FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

Year ended 31 December 2018

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 2018.

In our opinion:

(a) the financial statements set out on pages 198 to 331 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 2018, 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	(Appointed on 20 April 2018)
Tan Wah Yeow	(Appointed on 10 December 2018)

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 21/01/2019	At beginning of the year	At end of the year	At 21/01/2019
Tan Sri Mohd Hassan Marican							
Sembcorp Marine Ltd	Ordinary shares (Note 1)	296,300	371,500	371,500	–	–	–
Sembcorp Industries Ltd	Ordinary shares (Note 1)	79,400	94,300	94,300	–	–	–

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 21/01/2019	At beginning of the year	At end of the year	At 21/01/2019
Wong Weng Sun							
Sembcorp Marine Ltd	Ordinary shares	3,609,259	3,637,934	3,637,934	–	–	–
	Conditional award of 375,000 performance shares to be delivered after 2017 (Note 2a)	Up to 562,500	–	–	–	–	–
	Conditional award of 638,000 performance shares to be delivered after 2018 (Note 2b)	Up to 957,000	Up to 957,000	Up to 957,000	–	–	–
	Conditional award of 550,000 performance shares to be delivered after 2019 (Note 2c)	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 2d)	–	Up to 721,500	Up to 721,500	–	–	–

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 21/01/2019	At beginning of the year	At end of the year	At 21/01/2019
Wong Weng Sun (cont'd)							
Sembcorp Marine Ltd (cont'd)	Conditional award of 85,000 restricted shares to be delivered after 2015 (Note 3a)	12,750	–	–	–	–	–
	Conditional award of 127,500 restricted shares to be delivered after 2016 (Note 3b)	12,750	6,375	6,375	–	–	–
	Conditional award of 191,000 restricted shares to be delivered after 2017 (Note 3c)	Up to 286,500	19,100	19,100	–	–	–
	Conditional award of 181,000 restricted shares to be delivered after 2018 (Note 3d)	Up to 271,500	Up to 271,500	Up to 271,500	–	–	–
	Conditional award of 233,000 restricted shares to be delivered after 2018 (Note 4)	–	Up to 349,500	Up to 349,500	–	–	–

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 21/01/2019	At beginning of the year	At end of the year	At 21/01/2019
Wong Weng Sun (cont'd)							
Sembcorp Industries Ltd	Ordinary shares	79,000	79,000	79,000	–	–	–
Ron Foo Siang Guan							
Sembcorp Marine Ltd	Ordinary shares	254,780	282,680	282,680	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)	123,200	148,700	148,700	–	–	–
Sembcorp Industries Ltd	Ordinary shares (Note 6)	509,433	589,395	589,395	–	–	–
	Conditional award of 105,000 performance shares to be delivered after 2017 (Note 2a)	Up to 157,500	–	–	–	–	–
	Conditional award of 133,000 performance shares to be delivered after 2018 (Note 2b)	Up to 199,500	Up to 199,500	Up to 199,500	–	–	–

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 21/01/2019	At beginning of the year	At end of the year	At 21/01/2019
Koh Chiap Khiong (cont'd)							
Sembcorp Industries Ltd (cont'd)	Conditional award of 100,000 performance shares to be delivered after 2019 (Note 2c)	Up to 150,000	Up to 150,000	Up to 150,000	–	–	–
	Conditional award of 225,000 performance shares to be delivered after 2020 (Note 2d)	–	Up to 337,500	Up to 337,500	–	–	–
	Conditional award of 65,000 restricted shares to be delivered after 2015 (Note 5a)	27,082	–	–	–	–	–
	Conditional award of 85,000 restricted shares to be delivered after 2016 (Note 5b)	68,000	34,000	34,000	–	–	–

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 21/01/2019	At beginning of the year	At end of the year	At 21/01/2019
Koh Chiap Khiong (cont'd)							
Sembcorp Industries Ltd (cont'd)	Conditional award of 96,000 restricted shares to be delivered after 2017 (Note 5c)	Up to 144,000	37,760	37,760	–	–	–
	Conditional award of 100,000 restricted shares to be delivered after 2018 (Note 5d)	Up to 150,000	Up to 150,000	Up to 150,000	–	–	–
	Subordinated Perpetual Security issued on 21 Aug 2013 under the $2.5 Billion Multicurrency Debt Issuance Programme (Note 7)	Principal Amount: $250,000	–	–	–	–	–
Gina Lee-Wan							
Sembcorp Marine Ltd	Ordinary shares	49,500	69,800	69,800	–	–	–
Bob Tan Beng Hai							
Sembcorp Marine Ltd	Ordinary shares	61,500	91,400	91,400	–	–	–

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 21/01/2019	At beginning of the year	At end of the year	At 21/01/2019
Neil McGregor							
Sembcorp Marine Ltd	Ordinary shares	–	15,700	15,700	–	–	–
Sembcorp Industries Ltd	Ordinary shares	33,900	159,400	159,400	–	–	–
	Conditional award of 429,553 performance shares to be delivered after 2019 (Note 2c)	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 2d)	–	Up to 957,000	Up to 957,000	–	–	–
	Conditional award of 416,667 restricted shares to be delivered after 2018 (Note 5d)	Up to 625,001	Up to 625,001	Up to 625,001	–	–	–
William Tan Seng Koon							
Sembcorp Marine Ltd	Ordinary shares	–	16,900	16,900	–	–	–

DIRECTORS' INTERESTS (CONT'D)

Note 1: The 371,500 Sembcorp Marine Ltd shares and 94,300 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 2015 to 2017*
(b) Period from 2016 to 2018
(c) Period from 2017 to 2019
(d) Period from 2018 to 2020

* 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 2014 to 2015*
(b) Period from 2015 to 2016**
(c) Period from 2016 to 2017***
(d) Period from 2017 to 2018

* For this period, 12,750 shares (the final release of 1/3 of the 38,250 shares) were vested under the award on 28 March 2018. The 1st and 2nd release of 12,750 shares each have been vested on 28 March 2016 and 28 March 2017 respectively.

** For this period, 6,375 shares (2nd release of 1/3 of the 19,125 shares) were vested under the award on 28 March 2018 and the remaining 6,375 shares will be vested in year 2019. The 1st release of 6,375 shares has been vested on 28 March 2017.

*** For this period, 9,550 shares (1st release of 1/3 of the 28,650 shares) were vested under the award on 28 March 2018 and the remaining 19,100 shares will be vested in year 2019/2020.

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.

Note 5: The actual number to be delivered will depend on the achievement of set targets at the end of 2-year performance period as indicated below. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

(a) Period from 2014 to 2015*
(b) Period from 2015 to 2016**
(c) Period from 2016 to 2017***
(d) Period from 2017 to 2018

* For this period, 27,082 shares (the final release of 1/3 of the 81,250 shares) were vested under the award on 28 March 2018. The 1st and 2nd release of 27,084 shares each have been vested in 2016 and 2017 respectively.

** For this period, 34,000 shares (2nd release of 1/3 of the 102,000 shares) were vested under the award on 28 March 2018 and the remaining 34,000 shares will be vested in year 2019. The 1st release of 34,000 shares has been vested on 28 March 2017.

*** For this period, 18,880 shares (1st release of 1/3 of the 56,640 shares) were vested under the award on 28 March 2018 and the remaining 37,760 shares will be vested in year 2019/2020.

DIRECTORS' INTERESTS (CONT'D)

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.

Note 7: Subordinated Perpetual Securities and Fixed Rate Notes issued under the $2.5 Billion Multicurrency Debt Issuance Programme ("MDIP") of Sembcorp Industries Ltd and Sembcorp Financial Services Pte. Ltd., a related company of Sembcorp Industries Group. The Subordinated Perpetual Securities issued on 21 August 2013 under the MDIP of Sembcorp Industries Ltd has been redeemed on 21 August 2018.

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2019.

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

Except as disclosed in Notes 27(a) and 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.

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	(Appointed on 20 April 2018)

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.

SHARE-BASED INCENTIVE PLANS (CONT'D)

The Company designates Sembcorp Industries Ltd as the Parent Group.

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

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

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.

SHARE-BASED INCENTIVE PLANS (CONT'D)

(a) Performance Share Plan (cont'd)

Award granted in 2018 and onwards (cont'd)

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:

		Movements during the year			
Performance Shares participants	At 1 January	Conditional performance shares awarded	Conditional performance shares lapsed	Performance shares lapsed arising from targets not met	At 31 December
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
2017					
Director of the Company					
Wong Weng Sun	1,513,000	550,000	–	(500,000)	1,563,000
Key executives of the Group	3,000,000	1,050,000	–	(880,000)	3,170,000
	4,513,000	1,600,000	–	(1,380,000)	4,733,000

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2015 to 2017 (2017: performance period 2014 to 2016), there were no (2017: nil) performance shares released via the issuance of treasury shares.

In 2018, there were 1,215,000 (2017: 1,380,000) performance shares that lapsed for under-achievement of the performance targets for the performance period 2015 to 2017 (2017: 2014 to 2016).

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 2018, was 4,088,000 (2017: 4,733,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 6,132,000 (2017: 7,099,500) performance shares.

SHARE-BASED INCENTIVE PLANS (CONT'D)

(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.

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 2018, 2017 and 2016, the awards granted consisted of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares 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.

SHARE-BASED INCENTIVE PLANS (CONT'D)

(b) Restricted Share Plan (cont'd)

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

		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**
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
2017						
Directors of the Company						
Tan Sri Mohd Hassan Marican	–	104,200	–	(104,200)	–	–
Wong Weng Sun	374,600	181,000	(108,375)	(49,725)	–	397,500
Ajaib Haridass	–	49,000	–	(49,000)	–	–
Ron Foo Siang Guan	–	44,300	–	(44,300)	–	–
Lim Ah Doo	–	53,300	–	(53,300)	–	–
Koh Chiap Khiong	–	40,800	–	(40,800)	–	–
Gina Lee-Wan	–	26,900	–	(26,900)	–	–
Bob Tan Beng Hai	–	37,300	–	(37,300)	–	–
Former director of the Company	–	44,300	–	(44,300)	–	–
Other executives	13,341,542	7,595,350	(3,814,942)	(1,337,117)	(798,920)	14,985,913
	13,716,142	8,176,450	(3,923,317)	(1,786,942)	(798,920)	15,383,413

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2016 to 2017, a total of 395,199 (2017: Nil) restricted shares were released. For awards in relation to the performance period 2015 to 2016, a total of 198,575 (2017: 266,891) restricted shares were released. For awards in relation to the performance period 2014 to 2015, a total of 318,129 (2017: 386,942) restricted shares were released. In 2017, 733,009 restricted shares were released for awards in relation to the performance period 2013 to 2014. In 2018, there were 275,800 (2017: 400,100) restricted shares released to non-executive directors. The restricted shares were released via the issuance of treasury shares.

SHARE-BASED INCENTIVE PLANS (CONT'D)

(b) Restricted Share Plan (cont'd)

In 2018, there were 6,078,150 (2017: 3,923,317) restricted shares that lapsed for under-achievement of the performance targets for the performance period 2016 to 2017 (2017: performance period 2015 to 2016).

The total number of restricted shares outstanding, including awards achieved but not released, as at 31 December 2018, was 15,616,727 (2017: 15,383,413). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 14,817,138 (2017: 14,674,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 22,225,707 (2017: 22,011,000) restricted shares.

Sembcorp Marine Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2016 to 2017 (2017: performance period 2015 to 2016), a total of $789,088 (2017: $454,284), equivalent to 354,774 (2017: 248,950) notional restricted shares, were paid.

A total of 2,520,117 (2017: 3,074,000) notional restricted shares were awarded on 23 August 2018 (2017: 26 May 2017) 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 2018, was 4,684,737 (2017: 5,230,850). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 7,027,106 (2017: 7,846,275).

(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	(Appointed on 21 February 2018)
Patrick Daniel	(Appointed on 20 April 2018)
Tan Wah Yeow	(Appointed on 10 December 2018)

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

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

AUDIT COMMITTEE (CONT'D)

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the external and internal auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption;
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange);
- internal audit plans and internal audit reports; and
- whistle-blowers' disclosures.

The Audit Committee has full access to the management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiaries and significant associates, we have complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange.

AUDITORS

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

On behalf of the Board of Directors

Tan Sri Mohd Hassan Marican
Chairman

Wong Weng Sun
Director

Singapore
4 March 2019

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 2018, 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 198 to 331.

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 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Impairment assessment of property, plant and equipment and intangible assets (the "shipyard assets")
(Refer to Notes 4, 12 and 44 to the financial statements: Property, plant and equipment of $4,179,257,000 and Intangible assets of $208,934,000)

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.

As the Brazil cash generating unit is not yet fully operational, and there is limited track record of historical contract awards and performance, the Group has factored in the long term fundamentals of the oil and gas sector in Brazil to project the future order book. Accordingly, the future order book considers the projected capital expenditure of state-owned and international oil majors covering exploration and production projects that would lead to new build orders, regulations governing local content requirements, as well as forecast movements in oil prices in the foreseeable future projected by industry analysts. The long-term returns of the Brazil cash generating unit, however, can also be significantly impacted by political risk.

The outcome of the 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 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 26, 44 and 46 to the financial statements: Revenue of $4,887,866,000)

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 requirements of SFRS(I) 15 were applied retrospectively when the standard became effective from 1 January 2018, accordingly similar analysis were required of the ongoing contracts during the year ended 31 December 2017.

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.

As at the reporting date, there were also certain contracts subject to deferral in delivery or scope variations ("contract modifications"). In accordance with SFRS(I) 15, the analysis of whether such contract modifications result in separate performance obligations involve management judgement and estimates.

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 and contract modifications, along with discussions with management, to assess if management's identification of performance obligations and timing of revenue recognition is fair, and to identify the relevant adjustments on revenue recognition arising from the adoption of SFRS(I) 15 and contract modifications during the year.

- 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. The relevant adjustments on revenue for the adoption of SFRS(I) 15 and contract modifications were appropriately considered.

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 9, 11, 15 and 44 to the financial statements: Trade receivables of $1,350,993,000, Contract assets of $998,666,000 and Contract costs of $328,690,000)

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 regards to their purchase of the assets.

In relation to certain contracts with a customer that had filed for bankruptcy protection, revenues from these contracts continue to be suspended, with no additional adjustments on receivables and contract balances recorded for the current year, following contract provisions recorded in the previous years. As at the date of this report, the outcome arising from the bankruptcy protection filing and consequential restructuring remains a highly judgemental matter. Accordingly, there is a risk of a material adjustment to the carrying amounts of these contracts depending on events and circumstances that may occur in future periods.

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, as well as those contracts belonging to customers undergoing financial restructuring, were relevant under the facts and circumstances currently made available to the Group.

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

Acquisition of subsidiary and intellectual property rights
(Refer to Note 38 to the financial statements)

Risk:

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

Judgement is required in determining the classification of the acquisition as one of assets or a business combination. In accounting for a business combination, estimates are also required in performing the purchase price allocation of the fair value of identifiable assets acquired and liabilities assumed, and settlement of the litigation.

The Group has used provisional amounts of purchase price allocation for the accounting of acquisition of subsidiary and intellectual property rights, and has a one year measurement period from acquisition date to complete the acquisition accounting. Fair value adjustments may arise on the completion of final purchase price allocation due to the estimation uncertainty involved.

Our response:

- We examined the terms and conditions of the sales and purchase agreement and other related documents in relation to the transaction to determine if the classification of the acquisition is appropriate.
- We reviewed management's assessment of the provisional purchase price allocation and performed a re-computation of the residual goodwill derived by management.
- We assessed the adequacy of disclosures in describing the areas of judgement in determining the classification of the acquisition of subsidiary and intellectual property rights and estimation uncertainty on the provisional amounts recognised pending the completion of the final purchase price allocation.

Our findings:

The judgement applied by management in the classification of the acquisition was fair, and the estimates by management used in the provisional purchase price allocation to the respective assets acquired and liabilities assumed were appropriately supported under the information currently available to the Group.

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

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.

Our response:

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

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

- Assessment of the progress of all significant contingencies, including reviewing the Group's public announcements and the underlying basis for the announcements made;
- Consideration of any evidence of legal disputes which we were made aware;
- Holding discussions with management, the Group's in-house legal counsel and Ad-hoc Committee, and reviewing pertinent correspondence between the parties involved and relevant reports issued by third parties;
- Obtaining independent legal confirmation letters from and discussing with the Group's external lawyers handling these issues to confirm the fact patterns which we have been advised; and
- Involvement of specialists to look into any on-going investigation work commissioned by the Ad-hoc Committee to support management's conclusions.

Our findings:

We found that the Group has a process for identifying and monitoring potential exposures arising from legal, regulatory and political developments as well as determination of the appropriate measurement and/or disclosures of such contingencies in the Group's financial statements. From our audit procedures performed, we found the liabilities recognised and disclosures on contingencies to be appropriate.

Other Information

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

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

- Chairman and CEO's Report
- Group Financial Review
- Operations Review
- Directors' Statement

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

- 2018 Highlights
- Our Integrated Global Platform
- Significant Events
- Awards and Accolades
- Board of Directors
- Senior Management
- Corporate Structure
- Corporate Directory
- Shareholders' Information
- Investor Relations
- Approach to Sustainability
- Board Statement on Sustainability Report
- Corporate Governance
- Risk Management
- Sustaining Competitiveness
- Environmental Sustainability
- Human Capital
- Total Workplace Safety and Health
- Community Engagement
- SGX Sustainability Reporting Index
- GRI Standards: Core option content index
- Independent Practitioner's Limited Assurance Report on Sustainability Information of Sembcorp Marine Ltd
- Supplementary Information
- Major Properties

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

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.

