

REPORT OF THE AUDITOR TO THE MEMBERS OF SEMBCORP MARINE LTD

We have audited the financial statements of SembCorp Marine Ltd as set out on pages 43 to 70. These financial statements comprise the balance sheets of the Company and the Group as at 31 December 1999, the profit and loss accounts of the Company and the Group and the cash flow statement of the Group for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

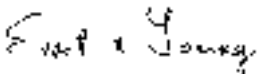
In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, Cap. 50 and Statements of Accounting Standard and so as to give a true and fair view of :
- (i) the state of affairs of the Group and of the Company as at 31 December 1999, the results of the Group and of the Company and the cash flows of the Group for the year ended on that date; and
 - (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements and consolidated financial statements;
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of all subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of those subsidiaries audited by our associated firms and those audited by other firms are stated in Note 2.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification, and in respect of the subsidiary companies incorporated in Singapore, did not include any comment made under Section 207 (3) of the Act.



ERNST & YOUNG
Certified Public Accountants
 Audit Partner
 Ng Tiak Soon

Singapore
 1 March 2000

PROFIT AND LOSS ACCOUNTS

for the year ended 31 December 1999

	Note	Group		Company	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
TURNOVER	3	921,036	933,726	437,135	472,387
OPERATING PROFIT	4	99,789	81,426	54,378	49,850
SHARE OF RESULTS OF ASSOCIATED COMPANIES & JOINT VENTURES	5	(2,392)	7,821	-	-
INVESTMENT & NET INTEREST INCOME	6	13,675	12,413	30,729	11,927
PROFIT BEFORE TAXATION		111,072	101,660	85,107	61,777
TAXATION	7	(34,291)	(28,781)	(23,313)	(16,019)
PROFIT AFTER TAXATION		76,781	72,879	61,794	45,758
MINORITY INTERESTS		1,569	(1,071)	-	-
PROFIT ATTRIBUTABLE TO MEMBERS OF THE COMPANY		78,350	71,808	61,794	45,758
TRANSFER FROM REVENUE RESERVES	24	-	-	413	5,885
		78,350	71,808	62,207	51,643
DIVIDENDS	8	(62,207)	(51,643)	(62,207)	(51,643)
RETAINED PROFIT FOR THE YEAR TRANSFERRED TO REVENUE RESERVES	24	16,143	20,165	-	-
EARNINGS PER SHARE, CENTS	9				
BASIC, BEFORE AND AFTER EXTRAORDINARY ITEMS		56.2	51.5		
DILUTED, BEFORE AND AFTER EXTRAORDINARY ITEMS		55.9	51.5		

BALANCE SHEETS

For the year ended 31 December 1999

	Note	Group		Company	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
FIXED ASSETS	10	463,135	498,756	208,702	214,577
SUBSIDIARIES	11	–	–	252,013	232,830
ASSOCIATED COMPANIES & JOINT VENTURES	12	105,817	110,158	44,112	44,667
LONG TERM INVESTMENTS	13	65,694	10,253	65,590	10,149
LONG TERM TRADE DEBTORS	14	116,248	38,480	104,834	26,052
DEFERRED EXPENDITURE	15	350	563	–	–
CURRENT ASSETS					
Stocks and work-in-progress	16	64,982	68,053	35,186	24,656
Trade debtors	14	344,448	409,930	187,526	229,108
Other debtors	17	93,363	36,601	63,423	53,595
Marketable securities		–	1,621	–	1,621
Fixed deposits		131,452	147,789	60,490	102,868
Bank and cash balances		35,994	26,093	5,839	7,168
TOTAL CURRENT ASSETS		670,239	690,087	352,464	419,016
CREDITORS : amounts falling due within one year	18	501,789	433,130	298,535	218,518
NET CURRENT ASSETS		168,450	256,957	53,929	200,498
TOTAL ASSETS LESS CURRENT LIABILITIES		919,694	915,167	729,180	728,773
LONG TERM LIABILITIES					
Borrowings	19	574	11,819	–	–
Deferred taxation	20	53,200	53,424	40,806	39,999
Hire purchase creditors	21	798	298	–	–
Provision for retirement gratuities	22	758	387	–	–
TOTAL LONG TERM LIABILITIES		55,330	65,928	40,806	39,999
		864,364	849,239	688,374	688,774
CAPITAL AND RESERVES					
Share capital	23	69,759	69,758	69,759	69,758
Reserves	24	764,507	748,044	618,615	619,016
		834,266	817,802	688,374	688,774
MINORITY INTERESTS		30,098	31,437	–	–
		864,364	849,239	688,374	688,774

The accompanying notes to the accounts form an integral part of the accounts.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 1999

	1999 \$'000	1998 \$'000
CASH FLOW FROM OPERATING ACTIVITIES:		
Operating profit	99,789	81,426
Adjustments for:		
Depreciation of fixed assets	34,601	31,813
Fixed assets written off	407	133
Gain on disposal of fixed assets	(2,208)	(907)
Sale of quoted securities	(2,923)	953
Exchange differences arising on consolidation	(544)	189
Amortisation of deferred expenditure	281	94
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Operating income before reinvestment in working capital	129,403	113,701
(Increase)/decrease in debtors	(24,639)	38,300
Decrease in stocks and work-in-progress	3,365	3,409
Increase in creditors	43,080	12,782
Increase in deferred expenditure	(68)	(224)
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Cash generated from operations	151,141	167,968
Investment and interest income received	14,104	14,097
Interest paid	(817)	(1,684)
Income taxes paid	(31,942)	(11,880)
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Net cash provided by operating activities	132,486	168,501
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CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisition of subsidiaries, net of cash	(8,943)	(73,915)
Additional interest in a subsidiary company	-	(1,888)
Additional investment in associated companies	(400)	(674)
Purchase of fixed assets	(19,252)	(29,409)
Purchase of long term investments	(60,450)	(4,388)
Proceeds from disposal of fixed assets	2,348	4,790
Proceeds from sale of quoted securities	10,153	-
Dividends from associated companies	579	640
Disposal of subsidiaries, net of cash	-	3,368
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Net cash used in investing activities	(75,965)	(101,476)
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CASH FLOW FROM FINANCING ACTIVITIES:		
Dividends paid		
- by the Company	(56,783)	(39,985)
- by subsidiary to minority shareholders	(44)	(1,294)
Repayment from/(loan to) an associated company	151	(1,000)
Proceeds from/(repayment of) hire purchase creditors	720	(358)
Proceeds from issue of share capital by the Company	13	542
(Repayment of)/proceeds from bank borrowings, net	(4,426)	1,800
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Net cash used in financing activities	(60,369)	(40,295)
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Net (decrease)/increase in cash and cash equivalents	(3,848)	26,730
Cash and cash equivalents at beginning of year	165,360	138,630
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Cash and cash equivalents at end of year (Note 27)	161,512	165,360
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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 1999

The acquisition and disposal of subsidiary companies have been shown as a single item. The net attributable tangible assets disposed in respect of the subsidiary company, including its associated company, were not material. The effect on the individual assets and liabilities of the subsidiary companies acquired is set out below:-

	Subsidiary companies acquired	
	1999 \$'000	1998 \$'000
Fixed assets	3,621	67,984
Investments in associated companies	-	6,790
Stocks and work-in-progress	294	68
Debtors	19,675	157
Bank and cash balances	3,592	76
Bank overdraft	(535)	-
Creditors	(14,884)	(866)
Current taxation	(167)	(29)
Deferred taxation	(486)	-
Sundry provisions	-	(189)
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Net assets acquired	11,110	73,991
Goodwill on acquisition	890	-
	<hr/>	<hr/>
Purchase consideration	12,000	73,991
	<hr/>	<hr/>
Acquisition of subsidiaries, net of cash are represented by:		
Cash paid	(12,000)	(73,991)
Less: Bank and cash balances	3,592	76
Add: Bank overdraft	(535)	-
	-	-
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Net cash outflow	(8,943)	(73,915)

The accompanying notes to the accounts form an integral part of the accounts.

