX-ST LISTING MANUAL REQUIREMENTS)

A. DIRECTORS' AND KEY EXECUTIVES' REMUNERATION EARNED FOR THE YEAR (CONT'D)

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) 2019 $'000	2018 $'000
Transaction for the Purchase of Goods and Services		
Sembcorp Industries Limited and its associates	407	–
Management and Support Services		
Sembcorp Industries Limited	250	250
Total Interested Person Transactions	**657**	**250**
Treasury Transactions		
Subordinated Loan from – as at 31 December		
Sembcorp Industries Limited and its associates	**1,500,000**	**–**

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2019

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of director	Eric Ang Teik Lim	Koh Chiap Khiong
Date of appointment	30 April 2013	6 May 2011
Date of last re-appointment	18 April 2017	18 April 2017
Age	67	53
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board had considered the Nominating Committee's recommendation and assessment on Mr Ang's competencies, experience, independence and commitment in the discharge of his duties as a director of Sembcorp Marine Ltd, and is satisfied that he will continue to contribute to the Board.	The Board had considered the Nominating Committee's recommendation and assessment on Mr Koh's competencies, experience and commitment in the discharge of his duties as a director of Sembcorp Marine Ltd, and is satisfied that he will continue to contribute to the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-executive	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-executive and Independent director Member of the Audit Committee Member of the Board Risk Committee Member of the Executive Resource & Compensation Committee Member of the Nominating Committee	Non-executive and Non-independent director Member of the Audit Committee Member of the Special Committee

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2019

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of director	Eric Ang Teik Lim	Koh Chiap Khiong
Professional qualifications	Bachelor's degree in Business Administration, (Honours), University of Singapore	First Class Honours degree in Accountancy, National University of Singapore Completed the Advanced Management Programme at Harvard Business School, USA
Working experience and occupation(s) during the past 10 years	1 June 2014 to 25 January 2020 DBS Bank Ltd • Senior Executive Advisor, DBS Bank Ltd 1978 to 31 May 2014 DBS Bank Ltd • Head of Capital Markets (last position held during this period)	2018 to Present Sembcorp Industries Ltd • Head of Singapore, Southeast Asia and China 2010 to 2018 Sembcorp Industries Ltd • Group Chief Financial Officer
Shareholding interest in the listed issuer and its subsidiaries	Nil	148,700 ordinary shares in Sembcorp Marine Ltd
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2019

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of director	Eric Ang Teik Lim	Koh Chiap Khiong
Other principal commitments (including directorships):		
(i) Past (for the last 5 years)	• Director, Hwang Capital (Malaysia) Bhd • Director, NetLink Management Pte Ltd • Director, The Islamic Bank of Asia Limited • Director, DBS Foundation Ltd	• Director, Sembawang Corporation Limited • Director, Sembawang Holdings (Pte) Ltd • Director, Sembcorp Design and Construction Pte Ltd • Director, Suez Recycling & Recovering Pacific Pte Ltd • Director, Sembcorp Financial Services Pte Ltd • Director, Sembcorp Captive Insurance Pte Ltd • Director, Sembcorp Energy Australia Pte Ltd • Director, TPCIL Singapore Pte Ltd • Director, Sembcorp Fuels (Singapore) Pte Ltd
(ii) Present	Please refer to Mr Ang's profile on page 46 of the Annual Report 2019	Please refer to Mr Koh's profile on page 47 of the Annual Report 2019
Information required pursuant to Listing Rule 704(7):		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

SUPPLEMENTARY INFORMATION
YEAR ENDED 31 DECEMBER 2019

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of director		Eric Ang Teik Lim	Koh Chiap Khiong
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2019

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of director		Eric Ang Teik Lim	Koh Chiap Khiong
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of director	Eric Ang Teik Lim	Koh Chiap Khiong
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No

SUPPLEMENTARY INFORMATION
YEAR ENDED 31 DECEMBER 2019

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of director	Eric Ang Teik Lim	Koh Chiap Khiong
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

MAJOR PROPERTIES

Location	Description & Approximate Land Area	Tenure	Usage
Singapore Yards			
• Tanjong Kling Road*	Land area: 491,247.70 m^2 Buildings, workshops, drydocks and quays	10 years leasehold 10 years renewal (JTC Land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydock, berthage and workshops
• Admiralty Road East/ Admiralty Road West	Land area: 860,716 m^2 Buildings, workshops, drydocks and quays	22 years leasehold	Ship repairs, ship conversion, offshore engineering and rig building including docks, berthage and workshops
• Pandan Road	Land area: 141,791 m^2	5 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 I	Land area: 733,104 m^2 Docks, quays, workshops, buildings and berthage	30 plus 30 years leasehold (JTC land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including 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
• Tuas South Boulevard Phase IIIa	Land area: 411,131 m^2 (Pending final survey of land by JTC)	30 plus 30 years leasehold (JTC land)	Marine engineering activities including repair, conversion, upgrading and building of rigs, ships and offshore structures

* The properties are being prepared to be handed back to JTC following expiry of tenure.

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	Drill ships construction, building of semi-submersible rigs, FPSO integration, fabrication of topside modules, PSVs construction, drilling rig repairs and modification works
P.T. SMOE Indonesia			
• Batam Island, Indonesia	Land area: 815,036 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	30 years leasehold (JTC Land)	Copper slag recycling
Sembmarine SLP Ltd			
• Lowestoft, Suffolk, UK	Land area: 55,000 m^2 Workshops and office building	Freehold and leasehold land ranging from 22 to 99 years	Workshops and fabrication facilities
Mendon Spring			
• Pasir Panjang	Nine units of 3-room apartment with built-in area of 99 m^2 per unit	Freehold	Residential properties

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