- 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
4 March 2019

BALANCE SHEETS

As at 31 December 2018

		Group			Company		
	Note	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Non-current assets							
Property, plant and equipment	4	4,179,257	3,995,019	3,986,667	57,988	79,418	90,497
Investment properties	5	–	–	–	13,870	17,190	19,006
Investments in subsidiaries	6	–	–	–	1,786,386	1,483,520	964,886
Interests in associates and joint ventures	7	66,533	67,965	74,816	–	–	–
Other financial assets	8	2,881	46,150	67,783	–	18,894	40,612
Trade and other receivables	9	1,136,124	168,740	53,095	31,719	31,725	36,605
Contract costs	15	–	128,399	–	–	–	–
Intangible assets	12	208,934	179,201	202,125	122	184	184
Deferred tax assets	13	23,223	13,919	72,763	–	–	–
		5,616,952	4,599,393	4,457,249	1,890,085	1,630,931	1,151,790
Current assets							
Inventories	14	80,171	95,773	73,947	–	–	–
Trade and other receivables	9	690,550	640,481	547,677	107,163	117,283	61,099
Contract costs	15	328,690	2,358,054	2,607,564	–	–	–
Contract assets	11	998,666	652,361	440,832	–	–	–
Tax recoverable		10,568	11,192	8,530	–	846	5,536
Assets held for sale	16	1,657	–	182,215	–	–	107,369
Other financial assets	8	12,283	33,571	51,737	–	–	–
Cash and cash equivalents	17	837,724	1,301,000	1,216,971	79,584	55,126	24,482
		2,960,309	5,092,432	5,129,473	186,747	173,255	198,486
Total assets		8,577,261	9,691,825	9,586,722	2,076,832	1,804,186	1,350,276
Current liabilities							
Trade and other payables	18	1,532,746	1,604,218	1,873,839	24,706	26,433	23,890
Contract liabilities	20	139,731	1,135,661	667,665	–	–	–
Provisions	21	16,875	27,755	15,337	–	6,771	6,771
Other financial liabilities	22	9,809	1,449	18,317	–	–	–
Current tax payable		7,591	24,868	36,817	5,304	–	–
Interest-bearing borrowings	23	1,055,979	852,737	1,363,961	50,483	474	–
		2,762,731	3,646,688	3,975,936	80,493	33,678	30,661
Net current assets		197,578	1,445,744	1,153,537	106,254	139,577	167,825
Non-current liabilities							
Deferred tax liabilities	13	52,808	61,545	85,673	4,975	11,070	12,963
Provisions	21	120,861	70,014	65,279	26,094	18,036	18,036
Contract liabilities	20	–	75,497	240,700	–	–	–
Other financial liabilities	22	10,162	5,713	26,397	–	–	–
Interest-bearing borrowings	23	3,173,451	3,247,386	2,791,014	951	1,394	–
Other long-term payables	18	108,813	104,807	90,567	5,574	6,779	6,324
		3,466,095	3,564,962	3,299,630	37,594	37,279	37,323
Total liabilities		6,228,826	7,211,650	7,275,566	118,087	70,957	67,984
Net assets		2,348,435	2,480,175	2,311,156	1,958,745	1,733,229	1,282,292
Equity attributable to owners of the Company							
Share capital	24	484,288	484,288	484,288	484,288	484,288	484,288
Other reserves	25	(51,027)	(30,704)	38,764	(23,770)	(27,831)	(21,459)
Revenue reserve		1,878,423	1,985,392	1,742,472	1,498,227	1,276,772	819,463
		2,311,684	2,438,976	2,265,524	1,958,745	1,733,229	1,282,292
Non-controlling interests	33	36,751	41,199	45,632	–	–	–
Total equity		2,348,435	2,480,175	2,311,156	1,958,745	1,733,229	1,282,292

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000
Turnover	26	4,887,866	3,034,767
Cost of sales		(4,884,772)	(2,689,004)
Gross profit		3,094	345,763
Other operating income		49,608	63,705
Other operating expenses		(2,811)	(5,021)
General and administrative expenses		(102,214)	(98,737)
Operating (loss)/profit	27	(52,323)	305,710
Finance income	28	55,026	22,807
Finance costs	28	(101,356)	(95,522)
Non-operating income	29	141	64,803
Non-operating expenses	29	–	(13,309)
Share of results of associates and joint ventures, net of tax	30	(2,385)	(3,617)
(Loss)/profit before tax		(100,897)	280,872
Tax credit/(expense)	31	22,531	(24,817)
(Loss)/profit for the year		(78,366)	256,055
(Loss)/profit attributable to:			
Owners of the Company		(74,131)	260,183
Non-controlling interests	33	(4,235)	(4,128)
(Loss)/profit for the year		(78,366)	256,055
Earnings per share (cents)	34		
Basic		(3.55)	12.45
Diluted		(3.55)	12.45

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000
(Loss)/profit for the year		(78,366)	256,055
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		9,000	(51,290)
Net change in fair value of cash flow hedges		(43,906)	30,498
Net change in fair value of cash flow hedges transferred to profit or loss		10,387	(1,347)
Net change in fair value of available-for-sale financial assets		–	30,791
Change in fair value of available-for-sale financial assets transferred to profit or loss	8	–	(32,299)
Realisation of reserve upon disposal of assets held for sale		–	(20,484)
Realisation of reserve upon disposal of a subsidiary		–	(217)
		(24,519)	(44,348)
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	32	(35,858)	(44,348)
Total comprehensive income for the year		(114,224)	211,707
Total comprehensive income attributable to:			
Owners of the Company		(109,854)	215,861
Non-controlling interests	33	(4,370)	(4,154)
Total comprehensive income for the year		(114,224)	211,707

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	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 (Note 46)	–	–	–	(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 (Note 46)	–	–	–	–	–	–	(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)
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)
Issue of treasury shares	–	2,216	–	–	(1,702)	–	–	–	514	–	514
Dividends paid to											
– owners of the Company (Note 35)	–	–	–	–	–	–	–	(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 CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the Company										
	Share capital $'000	Reserve for own shares $'000	Capital reserves $'000	Currency translation reserve $'000	Share-based payments reserve $'000	Hedging reserve $'000	Fair value reserve $'000	Revenue reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group											
At 1 January 2017											
As previously stated	484,288	(566)	11,514	65,394	(30,158)	6,766	1,955	2,022,796	2,561,989	45,632	2,607,621
Adjustment on initial application of SFRS(I) 15, net of tax (Note 46)	–	–	–	(16,141)	–	–	–	(280,324)	(296,465)	–	(296,465)
Adjusted balance at 1 January 2017	484,288	(566)	11,514	49,253	(30,158)	6,766	1,955	1,742,472	2,265,524	45,632	2,311,156
Total comprehensive income for the year											
Profit for the year	–	–	–	–	–	–	–	260,183	260,183	(4,128)	256,055
Other comprehensive income											
Foreign currency translation differences for foreign operations	–	–	–	(51,418)	–	–	–	–	(51,418)	128	(51,290)
Net change in fair value of cash flow hedges	–	–	–	–	–	30,498	–	–	30,498	–	30,498
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	–	(1,347)	–	–	(1,347)	–	(1,347)
Net change in fair value of available-for-sale financial assets	–	–	–	–	–	–	30,791	–	30,791	–	30,791
Change in fair value of available-for-sale financial assets transferred to profit or loss	–	–	–	–	–	–	(32,299)	–	(32,299)	–	(32,299)
Realisation of reserve upon disposal of assets held for sale	–	–	–	(20,484)	–	–	–	–	(20,484)	–	(20,484)
Realisation of reserve upon disposal of a subsidiary (Note 37)	–	–	–	(63)	–	–	–	–	(63)	(154)	(217)
Total other comprehensive income for the year	–	–	–	(71,965)	–	29,151	(1,508)	–	(44,322)	(26)	(44,348)
Total comprehensive income for the year	–	–	–	(71,965)	–	29,151	(1,508)	260,183	215,861	(4,154)	211,707
Transactions with owners of the Company, recognised directly in equity											
Contributions by and distributions to owners of the Company											
Purchase of treasury shares	–	(5,942)	–	–	–	–	–	–	(5,942)	–	(5,942)
Issue of treasury shares	–	3,057	–	–	(2,370)	–	–	–	687	–	687
Dividends paid to											
– owners of the Company (Note 35)	–	–	–	–	–	–	–	(41,794)	(41,794)	–	(41,794)
– non-controlling interests	–	–	–	–	–	–	–	–	–	(279)	(279)
Unclaimed dividends	–	–	–	–	–	–	–	6	6	–	6
Share-based payments	–	–	–	–	4,634	–	–	–	4,634	–	4,634
Transfer of reserves	–	–	(24,525)	–	–	–	–	24,525	–	–	–
Total contributions by and distributions to owners of the Company	–	(2,885)	(24,525)	–	2,264	–	–	(17,263)	(42,409)	(279)	(42,688)
At 31 December 2017	484,288	(3,451)	(13,011)	(22,712)	(27,894)	35,917	447	1,985,392	2,438,976	41,199	2,480,175

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Group	
	2018 $'000	2017 $'000
Cash flows from operating activities		
(Loss)/profit for the year	(78,366)	256,055
Adjustments for:		
Finance income	(55,026)	(22,807)
Finance costs	101,356	95,522
Depreciation of property, plant and equipment	170,752	170,048
Amortisation of intangible assets	24,694	22,868
Share of results of associates and joint ventures, net of tax	2,385	3,617
(Gain)/loss on disposal of property, plant and equipment, net	(2,371)	863
(Gain)/loss on disposal of intangible assets	(106)	13
Gain on disposal of subsidiaries	–	(753)
Gain on disposal of assets held for sale	–	(46,816)
Gain on disposal of other financial assets	(27)	–
Gain on disposal of available-for-sale financial asset	–	(17,200)
Assumption of liabilities on behalf of a joint venture	–	11,000
Fair value adjustment on hedging instruments	1,713	(1,623)
Fair value adjustment on firm commitments under fair value hedge	692	3,454
Net change in fair value of financial assets measured through profit or loss	(114)	–
Impairment losses on available-for-sale financial assets	–	2,275
Impairment losses on property, plant and equipment	4,663	–
Share-based payment expenses	5,833	6,149
Property, plant and equipment written off	58	500
Inventories written down, net	432	56
Contract costs written back, net	–	(19,678)
Allowance for doubtful debts and bad debts, net	2,673	167
Tax (credit)/expense	(22,531)	24,817
Operating profit before working capital changes	156,710	488,527
Changes in working capital:		
Inventories	15,170	(21,287)
Contract costs	2,157,763	140,789
Contract assets	(346,305)	(211,529)
Contract liabilities	(1,071,427)	302,793
Trade and other receivables	(1,023,301)	(182,719)
Trade and other payables	(10,076)	(372,628)
Cash (used in)/generated from operations	(121,466)	143,946
Interest income received	55,107	11,392
Interest paid	(97,899)	(93,081)
Tax paid	(5,726)	(12,610)
Net cash (used in)/generated from operating activities	(169,984)	49,647
Cash flows from investing activities		
Purchase of property, plant and equipment (Note (a))	(343,395)	(177,892)
Proceeds from sale of property, plant and equipment	7,643	1,482
Proceeds from sale of intangible assets	168	42
Acquisition of subsidiary and intellectual property rights, net of cash acquired (Note 38)	(54,594)	–
Proceeds from disposal of a subsidiary	–	50
Proceeds from disposal of equity investments at FVOCI	6,861	–
Proceeds from disposal of equity investments at FVTPL	835	–
Proceeds from disposal of available-for-sale financial asset	–	36,033
Proceeds from divestment of asset held for sale	–	205,690
Net cash (used in)/generated from investing activities	(382,482)	65,405

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Group	
	2018	**2017**
	$'000	**$'000**
Cash flows from financing activities		
Proceeds from borrowings	1,101,622	465,809
Repayment of borrowings	(990,635)	(441,039)
Repayment of finance lease	(512)	(512)
Purchase of treasury shares	(916)	(5,942)
Dividends paid to owners of the Company	(20,888)	(41,794)
Dividends paid to non-controlling interests of subsidiaries	(78)	(279)
Unclaimed dividends	30	6
Net cash generated from/(used in) financing activities	88,623	(23,751)
Net (decrease)/increase in cash and cash equivalents	(463,843)	91,301
Cash and cash equivalents at beginning of the year	1,301,000	1,216,971
Effect of exchange rate changes on balances held in foreign currencies	16	(7,272)
Cash and cash equivalents at end of the year (Note 17)	837,173	1,301,000

(a) During the year, purchase of property, plant and equipment includes payment of $2,188,000 on prior year's accrued capital expenditure for the Brazil yard (2017: includes payment of $1,373,000 on 2016's accrued capital expenditure for the Brazil yard).

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 4 March 2019.

1. DOMICILE AND ACTIVITIES

Sembcorp Marine Ltd (the "Company") is a company incorporated in the Republic of Singapore and has its registered office at 29 Tanjong Kling Road, Singapore 628054.

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 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. These are the Group's first financial statements prepared in accordance with SFRS(I), and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows of the Group is provided in Note 46.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the accounting policies below.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand ($'000), unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with 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 and in preparing the opening SFRS(I) balance sheets at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(ii) Non-controlling interests

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(v) Associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has significant influence over another entity. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Associates are accounted for using the equity method of accounting from the date that significant influence commences until the date that significant influence ceases and are recognised initially at cost. The cost of investments includes transaction costs. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment (including any other unsecured receivables, that in substance, form part of the Group's net investment in the associate) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or made payments on its behalf to satisfy obligations of the associate that the Group has guaranteed or otherwise committed on behalf of.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition. Where the audited financial statements are not available, the share of results is arrived at from unaudited management financial statements made up mainly to the end of the accounting year to 31 December.

(vi) Joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has joint control over the entity.

Joint ventures are accounted for using the equity method of accounting from the date that joint control commences until the date that joint control ceases.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition. Where the audited financial statements are not available, the share of results is arrived at from unaudited management financial statements made up mainly to the end of the accounting year to 31 December.

(vii) Transactions eliminated on consolidation

All intra-group balances, transactions, and unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(viii) Accounting for subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are measured in the Company's balance sheet at cost less accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies

(i) Foreign currency transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. At each reporting date:

- Foreign currency monetary assets and liabilities are retranslated to the functional currency using exchange rates at that date;
- Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using exchange rate at the date of the transaction; 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) (2017: Available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss));
- A financial liability designated as a hedge of net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The results and financial positions of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at exchange rates ruling at the date of the balance sheet;
- Revenues and expenses are translated at average exchange rates; and
- All resulting foreign currency differences are taken to the foreign currency translation reserve in other comprehensive income.

Goodwill (except those relating to acquisitions of foreign operations prior to 1 January 2004) and fair value adjustments arising from the acquisition of foreign operations are translated to the presentation currency for consolidation at the rates of exchange ruling at the balance sheet date. Goodwill arising from the acquisition of foreign operations prior to 1 January 2004 are translated at foreign exchange rates ruling at the dates of the transactions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies (cont'd)

(ii) Foreign operations (cont'd)

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

(iii) Net investment in a foreign operation

Foreign currency differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's profit or loss. Such differences are reclassified to the foreign currency translation reserve in the consolidated statement of comprehensive income and are released to the consolidated income statement upon disposal of the investment as part of the gain or loss on disposal.

3.3 Property, plant and equipment

(i) Owned assets

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Cost may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

(ii) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment is recognised in the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and its costs can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised as an expense when incurred.

Certain items of property, plant and equipment are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the costs of the next overhaul and are separately depreciated in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss.

(iii) Disposals

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

(iv) Leasehold land

Operating leasehold land has been capitalised as part of property, plant and equipment and is depreciated over the lease period in which the future economic benefits embodied in the assets are expected to be consumed.

(v) Finance lease assets

Finance leases are those leasing agreements with terms of which the Group assumes substantially all the risks and rewards of ownership. Property, plant and equipment acquired by way of such leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss.

Capitalised leased assets are depreciated over the shorter of the economic useful life of the asset and the lease term.

(vi) Provision for restoration costs

A provision is recognised for the costs expected to be incurred to dismantle, remove and restore the asset upon expiry of the lease agreement. The estimated costs form part of the cost of the property, plant and equipment and are depreciated over the useful life of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

(vii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is recognised as an expense in profit or loss on a straight-line basis over their estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years are as follows:

Leasehold land	Lease period of 3 to 60 years
Buildings	3 to 50 years
Quays and dry docks	6 to 60 years
Marine vessels	7 to 25 years
Cranes and floating docks	3 to 30 years
Plant, machinery and tools	3 to 30 years
Motor vehicles	3 to 10 years
Furniture and office equipment	3 to 10 years
Utilities and fittings	10 to 30 years
Computer equipment	1 to 5 years

The assets' depreciation methods, useful lives and residual values, if not insignificant, are reviewed annually and adjusted if appropriate.

No depreciation is provided on freehold land or construction-in-progress.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

3.4 Investment properties

Investment properties are properties held for long-term rental yields or for capital appreciation, or both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives ranging from 45 to 60 years or the lease period of 15 to 16 years. The assets' depreciation methods, useful lives and residual values are reviewed, if not insignificant, annually, and adjusted if appropriate. No depreciation is provided on the freehold land.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Investment properties (cont'd)

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as additions when it increases the future economic benefits, embodied in the specific asset to which it relates, and its costs can be measured reliably. The carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvements is recognised as an expense when incurred.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

3.5 Intangible assets

(i) Goodwill

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, less the net amount recognised (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures, respectively. An impairment loss on such investments is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investments.

Goodwill is tested for impairment on an annual basis in accordance with Note 3.12.

(ii) Intellectual property rights

Intellectual property rights are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 10 years.

(iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iv) Amortisation

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Policies applicable from 1 January 2018:

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect on initial recognition to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis. The Group's equity investments are classified as FVOCI.

Financial assets at FVTPL

All other financial assets not classified as at amortised cost or FVOCI as described above are measured at FVTPL. This includes derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial assets (cont'd)

(ii) Classification and subsequent measurement (cont'd)

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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial assets (cont'd)

(ii) Classification and subsequent measurement (cont'd)

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 8.

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.

Policies applicable from 1 January 2018:

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.

Policies applicable before 1 January 2018:

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss; loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets are acquired or held. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. The designation of financial assets at fair value through profit or loss is irrevocable.

(a) Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise unquoted securities that otherwise would have been classified as available-for-sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial assets (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Subsequent measurement and gains and losses (cont'd)

(b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date for which they are classified as non-current assets. Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Receivables with a short duration are not discounted. Loans and receivables are included in trade and other receivables in the balance sheet.

Loans and receivables comprise cash and cash equivalents, trade and other receivables excluding prepayments and advances to suppliers.

(c) Available-for-sale financial assets

Other financial assets held by the Group that are either designated in this category or not classified in any other category, are classified as being available-for-sale. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. They are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences, are recognised directly in other comprehensive income. When these investments are derecognised, the cumulative gain or loss previously recognised directly in other comprehensive income, or part thereof, is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Available-for-sale financial assets comprise equity shares and unit trusts.

(d) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial assets (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Subsequent measurement and gains and losses (cont'd)

(e) 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.

(f) 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

Policies applicable from 1 January 2018:

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of financial assets and contract assets (cont'd)

General Approach (cont'd)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without due costs or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and forward-looking information.

If the credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset remains outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- breach of contract such as a default or past due outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend;
- the restructuring of a loan or advanced by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation or is having significant financial difficulty; or
- the disappearance of an active market for a security because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of financial assets and contract assets (cont'd)

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.

Policies applicable before 1 January 2018:

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the excess of acquisition cost less any impairment loss on that financial asset previously recognised in profit or loss, over its current fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of financial assets and contract assets (cont'd)

Policies applicable before 1 January 2018: (cont'd)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. The decrease in impairment loss is reversed through profit or loss.

An impairment loss once recognised in profit or loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. Any subsequent increase in fair value of such assets is recognised directly in other comprehensive income. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

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

Policies applicable from 1 January 2018:

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. Hedging relationships designated under FRS 39 that were still existing as at 31 December 2017 are treated as continuing hedges and hedge documentations were aligned accordingly to the requirements of SFRS(I) 9.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Hedging activities (cont'd)

(i) Fair value hedges

Where a derivative hedges the changes in fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on the hedging instrument is recognised in profit or loss. The hedged item is also measured at fair value in respect of the risk being hedged, with any changes recognised in profit or loss.

(ii) Cash flow hedges

Where a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised directly in other comprehensive income and presented in the hedging reserve in equity. The ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is reclassified from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated changes in fair value that were recognised directly in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Policies applicable before 1 January 2018:

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. For all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit or loss. Furthermore, for cash flow hedges that were terminated before 2017, forward points were recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Inventories

Inventories consist mainly of steel and other materials used for ship and rig repair, building and conversion and are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3.11 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment of non-financial assets (cont'd)

(i) Calculation of recoverable amount

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, cash generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of cash generating units that are expected to benefit from the synergies of the combination.

(ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed, even if it relates to an impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or balance sheet date. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or joint venture may be impaired.

3.13 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Non-derivative financial liabilities (cont'd)

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits (cont'd)

(v) Equity and equity-related compensation benefits

Share Option Plan

The share option programme allows the Group's employees to acquire shares of the Group companies. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital when new shares are issued. The amount in the share-based payments reserve is retained when the option is exercised or expires.

Where treasury shares are issued, the difference between the cost of treasury shares and the proceeds received net of any directly attributable costs are transferred to share-based payments reserve.

Performance Share Plan

The fair value of equity-related compensation is measured using the Monte Carlo simulation method as at the date of the grant. The method involves projecting future outcomes using statistical distributions of key random variables including the share prices and volatility of returns. This model takes into account the probability of achieving the performance conditions in the future.

The fair value of the compensation cost is measured at grant date and amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. In estimating the fair value of the compensation cost, market-based performance conditions are taken into account. From 2014 onwards, awards granted have both market-based and non-market-based performance conditions. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates, irrespective of whether this performance condition is satisfied.

The share-based payments reserve relating to the performance shares released is transferred to share capital when new shares are issued. When treasury shares are issued, the cost of treasury shares is transferred to share-based payments reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits (cont'd)

(v) Equity and equity-related compensation benefits (cont'd)

Restricted Share Plan

Similar to the Performance Share Plan, the fair value of equity-related compensation is measured using the Monte Carlo simulation method as at the date of the grant. The method involves projecting future outcomes using statistical distributions of key random variables including the share prices and volatility of returns. This model takes into account the probability of achieving the performance conditions in the future.

The fair value of the compensation cost is measured at grant date and 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.

(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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.16 Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to business combinations, or to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new ordinary shares and share options are deducted against the share capital account, net of any tax effects.

Where the Company's ordinary shares are repurchased (treasury shares), the consideration paid, excluding any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders and presented as reserve for own shares within equity, until they are cancelled, sold or reissued.