NOTES TO THE ACCOUNTS

31 December 1999

1. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of accounting**

The accounts of the Company and of the Group, which are expressed in Singapore dollars, are prepared under the historical cost convention modified to include the revaluation of certain fixed assets. The accounts are prepared in accordance with applicable accounting standards.

(b) Consolidation

The accounting year of the Company and all its subsidiaries ends on 31 December and the consolidated accounts incorporate the accounts of the Company and all its subsidiaries. The results of subsidiaries acquired or disposed of during the year are included in or excluded from the Group results from the respective dates of acquisition or disposal, as applicable.

When a subsidiary is acquired, any excess of the consideration over the fair value of net assets at the date of acquisition is included in goodwill on consolidation and written off in the year in which it arises. When the fair value of the net assets acquired exceeds the purchase price the difference is credited directly to non-distributable reserves on consolidation.

Assets, liabilities and results of the overseas subsidiary companies are translated into Singapore dollars on the basis outlined in paragraph (k) below.

(c) Subsidiaries

Shares in subsidiaries are stated at cost and provision is made for diminution in value which is considered to be other than temporary. Dividend income is accrued on the basis of dividends declared.

(d) Associated companies and joint ventures

An associated company is defined as a company, not being a subsidiary, in which the Group has a long term interest of not less than 20% of the equity and in whose financial and operating policy decisions the Group exercises significant influence. The accounting year of the associated companies ends on 31 December with the exception of Irano Singapore Shipyard Company (Sadra Jurong), ("Irano"), which financial year ends on 31 March.

A joint venture, not being a subsidiary or associated company, is one in which the Group has a long term interest and contractual arrangement whereby parties in the joint venture undertake an economic activity whose operational and financial affairs are subject to the joint control of the Group and the contractual parties.

When an associated company or joint venture is acquired, any excess of the consideration over the fair value of net assets at the date of acquisition is included in goodwill on consolidation and written off in the year in which it arises. When the fair value of the net assets acquired exceeds the purchase price the difference is credited directly to non-distributable reserves on consolidation.

The Group's share of the results of associated companies and joint ventures are included in the consolidated profit and loss account under the equity method. The Group's share of post-acquisition reserves of associated companies and joint ventures are included in the investments in associated companies and joint ventures, respectively, in the consolidated balance sheet. Where the audited accounts are not available, the share of results is arrived at from unaudited management accounts made up to the end of the accounting year to 31 December with the exception of Irano. (Note 2)

Shares in associated companies and joint ventures are stated in the Company's balance sheet at cost and provision is made for diminution in value which is considered to be other than temporary.

Dividend income is accrued on the basis of dividends declared by the investee entities up to the date of the Directors' Report.

NOTES TO THE ACCOUNTS

31 December 1999

(e) Revenue recognition

Revenue from the building of new ships, ship repairs and conversions are recognised on the percentage of completion method in proportion to the stage of completion, provided the work is at least 20% complete and the outcome of the contract can be reliably estimated. The percentage of completion is measured by reference to the percentage of costs incurred to-date to the estimated total costs for each contract, with due consideration made to include only those costs that reflect works performed.

Income on goods sold and other services rendered is recognised on completion of delivery. Charter hire income is taken to the profit and loss account on an accrual basis.

(f) Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the profit and loss account.

Where fixed assets are revalued, any surplus on revaluation is credited to the asset revaluation reserve. A decrease in net carrying amount arising on revaluation of fixed assets is charged to the profit and loss account to the extent that it exceeds any surplus held in reserve relating to previous revaluation of the same class of assets.

(g) Depreciation

Depreciation is calculated on the straight line method to write off the cost or valuation of fixed assets over their estimated useful lives. No depreciation is provided on freehold land.

The estimated useful lives of fixed assets are as follows:

Freehold and leasehold buildings	45 years or remaining period of lease
Quays and dry docks	60 years or remaining period of lease
Plant and machinery and tools	3 to 10 years
Motor vessels, launches, cranes and floating docks	3 to 20 years
Motor vehicles	3 to 5 years
Furniture and office equipment	3 to 5 years
Utilities and fittings	30 years
Computer equipment	1 to 5 years

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets. There is no policy in regards to the regular valuation of fixed assets.

(h) Investments

Investments held on a long-term basis are stated at average cost. Provision is made for diminution in value which is considered to be other than temporary.

Marketable securities are those investments held for the short term and are stated at market value. Market value is the middle market price at the balance sheet date. The changes in market value are taken to the profit and loss account.

Dividend income is recognised in the profit and loss account upon actual receipt. Interest income is accrued on the day-to-day basis.

(i) Stocks and work-in-progress

Stocks consist mainly of steel and other materials used for shipbuilding, repair and conversion and are stated at the lower of cost and net realisable value. Cost is calculated using the first-in-first-out basis. In arriving at the net realisable value, due allowance is made for obsolete and slow-moving items.

Work-in-progress comprises mainly uncompleted shipbuilding, repair and conversion jobs. It is stated at the lower of cost and net realisable value. Cost includes materials, direct labour, sub-contractors' costs and appropriate allocation of fixed and variable production overheads. Provision is made for anticipated losses, if any, on work-in-progress when the possibility of loss is ascertained.

NOTES TO THE ACCOUNTS

31 December 1999

(j) Deferred repair and maintenance expense

Provision is made annually for major repair and maintenance work on the floating docks, dockside cranes and other major facilities and for future dredging expenses. No provision is made when the existing provision is considered adequate for foreseeable future expenditure.

(k) Foreign currencies

Foreign currency transactions are recorded in Singapore dollars at rates of exchange approximating those ruling at transaction dates. Foreign currency monetary assets and liabilities are translated at rates ruling at the balance sheet date. All exchange differences are dealt with in the profit and loss account.

For inclusion in the consolidated accounts, all assets and liabilities of the foreign subsidiaries, associated companies and joint ventures are translated into Singapore dollars at the exchange rates ruling at the balance sheet date and the results of foreign subsidiaries, associated companies and joint ventures are translated into Singapore dollars at the average exchange rates. Exchange differences due to such currency translations are included in the foreign currency translation reserve.

(l) Deferred taxation

Deferred taxation is accounted for under the liability method, whereby the tax charge for the year is based on the disclosed book profit after adjusting for all permanent differences. The amount of taxation deferred on account of all timing differences is reflected in the deferred taxation account. Deferred tax benefits are not recognised unless there is reasonable expectation of their realisation.

(m) Deferred expenditure

Deferred expenditure comprises preoperation and preliminary expenses including those relating to research and development of products. These are stated at cost less amounts written-off. Deferred expenditure is amortised over a period of three to five years commencing from the date of operations or when the relevant products commence commercial operations.

(n) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand less bank overdrafts but exclude secured bank overdrafts which are used for financing activities.

2. GENERAL

The Company is incorporated in the Republic of Singapore. Its immediate holding company is SembCorp Industries Ltd and the ultimate holding company is Temasek Holdings (Private) Limited. Both holding companies are incorporated in the Republic of Singapore.

On 14 January 2000, the Company (formerly known as Jurong Shipyard Limited) changed its name to SembCorp Marine Ltd.

The principal activities of the Company are shipbuilding, repairing and conversion and non-maritime steel fabrication work. The principal activities of subsidiaries and associated companies are stated below. There have been no significant changes in the nature of these activities of the Company and its subsidiaries during the year.