When treasury shares are cancelled, the cost of treasury shares is deducted against the share capital account, if the shares are purchased out of capital of the Company, or against the accumulated profits of the Company, if the shares are purchased out of profits of the Company.

When treasury shares are subsequently sold or reissued pursuant to the Share-based Incentive Plans, the cost of the treasury shares is reversed from the reserve for own shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related tax, is recognised as a change in equity of the Company. No gain or loss is recognised in profit or loss.

3.18 Dividends

Dividends on ordinary shares are recognised when they are approved for payments. Dividends on ordinary shares classified as equity are accounted for as movements in revenue reserve.

3.19 Revenue

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Revenue (cont'd)

(i) Contract revenue (cont'd)

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (e.g. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

(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

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.24 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's President & CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.25 Financial guarantee contracts

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Company will be required to make a payment under the guarantee. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

3.26 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.27 Assets held for sale

Non-current assets are classified as assets held for sale and measured at the lower of carrying amount and fair value less costs to sell if they are expected to be recovered principally through a sale transaction rather than through continuing use.

Any impairment losses on initial classification and subsequent gains or losses on re-measurement are recognised in profit or loss. Subsequent increases in fair value less costs to sell are recognised in profit or loss (not exceeding the accumulated impairment loss that has been previously recognised).

4. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		Construction-in-progress[1]	Docks and quays	Marine vessels[2]	Plant, machinery and tools	Others[3]	Total[4]
	Freehold $'000	Leasehold $'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Cost								
Balance at 1 January 2017	147,452	918,889	1,235,022	1,220,042	293,293	1,267,479	163,614	5,245,791
Translation adjustments	580	(9,144)	4,968	3,011	(14,364)	(4,553)	(1,358)	(20,860)
Additions	451	15,230	166,770	–	29	5,779	5,196	193,455
Reclassifications	18,749	52,273	(568,451)	283,777	8	211,329	2,315	–
Transfer to prepayment	–	–	(595)	–	–	–	–	(595)
Disposals	–	(179)	–	(2,302)	–	(3,360)	(1,791)	(7,632)
Disposal of subsidiaries	(1,688)	(1,335)	–	–	–	(2,264)	(233)	(5,520)
Balance at 31 December 2017	165,544	975,734	837,714	1,504,528	278,966	1,474,410	167,743	5,404,639
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

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Land and buildings		Construction-	Docks and	Marine	Plant, machinery		
	Freehold $'000	Leasehold $'000	in-progress[1] $'000	quays $'000	vessels[2] $'000	and tools $'000	Others[3] $'000	Total[4] $'000
Group								
Accumulated depreciation and impairment losses								
Balance at 1 January 2017	9,631	259,112	–	228,989	50,892	614,551	95,949	1,259,124
Translation adjustments	(66)	(3,554)	–	(71)	(1,996)	(3,965)	(1,130)	(10,782)
Depreciation for the year	5,404	38,245	–	38,482	11,388	59,068	17,461	170,048
Reclassifications	160	(160)	–	–	(205)	221	(16)	–
Disposals	–	(87)	–	(476)	–	(2,504)	(1,720)	(4,787)
Disposal of subsidiaries	(611)	(1,237)	–	–	–	(1,948)	(187)	(3,983)
Balance at 31 December 2017	14,518	292,319	–	266,924	60,079	665,423	110,357	1,409,620
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
Carrying amounts								
At 1 January 2017	137,821	659,777	1,235,022	991,053	242,401	652,928	67,665	3,986,667
At 31 December 2017	151,026	683,415	837,714	1,237,604	218,887	808,987	57,386	3,995,019
At 31 December 2018	219,290	649,574	1,066,576	1,204,476	207,077	787,466	44,798	4,179,257

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 2017	160,505	2,240	36,596	199,341
Additions	–	–	2,540	2,540
Balance at 31 December 2017	160,505	2,240	39,136	201,881
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
Accumulated depreciation				
Balance at 1 January 2017	98,731	1,703	8,410	108,844
Depreciation for the year	6,927	67	6,625	13,619
Balance at 31 December 2017	105,658	1,770	15,035	122,463
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
Carrying amounts				
At 1 January 2017	61,774	537	28,186	90,497
At 31 December 2017	54,847	470	24,101	79,418
At 31 December 2018	39,720	336	17,932	57,988

The property, plant and equipment comprise mainly shipyards assets attributable to the "rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding" operating segment. Within this operating segment, there are two key cash generating units in Singapore and Brazil. These property, plant and equipment, together with certain intangible assets were tested for impairment and described in Note 44.

(1) During the year, interest charge of $12,186,000 (2017: $53,288,000; 1 January 2017: $117,250,000) was capitalised as construction-in-progress.

(2) The existing 5-year time charter contract of the Group's marine accommodation vessel ended during the year. As the Group expects to recover the value of the accommodation vessel through continuing use on a charter basis, the Group used the discounted cash flow projections to determine the recoverable amount. The cash flows projection 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 weighted average cost of capital determined to be at 12.66% (2017: 9.55%; 1 January 2017: 9.55%). Based on the Group's assessment of the recoverable amount of the marine accommodation vessel of $196,463,000, impairment loss of $4,663,000 (2017: Nil) was recognised in the current year's profit or loss. The above assumptions are inherently judgemental. Any unfavourable changes to the above assumptions would lead to additional impairment.

(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 $1,083,000 (2017: $14,608,000) (Note 21).

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Change in estimates

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 has 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. INVESTMENT PROPERTIES

	Company 2018 $'000	Company 2017 $'000
Cost		
Balance at 1 January and 31 December	62,664	62,664
Accumulated depreciation		
Balance at 1 January	45,474	43,658
Depreciation for the year	3,320	1,816
Balance at 31 December	48,794	45,474
Carrying amounts		
At 1 January	17,190	19,006
At 31 December	13,870	17,190

The investment properties of the Company are used by the Group in carrying out its principal activities and are reclassified as property, plant and equipment at the Group. In 2018, the Company revised its estimates for the useful lives of these assets and the effects are included in the Group's balances in Note 4.

The following amounts are recognised in profit or loss:

	Company 2018 $'000	Company 2017 $'000
Rental income	(35,573)	(27,299)
Operating expenses arising from rental of investment properties	30,824	21,939

6. INVESTMENTS IN SUBSIDIARIES

	Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Unquoted shares, at cost	1,786,386	1,498,771	980,137
Allowance for impairment loss	–	(15,251)	(15,251)
	1,786,386	1,483,520	964,886

Details of the Company's subsidiaries are set out in Note 45.

7. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Interests in associates	822	4,922	5,425	–	–	–
Less: allowance for impairment loss	(342)	(2,120)	(2,120)	–	–	–
	480	2,802	3,305	–	–	–
Interests in joint ventures	66,053	65,163	71,511	–	–	–
	66,533	67,965	74,816	–	–	–

The impairment loss on investment in associates relates mainly to one of the Group's associates whereby the Group independently and separately from the associate, performed an impairment analysis in accordance with SFRS(I) 1-28 *Investments in Associates and Joint Ventures* and SFRS(I) 1- 36 *Impairment of Assets*. The Group continues to record an allowance of impairment loss of $1,778,000 (2017: $1,778,000; 1 January 2017: $1,778,000) on this associate. The recoverable amount was estimated based on its value in use calculation. The Group applied the relief from royalty method to value the existing intellectual properties owned by the associate, and discounted the related cash flows at pre-tax discount rates of 6% to 25% (2017: 20% to 22%; 1 January 2017: 20% to 21%), depending on the life cycle of each intellectual property. These cash flows cover the projection periods ranging from 12 to 16 years, based on the remaining estimated useful life of the intellectual properties. As at the reporting date, the Group had reclassified this investment to asset held for sale (see Note 16).

In 2018 and 2017, the Group did not receive dividends from its associates and joint ventures.

Associates

Subsequent to the disposal of Cosco Shipyard Group Co., Ltd (which was completed in January 2017), no individual associates are considered to be material to the Group as at 31 December 2018. All are equity accounted. Summarised financial information of associates presented in aggregate, representing the Group's share, is as follows:

	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Carrying amount	480	2,802	3,305
Loss for the year	(665)	(503)	
Other comprehensive income	–	–	
Total comprehensive income	(665)	(503)	

7. INTERESTS IN ASSOCIATES AND JOINT VENTURES (CONT'D)

Joint ventures

The Group has a number of joint ventures that are individually immaterial to the Group. All are equity accounted. Summarised financial information of joint ventures presented in aggregate, representing the Group's share, is as follows:

	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Carrying amount	66,053	65,163	71,511
Loss for the year	(1,720)	(3,114)	
Other comprehensive income	599	(3,234)	
Total comprehensive income	(1,121)	(6,348)	

8. OTHER FINANCIAL ASSETS

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
(a) Non-current assets						
Available-for-sale financial assets:						
– Quoted equity shares, at fair value	–	18,200	51,667	–	18,200	40,075
– Unit trusts, at fair value	–	694	537	–	694	537
– Unquoted equity shares, at cost	–	2,642	2,642	–	–	–
	–	21,536	54,846	–	18,894	40,612
Financial assets at fair value through other comprehensive income:						
– Unquoted equity shares	2,642	–	–	–	–	–
Cash flow hedges:						
– Forward foreign currency contracts	239	24,614	12,514	–	–	–
– Interest rate swaps	–	–	423	–	–	–
	2,881	46,150	67,783	–	18,894	40,612

8. OTHER FINANCIAL ASSETS (CONT'D)

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
(b) Current assets						
Fair value hedges:						
– Firm commitments	–	692	4,146	–	–	–
Financial assets at fair value through profit or loss (mandatorily measured (2017: on initial recognition)):						
– Forward foreign currency contracts	–	–	18,829	–	–	–
Cash flow hedges:						
– Forward foreign currency contracts	11,949	32,423	27,160	–	–	–
– Interest rate swaps	334	456	1,602	–	–	–
	12,283	33,571	51,737	–	–	–

At 1 January 2018, the Group designated the investments in equity shares as at fair value through other comprehensive income, as these investments represent investments that the Group intends to hold for long-term strategic purposes. In 2017, these investments were classified as available-for-sale.

In 2017, the cumulative fair value loss of available-for-sale financial assets of $2,275,000 (1 January 2017: $8,978,000) previously resided in equity was reclassified to profit or loss, when the available-for-sale financial assets were impaired.

During the year, 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 during the year, which had been transferred to revenue reserve as at 31 December 2018.

9. TRADE AND OTHER RECEIVABLES

	Note	31 December 2018 Non-current $'000	31 December 2018 Current $'000	31 December 2018 Total $'000	31 December 2017 Non-current $'000	31 December 2017 Current $'000	31 December 2017 Total $'000	1 January 2017 Non-current $'000	1 January 2017 Current $'000	1 January 2017 Total $'000
Group										
Trade receivables		952,989	554,143	1,507,132	117,643	629,149	746,792	–	550,193	550,193
Amounts due from related parties	10	31,510	6,606	38,116	35,127	8,276	43,403	36,560	11,369	47,929
Staff loans	(a)	–	64	64	–	83	83	–	197	197
GST refundable		–	17,843	17,843	–	19,420	19,420	–	23,380	23,380
Interest receivable		–	293	293	–	374	374	–	218	218
Deposits		–	3,189	3,189	–	1,116	1,116	–	2,553	2,553
Sundry receivables		–	14,946	14,946	–	27,331	27,331	–	8,398	8,398
Unbilled receivables		–	11,235	11,235	–	22,344	22,344	–	16,206	16,206
Loan receivables	(b)	137,000	205,500	342,500	–	–	–	–	–	–
Recoverable		–	6,428	6,428	–	8,873	8,873	–	13,262	13,262
		1,121,499	820,247	1,941,746	152,770	716,966	869,736	36,560	625,776	662,336
Loss allowance		–	(161,488)	(161,488)	–	(165,581)	(165,581)	–	(172,689)	(172,689)
Financial assets at amortised cost (2017: Loans and receivables)		1,121,499	658,759	1,780,258	152,770	551,385	704,155	36,560	453,087	489,647
Prepayments and advances		14,625	31,791	46,416	15,970	89,096	105,066	16,535	94,590	111,125
		1,136,124	690,550	1,826,674	168,740	640,481	809,221	53,095	547,677	600,772

(a) Staff loans

Staff loans are unsecured and bear interest at 3.0% (2017: 3.0%; 1 January 2017: 3.0%) per annum.

(b) Loan receivables

The non-current loan receivables relates to loan extended to a customer. The loan bears interest at Libor plus 4% margin per annum upon physical delivery of a vessel to the customer, is unsecured and repayable after 2019.

9. TRADE AND OTHER RECEIVABLES (CONT'D)

The impairment losses on trade receivables are as follows:

	31 December 2018			31 December 2017			1 January 2017		
	Gross $'000	Impairment $'000	Total $'000	Gross $'000	Impairment $'000	Total $'000	Gross $'000	Impairment $'000	Total $'000
Group									
Trade receivables	1,507,132	(156,139)	1,350,993	746,792	(160,807)	585,985	550,193	(168,852)	381,341

		31 December 2018			31 December 2017			1 January 2017		
	Note	Non-current $'000	Current $'000	Total $'000	Non-current $'000	Current $'000	Total $'000	Non-current $'000	Current $'000	Total $'000
Company										
Amounts due from related parties	10	31,719	90,197	121,916	31,725	102,833	134,558	36,605	56,117	92,722
GST refundable		–	11	11	–	–	–	–	–	–
Interest receivable		–	93	93	–	17	17	–	9	9
Sundry receivables		–	11,254	11,254	–	11,202	11,202	–	2,115	2,115
		31,719	101,555	133,274	31,725	114,052	145,777	36,605	58,241	94,846
Loss allowance		–	–	–	–	–	–	–	–	–
Financial assets at amortised cost (2017: Loans and receivables)		31,719	101,555	133,274	31,725	114,052	145,777	36,605	58,241	94,846
Prepayments and advances		–	5,608	5,608	–	3,231	3,231	–	2,858	2,858
		31,719	107,163	138,882	31,725	117,283	149,008	36,605	61,099	97,704

10. AMOUNTS DUE FROM RELATED PARTIES

	Note	Associates and joint ventures 31 December 2018 $'000	Associates and joint ventures 31 December 2017 $'000	Associates and joint ventures 1 January 2017 $'000	Related companies 31 December 2018 $'000	Related companies 31 December 2017 $'000	Related companies 1 January 2017 $'000	Total 31 December 2018 $'000	Total 31 December 2017 $'000	Total 1 January 2017 $'000
Group										
Amounts due from:										
– Trade	(a)	1,220	1,354	1,864	37	1,893	4,825	1,257	3,247	6,689
– Non-trade	(b)	–	255	843	–	–	–	–	255	843
– Loans and advances	(c)	31,510	35,127	36,560	–	–	–	31,510	35,127	36,560
		32,730	36,736	39,267	37	1,893	4,825	32,767	38,629	44,092
Amount due within 1 year	9	(1,220)	(1,609)	(2,707)	(37)	(1,893)	(4,825)	(1,257)	(3,502)	(7,532)
	9	31,510	35,127	36,560	–	–	–	31,510	35,127	36,560

	Note	Subsidiaries 31 December 2018 $'000	Subsidiaries 31 December 2017 $'000	Subsidiaries 1 January 2017 $'000	Associates and joint ventures 31 December 2018 $'000	Associates and joint ventures 31 December 2017 $'000	Associates and joint ventures 1 January 2017 $'000	Related companies 31 December 2018 $'000	Related companies 31 December 2017 $'000	Related companies 1 January 2017 $'000	Total 31 December 2018 $'000	Total 31 December 2017 $'000	Total 1 January 2017 $'000
Company													
Amounts due from:													
– Trade	(a)	24,228	23,382	20,286	21	–	32	8	8	8	24,257	23,390	20,326
– Non-trade	(b)	65,940	79,443	35,791	–	–	–	–	–	–	65,940	79,443	35,791
– Loans and advances	(c)	31,719	31,725	36,605	–	–	–	–	–	–	31,719	31,725	36,605
		121,887	134,550	92,682	21	–	32	8	8	8	121,916	134,558	92,722
Amount due within 1 year	9	(90,168)	(102,825)	(56,077)	(21)	–	(32)	(8)	(8)	(8)	(90,197)	(102,833)	(56,117)
	9	31,719	31,725	36,605	–	–	–	–	–	–	31,719	31,725	36,605

(a) The trade amounts due from related parties are unsecured, repayable on demand and interest-free.

(b) The non-trade amounts due from related parties comprise mainly payments made on their behalf which are unsecured, repayable on demand and interest-free.

(c) At the Group and Company level, the loans and advances to related parties are unsecured and interest-free, except for $31,510,000 (2017: $33,090,000; 1 January 2017: $34,460,000) of loan to a joint venture that bears interest rates ranging from 1.03% to 1.64% (2017: 0.75% to 0.97%; 1 January 2017: 0.67% to 1.19%) 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.

10. AMOUNTS DUE FROM RELATED PARTIES (CONT'D)

The impairment losses on amounts due from associates and joint ventures are as follows:

	31 December 2018			31 December 2017			1 January 2017		
	Gross $'000	Impairment $'000	Total $'000	Gross $'000	Impairment $'000	Total $'000	Gross $'000	Impairment $'000	Total $'000
Group									
Amounts due from associates and joint ventures	38,079	(5,349)	32,730	41,510	(4,774)	36,736	43,104	(3,837)	39,267

11. CONTRACT ASSETS

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Contract assets	998,666	652,361	440,832

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:

	2018 $'000	2017 $'000
Transfer from contract assets recognised at the beginning of the year to receivables	(452,879)	(356,751)
Recognition of revenue, net of recognised in receivables	799,306	568,773
Impairment loss on contract assets	(160)	–

12. INTANGIBLE ASSETS

	Note	Goodwill $'000	Club memberships $'000	Intellectual property rights $'000	Total $'000
Group					
Cost					
Balance at 1 January 2017		13,738	916	228,725	243,379
Translation adjustments		(21)	–	(1)	(22)
Disposals		–	(264)	–	(264)
Balance at 31 December 2017		13,717	652	228,724	243,093
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
Accumulated amortisation and impairment losses					
Balance at 1 January 2017		2,579	677	37,998	41,254
Translation adjustments		(21)	–	–	(21)
Amortisation for the year		–	–	22,868	22,868
Disposals		–	(209)	–	(209)
Balance at 31 December 2017		2,558	468	60,866	63,892

12. INTANGIBLE ASSETS (CONT'D)

	Goodwill $'000	Club memberships $'000	Intellectual property rights $'000	Total $'000
Group				
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
Carrying amounts				
At 1 January 2017	11,159	239	190,727	202,125
At 31 December 2017	11,159	184	167,858	179,201
At 31 December 2018	11,159	122	197,653	208,934

	Club memberships 2018 $'000	Club memberships 2017 $'000
Company		
Cost		
Balance at 1 January	652	652
Disposals	(62)	–
Balance at 31 December	590	652
Accumulated impairment losses		
Balance at 1 January and 31 December	468	468
Carrying amounts		
At 1 January	184	184
At 31 December	122	184

12. INTANGIBLE ASSETS (CONT'D)

Amortisation

The amortisation of intangible assets amounting to $24,694,000 (2017: $22,868,000) 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		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Rigs and floaters, repairs & upgrades, offshore platforms, and specialised shipbuilding	10,136	10,136	10,136
Others	1,023	1,023	1,023
Total	11,159	11,159	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.

13. DEFERRED TAX ASSETS AND LIABILITIES

	At 1 January 2017 $'000	Recognised in profit or loss (Note 31) $'000	Recognised in other comprehensive income (Note 32) $'000	Disposal of subsidiaries $'000	Translation adjustments/ Others $'000	At 31 December 2017 $'000	Recognised in profit or loss (Note 31) $'000	Recognised in other comprehensive income (Note 32) $'000	Translation adjustments/ Others $'000	At 31 December 2018 $'000
Group										
Deferred tax liabilities										
Property, plant and equipment	134,342	(13,828)	–	(54)	(42)	120,418	(8,811)	–	7	111,614
Interests in associates	420	(420)	–	–	–	–	–	–	–	–
Other financial assets	6,752	–	677	–	–	7,429	–	(5,780)	–	1,649
Intangible assets	44,300	(4,344)	–	–	–	39,956	(4,349)	–	–	35,607
Other items	333	(313)	–	–	–	20	(10)	–	–	10
	186,147	(18,905)	677	(54)	(42)	167,823	(13,170)	(5,780)	7	148,880
Deferred tax assets										
Property, plant and equipment	(1,054)	(1,865)	–	–	(101)	(3,020)	(833)	–	(17)	(3,870)
Trade and other receivables	(427)	(1,614)	–	–	–	(2,041)	1,451	–	(220)	(810)
Trade and other payables	(8,682)	558	–	–	–	(8,124)	(5,267)	–	–	(13,391)
Unutilised tax losses, capital and investment allowances	(92,389)	(1,856)	–	–	89	(94,156)	9,246	–	219	(84,691)
Provisions	(4,354)	(81)	–	–	–	(4,435)	(10,335)	–	–	(14,770)
Other financial liabilities	(5,292)	–	5,292	–	–	–	–	(960)	–	(960)
Other items	(61,039)	50,401	–	–	2,217	(8,421)	7,593	–	25	(803)
	(173,237)	45,543	5,292	–	2,205	(120,197)	1,855	(960)	7	(119,295)
Net deferred tax liabilities	12,910	26,638	5,969	(54)	2,163	47,626	(11,315)	(6,740)	14	29,585
Company										
Deferred tax liabilities										
Property, plant and equipment	14,680	(2,148)	–	–	–	12,532	(3,347)	–	–	9,185
Deferred tax assets										
Trade and other payables	–	–	–	–	–	–	(434)	–	–	(434)
Unutilised tax losses, capital and investment allowances	(708)	203	–	–	–	(505)	165	–	–	(340)
Provisions	(1,009)	52	–	–	–	(957)	(2,479)	–	–	(3,436)
	(1,717)	255	–	–	–	(1,462)	(2,748)	–	–	(4,210)
Net deferred tax liabilities	12,963	(1,893)	–	–	–	11,070	(6,095)	–	–	4,975

Other items include deferred tax assets of $nil (2017: $8,030,000, 1 January 2017: $60,721,000) arising from transitional adjustments for trade income over-recognised in prior years due to the adoption of SFRS(I) 15.

13. 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		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Deferred tax liabilities	52,808	61,545	85,673	4,975	11,070	12,963
Deferred tax assets	(23,223)	(13,919)	(72,763)	–	–	–
	29,585	47,626	12,910	4,975	11,070	12,963

As at 31 December 2018, a deferred tax liability of $11,061,000 (2017: $12,455,000; 1 January 2017: $13,298,000) for temporary difference of $109,170,000 (2017: $121,707,000; 1 January 2017: $129,202,000) related to investments in subsidiaries was not recognised because the Group can control the timing of reversal of the taxable temporary differences for all subsidiaries and the temporary differences are not expected to reverse in the foreseeable future.

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2018 $'000	2017 $'000
Deductible temporary differences	19	495
Tax losses	451,542	396,631
Capital allowances	307	355
	451,868	397,481

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.

14. INVENTORIES

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Raw materials	79,734	95,218	22,126
Finished goods	437	555	51,821
	80,171	95,773	73,947

In 2018, raw materials and changes in finished goods included as cost of sales amounted to $669,811,000 (2017: $614,154,000).

15. CONTRACT COSTS

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Non-current assets			
Contract costs			
– Fulfilment cost	–	128,399	–
Current assets			
Contract costs			
– Fulfilment cost	328,690	2,358,054	2,607,564

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 2018, $2,286,647,000 (2017: $204,477,000) was amortised and no impairment loss (2017: net write back of $19,678,000) had been recognised.

16. ASSETS HELD FOR SALE

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Ecospec Global Technology Pte. Ltd.	1,657	–	–	–	–	–
Cosco Shipyard Group Co., Ltd	–	–	182,215	–	–	107,369
	1,657	–	182,215	–	–	107,369

Ecospec Global Technology Pte. Ltd.

On 15 January 2019, 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 for a consideration of approximately $7,200,000.

In consequence, Semb-Eco, Semb-Eco Technology Pte. Ltd. and Semb-Eco R&D Pte. Ltd. will become wholly-owned subsidiaries of the Group, while EGT will cease to be an associated company of the Group.

Cosco Shipyard Group Co., Ltd

On 15 November 2016, the Company entered into a sale and purchase agreement with China Ocean Shipping (Group) Company to dispose of its 30% equity interest in Cosco Shipyard Group Co., Ltd ("CSG"), which was previously accounted for as an investment in associate. The interest in CSG has been reclassified as assets held for sale and measured at lower of the carrying amount and fair value less costs to sell. The sale was completed on 19 January 2017. There is cumulative translation reserve of $20,236,000 recognised in other comprehensive income relating to CSG.

17. CASH AND CASH EQUIVALENTS

	Note	Group 31 December 2018 $'000	Group 31 December 2017 $'000	Group 1 January 2017 $'000	Company 31 December 2018 $'000	Company 31 December 2017 $'000	Company 1 January 2017 $'000
Fixed deposits	(a)	249	153,081	145,306	–	–	–
Cash and bank balances	(b)	837,475	1,147,919	1,071,665	79,584	55,126	24,482
Cash and cash equivalents in the balance sheets		837,724	1,301,000	1,216,971	79,584	55,126	24,482
Bank overdrafts		(551)	–	–	–	–	–
Cash and cash equivalents in the consolidated statement of cash flows		837,173	1,301,000	1,216,971	79,584	55,126	24,482

(a) Fixed deposits of the Group placed with financial institutions have maturity periods of 59 days (2017: 2 to 148 days; 1 January 2017: 3 to 149 days) from the financial year-end and interest rates at 6.26% (2017: 0.01% to 6.95%; 1 January 2017: 0.01% to 14.14%) per annum, which are also the effective interest rates.

(b) Included in the Group's cash and bank balances at the balance sheet date are amounts of $312,701,278 (2017: $452,212,032; 1 January 2017: $103,997,795) placed with a bank under the Group's cash pooling arrangement by the Company. During the year, the cash pooling balances earn interest rates ranging from 0.99% to 1.67% (2017: 0.66% to 1.09%; 1 January 2017: 0.71% to 1.26%) per annum, which are also the effective interest rates. The remaining bank balances during the year earn interest at floating rates based on daily bank deposit rates of up to 2.57% (2017: up to 1.25%; 1 January 2017: up to 0.99%) and up to 0.55% (2017: up to 0.50%; 1 January 2017: up to 0.50%) per annum, for the Group and the Company respectively, which are also the effective interest rates.

Included in the Group's cash and bank balances are amounts of $294,999,000 (2017: $374,517,000; 1 January 2017: $542,658,000) placed with a related corporation. The Company's cash and bank balances of $14,963,000 (2017: $23,245,000; 1 January 2017: $14,084,000) are also placed with a related corporation.

18. TRADE AND OTHER PAYABLES

			Group			Company		
		Note	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
(a)	**Current liabilities**							
	Trade and accrued payables[1]		1,479,997	1,551,352	1,803,167	13,544	14,446	10,644
	Advance payments from customers		675	–	–	–	–	–
	Amounts due to related parties	19	6,550	3,888	4,572	626	666	1,261
			1,487,222	1,555,240	1,807,739	14,170	15,112	11,905
	Deposits received		1,852	1,869	2,163	26	26	26
	GST payables		733	413	147	–	22	–
	Interest payable[2]		27,897	28,788	33,949	186	–	–
	Other creditors		12,684	14,874	26,932	474	353	8,092
	Accrued capital expenditure		103	894	1,290	–	–	–
	Amounts due to related parties	19	2,255	2,140	1,619	9,850	10,920	3,867
			45,524	48,978	66,100	10,536	11,321	11,985
	Total		1,532,746	1,604,218	1,873,839	24,706	26,433	23,890
(b)	**Non-current liabilities**							
	Other long-term payables[3]		108,813	104,807	90,567	5,574	6,779	6,324

(1) Included in the Group's accrued payables are amounts of $11,000,000 (2017: $11,000,000; 1 January 2017: nil) relating to an assumption of liabilities on behalf of a joint venture.

(2) Included in the Group's interest payable are amounts of $2,829,000 (2017: $1,641,000; 1 January 2017: $3,629,000) payable to a related corporation.

(3) Other long-term payables include deferred grants, accrued land lease and long-term employee benefits.

19. AMOUNTS DUE TO RELATED PARTIES

	Note	Immediate holding company 31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	Associates and joint ventures 31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	Related companies 31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	Total 31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Group													
Amounts due to:													
– Trade		500	250	250	4,729	2,836	3,617	1,321	802	705	6,550	3,888	4,572
– Non-trade		–	–	–	2,255	2,140	1,619	–	–	–	2,255	2,140	1,619
	18	500	250	250	6,984	4,976	5,236	1,321	802	705	8,805	6,028	6,191

	Note	Immediate holding company 31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	Subsidiaries 31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	Related companies 31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	Total 31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Company													
Amounts due to:													
– Trade		500	250	250	12	305	900	114	111	111	626	666	1,261
– Non-trade		–	–	–	9,850	10,920	3,867	–	–	–	9,850	10,920	3,867
	18	500	250	250	9,862	11,225	4,767	114	111	111	10,476	11,586	5,128

The trade and non-trade amounts due to related parties are unsecured, repayable on demand and interest-free.

20. CONTRACT LIABILITIES

	Group 31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Non-current liabilities			
Contract liabilities	–	75,497	240,700
Current liabilities			
Contract liabilities	139,731	1,135,661	667,665

The contract liabilities primarily relate to the advance consideration received from customers amounting to $35,740,000 for which revenue is recognised over time, and $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:

	2018 $'000	2017 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	(1,122,093)	(438,189)
Increases due to cash received, excluding amounts recognised as revenue during the year	51,985	777,580

21. PROVISIONS

	Retirement gratuities $'000	Warranty $'000	Restoration costs $'000	Total $'000
Group				
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
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

21. PROVISIONS (CONT'D)

	Retirement gratuities $'000	Warranty $'000	Restoration costs $'000	Total $'000
Group				
2017				
Balance at 1 January	1,183	18,384	61,049	80,616
Translation adjustments	(23)	(24)	(158)	(205)
Provision made during the year	171	10,795	14,608	25,574
Provision reversed during the year	(18)	(8,302)	–	(8,320)
Provision utilised during the year	(385)	–	–	(385)
Disposal of subsidiaries	–	–	(280)	(280)
Unwind of discount on restoration costs	–	–	769	769
Balance at 31 December	928	20,853	75,988	97,769
31 December 2017				
Provisions due:				
– within 1 year	131	20,853	6,771	27,755
– after 1 year but within 5 years	470	–	21,990	22,460
– after 5 years	327	–	47,227	47,554
	928	20,853	75,988	97,769
1 January 2017				
Provisions due:				
– within 1 year	182	8,384	6,771	15,337
– after 1 year but within 5 years	975	–	6,815	7,790
– after 5 years	26	10,000	47,463	57,489
	1,183	18,384	61,049	80,616

	Restoration costs		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Company			
Balance at 1 January	24,807	24,807	24,807
Unwind of discount	1,287	–	–
Balance at 31 December	26,094	24,807	24,807
Provisions due:			
– within 1 year	–	6,771	6,771
– after 5 years	26,094	18,036	18,036
	26,094	24,807	24,807

Warranty

Provision for warranties relate to contracts with contractual warranty terms. The provision for warranty is based on estimates made from historical warranty data associated with similar projects and adjusted by weighting all possible outcomes by their associated probabilities.

The non-current portion of the provision for warranty is for contracts with contractual warranty periods that will lapse within 2 to 3 years from the reporting date.

Restoration costs

Restoration costs relate to cost of dismantling and removing assets and restoring the premises to its original condition as stipulated in the operating lease agreements. The Group expects to incur the liability upon termination of the leases.

22. OTHER FINANCIAL LIABILITIES

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
(a) Current liabilities			
Financial liabilities at fair value through profit or loss (mandatorily measured (2017: on initial recognition)):			
– Forward foreign currency contracts	–	–	11,595
Cash flow hedges:			
– Forward foreign currency contracts	9,806	–	6,722
– Interest rate swaps	3	1,449	–
	9,809	1,449	18,317
(b) Non-current liabilities			
Cash flow hedges:			
– Forward foreign currency contracts	3,748	–	23,305
– Interest rate swaps	6,414	5,713	3,092
	10,162	5,713	26,397

23. INTEREST-BEARING BORROWINGS

		Group			Company		
	Note	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Current liabilities							
Unsecured term loans		1,054,945	852,263	1,363,961	50,000	–	–
Finance lease liabilities		483	474	–	483	474	–
Bank overdrafts		551	–	–	–	–	–
		1,055,979	852,737	1,363,961	50,483	474	–
Non-current liabilities							
Unsecured term loans	(a)	3,172,500	3,245,992	2,791,014	–	–	–
Finance lease liabilities		951	1,394	–	951	1,394	–
		3,173,451	3,247,386	2,791,014	951	1,394	–
		4,229,430	4,100,123	4,154,975	51,434	1,868	–

Of the Group's interest-bearing borrowings, $661,000,000 (2017: $677,060,000; 1 January 2017: $764,472,000) were borrowed from a related corporation.

23. INTEREST-BEARING BORROWINGS (CONT'D)

Effective interest rates and maturity of liabilities

	Group		
	31 December 2018 %	31 December 2017 %	1 January 2017 %
Floating rate loans	2.52 – 7.35	1.70 – 12.40	1.59 – 16.05
Fixed rate loans	2.19 – 5.53	1.68 – 5.62	1.55 – 16.09
Notes	2.95 – 3.85	2.95 – 3.85	2.95 – 3.85

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Within 1 year	1,055,979	852,737	1,363,961
After 1 year but within 5 years	2,848,451	2,922,386	2,466,014
After 5 years	325,000	325,000	325,000
Total borrowings	4,229,430	4,100,123	4,154,975

(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 2018, an amount of $167,500,000 (2017: $167,500,000; 1 January 2017: $167,500,000) for the medium term notes maturing in 2021 was subscribed by a related corporation.

23. INTEREST-BEARING BORROWINGS (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Interest-bearing borrowings* $'000	Finance lease liabilities $'000	Total $'000
Group			
Balance at 1 January 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
Balance at 1 January 2017	4,154,975	–	4,154,975
Cash flows			
Cash payments	(441,039)	(512)	(441,551)
Cash proceeds	465,809	–	465,809
Non-cash items			
Capitalised borrowing cost	–	52	52
New finance lease	–	2,328	2,328
Foreign exchange movement	(81,490)	–	(81,490)
Balance at 31 December 2017	4,098,255	1,868	4,100,123

* Excluding finance lease liabilities and bank overdrafts.

24. SHARE CAPITAL

	Group and Company No. of ordinary shares 2018	2017
Issued and fully paid, with no par value:		
Balance at 1 January and 31 December	2,089,760,107	2,089,760,107

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company's residual assets.

The Company issued 1,187,703 (2017: 1,786,942) treasury shares during the year pursuant to its share based incentive plans (Note 36).

25. OTHER RESERVES

		Group			Company		
	Note	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Distributable							
Reserve for own shares	(a)	(2,151)	(3,451)	(566)	(2,151)	(3,451)	(566)
Non-distributable							
Currency translation reserve	(b)	(13,577)	(22,712)	49,253	–	–	–
Share-based payments reserve	(c)	(24,686)	(27,894)	(30,158)	(22,579)	(25,787)	(28,051)
Fair value reserve	(d)	–	447	1,955	–	447	6,198
Hedging reserve	(e)	2,398	35,917	6,766	–	–	–
Capital reserves	(f)	(13,011)	(13,011)	11,514	960	960	960
		(51,027)	(30,704)	38,764	(23,770)	(27,831)	(21,459)

(a) Reserve for own shares comprises the cost of the Company's shares held by the Company. As at 31 December 2018, the Company holds 1,162,484 (2017: 1,850,187; 1 January 2017: 437,029) of its own shares as treasury shares.

(b) The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group.

(c) Share-based payments reserve comprises the cumulative value of services received from employees recorded on grant of equity-settled share options, performance shares and performance based restricted shares. The expense for service received is recognised over the performance period and/or vesting period.

(d) Fair value reserve includes the cumulative net change in fair value of equity investments at FVOCI (2017: available-for-sale investments) until the investments are derecognised.

(e) Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.

(f) Capital reserves comprise mainly reserves arising from acquisition and disposals of non-controlling interests that do not result in a change of control.

26. 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 2018 $'000	Group 2017 $'000
Contract revenue	4,831,789	2,967,085
Charter hire income	47,873	57,437
Services rendered	2,915	3,717
Sale of goods	5,289	6,528
	4,887,866	3,034,767

The amount of revenue recognised during the year from performance obligation satisfied or partially satisfied in previous periods, mainly due to change in estimate for the transaction price is $nil (2017: $5,934,000).

(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				
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
2017				
Singapore	262,311	–	10,227	272,538
Rest of Asia, Australia & India	202,747	–	9	202,756
United Kingdom	744,792	–	–	744,792
Norway	242,214	–	–	242,214
France	223,535	–	–	223,535
The Netherlands	534,076	57,437	–	591,513
Brazil	213,192	–	–	213,192
U.S.A.	177,005	–	–	177,005
Mexico	175,409	–	–	175,409
Other countries	191,804	–	9	191,813
Total	2,967,085	57,437	10,245	3,034,767

26. TURNOVER (CONT'D)

(a) Disaggregation of revenue from contracts with customers (cont'd)

	Reportable segments			
	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Total $'000
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
2017				
Ship and rig building or conversion	1,717,656	–	–	1,717,656
Repair, maintenance and related services	499,322	–	–	499,322
Offshore platforms	732,056	–	–	732,056
Charter hire	–	57,437	–	57,437
Services rendered	–	–	3,717	3,717
Sale of goods	–	–	6,528	6,528
Others	18,051	–	–	18,051
Total	2,967,085	57,437	10,245	3,034,767
Timing of revenue recognition				
Control transferred over time	2,439,395	57,437	3,717	2,500,549
Control transferred at a point in time	527,690	–	6,528	534,218
Total	2,967,085	57,437	10,245	3,034,767

26. TURNOVER (CONT'D)

(b) Transaction price allocated to remaining performance obligation

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at reporting date:

	Estimated based on expected project progress			
Reportable segments	**Within the next 12 months $'000**	**Between 1 to 5 years $'000**	**More than 5 years $'000**	**Total $'000**
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 at 31 December 2018 that have an original expected duration of one year or less, as allowed by SFRS(I) 15.

The Group applies the practical expedient in paragraph C5(c) of SFRS(I) 15 as well and does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue for the year ended 31 December 2017.