The subsidiaries and associated companies as at 31 December 1999 are :

Name of Companies (Country of Incorporation)	Principal Activities (Place of Business)	Cost		Percentage of equity held by the Group	
		1999 \$'000	1998 \$'000	1999 %	1998 %
Subsidiary Companies					
Jurong Shipbuilders Private Limited (Singapore)	Ship owners (Singapore)	30,000	30,000	100	100

NOTES TO THE ACCOUNTS

31 December 1999

Name of Companies (Country of Incorporation)	Principal Activities (Place of Business)	Cost		Percentage of equity held by the Group	
		1999 \$'000	1998 \$'000	1999 %	1998 %
Subsidiary Companies					
Jurong Marine Contractors Private Limited (Singapore)	Provision of contract services (Singapore)	25	25	100	100
Dolphin Shipping Company Private Limited (Singapore)	Ship owners (Singapore)	500	–	100	100
JPL Corporation Pte Ltd (Singapore)	Investment holding company (Singapore)	5,100	5,100	70	70
Jurong Technologies Industrial Corpn. Pte Ltd (Singapore)	Marine and general electronic and electrical works (Singapore)	5,260	5,260	60	60
Sembawang Shipyard Pte Ltd (Singapore)	Shiprepairing and related services (Singapore)	54,230	54,230	100	100
Sembawang Shipyard (S) Pte Ltd (Singapore)	Investment holding company (Singapore)	25,560	25,560	100	100
Karimun Shiprepair and Engineering Pte Ltd (Singapore)	Investment holding company (Singapore)	22,565	22,565	100	100
Bulk Trade Pte Ltd (Singapore)	Bulk trading of marine products (Singapore)	1,764	1,764	100	100
Sembawang Jurong Corrosion Control Pte Ltd (Singapore)	Investment holding company (Singapore)	781	781	80	80
Jurong Machinery and Automation Pte Ltd (Singapore)	Marine and general electronic and electrical works (Singapore)	–	–	100	–
SML Shipyard Pte Ltd (Singapore)	Shiprepairing and related services (Singapore)	12,000	–	100	–
**** Jurong Shipyard Pte Ltd (Singapore)	Dormant (Singapore)	–	–	100	–
		157,785	145,285		

NOTES TO THE ACCOUNTS

31 December 1999

Name of Companies (Country of Incorporation)	Principal Activities (Place of Business)	Cost		Percentage of equity held by the Group	
		1999 \$'000	1998 \$'000	1999 %	1998 %
Associated Companies					
* Atlantis Shipyard Pte Ltd (Singapore)	Shipbuilding, ship repairing and civil engineering works (Singapore)	14,005	14,005	35	35
* Neptune Associated Lines Private Limited (Singapore)	Ship owners (Singapore)	615	615	50	50
* Jurong Clavon Pte Ltd (Singapore)	Engineering works (Singapore)	200	200	50	50
* Jurong Marine Services Pte Ltd (Singapore)	Provision of tugging and sea transportation services (Singapore)	1,050	1,050	50	50
* Toei Engineering Pte Ltd (Singapore)	Mechanical engineering works (Singapore)	78	78	26	26
* CJ Management International Limited (Hong Kong)	Provision of management services (Hong Kong)	–	–	30	30
* Irano Singapore Shipyard Company (Sadra Jurong) (Bandar Abbas, Iran) **	Shipbuilding and ship repairing (Bandar Abbas, Iran)	1,523	1,523	26	26
Joint Shipyard Management Services Pte Ltd (Singapore)	Proprietors of dormitories, manage and let (Singapore)	–	–	25	25
Jurong Gesco Pte Ltd (Singapore)	Dormant (Singapore)	–	–	50	50
* Joint Shipyard Investment Pte Ltd (Singapore)	Investment holding company (Singapore)	2,120	2,120	50	50
**** Joint Shipyard Technologies Pte Ltd (Singapore)	Dormant (Singapore)	200	–	@ 28	–
* Jurong Engineering Ltd (Singapore)	Construction and engineering works (Singapore)	9,011	9,011	20	20
		28,802	28,602		

NOTES TO THE ACCOUNTS

31 December 1999

Name of Companies (Country of Incorporation)	Principal Activities (Place of Business)	Percentage of equity held by the Group	
		1999 %	1998 %
Subsidiary and associated companies of Sembawang Shipyard Pte Ltd			
SES Marine Services (Pte) Ltd (Singapore)	Marine services (Singapore)	100	100
SES Engineering (M) Sdn Bhd (Malaysia)	Fabrication of metal structures (Malaysia)	100	100
Subsidiary companies of Karimun Shiprepair and Engineering Pte Ltd			
P.T. Karimun Sembawang Shipyard (Indonesia)	Shiprepairing and related services (Indonesia)	65	65
Sinna Services Pte Ltd (Singapore)	Shiprepairing and related services (Singapore)	65	65
Subsidiary and associated companies of Jurong Technologies Industrial Corpn. Pte Ltd			
* Jurong Hitech (M) Industries Sdn Bhd (Malaysia)	Electronic assembly (Malaysia)	60	60
* JTIC (USA) Corporation (USA)	Investment holding company (USA)	60	60
* Jurong Hi-Tech (USA) Inc (USA)	Assembling printed circuit boards (USA)	48	48
* Compacific Engineering Pte Ltd (Singapore)	Production and sale of simulators, game machines and information display system (Singapore)	–	60
* Beijing Bravery International Simulator Engineering Co Ltd (China)	Aerospace simulator (China)	–	29
Subsidiary and associated companies of Jurong Shipbuilders Pte Ltd			
Jurong Shipping Company Private Limited (Singapore)	Ship owners (Singapore)	100	100
Jurong Shipping Company Beta Pte Ltd (Singapore)	Ship owners (Singapore)	100	100
Jurong Shipping Company Gamma Pte Ltd (Singapore)	Ship owners (Singapore)	100	100
*** Tridex Investment Inc (British Virgin Islands)	Investment holding (British Virgin Islands)	100	100
*** Oslo Gas I LP (Republic of Liberia)	Ship owning and charter (Norway)	33 1/3	33 1/3
*** Oslo Gas II LP (Republic of Liberia)	Ship owning and charter (Norway)	33 1/3	33 1/3

NOTES TO THE ACCOUNTS

31 December 1999

Name of Companies (Country of Incorporation)	Principal Activities (Place of Business)	Percentage of equity held by the Group	
		1999 %	1998 %
Subsidiary company of Jurong Marine Contractors Private Limited			
Jurong Marine Management Pte Limited (Hong Kong)	Provision of management services (Hong Kong)	100	100
Subsidiary and associated companies of JPL Corporation Pte Ltd			
JPL Services Pte Ltd (Singapore)	Equipment rental services and trading in copper slag (Singapore)	70	70
JPL Marine Works Pte Ltd (Singapore)	Abrasive blasting, anti-corrosion engineering services (Singapore)	70	70
JPL Industries Pte Ltd (Singapore)	Processing and distribution of copper slag (Singapore)	36	36
JPL Concrete Products Pte Ltd (Singapore)	Production of concrete products (Singapore)	21	21
Subsidiary company of SML Shipyard Pte Ltd			
SMLazar Asia Pacific Pte Ltd (Singapore)	Dormant (Singapore)	100	–

* Audited by firms other than Ernst & Young

** Equity accounted based on latest audited accounts to 31 March 1999

*** These companies are not required to be audited under the laws of their country of incorporation

**** These are dormant companies incorporated during the year and are not audited

@ This company is held 14% by the Company and another 14% by a subsidiary company. The cost of investment is \$200,000 each.

NOTES TO THE ACCOUNTS

31 December 1999

3. TURNOVER

Turnover represents sales from the various activities described in Note 2 including the revenue recognised on contracts relating to the building of new ships, ship repairs and conversions which are at least 20% complete.