27. OPERATING (LOSS)/PROFIT

The following items have been included in arriving at operating (loss)/profit:

	Note	Group 2018 $'000	Group 2017 $'000
Amortisation of intangible assets	12	24,694	22,868
Audit fees paid/payable			
– auditors of the Company		501	555
– other member firms of KPMG International		334	272
– other auditors		12	44
Non-audit fees paid/payable			
– auditors of the Company		44	56
– other member firms of KPMG International		24	23
– other auditors		864	557
Allowance for doubtful debts and bad debts, net		2,673	167
Depreciation of property, plant and equipment	4	170,752	170,048
Fair value adjustment on hedging instruments		1,713	(1,623)
Fair value adjustment on firm commitments under fair value hedge		692	3,454
Foreign currency exchange gain, net		(8,593)	(20,719)
(Gain)/loss on disposal of property, plant and equipment, net		(2,371)	863
(Gain)/loss on disposal of intangible assets		(106)	13
Impairment losses on property, plant and equipment		4,663	–
Inventories written down, net		432	56
Contract costs written back		–	(19,678)
Operating lease expenses		38,968	45,111
Property, plant and equipment written off		58	500
Staff costs	(a)	414,689	460,717

(a) Staff costs

	Group 2018 $'000	Group 2017 $'000
Salaries and bonus	338,162	372,916
Defined contribution plan	22,998	26,709
Equity-settled share-based payments	4,910	4,634
Cash-settled share-based payments	923	1,515
Directors' fee	2,271	2,260
Other employee benefits	45,425	52,683
	414,689	460,717

28. FINANCE INCOME AND FINANCE COSTS

	Group	
	2018 $'000	2017 $'000
Finance income		
Interest income from:		
– Trade receivables and contracts with customers	46,320	16,782
– Fixed deposits and bank balances	8,262	5,732
– Joint venture	444	293
	55,026	22,807
Finance costs		
Interest paid and payable to:		
– Bank and others	95,822	92,312
– Commitment and facility fee	3,457	2,441
Unwind of discount on restoration costs	2,077	769
	101,356	95,522

29. NON-OPERATING INCOME AND NON-OPERATING EXPENSES

	Group	
	2018 $'000	2017 $'000
Non-operating income:		
– Gain on disposal of assets held for sale	–	46,816
– Gain on disposal of a subsidiary	–	787
– Gain on disposal of other financial asset	27	–
– Gain on disposal of available-for-sale financial asset	–	17,200
– Net change in fair value of financial assets measured through profit or loss	114	–
	141	64,803
Non-operating expenses:		
– Loss on disposal of a subsidiary	–	34
– Impairment losses on available-for-sale financial assets	–	2,275
– Assumption of liabilities on behalf of a joint venture	–	11,000
	–	13,309

30. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

		Group	
	Note	2018 $'000	2017 $'000
Share of loss before tax for the year		(2,170)	(3,221)
Share of tax for the year		(215)	(396)
	31	(2,385)	(3,617)

31. TAX (CREDIT)/EXPENSE

	Note	Group 2018 $'000	Group 2017 $'000
Current tax expense			
Current year		11,257	25,414
Over provided in prior years		(22,473)	(27,235)
		(11,216)	(1,821)
Deferred tax expense			
Movements in temporary differences		(28,862)	17,397
Under provided in prior years		17,547	9,241
		(11,315)	26,638
Tax (credit)/expense		(22,531)	24,817

Reconciliation of effective tax rate

	Note	Group 2018 $'000	Group 2017 $'000
(Loss)/profit for the year		(78,366)	256,055
Tax (credit)/expense		(22,531)	24,817
Share of results of associates and joint ventures	30	2,385	3,617
(Loss)/profit before share of results of associates and joint ventures, and tax expense		(98,512)	284,489
Tax calculated using Singapore tax rate of 17% (2017: 17%)		(16,747)	48,364
Exempt income, capital gains and tax incentives/concessions		(5,794)	(40,747)
Effect of different tax rates in foreign jurisdictions		795	243
Tax adjustment on changes in undistributed profits from foreign entities		222	(56)
Effect on utilisation of deferred tax assets not previously recognised		(2,674)	(1,525)
Non-deductible expenses		5,320	10,661
Over provision in respect of prior years		(4,926)	(17,994)
Deferred tax assets not recognised		1,250	25,864
Others		23	7
Tax (credit)/expense		(22,531)	24,817

As at 31 December 2018, certain subsidiaries have unutilised tax losses and capital and investment allowances of $451,849,000 (2017: $396,986,000) and other deductible temporary differences of $19,000 (2017: $495,000) available for set-off against future taxable income subject to the tax provisions and agreement by the relevant tax authorities of the various jurisdictions.

32. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income are set out below:

	2018			2017		
	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	9,000	–	9,000	(51,290)	–	(51,290)
Net change in fair value of cash flow hedges	(52,774)	8,868	(43,906)	36,743	(6,245)	30,498
Net change in fair value of cash flow hedges transferred to profit or loss	12,515	(2,128)	10,387	(1,623)	276	(1,347)
Net change in fair value of available-for-sale financial assets	–	–	–	30,791	–	30,791
Change in fair value of available-for-sale financial assets transferred to profit or loss	–	–	–	(32,299)	–	(32,299)
Realisation of reserve upon disposal of assets held for sale	–	–	–	(20,484)	–	(20,484)
Realisation of reserve upon disposal of a subsidiary	–	–	–	(217)	–	(217)
	(31,259)	6,740	(24,519)	(38,379)	(5,969)	(44,348)
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	(42,598)	6,740	(35,858)	(38,379)	(5,969)	(44,348)

33. 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		
			31 December 2018 %	31 December 2017 %	1 January 2017 %
Gravifloat AS	Norway	Engineering and related services	44	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.

33. NON-CONTROLLING INTERESTS (CONT'D)

	Gravifloat AS $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'000
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	–*			
31 December 2017				
Revenue	–			
Loss for the year	(10,090)			
Other comprehensive income	(36)			
Total comprehensive income	(10,126)			
Attributable to non-controlling interests:				
Loss for the year	(4,440)	312	–	(4,128)
Other comprehensive income	(16)	(10)	–	(26)
Total comprehensive income	(4,456)	302	–	(4,154)
Non-current assets	109,879			
Current assets	10			
Non-current liabilities	(27,467)			
Current liabilities	–			
Net assets	82,422			
Net assets attributable to non-controlling interests	36,265	4,934	–	41,199
Cash flows from operating activities	–*			
Cash flows from investing activities	–*			
Cash flows from financing activities	–*			
Net decrease in cash and cash equivalents	–*			

* Amount is immaterial to meaningfully disclose it.

33. NON-CONTROLLING INTERESTS (CONT'D)

	Gravifloat AS $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'000
1 January 2017				
Non-current assets	123,368			
Current assets	10			
Non-current liabilities	(30,830)			
Current liabilities	–			
Net assets	92,548			
Net assets attributable to non-controlling interests	40,721	4,911	–	45,632

34. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the loss attributable to owners of the Company of $74,131,000 (2017: profit attributable to owners of the Company of $260,183,000) by the weighted average number of ordinary shares outstanding of 2,088,437,000 (2017: 2,089,523,000) as follows:

	Group 2018 $'000	Group 2017 $'000
(Loss)/profit attributable to owners of the Company	(74,131)	260,183
	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	2,089,760	2,089,760
Effect of share options exercised, performance shares and restricted shares released	617	937
Effect of own shares held	(1,940)	(1,174)
Weighted average number of ordinary shares during the year	2,088,437	2,089,523

34. EARNINGS PER SHARE (CONT'D)

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the loss attributable to owners of the Company of $74,131,000 (2017: profit attributable to owners of the Company of $260,183,000) by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 2,088,437,000 (2017: 2,089,523,000) as follows:

	Group	
	2018 $'000	2017 $'000
(Loss)/profit attributable to owners of the Company	(74,131)	260,183
	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	2,088,437	2,089,523
Effect of dilutive share options	–	–
Weighted average number of ordinary shares during the year	2,088,437	2,089,523

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.

35. DIVIDENDS

During the year, the directors had approved a final ordinary one-tier tax exempt dividend of 1.0 cent per share amounting to a net dividend of $20,888,000 in respect of the year ended 31 December 2017, based on the number of issued shares as at 31 December 2017.

No dividends had been declared or proposed in respect of the year ended 31 December 2018.

	Group and Company	
	2018	**2017**
	$'000	**$'000**
Dividends paid		
Interim one-tier tax-exempt dividend of 1.0 cent per share in respect of year 2017	–	20,897
Final one-tier tax-exempt dividend of 1.0 cent per share in respect of year 2017 (2017: 1.0 cent per share in respect of year 2016)	20,888	20,897
	20,888	41,794

36. 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	(Appointed on 20 April 2018)

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.

36. SHARE-BASED INCENTIVE PLANS (CONT'D)

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

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.

The fair values of performance shares granted during the year are as follows:

Date of grant	23 August 2018	26 May 2017
Fair value at measurement date	$1.94	$1.45
Assumptions under the Monte Carlo model		
Share price	$1.93	$1.69
Expected volatility:		
Sembcorp Marine Ltd	39.8%	35.1%
Morgan Stanley Capital International ("MSCI") AC Asia Pacific excluding Japan Industrials Index	12.2%	14.0%
Correlation with MSCI	41.5%	44.0%
Risk-free interest rate	1.9%	1.3%
Expected dividend	1.8%	2.9%

The expected volatility is based on the historical volatility over the most recent period that is close to the expected life of the performance shares.

During the year, the Group charged $2,072,000 (2017: $1,921,000) to profit or loss based on the fair value of the performance shares at the grant date being expensed over the vesting period.

36. SHARE-BASED INCENTIVE PLANS (CONT'D)

(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.

The fair values of restricted shares granted during the year are as follows:

Date of grant	23 August 2018	26 May 2017
Fair value at measurement date	$1.78	$1.50
Assumptions under the Monte Carlo model		
Share price	$1.93	$1.69
Expected volatility:		
Sembcorp Marine Ltd	39.8%	35.1%
Risk-free interest rate	0.6% - 1.9%	1.1% - 1.4%
Expected dividend	1.8%	2.9%

The expected volatility is based on the historical volatility over the most recent period that is close to the expected life of the restricted shares.

During the year, the Group charged $2,838,000 (2017: $2,713,000) to profit or loss based on the fair value of restricted shares at the grant date being expensed over the vesting period.

Fair value of Sembcorp Marine Challenge Bonus

During the year, the Group charged $923,000 (2017: $1,515,000) to profit or loss based on the market values of the shares at the balance sheet date. The fair value of the compensation cost is based on the notional number of restricted shares awarded for the Sembcorp Marine Challenge Bonus and the market price at the vesting date.

37. DISPOSAL OF SUBSIDIARIES

2017

(i) On 7 April 2017, the Company's wholly owned subsidiary, Jurong Shipyard Pte Ltd divested its 70% interest in Shanghai Guofeng Marine Engineering & Technology Co. Ltd. to the remaining individual shareholders, Zhao Wei Ming and Zhao Gang, for a cash consideration of RMB 5,800,000 ($1,177,100); and recognised a gain of $787,000 in non-operating income.

(ii) On 1 November 2017, the Company's wholly owned subsidiary, Jurong Shipyard Pte Ltd divested its 100% interest in Jurong Autoblast Services Pte. Ltd. to Zingametall (S) Pte Ltd, for a cash consideration of $349,943; and recognised a loss of $34,000 in non-operating expenses.

38. ACQUISITION OF SUBSIDIARY AND INTELLECTUAL PROPERTY RIGHTS

During the year, the Company's wholly-owned subsidiary, Sembcorp Marine Integrated Yard ("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 is currently being determined and has not been completed at the reporting date.

The following table summarises the acquisition date provisional fair value of each major class of consideration transferred:

		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

		Note	At fair value $'000
(b)	*Identifiable assets acquired and liabilities assumed*		
	Intangible assets	12	54,604
	Trade and other receivables		5
	Cash and cash equivalents		25
	Total assets		54,634
	Trade and other payables		15
	Total liabilities		15
	Net identifiable assets		54,619
	Consideration transferred for the business		54,619

Acquisition-related costs

The acquisition-related costs incurred in relation to the acquisition were immaterial, but charged to profit or loss.

39. RELATED PARTIES

(a) Related party transactions

The Group had the following outstanding balances and significant transactions with related parties during the year:

	Outstanding balances Group		Significant transactions Group	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Immediate holding company				
Management fee payable	(500)	(250)	(250)	(250)
Others	–	–	72	253
Related corporations				
Sales	37	1,893	201	286
Purchases	(1,321)	(802)	(41,814)	(36,636)
Payment on behalf	–	–	105	97
Rental income	–	–	7	–
Finance income	–	–	1,185	1,275
Finance costs	(2,829)	(1,641)	(22,133)	(18,482)
Others	–	–	–	(7)
Associates and joint ventures				
Sales	1,220	1,354	–	2
Purchases	(4,729)	(2,836)	(7,786)	(4,428)
Finance income	–	–	444	293
Payment on behalf	–	–	–	2
Loans and advances	31,510	35,127	–	–
Others	(2,255)	(1,885)	(72)	30

39. RELATED PARTIES (CONT'D)

(b) Compensation of key management personnel

During the year, the Group considers the directors of the Company (including the President & Chief Executive Officer of the Company), the 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*.

In 2017, the Group considered the directors of the Company (including the President & Chief Executive Officer of the Company), the Chief Operating Officer of the Company, the Executive Vice President & Head of Singapore Yard Operations, the Director of Group Finance, the Executive Vice President & Head of Rigs & Floaters and the Chief Financial Officer of the Company to be key management personnel in accordance with 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	
	2018	**2017**
	$'000	**$'000**
Directors' fees and remuneration	4,184	4,533
Other key management personnel remuneration	2,959	3,333
	7,143	7,866
Fair value of share-based compensation	2,514	1,651

Remuneration includes salary (which includes allowances, fees and other emoluments) and bonuses (which includes AWS, discretionary bonus and performance targets bonus).

In addition to the above, the Company provides medical benefits to all employees including key management personnel.

The Group adopts an incentive compensation plan, which is tied to the creation of Economic Value Added ("EVA"), as well as to attainment of individual and Group performance goals for its key executives. A "bonus bank" is used to hold incentive compensation credited in any year. Typically, one-third of the available balance is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank in future will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the bonus bank.

The fair value of share-based compensation relates to performance shares and restricted shares granted that were charged to profit or loss.

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.

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 2018, the Group had interest rate swaps with an aggregate notional amount of $1,300,020,000 (2017: $678,474,000; 1 January 2017: $1,000,163,000). The Group receives a variable interest rate and pays a fixed rate interest ranging from 2.19% to 5.53% (2017: 2.19% to 3.10%; 1 January 2017: 0.98% to 3.10%) per annum on the notional amount. Interest rate swaps with notional amounts of $300,000,000 (2017: $nil; 1 January 2017: $300,000,000) were entered with a related corporation.

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(i) Interest rate risk (cont'd)

Sensitivity analysis

It is estimated that 50 basis points ("bp") change in interest rate at the reporting date would increase/(decrease) equity and profit before tax by the following amounts. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit before tax		Equity	
	50 bp Increase $'000	50 bp Decrease $'000	50 bp Increase $'000	50 bp Decrease $'000
Group				
31 December 2018				
Variable rate financial instruments	(4,791)	4,791	6,663	(6,754)
31 December 2017				
Variable rate financial instruments	(6,893)	6,893	4,969	(5,046)
Company				
31 December 2018				
Variable rate financial instruments	396	(396)	–	–
31 December 2017				
Variable rate financial instruments	274	(274)	–	–

(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 $154,339,000 (2017: $159,819,000; 1 January 2017: $302,682,000) 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 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
31 December 2017							
Financial assets							
Cash and cash equivalents	6,349	173,016	14,166	127,059	2,192	5,458	328,240
Trade and other receivables	24,630	636,169	3,916	4,097	9,109	2,192	680,113
Other financial assets	–	–	–	–	–	18,200	18,200
	30,979	809,185	18,082	131,156	11,301	25,850	1,026,553
Financial liabilities							
Trade and other payables	(74,796)	(222,330)	(55,899)	(9,334)	(116,940)	(11,046)	(490,345)
Interest-bearing borrowings	–	(140,982)	–	–	(95,094)	–	(236,076)
	(74,796)	(363,312)	(55,899)	(9,334)	(212,034)	(11,046)	(726,421)
Net financial (liabilities)/assets	(43,817)	445,873	(37,817)	121,822	(200,733)	14,804	300,132
Add: Contract assets	4,626	633,872	–	–	–	–	638,498
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(135)	515,386	(245,588)	30,931	(28,402)	(43,048)	229,144
Less: Foreign currency forward contracts	–	(814,308)	3,664	(166,887)	–	–	(977,531)
Net currency exposure	(39,326)	780,823	(279,741)	(14,134)	(229,135)	(28,244)	190,243

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							
1 January 2017							
Financial assets							
Cash and cash equivalents	4,357	290,725	32,933	240,962	–	17,239	586,216
Trade and other receivables	7,838	656,746	27,316	19,655	–	3,883	715,438
Other financial assets	–	–	–	–	–	20,475	20,475
	12,195	947,471	60,249	260,617	–	41,597	1,322,129
Financial liabilities							
Trade and other payables	(84,367)	(221,665)	(56,277)	(19,285)	(36,690)	(50,041)	(468,325)
Interest-bearing borrowings	–	(970,863)	–	–	–	–	(970,863)
	(84,367)	(1,192,528)	(56,277)	(19,285)	(36,690)	(50,041)	(1,439,188)
Net financial (liabilities)/assets	(72,172)	(245,057)	3,972	241,332	(36,690)	(8,444)	(117,059)
Add: Contract assets	8,468	433,101	10,500	11,318	–	29,800	493,187
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(1,138)	506,218	(350,732)	389,118	79,316	(244,466)	378,316
Less: Foreign currency forward contracts	–	(960,869)	44,728	(688,229)	–	–	(1,604,370)
Net currency exposure	(64,842)	(266,607)	(291,532)	(46,461)	42,626	(223,110)	(849,926)

The Company's gross exposure to foreign currencies is as follows:

	USD $'000	Others $'000	Total $'000
Company			
31 December 2018			
Financial assets			
Cash and cash equivalents	2,355	–	2,355
Trade and other receivables	1	–	1
	2,356	–	2,356
31 December 2017			
Financial assets			
Cash and cash equivalents	2,110	–	2,110
Other financial assets	–	18,200	18,200
	2,110	18,200	20,310
1 January 2017			
Financial assets			
Cash and cash equivalents	57	–	57
Other financial assets	–	20,475	20,475
	57	20,475	20,532

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

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 2017.

	Group		Company	
	Equity $'000	Profit before tax $'000	Equity $'000	Profit before tax $'000
2018				
SGD	–	(10,101)	–	–
USD	(94,125)	180,623	–	236
EUR	–	(2,571)	–	–
GBP	–	651	–	–
BRL	–	(7,018)	–	–
Others	–	171	–	–
2017				
SGD	–	(3,919)	–	–
USD	(63,855)	107,975	–	211
EUR	–	(3,416)	–	–
GBP	(5,382)	3,183	–	–
BRL	–	(20,073)	–	–
Others	1,820	(340)	1,820	–

A 10% weakening of the above currencies against the functional currencies of the Company and its subsidiaries at the balance sheet date would have equal but opposite effects on the above currencies to the amounts shown above, on the basis that all other variables remain constant, except for amounts of $1,820,000 in 2017 relating to other currency which would be recognised in profit before tax instead of equity, on the basis of impairment found on the equity securities.

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(iii) Price risk

In 2017, the Group was exposed to equity securities and unit trusts price risk because of the investments held by the Group which are classified on the consolidated balance sheet at FVOCI and FVTPL respectively (2017: available-for-sale).

Sensitivity analysis

If prices for equity securities and unit trusts increase by 10%, assuming all other variables are held constant, the equity and profit before tax would have increased by the amounts shown below:

	Group 2017 $'000	Company 2017 $'000
Equity	1,889	1,889
Profit before tax	–	–

If prices for equity securities and unit trusts decrease by 10%, assuming all other variables are held constant, the equity and profit before tax would have decreased by the amounts shown below (on the basis of impairment found on the equity securities):

	Group 2017 $'000	Company 2017 $'000
Equity	(69)	(69)
Profit before tax	(1,820)	(1,820)

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.

40. FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(iv) Cash flow hedges

At 31 December 2018, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates:

	Forward contract rate $	Interest rate %	Maturity Within 1 year $'000	Maturity Between 1 to 5 years $'000	Maturity More than 5 years $'000
2018					
Foreign currency risk					
Forward foreign currency contracts					
– SGD/USD	1.32 to 1.42	–	966,046	223,321	–
Interest rate risk					
Interest rate swaps					
– Float-to-fixed	–	2.19 to 3.10	213,020	1,087,000	–

The amounts at the reporting date relating to items designated as hedged items were as follows:

	Cash flow hedge reserve for continuing hedges $'000
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:

	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:

	2018 **$'000**
Cash flow hedge reserve	
Balance at 1 January	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	2,398

Comparative information under FRS 39

Interest rate risk

At 31 December 2017, the Group had interest rate swaps with an aggregate notional amount of $678,474,000 (1 January 2017: $1,000,163,000), which was designated as cash flow hedges. The Group receives a variable interest rate and pays a fixed rate interest ranging from 2.19% to 3.10% (1 January 2017: 0.98% to 3.10%) per annum on the notional amount. Interest rate swaps with notional amounts of $nil (1 January 2017: $300,000,000) are taken with a related corporation.

Foreign currency risk

Forward foreign currency contracts with notional amounts of $981,195,000 (1 January 2017: $2,060,005,000) and $159,819,000 (1 January 2017: $302,682,000) respectively are taken with a related corporation.

40. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk

The Group monitors its exposure to credit risks arising from sales to trade customers on an on-going basis, and credit evaluations are done on customers that require credit. The credit quality of customers is assessed after taking into account its financial position and past experience with the customers.

The Group only deals with pre-approved customers and financial institutions with good credit rating. To minimise the Group's counterparty risk, the Group enters into derivative transactions only with creditworthy institutions. Cash and fixed deposits are placed in banks and financial institutions with good credit rating.

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.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk is the carrying amount of each financial asset, including derivatives, in the balance sheets.

The Group's and the Company's maximum exposure to credit risk for financial assets at amortised cost (2017: loans and receivables) and contract assets at the balance sheet date is as follows:

		Group			Company		
	Note	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
By business activity							
Rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding		2,768,969	1,327,243	912,306	–	–	–
Ship chartering		12	9,171	10,573	–	–	–
Others		9,943	20,102	7,600	133,274	145,777	94,846
		2,778,924	1,356,516	930,479	133,274	145,777	94,846
Financial assets at amortised cost (2017: loans and receivables) and contract assets							
Non-current*	9	1,121,499	152,770	36,560	31,719	31,725	36,605
Current	9,11	1,657,425	1,203,746	893,919	101,555	114,052	58,241
		2,778,924	1,356,516	930,479	133,274	145,777	94,846

* Not past due.

40. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

The age analysis of financial assets at amortised cost (2017: loans and receivables) and contract assets for the Group is as follows:

	Gross 31 December 2018 $'000	Impairment 31 December 2018 $'000	Gross 31 December 2017 $'000	Impairment 31 December 2017 $'000	Gross 1 January 2017 $'000	Impairment 1 January 2017 $'000
Group						
Not past due	2,692,583	160	1,257,964	–	822,540	–
Past due 0 to 3 months	34,462	117	27,769	68	29,659	2,170
Past due 3 to 6 months	16,237	167	38,651	53	47,090	364
Past due 6 to 12 months	4,060	313	24,849	483	29,652	428
More than 1 year	193,230	160,891	172,864	164,977	174,227	169,727
	2,940,572	161,648	1,522,097	165,581	1,103,168	172,689
Company						
Not past due	133,274	–	145,777	–	94,846	–

Expected credit loss (ECL) assessment for customers with credit ratings (or equivalent) as at 1 January 2018 and 31 December 2018

The Group allocates exposure from key customers to a credit risk grade based on data that is determined to be indicative of the risk of loss (including but not limited to external ratings if available, audited financial statements to calculate the internal risk rating using the Altman Z-score method, and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from Standards and Poor's.

ECL rate is calculated based on probabilities of default and loss given default. Lifetime probabilities of default for individual customers are based on external ratings from Bloomberg L.P. adjusted for time horizon of the credit exposure, or historical data supplied by Standards and Poor's for each credit rating. The Group monitors changes in credit risk through on-going review of customer credit worthiness and by tracking published external credit ratings.

Loss rates are adjusted for current conditions and the Group's view of economic conditions over the expected lives of the receivables only if these factors have a significant impact to the credit loss.

40. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

The following table provides information about the exposure to credit risk and ECLs for financial assets at amortised cost and contract assets for customers with credit ratings (or equivalent):

	Credit impaired	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
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.

Expected credit loss assessment for customers (allowance matrix) as at 1 January 2018 and 31 December 2018

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.

40. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

The following table provides information about the exposure to credit risk and ECLs for financial assets at amortised cost and contract assets for customers with no credit rating or no representative credit rating or equivalent:

	Credit impaired	Weighted average loss rate %	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
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

Comparative information under FRS 39

The age analysis of loans and receivables and contract assets as at 31 December 2017 is as follows:

	31 December 2017		1 January 2017	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Group				
Not past due	1,257,964	–	822,540	–
Past due 0 to 3 months	27,769	68	29,659	2,170
Past due 3 to 6 months	38,651	53	47,090	364
Past due 6 to 12 months	24,849	483	29,652	428
More than 1 year	172,864	164,977	174,227	169,727
Total	1,522,097	165,581	1,103,168	172,689
Company				
Not past due	145,777	–	94,846	–

The allowance account in respect of loans and receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset. As at 31 December 2017 and 1 January 2017, the impairment allowance relates mainly to one customer whose creditworthiness has deteriorated and is currently undergoing financial restructuring. Accordingly, the outstanding past due receivables owing from this customer have been fully provided for.

40. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

Movements in the allowance for impairment of financial assets at amortised cost (2017: loans and receivables) and contract assets are as follows:

	Group Lifetime ECL $'000
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

	Group $'000
Balance at 1 January 2017 per FRS 39	172,689
Currency translation difference	(6,921)
Allowance made	1,285
Allowance utilised	(316)
Allowance written back	(1,118)
Disposal of subsidiaries	(38)
Balance at 31 December 2017	165,581

The total net impairment loss of $2,673,000 (2017: $167,000) 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 $65,940,000 (2017: $79,443,000; 1 January 2017: $35,791,000). 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.

40. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk

The Group manages its liquidity risk with the view to maintaining a healthy level of cash and cash equivalents appropriate to the operating environment and expected cash flows of the Group. Liquidity requirements are maintained within the credit facilities established and are adequate and available to the Group to meet its obligations. The Group will continue to take steps to manage cost, cash flows and gearing to address its financial position. While the majority of contracts and new orders are secured on progressive payment terms, future new orders may result in increased working capital needs.

The table below analyses the maturity profile of the Group's and Company's financial instruments (including derivatives) based on contractual undiscounted cash inflows/(outflows), including estimated interest payments and excluding the impact of netting agreements:

		Cash flows			
	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000
Group					
31 December 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)
31 December 2017					
Derivative financial liabilities					
Interest rate swaps	(7,162)	(6,913)	(4,010)	(2,903)	–
Derivative financial assets					
Interest rate swaps	456	715	468	247	–
Forward foreign currency contracts	57,037				
– Inflow		981,195	453,762	527,433	–
– Outflow		(924,158)	(421,339)	(502,819)	–
Non-derivative financial liabilities					
Trade and other payables*#	(1,573,148)	(1,619,627)	(1,619,627)	–	–
Interest-bearing borrowings#	(4,128,911)	(4,426,787)	(1,137,663)	(2,880,273)	(408,851)
	(5,651,728)	(5,995,575)	(2,728,409)	(2,858,315)	(408,851)

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					
1 January 2017					
Derivative financial liabilities					
Interest rate swaps	(3,092)	(2,498)	(3,237)	739	–
Forward foreign currency contracts	(41,622)				
– Inflow		1,132,401	318,093	814,308	–
– Outflow		(1,174,023)	(336,410)	(837,613)	–
Derivative financial assets					
Interest rate swaps	2,025	466	216	250	–
Forward foreign currency contracts	58,503				
– Inflow		688,228	521,530	166,698	–
– Outflow		(629,725)	(475,541)	(154,184)	–
Non-derivative financial liabilities					
Trade and other payables*#	(1,837,580)	(2,137,104)	(2,137,104)	–	–
Interest-bearing borrowings#	(4,188,924)	(4,504,950)	(1,465,426)	(2,618,161)	(421,363)
	(6,010,690)	(6,627,205)	(3,577,879)	(2,627,963)	(421,363)

* Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grants, accrued land lease and long-term employee benefits.

\# The carrying amount of trade and other payables excludes finance costs payable while the interest-bearing borrowings include finance costs payable, for the purposes of presentation of this liquidity table.

	Carrying amount $'000	Cash flows: Contractual cash flows $'000	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000
Company					
31 December 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)	–
31 December 2017					
Non-derivative financial liabilities					
Trade and other payables*	(26,385)	(26,385)	(26,385)	–	–
Interest-bearing borrowings	(1,868)	(1,868)	(474)	(1,394)	–
	(28,253)	(28,253)	(26,859)	(1,394)	–
1 January 2017					
Non-derivative financial liabilities					
Trade and other payables*	(23,864)	(23,864)	(23,864)	–	–

* Excludes deposits received, Goods and Services Tax and long-term employee benefits.

\# The 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.

40. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (cont'd)

The following table indicates the periods in which the cash flow associated with derivatives that are cash flow hedges are expected to impact profit or loss and the fair value of the related hedging instruments:

	Carrying amount $'000	Cash flows: Contractual cash flows $'000	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)
31 December 2017				
Derivative financial liabilities				
Interest rate swaps	(7,162)	(6,913)	(4,010)	(2,903)
Derivative financial assets				
Interest rate swaps	456	715	468	247
Forward foreign currency contracts	57,037			
– Inflow		981,195	453,762	527,433
– Outflow		(924,158)	(421,339)	(502,819)
	50,331	50,839	28,881	21,958
1 January 2017				
Derivative financial liabilities				
Interest rate swaps	(3,092)	(2,498)	(3,237)	739
Forward foreign currency contracts	(30,027)			
– Inflow		1,055,509	241,201	814,308
– Outflow		(1,085,536)	(247,923)	(837,613)
Derivative financial assets				
Interest rate swaps	2,025	466	216	250
Forward foreign currency contracts	39,674			
– Inflow		506,151	339,453	166,698
– Outflow		(466,477)	(312,293)	(154,184)
	8,580	7,615	17,417	(9,802)

40. FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimation of fair values

SFRS(I) 7 establishes a fair value hierarchy that prioritises the inputs used to measure fair value. The three levels of the fair value input hierarchy defined by SFRS(I) 7 are as follows:

- Level 1 – Fair values are measured based on quoted prices (unadjusted) from active markets for identical financial instruments.
- Level 2 – Fair values are measured using inputs, other than those used for Level 1, that are observable for the financial instruments either directly (prices) or indirectly (derived from prices).
- Level 3 – Fair values are measured using inputs which are not based on observable market data (unobservable input).

Securities

The fair value of financial assets at fair value through profit or loss, and fair value through other comprehensive income, is based on quoted market prices (bid price) in an active market at the balance sheet date without any deduction for transaction costs. If the market for a quoted financial asset is not active, and for unquoted financial assets, the Group establishes fair value by using other valuation techniques.

Derivatives

The fair value of forward exchange contracts is accounted for based on the difference between the contractual price and the current market price.

The fair value of interest rate swaps is the indicative amount that the Group is expected to receive or pay to terminate the swap with the swap counterparties at the balance sheet date.

Non-derivative non-current financial assets and liabilities

Fair values determined for non-derivative non-current financial assets and liabilities are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date. This includes determination for fair value disclosure purpose as well.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

For financial instruments that are not actively traded in the market, the fair value is determined by independent third party or using valuation techniques where applicable. The Group may use a variety of methods and make assumptions that are based on existing market conditions at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used to estimate the fair value for medium term notes for disclosure purpose. Other techniques, such as estimated discounted cash flows, are used to determine the fair value for the remaining financial instruments. Where discounted cash flow techniques are used, the management will estimate the future cash flows and use relevant market rate as the discount rate at the balance sheet date.

40. FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimation of fair values (cont'd)

Non-current amount due from related parties

Fair values are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date.

Fair value hierarchy

The following table sets forth by level within the fair value hierarchy of the financial assets and liabilities that were accounted for at fair value on a recurring basis as of 31 December 2018. These financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgement, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Financial assets and liabilities carried at fair value

	Fair value measurement using:			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Group				
At 31 December 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)
At 31 December 2017				
Available-for-sale financial assets	18,200	694	–	18,894
Derivative financial assets	–	58,185	–	58,185
	18,200	58,879	–	77,079
Derivative financial liabilities	–	(7,162)	–	(7,162)
Total	18,200	51,717	–	69,917
At 1 January 2017				
Available-for-sale financial assets	51,667	537	–	52,204
Derivative financial assets	–	64,674	–	64,674
	51,667	65,211	–	116,878
Derivative financial liabilities	–	(44,714)	–	(44,714)
Total	51,667	20,497	–	72,164
Company				
At 31 December 2017				
Available-for-sale financial assets	18,200	694	–	18,894
At 1 January 2017				
Available-for-sale financial assets	40,075	537	–	40,612

In 2018 and 2017, there were no transfers between the different levels of the fair value hierarchy.

40. FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimation of fair values (cont'd)

*Assets and liabilities not carried at fair value but for which fair values are disclosed**

	Fair value measurement using:			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
At 31 December 2018				
Interest-bearing borrowings	–	(3,135,851)	–	(3,135,851)
At 31 December 2017				
Interest-bearing borrowings	–	(3,218,321)	–	(3,218,321)
At 1 January 2017				
Interest-bearing borrowings	–	(2,725,253)	–	(2,725,253)

* Excludes financial assets and liabilities whose carrying amounts measured on the amortised cost basis that approximate their fair values due to their short-term nature 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 2018								
Cash and cash equivalents	17	–	–	–	837,724	–	837,724	837,724
Trade and other receivables*	9	–	–	–	1,762,415	–	1,762,415	1,762,415
Financial assets at fair value through other comprehensive income								
– Unquoted equity shares	8(a)	–	–	2,642	–	–	2,642	2,642
Cash flow hedges								
– Forward foreign currency contracts	8(a)&(b)	–	12,188	–	–	–	12,188	12,188
– Interest rate swaps	8(b)	–	334	–	–	–	334	334
		–	12,522	2,642	2,600,139	–	2,615,303	2,615,303
Trade and other payables**	18	–	–	–	–	1,529,486	1,529,486	1,529,486
Cash flow hedges								
– Forward foreign currency contracts	22(a)&(b)	–	13,554	–	–	–	13,554	13,554
– Interest rate swaps	22(a)&(b)	–	6,417	–	–	–	6,417	6,417
Interest-bearing borrowings								
– Short-term borrowings	23	–	–	–	–	1,055,979	1,055,979	1,055,979
– Long-term borrowings	23	–	–	–	–	3,173,451	3,173,451	3,135,851
		–	19,971	–	–	5,758,916	5,778,887	5,741,287

* 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	Designated at fair value $'000	Fair value – hedging instruments $'000	Available-for-sale $'000	Loans and receivables $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
Group								
At 31 December 2017								
Cash and cash equivalents	17	–	–	–	1,301,000	–	1,301,000	1,301,000
Trade and other receivables*	9	–	–	–	649,608	–	649,608	649,608
Available-for-sale financial assets								
– Equity shares	8(a)	–	–	18,200	–	–	18,200	18,200
– Unit trusts	8(a)	–	–	694	–	–	694	694
Fair value hedges								
– Firm commitments	8(b)	–	–	–	692	–	692	692
Cash flow hedges								
– Forward foreign currency contracts	8(a)&(b)	–	57,037	–	–	–	57,037	57,037
– Interest rate swaps	8(b)	–	456	–	–	–	456	456
		–	57,493	18,894	1,951,300	–	2,027,687	2,027,687
Trade and other payables**	18	–	–	–	–	1,601,936	1,601,936	1,601,936
Cash flow hedges								
– Interest rate swaps	22(a)&(b)	–	7,162	–	–	–	7,162	7,162
Interest-bearing borrowings								
– Short-term borrowings	23	–	–	–	–	852,737	852,737	852,737
– Long-term borrowings	23	–	–	–	–	3,247,386	3,247,386	3,218,321
		–	7,162	–	–	5,702,059	5,709,221	5,680,156

* 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	Designated at fair value $'000	Fair value – hedging instruments $'000	Available-for-sale $'000	Loans and receivables $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
Group								
At 1 January 2017								
Cash and cash equivalents	17	–	–	–	1,216,971	–	1,216,971	1,216,971
Trade and other receivables*	9	–	–	–	429,707	–	429,707	429,707
Available-for-sale financial assets								
– Equity shares	8(a)	–	–	51,667	–	–	51,667	51,667
– Unit trusts	8(a)	–	–	537	–	–	537	537
Financial assets at fair value through profit or loss								
– Forward foreign currency contracts	8(b)	–	18,829	–	–	–	18,829	18,829
Fair value hedges								
– Firm commitments	8(b)	–	–	–	4,146	–	4,146	4,146
Cash flow hedges								
– Forward foreign currency contracts	8(a)&(b)	–	39,674	–	–	–	39,674	39,674
– Interest rate swaps	8(a)&(b)	–	2,025	–	–	–	2,025	2,025
		–	60,528	52,204	1,650,824	–	1,763,556	1,763,556
Trade and other payables**	18	–	–	–	–	1,871,529	1,871,529	1,871,529
Financial liabilities at fair value through profit or loss								
– Forward foreign currency contracts	22(a)	–	11,595	–	–	–	11,595	11,595
Cash flow hedges								
– Forward foreign currency contracts	22(a)&(b)	–	30,027	–	–	–	30,027	30,027
– Interest rate swaps	22(b)	–	3,092	–	–	–	3,092	3,092
Interest-bearing borrowings								
– Short-term borrowings	23	–	–	–	–	1,363,961	1,363,961	1,363,961
– Long-term borrowings	23	–	–	–	–	2,791,014	2,791,014	2,725,253
		–	44,714	–	–	6,026,504	6,071,218	6,005,457

* 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 2018					
Cash and cash equivalents	17	79,584	–	79,584	79,584
Trade and other receivables*	9	133,263	–	133,263	133,263
		212,847	–	212,847	212,847
Trade and other payables**	18	–	24,680	24,680	24,680

	Note	Available-for-sale $'000	Loans and receivables $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
At 31 December 2017						
Cash and cash equivalents	17	–	55,126	–	55,126	55,126
Trade and other receivables*	9	–	145,777	–	145,777	145,777
Available-for-sale financial assets						
– Equity shares	8(a)	18,200	–	–	18,200	18,200
– Unit trusts	8(a)	694	–	–	694	694
		18,894	200,903	–	219,797	219,797
Trade and other payables**	18	–	–	26,385	26,385	26,385
At 1 January 2017						
Cash and cash equivalents	17	–	24,482	–	24,482	24,482
Trade and other receivables*	9	–	94,846	–	94,846	94,846
Available-for-sale financial assets						
– Equity shares	8(a)	40,075	–	–	40,075	40,075
– Unit trusts	8(a)	537	–	–	537	537
		40,612	119,328	–	159,940	159,940
Trade and other payables**	18	–	–	23,864	23,864	23,864

* Excludes Goods and Services Tax.

** Excludes deposits received, Goods and Services Tax and long-term employee benefits.

40. FINANCIAL INSTRUMENTS (CONT'D)

(f) Capital management

The Group aims to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders. The Group monitors Economic Value Added attributable to shareholders, which the Group defines as net operating profit after tax less capital charge excluding non-controlling interests. Management also monitors the level of dividends paid to ordinary shareholders.

The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Capital is defined as equity attributable to the equity holders. The Group's debt to capitalisation ratio as at the balance sheet date was as follows:

		Group	
	31 December 2018 $'000	**31 December 2017 $'000**	**1 January 2017 $'000**
Debt	4,229,430	4,100,123	4,154,975
Total equity	2,348,435	2,480,175	2,311,156
Total debt and equity	6,577,865	6,580,298	6,466,131
Debt-to-capitalisation ratio	0.64	0.62	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. This externally imposed capital requirement has been complied with at each quarter in the financial year ended 31 December 2018.

41. CONTINGENT LIABILITIES

The Group is subject to various litigation, regulatory and arbitration matters in the normal course of business. The Group rigorously defends against 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	
	2018	**2017**
	$'000	**$'000**
Unsecured corporate guarantees granted in respect of:		
– Performance of subsidiaries	4,996,361	3,692,999
– Unsecured term loans by subsidiaries	861,650	650,000
– Unsecured short term loans by a subsidiary	–	82,533
– Unsecured revolving credit facilities by subsidiaries	1,930,176	1,483,755
– Unsecured bonds issued by a subsidiary	600,000	600,000

The Company has provided guarantees to banks to secure banking facilities provided to wholly-owned subsidiaries, Jurong Shipyard Pte Ltd and Estaleiro Jurong Aracruz Ltda. These financial guarantee contracts are accounted for as insurance contracts.

The principal risk to which the Company is exposed is credit risk in connection with guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

Estimates of the Company's obligation arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions made may well vary from actual experience so that the actual liability may vary considerably from the best estimates. As of balance sheet date, there is no provision made in respect of the obligations as the Company believes it is remote that these corporate guarantees will be called upon.