	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Services rendered:				
Ship repairing, building and conversion	785,159	808,614	437,135	472,387
Ship chartering	12,760	4,754	-	-
Others	108,267	81,638	-	-
Sale of goods	14,850	38,720	-	-
	921,036	933,726	437,135	472,387

4. OPERATING PROFIT

	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Operating profit is stated after charging:				
Directors' remuneration -				
Directors of the Company	1,565	802	1,565	802
Other directors of subsidiaries	1,135	1,141	-	-
Depreciation of fixed assets	34,601	31,813	6,819	7,332
Provisions -				
Deferred repair and maintenance	5,805	5,959	-	-
Trade debts	2,214	5,729	1,606	3,643
Non-trade debts	1,409	-	-	-
Retirement gratuities	399	481	-	-
Stock obsolescence	31	808	-	-
Others	-	7,500	-	-
Write off/(write back) -				
Stocks	396	-	396	-
Trade debts	700	(31)	600	15
Non-trade debts	459	-	459	-
Fixed assets	407	133	78	115
Amortisation of deferred expenditure	281	94	-	-
Auditors' remuneration -				
Company's auditor				
Statutory audit	284	210	70	66
Prior year's underprovision	8	63	-	4
Other services	51	79	43	32
Other auditors of subsidiaries				
Statutory audit	48	90	-	-
Other services	-	45	-	-
Operating profit is stated after crediting:				
Foreign currency exchange differences	5,555	6,139	3,460	4,131
Gain/(loss) on disposal of fixed assets	2,208	907	(15)	-
Gain/(loss) on sale of quoted securities	2,923	(953)	2,923	(953)

NOTES TO THE ACCOUNTS

31 December 1999

5. SHARE OF RESULTS OF ASSOCIATED COMPANIES & JOINT VENTURES

	Group	
	1999 \$'000	1998 \$'000
Share of net (losses)/profits for the year	(2,392)	7,821
Taxation	(2,034)	(1,450)
	(4,426)	6,371

6. INVESTMENT AND NET INTEREST INCOME

	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Gross dividend from :				
Unquoted subsidiaries	–	–	16,508	2,570
Unquoted associated company	–	–	–	40
Unquoted shares equity investments	65	20	65	20
Quoted associated company	–	–	619	825
Quoted shares equity investments	42	282	42	282
	107	302	17,234	3,737
Interest income from :				
Trade debtors	1,872	1,467	1,279	1,467
Fixed deposits	2,964	4,903	1,005	1,704
Loan to immediate holding company	861	1,457	15	1,457
Loan to a subsidiary company	–	–	3,476	–
Loan to an associated company	4,847	5,058	4,847	4,478
Unquoted bonds	3,640	–	3,640	–
Others	201	910	106	108
	14,385	13,795	14,368	9,214
Interest expense :				
Fixed term bank loans and overdrafts	(817)	(1,630)	(19)	(193)
Immediate holding company	–	(24)	–	(24)
Related companies	–	(30)	–	–
Subsidiaries	–	–	(854)	(807)
	(817)	(1,684)	(873)	(1,024)
	13,675	12,413	30,729	11,927

NOTES TO THE ACCOUNTS

31 December 1999

7. TAXATION

	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
In respect of profit for the year :				
Current taxation	31,206	26,930	22,506	13,019
Deferred taxation	(710)	401	807	3,000
Under-provision in respect of prior years:				
Current taxation	1,761	–	–	–
	32,257	27,331	23,313	16,019
Share of taxation of associated companies and joint ventures	2,034	1,450	–	–
	34,291	28,781	23,313	16,019

As at 31 December 1999, certain subsidiary companies have unutilised tax losses and capital allowances amounting in total to approximately \$9,236,000 (1998: \$11,135,000) available for set-off against future taxable income subject to the provisions of the Income Tax Act and agreement by the Comptroller of Income Tax.

At year end, the Group has exempt profits amounting to approximately \$113,000,000 (1998: \$109,000,000). Of this amount, \$104,000,000 (1998: \$103,000,000) had been agreed with the Comptroller of Income Tax.

8. DIVIDENDS

	Group and Company	
	1999 \$'000	1998 \$'000
Interim dividend of 15% less tax of 26% (1998 : 15% less tax of 26%)	7,743	7,743
Interim special dividend of 30% less tax of 26% (1998 : 20% less tax of 26%)	15,486	10,324
Proposed final dividend of 20% less tax of 25.5% (1998 : 20% less tax of 26%)	10,394	10,324
Proposed special dividend of 55% less tax of 25.5% (1998 : 45% less tax of 26%)	28,584	23,231
Final dividend less tax of 26% for 1997	–	21
	62,207	51,643

During 1998, the final dividend less tax which was paid for 1997 included amounts in respect of shares issued after the previous financial year end to the date of the payment of the final dividend.

NOTES TO THE ACCOUNTS

31 December 1999

9. EARNINGS PER SHARE, CENTS

- (a) Basic earnings per share ("EPS") is calculated by dividing the profit attributable to shareholders after deducting minority interests of \$78,350,000 (1998 : \$71,808,000) by the weighted average number of ordinary shares in issue during the year of 139,515,900 (1998 : 139,515,823).
- (b) Fully diluted EPS is calculated after adjusting for those shares not yet exercised under the Jurong Shipyard Executives' Share Option Scheme as follows :-

	Group and Company	
	1999	1998
Weighted average number of ordinary shares in issue during the year	139,515,900	139,515,823
Increase in number of ordinary shares on the exercise of options	738,418	—
Weighted average number of ordinary shares outstanding used in the calculation of fully diluted EPS	140,254,318	139,515,823

- (c) The basic and fully diluted EPS adjusted for the sub-division of one ordinary share of \$0.50 each into five ordinary shares of \$0.10 each on 14 January 2000 are as follows:

	Group	
	1999	1998
Basic EPS, cents	11.2	10.3
Fully diluted EPS, cents	11.2	10.3

- (d) As there are no extraordinary items for both the current and previous years, the basic and fully diluted EPS before and after extraordinary items are the same for both years.

10. FIXED ASSETS

GROUP	Land & building		Construction WIP	Docks, quays, launches, cranes and marine vessels	Plant and machinery and tools	Others	Total
	Freehold \$'000	Short-term leasehold \$'000					
Cost at 1.1.99	5,201	60,609	3,252	425,225	140,559	26,149	660,995
Valuation at 1.1.99	—	—	—	27,853	—	—	27,853
	5,201	60,609	3,252	453,078	140,559	26,149	688,848
Additions	119	522	2,069	6,085	8,954	1,503	19,252
Reclassifications	1,898	(1,579)	(4,062)	3,743	(786)	786	—
Currency realignment	51	4	—	—	3	3	61
Subsidiaries acquired	—	18,776	—	—	3,894	360	23,030
Disposals	—	—	—	(24,847)	(4,393)	(535)	(29,775)
Write-off	—	—	—	—	(2,330)	(422)	(2,752)
At 31.12.1999	7,269	78,332	1,259	438,059	145,901	27,844	698,664
Representing :							
Valuation	—	—	—	27,853	—	—	27,853
Cost	7,269	78,332	1,259	410,206	145,901	27,844	670,811
	7,269	78,332	1,259	438,059	145,901	27,844	698,664

NOTES TO THE ACCOUNTS

31 December 1999

10. FIXED ASSETS

GROUP	Land & building		Construction WIP \$'000	Docks, quays, launches, cranes and marine vessels \$'000	Plant and machinery and tools \$'000	Others \$'000	Total \$'000
	Freehold \$'000	Short-term leasehold \$'000					
Accumulated depreciation							
At 1.1.1999	909	13,657	–	88,672	69,183	17,671	190,092
Charge for 1999	386	425	–	15,869	15,301	2,620	34,601
Reclassifications	89	(89)	–	–	(324)	324	–
Currency realignment	1	–	–	–	3	1	5
Subsidiaries acquired	–	16,450	–	–	2,753	206	19,409
Disposals	–	–	–	(3,922)	(1,986)	(325)	(6,233)
Write-off	–	–	–	–	(1,923)	(422)	(2,345)
At 31.12.1999	1,385	30,443	–	100,619	83,007	20,075	235,529
Charge for 1998	70	1,150	–	12,967	13,764	3,862	31,813
Net book value							
At 31.12.1999	5,884	47,889	1,259	337,440	62,894	7,769	463,135
At 31.12.1998	4,292	46,952	3,252	364,406	71,376	8,478	498,756
COMPANY							
Cost and valuation							
At 1.1.1999	1,729	38,730	–	250,289	42,271	9,860	342,879
Additions	–	408	–	121	257	436	1,222
Disposals	–	–	–	–	–	(458)	(458)
Write-off	–	–	–	–	(1,230)	(421)	(1,651)
At 31.12.1999	1,729	39,138	–	250,410	41,298	9,417	341,992
Representing :							
Valuation	–	–	–	27,853	–	–	27,853
Cost	1,729	39,138	–	222,557	41,298	9,417	314,139
	1,729	39,138	–	250,410	41,298	9,417	341,992
Accumulated depreciation							
At 1.1.1999	502	13,018	–	69,603	35,822	9,357	128,302
Charge for 1999	246	640	–	4,537	887	509	6,819
Disposals	–	–	–	–	–	(258)	(258)
Write-off	–	–	–	–	(1,151)	(422)	(1,573)
At 31.12.1999	748	13,658	–	74,140	35,558	9,186	133,290
Charge for 1998	23	854	–	4,530	1,177	748	7,332
Net book value							
At 31.12.1999	981	25,480	–	176,270	5,740	231	208,702
At 31.12.1998	1,227	25,712	–	180,686	6,449	503	214,577

NOTES TO THE ACCOUNTS

31 December 1999

- (a) Docks and quays are stated at Directors' valuation of 1973 of \$27,853,000 with subsequent additions stated at cost. If the following revalued assets of the Group and Company have been included in the accounts at cost less accumulated depreciation, the net written down value would have been :

	1999 \$'000	1998 \$'000
Docks and quays	<u>5,458</u>	<u>5,680</u>

The revalued net book value of docks and quays is \$13,069,000 (1998 : \$13,488,000)

- (b) Net book value of plant and equipment of a subsidiary company amounting to \$701,000 (1998: \$1,169,000) is pledged as security for a term loan granted to that subsidiary.

Net book value of freehold land and building of a subsidiary company amounting to \$1,241,000 (1998: \$1,273,000) is pledged as security for a bank overdraft granted to that subsidiary.

Net book value of fixed assets acquired under hire purchase agreements as at balance sheet date amounted to \$1,812,000 (1998 : \$664,000) in respect of the Group only.

- (c) "Others" comprise motor vehicles, furniture and office equipment, utilities and fittings and computer equipment.

NOTES TO THE ACCOUNTS

31 December 1999

11. SUBSIDIARIES

	Company	
	1999 \$'000	1998 \$'000
Unquoted shares, at cost	157,785	145,285
Loan to a subsidiary	94,228	85,045
Redeemable convertible loan stocks, unsecured (Note 17 and Note 19)	–	2,500
	252,013	232,830

The Company's subsidiaries are set out in Note 2.

Loan to a subsidiary is unsecured, bears interest at 5% per annum (1998 : Nil) and is not repayable within the next twelve months.

12. ASSOCIATED COMPANIES & JOINT VENTURES

Associated Companies	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Unquoted shares, at cost	26,780	28,148	19,791	19,591
Less : Provision for diminution in value	–	(1,011)	–	–
	26,780	27,137	19,791	19,591
Quoted shares and warrants, at cost	9,232	9,836	9,232	9,836
Share of net post-acquisition reserves	25,790	30,678	–	–
	61,802	67,651	29,023	29,427
Loans and advances to associated companies	15,089	15,240	15,089	15,240
	76,891	82,891	44,112	44,667
Joint Ventures				
Unquoted shares, at cost	25,252	25,294	–	–
Share of net post-acquisition reserves	3,674	1,973	–	–
	28,926	27,267	–	–
	105,817	110,158	44,112	44,667
Associated Companies				
(a) Provision for diminution in value				
Balance at 1 January	1,011	1,011	–	–
Amount written off on disposal	(1,011)	–	–	–
Balance at 31 December	–	1,011	–	–
(b) Market value				
Quoted shares and warrants	22,186	15,873	22,186	15,873

The Company's associated companies are set out in Note 2.

The loans and advances to associated companies are unsecured and long term in nature. An amount of \$848,000 (1998:Nil) bears interest at 4% per annum. All other amounts are interest free.

NOTES TO THE ACCOUNTS

31 December 1999

12. ASSOCIATED COMPANIES & JOINT VENTURES**Joint Ventures**

All of the following joint ventures are incorporated in the People's Republic of China and they carry out their principal activities at the place of incorporation.

Name of Joint Venture	Principal Activities	Percentage of Equity held by the Group	
		1999 %	1998 %
Jiangyin Hualxin Corrosion Control Co. Ltd	Tank coating and corrosion resistance work for marine vessels	50	50
Bohai Sembawang Shipyard (Tianjin)	Repair and conversion of all types of marine vessels, production of quayside and container cranes and installation and repair of mechanical and electronic equipment	50	50

The Group's share of results and balance sheets of the joint ventures are as follows:

	Group	
	1999 \$'000	1998 \$'000
Results of the joint ventures :		
Revenue	8,511	8,252
(Loss)/profit before taxation	(1,516)	298
Balance sheets of the joint ventures :		
Non-current assets	24,971	23,100
Current assets	8,653	8,713
Current liabilities	(3,990)	(3,913)
Non-current liabilities	(692)	(840)
	28,942	27,060

13. LONG TERM INVESTMENTS

	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Quoted equity securities, at cost	4,985	9,544	4,985	9,544
Unquoted equity securities, at cost	709	709	605	605
Unquoted bonds, at cost	60,000	–	60,000	–
	65,694	10,253	65,590	10,149
Market value :				
Quoted securities	8,309	6,787	8,309	6,787

NOTES TO THE ACCOUNTS

31 December 1999

14. TRADE DEBTORS

	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Total trade debtors, note (a)	475,770	459,754	301,609	262,803
Less: Provision for doubtful debts, note (b)	(15,074)	(11,344)	(9,249)	(7,643)
	460,696	448,410	292,360	255,160
Less: External party debts due after one year	(116,248)	(38,480)	(104,834)	(26,052)
Amounts due within one year	344,448	409,930	187,526	229,108
(a) Trade debtors				
Associated companies	8,262	9,796	807	2,672
Immediate holding company	–	864	–	–
Related companies	6,300	10,281	252	–
Subsidiary companies	–	–	2,410	–
Joint venture companies	1,005	–	–	–
External parties	460,203	438,813	298,140	260,131
	475,770	459,754	301,609	262,803
(b) Provision for external party doubtful debts				
Balance at 1 January	11,344	5,747	7,643	4,000
Charge to profit and loss account	2,214	5,729	1,606	3,643
Bad debts written off	(94)	(85)	–	–
Subsidiaries acquired/(disposed)	1,610	(47)	–	–
Balance at 31 December	15,074	11,344	9,249	7,643
Bad debts written off/(written back) directly to profit and loss account	700	(31)	600	15

15. DEFERRED EXPENDITURE

	Group	
	1999 \$'000	1998 \$'000
Cost :		
At 1 January	957	736
Additions	68	221
At 31 December	1,025	957
Accumulated amortisation :		
At 1 January	394	300
Charge to profit and loss account	281	94
At 31 December	675	394
Net book value :		
At 31 December	350	563

The deferred expenditure incurred during the year comprises research and development costs. No amortisation is provided for a total of \$350,000 (1998: \$282,000) until the relevant products commence commercial operations.