42. COMMITMENTS

Commitments not provided for in the financial statements are as follows:

		Group		Company	
		2018	**2017**	**2018**	**2017**
		$'000	**$'000**	**$'000**	**$'000**
(a)	*Approved capital commitment:*				
	– Approved capital expenditure commitment	265,704	53,248	–	–
(b)	*Minimum lease rental payable in respect of land and buildings:*				
	– Within 1 year	18,093	17,994	10,625	10,622
	– After 1 year but within 5 years	36,270	49,520	24,978	38,326
	– After 5 years	465,523	340,658	48,587	46,934
		519,886	408,172	84,190	95,882

The leases do not provide for contingent rents and lease terms do not contain restrictions on the Group activities concerning dividends, additional debt or further leasing. Certain leases contain escalation clauses to reflect market rentals.

Certain leases include renewal options for additional lease period of 10 to 30 years and at rental rates based on prevailing market rates.

The Group leases out its marine vessel. Up till the termination of lease in November 2018, the marine vessel had been on long term charter hire under an agreement with initial lease term of 5 years, and an option to extend for another 5 years. The future minimum lease receivable under non-cancellable lease is as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Within 1 year	–	38,933

43. OPERATING SEGMENTS

(a) Business segments

The Group has two reportable segments, which are the Group's strategic business units. The strategic business units are managed separately because of their different business activities. The two reportable segments are: (i) rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding; and (ii) ship chartering.

The accounting policies are described in Note 3. Inter-segment sales and transfers are carried out on an arm's length basis. Segment assets consist primarily of property, plant and equipment, intangible assets, current assets and exclude inter-segment balances. Segment liabilities comprise mainly operating liabilities and exclude inter-segment balances. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's President & CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Other operations include bulk trading in marine engineering related products; provision of harbour tug services to port users; collection and treatment of used copper slag, and the processing and distribution of copper slag for blast cleaning purposes.

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
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

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					
Significant non-cash items					
Depreciation and amortisation	181,218	13,579	649	–	195,446
Fair value adjustment on hedging instruments	1,713	–	–	–	1,713
Fair value adjustment on firm commitments under fair value hedge	692	–	–	–	692
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)
31 December 2017					
Turnover					
Sales to external parties	2,967,085	57,437	10,245	–	3,034,767
Inter-segment sales	–	–	88,381	(88,381)	–
Total	2,967,085	57,437	98,626	(88,381)	3,034,767
Results					
Segment results	294,512	13,230	(2,032)	–	305,710
Finance income	22,657	–	150	–	22,807
Finance costs	(93,473)	(2,049)	–	–	(95,522)
Non-operating income	–	–	64,803	–	64,803
Non-operating expenses	–	–	(13,309)	–	(13,309)
Share of results of associates and joint ventures, net of tax	(914)	(3,669)	966	–	(3,617)
Profit before tax	222,782	7,512	50,578	–	280,872
Tax (expense)/credit	(25,136)	–	319	–	(24,817)
Profit for the year	197,646	7,512	50,897	–	256,055
Assets					
Segment assets	9,280,800	246,025	71,924	–	9,598,749
Investments in associates and joint ventures	5,181	53,085	9,699	–	67,965
Deferred tax assets	13,293	–	626	–	13,919
Tax recoverable	11,192	–	–	–	11,192
Total assets	9,310,466	299,110	82,249	–	9,691,825

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 2017					
Liabilities					
Segment liabilities	7,017,542	81,551	26,144	–	7,125,237
Deferred tax liabilities	61,390	–	155	–	61,545
Current tax payable	24,335	–	533	–	24,868
Total liabilities	7,103,267	81,551	26,832	–	7,211,650
Capital expenditure	193,295	–	160	–	193,455
Significant non-cash items					
Depreciation and amortisation	182,627	9,230	1,059	–	192,916
Gain on disposal of assets held for sale	–	–	(46,816)	–	(46,816)
Gain on disposal of subsidiaries, net	–	–	(753)	–	(753)
Gain on disposal of available-for-sale financial asset	–	–	(17,200)	–	(17,200)
Assumption of liabilities on behalf of a joint venture	–	–	11,000	–	11,000
Fair value adjustment on hedging instruments	(1,623)	–	–	–	(1,623)
Fair value adjustment on firm commitments under fair value hedge	3,454	–	–	–	3,454
Property, plant and equipment written off	470	–	30	–	500
Impairment losses on available-for-sale financial assets	–	–	2,275	–	2,275
Inventories written down, net	56	–	–	–	56
Contract costs written back, net	(19,678)	–	–	–	(19,678)
Allowance for doubtful debts and bad debts, net	148	–	19	–	167

43. OPERATING SEGMENTS (CONT'D)

(b) Geographical segments

The Group operates in 12 (2017: 12; 1 January 2017: 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 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
31 December 2017				
Singapore	272,538	2,588,497	7,485,554	94,694
Rest of Asia, Australia & India	202,756	153,441	228,378	1,779
Middle East & Africa	65,706	–	–	–
United Kingdom	744,792	5,121	8,525	727
Norway	242,214	147,865	153,172	–
The Netherlands	591,513	207,575	246,058	–
Rest of Europe	284,118	89	2,330	38
Brazil	213,192	1,432,718	1,562,241	96,213
U.S.A.	177,005	4,018	5,567	4
Other countries	240,933	–	–	–
Total	3,034,767	4,539,324	9,691,825	193,455

(1) Non-current assets presented consist of property, plant and equipment, investments in associates and joint ventures, trade and other receivables, contract costs and intangible assets.

(c) Major customers

In 2018, turnover from two (2017: three) customers of the Group's rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding segment represents approximately 42 per cent (2017: 60 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 31.

Deferred tax assets

Certain subsidiaries of the Group have tax benefits arising from unutilised tax losses, tax credits and deductible temporary differences, which are available for set-off against future taxable profits. Of these, the utilisation of these tax benefits, for which deferred tax asset was recognised, is presumed on the 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.

During the year, the Group revised its estimates of useful lives of certain assets at Tanjong Kling Yard. The effects of the changes are presented in Note 4.

(d) Impairment assessment of property, plant and equipment, intangible assets and associates

Impairment assessment of the Group's shipyards

Owing to the continuing difficult market conditions impacting the offshore and marine sector, there were indications that the Group's shipyards (the "cash generating units") might be impaired. Under the Group's formal impairment assessment of the individual cash generating units in: (i) Singapore (yards in Singapore, together with their sub-contracting yards in Indonesia and the United Kingdom); and (ii) Brazil, the recoverable amounts for the Group's individual cash generating units were determined using the value in use calculations.

The value in use calculation for the Group's cash generating units used discounted cash flow projections which took into account management's assessment of the forecasted order book over a period of 5 years 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 terminal 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 6.6% (2017: 9.5%) and 12.46% (2017: 10.0%) 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, intangible assets and associates (cont'd)

Impairment assessment of the Group's shipyards (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 significantly from the original forecast. The recoverable amount of the Brazil cash generating unit is further subject to political risk and will be reviewed at regular intervals.

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.

Impairment assessment of the Group's associate

The recoverable amount of the interest in an associate was estimated based on its value in use. In estimating the recoverable amount, the Group applied the relief from royalty method to value the existing intellectual properties owned by the associate. As the associate is a start-up owning various intellectual properties at different stages of their business life cycles, the discount rates applied by the Group range from 20% to 22%, to reflect the higher risks inherent in the forecasted cash flows. Any significant changes to these forecasted cash flows, caused by changes in the risk of returns of the intellectual properties may result in material adjustments on the associate's recoverable amounts in future periods.

(e) Provisions and contingent liabilities

Estimates of the Group's obligations arising from contracts that exist as at balance sheet date may be affected by future events, which cannot be predicted with any certainty. The assumptions and estimates are made based on the management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates.

Warranty

The provision for warranty is based on estimates from known and expected warranty work and contractual obligation for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made. Movements in provision for warranty are detailed in Note 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.

44. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key sources of estimation uncertainty (cont'd)

(f) Determination of net realisable value of inventories

The net realisable value of 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.

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 8 – Other financial assets
- Note 9 – Trade and other receivables
- Note 11 – Contract assets

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 2018 %	Effective equity held by the Group 2017 %
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	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	In process of striking off	100	100
SembMarine Investment Pte Ltd[1]	Singapore	In process of striking off	100	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]	Singapore	Ship leasing and marine surveying services	50	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], a	Brazil	Ship and rig repair, building, conversion and related services	100	100
JED Centre Sdn. Bhd.[2]	Malaysia	Render services for engineering	100	100

45. GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group 2018 %	2017 %
Subsidiaries of Jurong Shipyard Pte Ltd (cont'd)				
Jurong do Brasil Prestacao de Servicos Ltda[2]	Brazil	Ship and rig repair, building, conversion and related services	100	100
Jurong Marine Contractors Private Limited[1]	Singapore	Provision of contract services	100	100
Jurong Netherlands B.V.[4]	Netherlands	Investment holding	100	100
Jurong Offshore Pte. Ltd.[1]	Singapore	Investment holding	100	100
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]	United States of America	Inactive	100	100
Sembcorp-Sabine Industries, Inc.[4]	United States of America	Investment holding	100	100
Sembcorp-Sabine Shipyard, Inc.[4]	United States of America	Rig and vessel enhancement and upgrading services	100	100
Subsidiaries, 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]	Singapore	Provision of environmental engineering services	20	20
HiLoad LNG AS[2]	Norway	Design, development and engineering of LNG related offshore solutions	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

45. GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group 2018 %	Effective equity held by the Group 2017 %
Subsidiaries, associates and joint ventures of Sembcorp Marine Integrated Yard Pte. Ltd. (cont'd)				
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
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	In liquidation	55	55
Semb-Eco Pte. Ltd.[1]	Singapore	Investment holding	55	55
Semb-Eco R&D Pte. Ltd.[1]	Singapore	Research and development, holding of patents	55	55
Semb-Eco Technology Pte. Ltd.[1]	Singapore	Manufacturing and commercialisation of patents	55	55
Sembawang Shipyard Project Services Pte Ltd[1]	Singapore	Marine services and rental of premises	100	100
Sembawang Shipyard (S) Pte Ltd[1]	Singapore	Investment holding	100	100
Sembmarine Kakinada Limited[3]	India	Ship repair, conversion, building and related activities	40	40
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	In liquidation	100	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

45. GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group 2018 %	2017 %
Subsidiaries, associates and joint ventures of Sembcorp Marine Integrated Yard Pte. Ltd. (cont'd)				
Sevan SSP AS[2]	Norway	Design, development, engineering and consulting related to offshore solutions	100	–
Shenzhen Chiwan Offshore Petroleum Engineering Company Ltd[3]	People's Republic of China	Equipment inspection, repair and maintenance services for oil reconnoiter and exploitation in South China Sea	35	35
Straits Offshore Pte. Ltd.[1]	Singapore	Hook-up, commissioning and maintenance of offshore oil and gas production facilities	100	100
Straits Overseas Pte. Ltd.[1]	Singapore	Investment holding and engineering, construction and fabrication of offshore marine structures	100	100

(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 In 2017, the Company's wholly-owned subsidiary, Estaleiro Jurong Aracruz Ltda, changed its functional currency from the Brazilian Real to United States Dollar, in order to reflect the primary economic environment that the subsidiary currently operates in.

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As stated in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) balance sheets at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- Requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- Requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- Requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- Requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for SFRS(I) 15 and SFRS(I) 9.

Summary of Quantitative Impact

The following table summarises the impact, net of tax, of the transition to SFRS(I) 15 and SFRS(I) 9 on the Group's and the Company's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018 and the Group's profit or loss and other comprehensive income for the year ended 31 December 2017.

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

Balance Sheets

	As at 31 December 2017			As at 1 January 2018	
	As reported previously $'000	SFRS(I) 15 $'000	As reported presently $'000	SFRS(I) 9 $'000	As reported presently $'000
Group					
Non-current assets					
Contract costs	–	128,399	128,399	–	128,399
Deferred tax assets	5,889	8,030	13,919	–	13,919
Others	4,457,075	–	4,457,075	–	4,457,075
	4,462,964	136,429	4,599,393	–	4,599,393
Current assets					
Inventories and work-in-progress	2,775,847	(2,680,074)	95,773	–	95,773
Trade and other receivables	566,874	73,607	640,481	(1,310)	639,171
Contract costs	–	2,358,054	2,358,054	–	2,358,054
Contract assets	–	652,361	652,361	–	652,361
Others	1,345,763	–	1,345,763	–	1,345,763
	4,688,484	403,948	5,092,432	(1,310)	5,091,122
Total assets	9,151,448	540,377	9,691,825	(1,310)	9,690,515
Current liabilities					
Trade and other payables	2,061,446	(457,228)	1,604,218	–	1,604,218
Excess of progress billings over work-in-progress	174,356	(174,356)	–	–	–
Contract liabilities	–	1,135,661	1,135,661	–	1,135,661
Others	906,809	–	906,809	–	906,809
	3,142,611	504,077	3,646,688	–	3,646,688
Non-current liabilities					
Deferred tax liabilities	61,545	–	61,545	(222)	61,323
Contract liabilities	–	75,497	75,497	–	75,497
Others	3,427,920	–	3,427,920	–	3,427,920
	3,489,465	75,497	3,564,962	(222)	3,564,740
Total liabilities	6,632,076	579,574	7,211,650	(222)	7,211,428
Net assets	2,519,372	(39,197)	2,480,175	(1,088)	2,479,087
Equity attributable to owners of the Company					
Share capital	484,288	–	484,288	–	484,288
Other reserves	(25,724)	(4,980)	(30,704)	(447)	(31,151)
Revenue reserve	2,019,609	(34,217)[1]	1,985,392	(641)	1,984,751
	2,478,173	(39,197)	2,438,976	(1,088)	2,437,888
Non-controlling interests	41,199	–	41,199	–	41,199
Total equity	2,519,372	(39,197)	2,480,175	(1,088)	2,479,087

(1) Amount relates to the reversal of cumulative profits of certain contracts, recognised in prior years according to previous revenue recognition policy under FRS 11, where such revenue and related costs of sales is recognised on delivery to customers on adoption of SFRS(I) 15.

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

Balance Sheets (cont'd)

	As at 1 January 2017		
	As reported previously $'000	SFRS(I) 15 $'000	As reported presently $'000
Group			
Non-current assets			
Deferred tax assets	12,042	60,721	72,763
Others	4,384,486	–	4,384,486
	4,396,528	60,721	4,457,249
Current assets			
Inventories and work-in-progress	3,066,884	(2,992,937)	73,947
Trade and other receivables	491,968	55,709	547,677
Contract costs	–	2,607,564	2,607,564
Contract assets	–	440,832	440,832
Others	1,459,453	–	1,459,453
	5,018,305	111,168	5,129,473
Total assets	9,414,833	171,889	9,586,722
Current liabilities			
Trade and other payables	2,120,447	(246,608)	1,873,839
Excess of progress billings over work-in-progress	193,403	(193,403)	–
Contract liabilities	–	667,665	667,665
Others	1,434,432	–	1,434,432
	3,748,282	227,654	3,975,936
Non-current liabilities			
Contract liabilities	–	240,700	240,700
Others	3,058,930	–	3,058,930
	3,058,930	240,700	3,299,630
Total liabilities	6,807,212	468,354	7,275,566
Net assets	2,607,621	(296,465)	2,311,156
Equity attributable to owners of the Company			
Share capital	484,288	–	484,288
Other reserves	54,905	(16,141)	38,764
Revenue reserve	2,022,796	(280,324)(1)	1,742,472
	2,561,989	(296,465)	2,265,524
Non-controlling interests	45,632	–	45,632
Total equity	2,607,621	(296,465)	2,311,156

(1) Amount relates to the reversal of cumulative profits of certain contracts, recognised in prior years according to previous revenue recognition policy under FRS 11, where such revenue and related costs of sales is recognised on delivery to customers on adoption of SFRS(I) 15.

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

Consolidated Income Statement
Year ended 31 December 2017

	As reported previously $'000	SFRS(I) 15 $'000	As reported presently $'000
Group			
Turnover	2,387,354	647,413[(2)]	3,034,767
Cost of sales	(2,326,848)	(362,156)[(2)]	(2,689,004)
Gross profit	60,506	285,257	345,763
Other operating income	63,705	–	63,705
Other operating expenses	(5,021)	–	(5,021)
General and administrative expenses	(98,737)	–	(98,737)
Operating profit	20,453	285,257	305,710
Finance income	11,548	11,259	22,807
Finance costs	(95,522)	–	(95,522)
Non-operating income	64,803	–	64,803
Non-operating expenses	(13,309)	–	(13,309)
Share of results of associates and joint ventures, net of tax	(3,617)	–	(3,617)
(Loss)/profit before tax	(15,644)	296,516	280,872
Tax credit/(expense)	25,592	(50,409)	(24,817)
Profit for the year	9,948	246,107	256,055
Attributable to:			
Owners of the Company	14,076	246,107	260,183
Non-controlling interests	(4,128)	–	(4,128)
Profit for the year	9,948	246,107	256,055

(2) Amount relates mainly to the reversal of adjustments (in relation to contract terminations) recorded in 2017 set-off partially by reversal of revenue and related costs of sales for other contracts, recognised in 2017 according to previous policy under FRS 11, which is recognised on delivery to customers on adoption of SFRS(I) 15.

Consolidated Statement of Comprehensive Income
Year ended 31 December 2017

	As reported previously $'000	SFRS(I) 15 $'000	As reported presently $'000
Group			
Profit for the year	9,948	246,107	256,055
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations	(62,451)	11,161	(51,290)
Others	6,942	–	6,942
Other comprehensive income for the year, net of tax	(55,509)	11,161	(44,348)
Total comprehensive income	(45,561)	257,268	211,707
Total comprehensive income attributable to:			
Owners of the Company	(41,407)	257,268	215,861
Non-controlling interests	(4,154)	–	(4,154)
Total comprehensive income for the year	(45,561)	257,268	211,707

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

Balance Sheets

	As at 31 December 2017			As at 1 January 2018	
	As reported previously $'000	SFRS(I) 15 $'000	As reported presently $'000	SFRS(I) 9 $'000	As reported presently $'000
Company					
Non-current assets					
Property, plant and equipment	79,418	–	79,418	–	79,418
Investment properties	17,190	–	17,190	–	17,190
Trade and other receivables	31,725	–	31,725	–	31,725
Others	1,502,598	–	1,502,598	–	1,502,598
	1,630,931	–	1,630,931	–	1,630,931
Current assets					
Trade and other receivables	117,283	–	117,283	–	117,283
Others	55,972	–	55,972	–	55,972
	173,255	–	173,255	–	173,255
Total assets	1,804,186	–	1,804,186	–	1,804,186
Current liabilities					
Trade and other payables	26,433	–	26,433	–	26,433
Others	7,245	–	7,245	–	7,245
	33,678	–	33,678	–	33,678
Non-current liabilities					
Deferred tax liabilities	11,070	–	11,070	–	11,070
Others	26,209	–	26,209	–	26,209
	37,279	–	37,279	–	37,279
Total liabilities	70,957	–	70,957	–	70,957
Net assets	1,733,229	–	1,733,229	–	1,733,229
Equity attributable to owners of the Company					
Share capital	484,288	–	484,288	–	484,288
Other reserves	(27,831)	–	(27,831)	(447)	(28,278)
Revenue reserve	1,276,772	–	1,276,772	447	1,277,219
Total equity	1,733,229	–	1,733,229	–	1,733,229

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

Balance Sheets (cont'd)

	As at 1 January 2017		
	As reported previously $'000	SFRS(I) 15 $'000	As reported presently $'000
Company			
Non-current assets			
Property, plant and equipment	90,497	–	90,497
Investment properties	19,006	–	19,006
Trade and other receivables	36,605	–	36,605
Others	1,005,682	–	1,005,682
	1,151,790	–	1,151,790
Current assets			
Trade and other receivables	61,099	–	61,099
Others	137,387	–	137,387
	198,486	–	198,486
Total assets	1,350,276	–	1,350,276
Current liabilities			
Trade and other payables	23,890	–	23,890
Others	6,771	–	6,771
	30,661	–	30,661
Non-current liabilities			
Deferred tax liabilities	12,963	–	12,963
Others	24,360	–	24,360
	37,323	–	37,323
Total liabilities	67,984	–	67,984
Net assets	1,282,292	–	1,282,292
Equity attributable to owners of the Company			
Share capital	484,288	–	484,288
Other reserves	(21,459)	–	(21,459)
Revenue reserve	819,463	–	819,463
Total equity	1,282,292	–	1,282,292

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

Notes to the reconciliation

(i) SFRS(I) 1

Upon adoption of SFRS(I) in 2018, the Group applied SFRS(I) 1 on 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 does not have a significant impact on the financial statements.