NOTES TO THE ACCOUNTS

31 December 1999

16. STOCKS AND WORK-IN-PROGRESS

	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Materials, note (a)	33,345	25,661	15,968	13,941
Finished goods, note (b)	1,570	3,368	–	–
Work-in-progress, note (c)	30,067	39,024	19,218	10,715
	64,982	68,053	35,186	24,656
(a) Provision for obsolescence of materials				
Balance at 1 January	712	555	–	–
Charge to profit and loss account	27	157	–	–
Stocks written off	(81)	–	–	–
Balance at 31 December	658	712	–	–
(b) Provision for obsolescence of finished goods				
Balance at 1 January	651	–	–	–
Charge to profit and loss account	4	651	–	–
Stocks written off	(633)	–	–	–
Balance at 31 December	22	651	–	–
(c) Work-in-progress				
Costs and attributable profits less losses	173,145	89,247	162,296	60,938
Less: Progress billings	(143,078)	(50,223)	(143,078)	(50,223)
	30,067	39,024	19,218	10,715

17. OTHER DEBTORS

	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Staff loans	3,830	3,809	3,341	3,635
Prepayments	7,152	5,910	4,613	3,391
Other deposits and recoverables, note (a)	45,969	14,082	7,150	3,197
Cost of club memberships	840	840	590	590
Subsidiary companies, non-trade	–	–	42,826	30,822
Associated companies, non-trade	17,191	11,960	1,349	11,960
Related companies, non-trade	18,381	–	1,054	–
Redeemable convertible loan stocks, unsecured (Note 19)	–	–	2,500	–
	93,363	36,601	63,423	53,595
(a) Other deposits and recoverables				
Advances to subcontractors	8,047	3,238	–	–
GST refundable, net	3,096	1,747	2,356	1,074
Interest receivable	388	–	388	–
Recoverable amounts	7,466	3,332	3,261	1,227
Sale of fixed assets	23,402	–	–	–
Sale of subsidiaries	–	3,000	–	–
Sundry deposits	2,626	2,765	896	896
Tax recoverable	944	–	249	–
	45,969	14,082	7,150	3,197

NOTES TO THE ACCOUNTS

31 December 1999

17. OTHER DEBTORS

	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
(b) Provision for external party doubtful debts				
Balance at 1 January	–	–	–	–
Charge to profit and loss account	1,409	–	–	–
Balance at 31 December	1,409	–	–	–
Bad debts written off directly to profit and loss account	459	–	459	–

18. CREDITORS : amounts falling due within one year

	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Trade creditors, note (a)	394,484	334,342	178,252	143,105
Other creditors, note (b)	13,350	15,017	66,091	31,553
Sundry provisions, note (c)	5,818	6,480	–	–
Borrowings (Note 19)	19,401	15,170	1,716	–
Provision for taxation	29,758	28,566	13,498	10,306
Proposed dividend, net	38,978	33,555	38,978	33,554
	501,789	433,130	298,535	218,518
(a) Trade creditors				
Associated companies	17,560	19,279	3,132	4,581
Immediate holding company	1,500	198	1,500	–
Related companies	3,620	5,060	855	886
Subsidiary companies	–	–	39,489	41,051
External parties	371,804	309,805	133,276	96,587
	394,484	334,342	178,252	143,105
(b) Other creditors				
Amounts held on-behalf				
- subsidiary company, note (d)	–	–	65,740	31,000
- external parties	624	9,090	–	–
Associated companies	194	–	–	–
Deposits	3,895	1,770	76	12
Hire purchase creditors (Note 21)	468	248	–	–
Immediate holding company, non-trade	–	552	–	323
Purchase of fixed assets	–	162	–	–
Related companies	4,878	–	–	–
Sundry payables	3,291	3,195	275	218
	13,350	15,017	66,091	31,553
(c) Sundry provisions				
Balance at 1 January	6,480	3,138	–	–
Amounts in acquired subsidiaries	–	189	–	–
Charge to profit and loss account	5,805	13,459	–	–
Utilised in the year	(6,467)	(10,306)	–	–
Balance at 31 December	5,818	6,480	–	–
(d) Subsidiary company				

These amounts comprise mainly of interest bearing fixed deposits of \$59,640,000 (1998: \$31,000,000).

Interest rates range from 0.75% to 2.75% (1998: 0.9375% to 7%) per annum. All other amounts are interest-free.

NOTES TO THE ACCOUNTS

31 December 1999

19. BORROWINGS

	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Bank term loans - secured, note (a)	902	1,230	-	-
- unsecured	2,917	7,237	-	-
Bank overdrafts - secured, note (b)	222	-	-	-
- unsecured	5,934	8,522	1,716	-
Redeemable convertible loan stocks - unsecured, note (c)	10,000	10,000	-	-
	19,975	26,989	1,716	-
Shown as :				
Current liabilities (Note 18)	19,401	15,170	1,716	-
Long term liabilities	574	11,819	-	-
	19,975	26,989	1,716	-

(a) The bank term loan is secured on plant and equipment of a subsidiary company with a net book value of \$701,000 (1998: \$1,169,000) under a deed of debenture dated 5 June 1998. This term loan is repayable in 16 equal quarterly instalments and bears interest of 3.5% (1998: 3.5%) per annum, which is based on the rate set out in the Economic Development Board's Resource Productivity Scheme.

(b) The bank overdraft is secured on freehold land and building of another subsidiary company with a net book value of \$1,241,000 and bears interest of 8.8% to 10.05% per annum.

(c) The loan stocks are redeemable on 31 October 2000 or they can be converted to ordinary shares of a subsidiary company at the option of the loan stock holders on 31 October 2000. Interest at the rate of 6% per annum shall be due and payable on 31 October 2000 subject to certain conditions. In the opinion of the directors of the subsidiary such interest is not likely to be due for payment then. Meantime, no interest had been accrued. Interest, if accrued, would amount to \$2,362,000 (1998: \$1,762,000).

20. DEFERRED TAXATION

	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Balance at 1 January	53,424	53,093	39,999	36,999
Amount in acquired/(disposed) subsidiary	486	(70)	-	-
(Write-back)/charge for the year	(710)	401	807	3,000
Balance at 31 December	53,200	53,424	40,806	39,999

Deferred taxation arose substantially from the excess of net book value of fixed assets over the tax written down value of the same assets.

NOTES TO THE ACCOUNTS

31 December 1999

21. HIRE PURCHASE CREDITORS

Future minimum lease payments due -

	Group	
	1999 \$'000	1998 \$'000
Within one year	528	273
Within two to five years	906	328
	1,434	601
Deferred finance charges	(168)	(55)
	1,266	546
Shown as :		
Current liabilities (Note 18)	468	248
Long term liabilities	798	298
	1,266	546

22. PROVISION FOR RETIREMENT GRATUITIES

	Group	
	1999 \$'000	1998 \$'000
Balance at 1 January	387	198
Charge to profit and loss account	399	481
Utilised in the year	(28)	(292)
Balance at 31 December	758	387

23. SHARE CAPITAL

	Company	
	1999 \$'000	1998 \$'000
Authorised :		
240,000,000 ordinary shares of \$0.50 each	120,000	120,000
Issued and fully paid ordinary shares of \$0.50 each :		
Balance at 1 January, 139,515,823 shares (1998 : 139,381,823 shares)	69,758	69,691
Issued during the year, 2,000 shares (1998 : 134,000 shares)	1	67
Balance at 31 December, 139,517,823 shares (1998 : 139,515,823 shares)	69,759	69,758

Options were granted in 1999 (the "1999 Options") pursuant to the Jurong Shipyard Executives' Share Option Scheme (the "Scheme") in respect of a total of 895,000 unissued ordinary shares of \$0.50 each to full time executives of the Company who are holding the rank of manager (or equivalent position) and above and who are not substantial shareholders of the Company. The 1999 options are exercisable from 10 March 2001 to 9 March 2004 and the exercise price is \$6.47 per share for cash. The Scheme was started in 1991 and details of the Scheme were set out in the accounts of that year.

During the year, there were 2,000 ordinary shares of par value of \$0.50 per share issued for cash at the subscription price of \$6.47 per share under the Scheme.

NOTES TO THE ACCOUNTS

31 December 1999

23. SHARE CAPITAL

The options granted, exercised and cancelled under the Scheme during the year and the options outstanding at the end of the year are as follows :-

	1998 Options	1999 Options
Date options granted	27 April 1998	10 March 1999
Option exercise period :-		
From	27 April 2000	10 March 2001
To	26 April 2003	9 March 2004
Exercise price per option	\$7.85	\$6.47
Number of options outstanding :-		
At 1 January 1999	877	–
Options granted	–	895
Options exercised	–	(2)
Options cancelled	(10)	(20)
At 31 December 1999	<u>867</u>	<u>873</u>

Subsequent to year end, on 14 January 2000, the Company :-

- (i) sub-divided its ordinary shares of \$0.50 each into ordinary shares of \$0.10 each
- (ii) increased its authorised share capital from \$120,000,000 comprising 240,000,000 ordinary shares of \$0.50 each to \$500,000,000, comprising 5,000,000,000 ordinary shares of \$0.10 each, by the creation of 3,800,000,000 ordinary shares of \$0.10 each
- (iii) adjusted the existing share options granted under the Scheme following the subdivision, as follows :

Options category	Number of options outstanding as at 31 December 1999	Adjusted number of options outstanding	Original subscription price	Adjusted subscription price
1998	867,000	4,335,000	\$7.85	\$1.57
1999	873,000	4,365,000	\$6.47	\$1.29

24. RESERVES

	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Revenue reserves :				
Balance at 1 January	427,456	407,291	325,458	331,343
Transfer from/(to) profit and loss account	16,143	20,165	(413)	(5,885)
Reclassification to foreign currency translation reserves by an associated company	(266)	–	–	–
Dilution of equity interest in an associated company	(171)	–	–	–
Capitalised by an associated company upon bonus issue	(273)	–	–	–
Balance at 31 December	<u>442,889</u>	<u>427,456</u>	<u>325,045</u>	<u>325,458</u>
Foreign currency translation reserves :				
Balance at 1 January	1,352	4,956	–	–
Translation differences for the year	939	(3,604)	–	–
Reclassification from revenue reserves by an associated company	266	–	–	–
Balance at 31 December	<u>2,557</u>	<u>1,352</u>	<u>–</u>	<u>–</u>

NOTES TO THE ACCOUNTS

31 December 1999

24. RESERVES

	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Share premium account :				
Balance at 1 January	292,958	292,483	292,598	292,123
Premium on issue of ordinary shares	12	846	12	846
Share issue expenses	-	(371)	-	(371)
Share of an associated company's share premium account	274	-	-	-
Balance at 31 December	293,244	292,958	292,610	292,598
Asset revaluation reserves :				
Balance at 1 January and 31 December	960	960	960	960
Other capital reserves :				
Balance at 1 January	25,318	24,579	-	-
(Goodwill)/premium on acquisition of a subsidiary company	(890)	739	-	-
Share of an associated company's capital reserves and capitalisation upon bonus issue	429	-	-	-
Balance at 31 December	24,857	25,318	-	-
Total reserves at 31 December	764,507	748,044	618,615	619,016
Made up of :				
Distributable	442,889	427,456	325,045	325,458
Non-distributable	321,618	320,588	293,570	293,558
	764,507	748,044	618,615	619,016

25. COMMITMENTS

At balance sheet date, there are commitments not provided for in the accounts as follows :

(a) Approved capital expenditure :

	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Amounts approved by directors but not committed	6,352	30,057	6,200	6,762
Amounts approved and committed	2,831	63,459	-	60,000
	9,183	93,516	6,200	66,762

The amounts approved and committed of the Group include capital expenditure relating to joint venture operations of \$152,000 (1998: \$1,131,000).

(b) Minimum lease rental payments in respect of land and buildings :

Payable within 1 year	12,313	15,093	3,222	6,393
Payable within 2 to 5 years	13,775	25,697	-	3,222
	26,088	40,790	3,222	9,615

NOTES TO THE ACCOUNTS

31 December 1999

26. CONTINGENT LIABILITIES

	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Unsecured guarantees given in respect of an associated company and a subsidiary	32,031	33,468	32,031	35,468

The bank facilities of the associated company amounting to \$32,031,000 (1998: \$33,468,000) is secured on one of the vessels of that associated company. In 1998, a \$2,000,000 corporate guarantee was given by the Company to a supplier on behalf of the subsidiary.

27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise :

	Group	1998
	1999 \$'000	\$'000
Fixed deposits, bank and cash balances	167,446	173,882
Bank overdrafts - unsecured	(5,934)	(8,522)
	161,512	165,360

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant transactions during the year between the Group and its related parties on terms as agreed between the respective parties and which are not otherwise disclosed in these accounts consist of :

	Group		Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Commission payable to a subsidiary company	-	-	3,430	4,283
Management fees to immediate holding company	1,500	1,428	1,500	1,428
Management fee from related companies	300	300	305	305
Purchases from subsidiary companies	-	-	51,732	62,715
Purchases from associated companies	445	22,381	-	22,183
Sales to associated companies	4,156	4,848	-	-
Sales to related companies	3,757	5,477	-	-
Rental charged by immediate holding company	8,717	9,062	-	-

NOTES TO THE ACCOUNTS

31 December 1999

29. INFORMATION BY SEGMENT ON GROUP'S OPERATIONS

	Ship repairing, building and conversion \$'000	Ship chartering \$'000	Electronics and others \$'000	Eliminations \$'000	Total \$'000
(a) By industry					
1999					
Sales to external parties	785,159	12,760	123,117	–	921,036
Inter-segment sales	20,813	–	43,918	(64,731)	–
Consolidated sales	<u>805,972</u>	<u>12,760</u>	<u>167,035</u>	<u>(64,731)</u>	<u>921,036</u>
Operating profit	<u>87,449</u>	<u>3,365</u>	<u>8,975</u>	<u>–</u>	<u>99,789</u>
Assets employed	<u>1,078,500</u>	<u>99,198</u>	<u>137,618</u>	<u>–</u>	<u>1,315,316</u>
1998					
Sales to external parties	808,614	4,754	120,358	–	933,726
Inter-segment sales	33,065	–	65,162	(98,227)	–
Consolidated sales	<u>841,679</u>	<u>4,754</u>	<u>185,520</u>	<u>(98,227)</u>	<u>933,726</u>
Operating profit	<u>74,806</u>	<u>(226)</u>	<u>6,846</u>	<u>–</u>	<u>81,426</u>
Assets employed	<u>1,013,576</u>	<u>91,499</u>	<u>132,501</u>	<u>–</u>	<u>1,237,576</u>

(b) By geographical area

The Group operates mainly in the Republic of Singapore. Pricing of inter-segment sales is at fair market value. In arriving at assets employed, the Group's investment in associated companies and deferred expenditure are excluded.

30. DIRECTORS' REMUNERATION

The remuneration of directors of the Company fell within the following ranges :

	1999	1998
\$500,000 and above	<u>1</u>	<u>1</u>
\$250,000 to \$499,000	<u>–</u>	<u>–</u>
Below \$250,000	<u>8</u>	<u>9</u>
	<u>9</u>	<u>10</u>

31. COMPARATIVE FIGURES

Certain figures relating to the previous year have been reclassified to conform with the presentation in the current year.

MAJOR PROPERTIES

31 December 1999

Held by	Location	Description & Approximate Land Area	Tenure	Usage
Jurong Shipyard	Jalan Samulun	Land area: 198,098m ² Building, workshop, drydocks and quays	Leasehold (in process of renewal)	Ship repairs including drydock, berthage & workshops
	Tanjong Kling	Land area: 491,054.57m ² Building, workshop, drydocks and quays	Leasehold (option for 30 years - in process of renewal)	Ship repairs, ship conversion, offshore & shipbuilding including drydock, berthage & workshops
	Jalan Mendong	6 units of 2-room apartment with built-in area of 115.6m ²	Freehold	Residential Properties
	Pasir Panjang Hills	Land area: 1,650m ² 2 units of 1-room flat with built-in area of 64.8m ² and 6 units of 3-room flat with built-in area of 123.8m ²	Freehold	Residential Properties
	Victoria Park	Land area: 1,207m ² Single storey detached bungalow with built-in area of 229.7m ²	Leasehold 999 years (27/2/2874)	Residential Properties
	Hilton Tower at Grange Road	Apartment with built-in area of 131m ²	Freehold	Residential Properties
P.T. Karimun Sembawang Shipyard	Karimun Island Indonesia	150,000m ² Building, workshop and wharves	30 years leasehold with option for 20 to 30	Shiprepairing & fabrication
SES Engineering Sdn Bhd	No. 15 Jalan Lambak Kawasan Perindustrian Taman Johor 81200 Johor Bahru	56,348 sq ft. Workshop and 3-storey office building	Freehold	Metal fabrication workshop

SEMCORP MARINE LTD
(Incorporated in the Republic of Singapore)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 37th Annual General Meeting of the Company will be held on Wednesday, May 31, 2000 at 11.00 a.m. at 29 Tanjong Kling Road, Singapore 628054 to transact the following business:-

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended December 31, 1999 and the Auditors' Report thereon. (Resolution 1)
2. To declare a final dividend of 20 per cent. less income tax for the year ended December 31, 1999 (Resolution 2)
3. To declare a special dividend of 55 per cent. less income tax for the year ended December 31, 1999 (Resolution 3)
4. To re-elect the following Directors, who, being eligible, offer themselves for re-election:-
 - (a) Mr Wong Kok Siew, retiring pursuant to Article 91 of the Company's Articles of Association. (Resolution 4)
 - (b) Mr Chee Keng Soon, retiring pursuant to Article 91 of the Company's Articles of Association. (Resolution 5)
Mr Chee Keng Soon, if re-elected, will remain as Audit Committee Chairman and will be considered as an independent Director.
 - (c) Mr Ryuhei Nose, retiring pursuant to Article 97 of the Company's Articles of Association. (Resolution 6)
Mr Ryuhei Nose, if re-elected, will remain as Audit Committee Member and will be considered as a non-independent Director.
5. To approve Directors' fees for the year ended December 31, 1999. (Resolution 7)
6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 8)

SPECIAL BUSINESS

Ordinary Resolutions

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. "THAT authority be given pursuant to Section 161 of the Companies Act, Chapter 50 to the Directors to issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50 per cent. of the issued share capital of the Company for the time being, of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20 per cent. of the issued share capital of the Company for the time being, and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the next Annual General Meeting of the Company or the date on which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier." (Resolution 9)
8. "THAT the Directors be and are hereby authorised to offer and grant options in accordance with the regulations of the Jurong Shipyard Executives' Share Option Scheme (the "Scheme") and to allot and issue from time to time such number of shares in the capital of the Company (the "Shares") as may be required to be allotted and issued pursuant to the exercise of the options under the Scheme, provided that the aggregate number of new shares to be issued pursuant to this Resolution shall not exceed 5 per cent. of the total issued share capital of the Company from time to time." (Resolution 10)
9. To transact any other business that may be transacted at an Annual General Meeting of the Company.

BY ORDER OF THE BOARD

LENA CHIA YUE JOO (MS)
COMPANY SECRETARY
Singapore

May 15, 2000

Statement pursuant to Article 54 of the Articles of Association of the Company

- (a) Ordinary Resolution 9 under the heading "Special Business" in the Notice of Annual General Meeting is to empower the Directors to issue ordinary shares in the capital of the Company up to 50 per cent. of the issued share capital of the Company for the time being, with an aggregate sub-limit of 20 per cent. of the issued share capital of the Company for any issue of shares not made on a pro-rata basis to shareholders.
- (b) Ordinary Resolution 10 under the heading "Special Business" in the Notice of Annual General Meeting is to empower the Directors to issue ordinary shares in the capital of the Company pursuant to the Scheme provided that the aggregate number of new shares to be issued pursuant to the Scheme shall not exceed 5 per cent. of the issued ordinary share capital of the Company for the time being.

Notes:-

A member of the Company entitled to attend and vote at the Meeting may appoint not more than two (2) proxies to attend and vote on his behalf and where a Member appoints more than one (1) proxy, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a Member of the Company. The instrument appointing a proxy or proxies must be deposited at 9 Bishan Place, #08-00 Junction 8, Singapore 579837 not later than 48 hours before the time appointed for holding the Meeting.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATES

NOTICE IS HEREBY GIVEN THAT the Register of Members and Share Transfer Books will be closed from June 12, 2000 to June 13, 2000 (both dates inclusive) for the purpose of determining Members' entitlements to the dividends to be proposed at the 37th Annual General Meeting of the Company to be held on May 31, 2000.

Duly completed transfers in respect of ordinary shares in the capital of the Company together with all relevant documents of title received by the Company's Share Registrar, Kon Choon Kooi Pte. Ltd., 47 Hill Street #06-02 Chinese Chamber of Commerce & Industry Building, Singapore 179365 up to the close of business at 5.00 p.m. on June 9, 2000 (the "Books Closure Date") will be registered to determine members' entitlements to the proposed dividends. Subject as aforesaid, Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on the Books Closure Date will be entitled to the dividends.

The proposed dividends, if approved at the 37th Annual General Meeting, will be paid on June 26, 2000.



(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT

- For investors who have used their CPF moneys to buy shares in the capital of SembCorp Marine Ltd, this document is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We _____ of _____ being a member / members of SEMBCORP MARINE LTD

hereby appoint:-

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)
and/or (delete as appropriate)			

as my/our proxy/proxies to attend and vote for me/us on my/our behalf and, if necessary, to demand a poll, at the 37th Annual General Meeting of the Company to be held at 29 Tanjong Kling Road, Singapore 628054 on Wednesday, May 31, 2000 at 11.00 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	For	Against
	Ordinary Business		
1	Adoption of Directors' Report and Accounts		
2	Declaration of Final Dividend		
3	Declaration of Special Dividend		
4	Re-election of Mr Wong Kok Siew		
5	Re-election of Mr Chee Keng Soon		
6	Re-election of Mr Ryuhei Nose		
7	Approval of Directors' fees		
8	Re-appointment of Auditors		
	Special Business		
9	Authority for Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter. 50		
10	Authority for Directors to offer and grant options and issue shares in accordance with the Jurong Shipyard Executives' Share Option Scheme		

Dated this _____ day of _____ 2000.

Total Number of Shares Held	
-----------------------------	--

Signature(s) of Member(s) or Common Seal

Notes:

- Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
- A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- The instrument appointing a proxy or proxies must be deposited at 9 Bishan Place, #08-00 Junction 8, Singapore 579837, not less than 48 hours before the time appointed for holding the Annual General Meeting.
- The instrument appointing a proxy or proxies, must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
- A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

COMPANY SECRETARY
SEMBCORP MARINE LIMITED
c/o 9 BISHAN PLACE #08-00
JUNCTION 8
SINGAPORE 579837

**Affix
Stamp**