(ii) SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group has adopted SFRS(I) 15 in its financial statements for the year ended 31 December 2018, using the retrospective approach. As a result, the Group applied all of the requirements of SFRS(I) 15 retrospectively, except as described below, and the comparative period presented in the 2018 financial statements were restated.

The Group has used the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

The Group has used the practical expedients for variable considerations. This means that for contracts with variable consideration that were completed on or before the initial application date, the transaction price at the date of completion is used, rather than estimating the amount of variable consideration.

The Group has used the practical expedients for contract modifications. This means that for contracts that were modified before the beginning of the earliest period presented, the aggregate effect of all contract modifications when identifying separate performance obligations and determining and allocating the transaction price on transition are reflected.

The Group has used the practical expedients for performance obligation disclosures. This means that for periods presented before the initial application date, the amount of the transaction price allocated to the remaining performance obligations and an explanation of when that revenue was recognised are not disclosed.

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

(ii) SFRS(I) 15 (cont'd)

The key impacts for the adoption of SFRS(I) 15 are described below.

Long-term contracts

(a) Timing of revenue and cost recognition

The Group previously recognised revenue from long-term contracts using the percentage of completion method, provided the outcome of the contract can be reliably estimated. Under SFRS(I) 15, the Group determined its long-term contracts from its rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding under the Group's operating segment, to constitute a single performance obligation, due to the inter-dependence of services provided in these contracts.

The Group does not have an alternative use for the specialised assets which are built to customer order.

When the Group has an enforceable right to payment for performance completed to date or where the Group's performance creates or enhances an asset that the customer controls as the asset is being created or enhanced, the Group continues to recognise revenue on these long-term contracts over time. The costs associated to fulfil the performance obligation are expensed as control of goods or services is transferred to the customer over time.

When the right to payment for performance completed to date cannot be enforced due to non-enforceability of right to payment for performance completed to date, the revenue and related costs of sales are recognised only when the constructed assets are delivered to customers.

(b) Contract costs

For long term contracts where the stage of completion is determined by reference to surveys of work done, contract costs are recognised as an expense in profit or loss using the percentage of completion method prior to the adoption of SFRS(I) 15.

On adoption of SFRS(I) 15, the costs incurred to fulfil the satisfied performance obligation are recognised in profit or loss as control of goods or services to the customer is transferred over time. As there is no direct linkage between the costs being expensed and the output measure used to determine revenue, this may result in volatile contract margin over the life cycle of the contracts for the long-term contracts.

Where the control of goods and services to the customer is transferred at a future point in time, the costs incurred to fulfil the future performance obligation are capitalised as they are recoverable, and presented as "Contract costs" within the balance sheet. The costs capitalised are recognised in profit or loss when the performance obligation is satisfied.

Consideration payable to customer

The Group previously offset certain payments made to customers for purchase of goods against revenue. Upon the adoption of SFRS(I) 15, such payments are treated as consideration payable to customer, and are recognised as an expense instead.

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

(ii) SFRS(I) 15 (cont'd)

Long-term contracts (cont'd)

(b) Contract costs (cont'd)

Significant financing component

The Group has certain contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. In such cases, contract revenue contains a financing component. For contracts where financing components are determined to be significant, the transaction price is adjusted for the time value of money of the contracts.

(iii) SFRS(I) 9

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

Transition

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below:

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held.
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
  - The designation of investment in equity instruments that is not held for trading as at fair value through other comprehensive income (FVOCI).
  - The designation of investments in unit trusts and funds as at fair value through profit or loss.

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

(iii) SFRS(I) 9 (cont'd)

Transition (cont'd)

- New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 *Financial Instruments: Recognition and Measurement* at 31 December 2017 that meet the criteria for hedge accounting under SFRS(I) 9 at 1 January 2018 were regarded as continuing hedging relationships.

(a) Classification and measurement of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – equity instrument; or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under SFRS(I) 9, refer to Notes 3.6 and 3.13.

The following table and accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018.

The effect of adopting SFRS(I) 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

(iii) SFRS(I) 9 (cont'd)

(a) Classification and measurement of financial assets and financial liabilities (cont'd)

	Note	Original classification under FRS 39	New classification under SFRS(I) 9	Original carrying amount under FRS 39 $'000	New carrying amount under SFRS(I) 9 $'000
Group					
At 1 January 2018					
Financial assets					
Cash and cash equivalents		Loans and receivables	Amortised cost	1,301,000	1,301,000
Trade and other receivables	(a)	Loans and receivables	Amortised cost	704,155	702,845
Equity shares	(b)	Available-for-sale	FVOCI – equity instruments	20,842	20,842
Unit trusts	(c)	Available-for-sale	FVTPL – equity instruments	694	694
Fair value hedges – Firm commitments		Loans and receivables	Amortised cost	692	692
Cash flow hedges					
– Forward foreign currency contracts		Fair value – hedging instruments	Fair value – hedging instruments	57,037	57,037
– Interest rate swaps		Fair value – hedging instruments	Fair value – hedging instruments	456	456
				2,084,876	2,083,566

(a) Trade receivables that were classified as loans and receivables under FRS 39 are now classified at amortised cost. Amount due from customers on construction contracts of $73,607,000 was reclassified to trade receivables on the adoption of SFRS(I) 15. An increase of S$1,310,000 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to SFRS(I) 9.

(b) The Group elected to present in OCI the changes in fair value of the AFS equity securities that are held by the Group because these investments are not held for trading.

(c) The Group's investments in unit trusts and funds, which was previously classified as available-for-sale financial assets, have been classified as at FVTPL on the adoption of SFRS(I) 9, and the fair value reserve relating to the fair value changes of the unit trusts and funds have been reclassified to revenue reserves. The amount reclassified as at 1 January 2018 is approximately $447,000.

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

(iii) SFRS(I) 9 (cont'd)

(b) Impairment

SFRS(I) 9 replaces the previous 'incurred loss' model with a forward-looking expected credit loss (ECL) model. The new impairment model will apply to financial assets measured at amortised cost or FVOCI (except for investments in equity instruments).

The Group applies the simplified approach and records lifetime ECL on its trade and other receivables and contract assets arising from the application of SFRS(I) 15.

For assets in the scope of the SFRS(I) 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of SFRS(I) 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows.

	Group $'000
Loss allowance at 31 December 2017 under FRS 39	165,581
Additional impairment recognised at 1 January 2018	1,310
Loss allowance at 1 January 2018 under SFRS(I) 9	166,891

Additional information about how the Group and Company measure the allowance for impairment is described in Note 40 and 44.

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

(iii) SFRS(I) 9 (cont'd)

(c) Hedging

The Group has elected to adopt the new general hedge accounting model in SFRS(I) 9. This requires the Group to ensure that the hedging relationship are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assess hedge effectiveness.

Applicable to financial statements for the year 2019 and thereafter

The following new SFRS(I)s, amendments to and interpretations of SFRS(I)s are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Applicable to 2020 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).

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group's preliminary assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

(i) The Group as lessee

The Group and Company expect to measure lease liabilities by applying a single discount rate to their portfolio of warehouse and factory facilities leases. Furthermore, the Group and Company are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Group and Company are expected to use hindsight in determining the lease term.

The Group and Company expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments that are increased every five years 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 Group and Company expect an increase in ROU assets of $280,695,000, a decrease in property, plant and equipment of $67,375,000, an increase in lease liabilities of $331,626,000, a decrease in payables of $96,320,000 and a decrease in retained earnings of $21,986,000.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group's and the Company's finance leases. The Group and the Company do not expect the adoption of SFRS(I) 16 to impact their ability to maintain the Group's capital management ratio as described in Note 40.

46. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND ADOPTION OF NEW STANDARDS (CONT'D)

SFRS(I) 16 (cont'd)

(ii) The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

The Group and Company will reassess the classification of sub-leases in which the Group and Company are lessors. No significant impact is expected for other leases in which the Group and Company are lessors.

(iii) Transition

The Group and Company plan to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effects of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group and Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

(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 2018

Name of Director	Salary[1] $'000	Bonus Earned $'000	Fair value of share-based compensation granted for the year[2] $'000	Directors' Fees Cash-based[3] $'000	Directors' Fees Share-based[4] $'000	Brought Forward Bonus Bank[5] $'000
Payable by the Company:						
Tan Sri Mohd Hassan Marican	–	–	–	378	162	–
Wong Weng Sun	811	508	1,348	–	–	2,306
Ron Foo Siang Guan	–	–	–	134	57	–
Koh Chiap Khiong[3]	–	–	–	121	52	–
Eric Ang Teik Lim[3]	–	–	–	203	–	–
Gina Lee-Wan	–	–	–	121	52	–
Bob Tan Beng Hai	–	–	–	176	75	–
Neil McGregor[3]	–	–	–	102	43	–
William Tan Seng Koon	–	–	–	151	64	–
Patrick Daniel	–	–	–	78	33	–
Tan Wah Yeow	–	–	–	4	2	–
Ajaib Haridass	–	–	–	81	–	–
Lim Ah Doo	–	–	–	66	–	–

Name of Key Executive	Salary[1] $'000	Bonus Earned $'000	Fair value of share-based compensation granted for the year[2] $'000	Directors' Fees Cash-based $'000	Directors' Fees Share-based $'000	Brought Forward Bonus Bank[5] $'000
Wang Zijian	434	233	387	–	–	73
Goh Khor Boon William	413	161	387	–	–	252
William Gu	348	287	387	–	–	(85)
Tan Cheng Tat	353	94	168	–	–	8
Chua San Lye	323	173	387	–	–	6

Notes:

1. The amount shown is inclusive of basic salary, fixed allowances, AWS and other emoluments.
2. The fair value of the share plans granted for the year is disclosed. The shares granted to key executives are contingent upon meeting performance measures. If these performance measures are not met, the key executive will not be vested with any shares.
3. Cash portion of the Directors' fees for Mr Koh Chiap Khiong and Mr Neil McGregor, nominee Directors from Sembcorp Industries Ltd ("SCI"), will be paid to SCI. Mr Eric Ang Teik Lim's Director's fee will be paid entirely in cash to his employer, DBS Bank Ltd.

(UNDER SGX-ST LISTING MANUAL REQUIREMENTS)

A. DIRECTORS' AND KEY EXECUTIVES' REMUNERATION EARNED FOR THE YEAR (CONT'D)

4. To align the interests of the non-executive Directors with the interests of shareholders, up to 30% of the aggregate Directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010.

   For year 2018, the awards granted under the Sembcorp Marine Restricted Share Plan 2010 to all Directors as part of their Directors' fees (except for (i) Mr Wong Weng Sun, who is the President & CEO, and who does not receive any Directors' fees, and (ii) Mr Eric Ang Teik Lim) will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. These non-executive Directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer (currently S$75,000), any excess may be sold as desired. These non-executive Directors can dispose of all of the shares one year after leaving the Board.

   The actual number of shares to be awarded to each non-executive Director, (other than Mr Eric Ang Teik Lim) will be determined by reference to the volume-weighted average price of a share on the Singapore Exchange Securities Trading Limited (SGX-ST) over the 14 trading days immediately following the date of the Annual General Meeting. The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

5. The Brought Forward Bonus Bank is the outstanding balance of bonus as at 31 December 2018 (incorporating any adjustment made to the bank balance but excluding the bonus earned during the financial year). Typically, one-third of the accumulated bonus comprising Bonus Earned in the financial year and the Brought Forward Bonus is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the Bonus Bank.

Details on the share options, performance shares and restricted shares granted to the directors are set out in the Share-based Incentive Plans of the Directors' Report.

B. INTERESTED PERSON TRANSACTIONS

	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than $100,000)	
	2018 $'000	2017 $'000
Transaction for the Sales of Goods and Services		
PSA International Pte Ltd and its associates	–	3,996
Transaction for the Purchase of Goods and Services		
Sembcorp Industries Limited and its associates	–	106
Management and Support Services		
Sembcorp Industries Limited	250	250
Total Interested Person Transactions	250	4,352

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Gina Lee-Wan	Bob Tan Beng Hai	Wong Weng Sun	Patrick Daniel	Tan Wah Yeow
Date of Appointment	20 April 2015	20 April 2015	1 May 2009	20 April 2018	10 December 2018
Date of Last re-election	18 April 2016	18 April 2016	18 April 2016	N.A.	N.A.
Age	62	67	57	64	58
Country of principal residence	Singapore	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	N.A.	N.A.	N.A.	N.A.	N.A.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Executive (President & CEO)	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Member of: • Board Risk Committee • Special Committee	Chairman of: • Board Risk Committee • Special Committee Member of: • Executive Committee	Member of Executive Committee	Member of: • Audit Committee • Executive Resource & Compensation Committee	Member of Audit Committee
Professional Qualifications	Mrs Lee graduated from the University of Kent at Canterbury with B.A. Law (Hons) in 1979. She was then admitted to the Bar in England and Wales, Gray's Inn in 1980 and thereafter the Singapore Bar in 1981. 2019, Senior Accredited Specialist in Maritime and Shipping Law by the Singapore Academy of Law.	Mr Tan is a Fellow of the Institute of Chartered Accountants in England and Wales and the Singapore Institute of Directors.	Mr Wong holds a Bachelor of Mechanical Engineering (Marine) from Universiti Teknologi Malaysia and a Master of Business Administration from Oklahoma City University, USA.	Mr Daniel holds a BA (Honours) in Engineering Science and Economics from University College, Oxford and a Master of Public Administration from the John F. Kennedy School of Government at Harvard University.	Mr Tan holds a Bachelor of Science in Economics from the London School of Economics and Political Science. He is a Fellow of the Institute of Chartered Accountants of England & Wales and the Institute of Singapore Chartered Accountants.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Gina Lee-Wan	Bob Tan Beng Hai	Wong Weng Sun	Patrick Daniel	Tan Wah Yeow
Working experience and occupation(s) during the past 10 years	Allen & Gledhill LLP – Co-Head of the Maritime & Aviation practice	Mr Tan retired in 2005.	Sembcorp Marine Ltd: – President & Chief Executive Officer	Singapore Press Holdings: – Editor-in-Chief, English, Malay, Tamil Media Group – Deputy Chief Executive Officer	KPMG LLP Singapore – Deputy Managing Partner – Head of KPMG Asia-Pacific Healthcare Practice
Shareholding interest in the listed issuer and its subsidiaries	Mrs Lee is the holder of 69,800 ordinary shares in Sembcorp Marine Ltd	Mr Tan is the holder of 91,400 ordinary shares in Sembcorp Marine Ltd	Mr Wong is the holder of 3,637,934 ordinary shares in Sembcorp Marine Ltd	No	No
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	None	None	None
Conflict of interest (including any competing business)	No	No	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes	Yes
Past (for the last 5 years)	– Edge Group Pte. Ltd. – SEA Asia Singapore Pte. Ltd. – Singapore Maritime Foundation	– Singapore LNG Corporation Pte. Ltd. – SMRT Trains Ltd – SMRT Corporation Ltd	–	– Singapore Press Holdings subsidiaries	-Nil-
Present	Please refer to Mrs Lee's profile on page 51	Please refer to Mr Tan's profile on page 49	Please refer to Mr Wong's profile on page 48	Please refer to Mr Daniel's profile on page 52	Please refer to Mr Tan's profile on page 52

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Gina Lee-Wan	Bob Tan Beng Hai	Wong Weng Sun	Patrick Daniel	Tan Wah Yeow
Information required pursuant to Listing Rule 704(7) or Catalist Rule 707(6)					
(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	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Gina Lee-Wan	Bob Tan Beng Hai	Wong Weng Sun	Patrick Daniel	Tan Wah Yeow
Information required pursuant to Listing Rule 704(7) or Catalist Rule 707(6) (cont'd)					
(c) Whether there is any unsatisfied judgment against him?	No	No	No	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	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Gina Lee-Wan	Bob Tan Beng Hai	Wong Weng Sun	Patrick Daniel	Tan Wah Yeow
Information required pursuant to Listing Rule 704(7) or Catalist Rule 707(6) (cont'd)					
(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	No	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	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Gina Lee-Wan	Bob Tan Beng Hai	Wong Weng Sun	Patrick Daniel	Tan Wah Yeow
Information required pursuant to Listing Rule 704(7) or Catalist Rule 707(6) (cont'd)					
(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	No	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	No	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	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Gina Lee-Wan	Bob Tan Beng Hai	Wong Weng Sun	Patrick Daniel	Tan Wah Yeow
Information required pursuant to Listing Rule 704(7) or Catalist Rule 707(6) (cont'd)					
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :- (cont'd)					
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of Director	Gina Lee-Wan	Bob Tan Beng Hai	Wong Weng Sun	Patrick Daniel	Tan Wah Yeow
Disclosure applicable to appointment of Director only					
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.	N.A.	N.A.	N.A.

MAJOR PROPERTIES

Location	Description & Approximate Land Area	Tenure	Usage
Singapore Yards			
• Tanjong Kling Road	Land area: 491,056 m^2 Buildings, workshops, drydocks and quays	10 years leasehold 10 years renewal (JTC Land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydock, berthage and workshops
• Admiralty Road East/ Admiralty Road West	Land area: 860,716 m^2 Buildings, workshops, drydocks and quays	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	15 years leasehold (JTC Land)	Rig building, repairs, upgrading and fabrication including berthage and workshops
• Pandan Road	Land area: 9,182 m^2	30 years leasehold (JTC Land)	Steel fabrication and precision machining of components for offshore jack-up oil rigs
• Tuas Crescent	Land area: 58,226 m^2	9.5 years leasehold (JTC Land)	Fabrication of jack-up oil rigs and associated sub-structure modules
• Shipyard Road*	Land area: 63,300 m^2 Buildings, workshops and drydocks	22 months tenancy (JTC Land)	Ship repairs and shipbuilding including drydocks, berthage and workshops
• Tuas Road*	Land area: 59,942 m^2 Buildings, workshops, docks and quays	14 years leasehold (JTC Land)	Shipbuilding and fabrication including berthage and workshops
• Tuas South Boulevard Phase 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: 411,407.7 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	Drillships construction, building of semi-submersible rigs, FPSO integration, fabrication of topside modules, PSVs construction, drilling rig repairs and modification works
P.T. SMOE Indonesia			
• Batam Island, Indonesia	Land area: 815,036 m^2 Workshops, office buildings and 547 metres of jetty for modules load-out	30 years leaseholds	Workshops and fabrication facilities
Miscellaneous			
JPL Industries			
• Jurong Pier Road	Land area: 27,783 m^2	20 years leasehold (JTC Land)	Copper slag recycling
SES Engineering Sdn Bhd			
• Perindustrian Taman Johor, Johor Bahru	Land area: 5,235 m^2 Workshop and a 3-storey office building	Freehold	Metal Fabrication workshop
Sembmarine SLP Ltd			
• Lowestoft, Suffolk, UK	Land area: 55,000 m^2 Workshops and office building	Freehold and leasehold land ranging from 22 to 99 years	Workshops and fabrication facilities
Mendon Spring			
• Pasir Panjang	9 units of 3-room apartment with built-in area of 99 m^2 per unit	Freehold	Residential properties

SEMBCORP MARINE LTD
NOTICE OF ANNUAL GENERAL MEETING

(Incorporated in Singapore)
Company Registration No. 196300098Z

NOTICE IS HEREBY GIVEN THAT the 56th Annual General Meeting of Sembcorp Marine Ltd (the "Company") will be held at Stephen Riady Auditorium@NTUC, NTUC Centre, Level 7, One Marina Boulevard, Singapore 018989 on Tuesday, 16 April 2019 at 11.00 am to transact the following business:

ROUTINE BUSINESS

1.	To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December 2018 and the Auditors' Report thereon.	**Resolution 1**
2.	To re-elect the following directors, each of whom will retire by rotation pursuant to article 94 of the Company's Constitution and who, being eligible, has offered herself/himself for re-election:	
	(a) Mrs Gina Lee-Wan	**Resolution 2**
	(b) Mr Bob Tan Beng Hai	**Resolution 3**
	(c) Mr Wong Weng Sun	**Resolution 4**
3.	To re-elect the following directors, each of whom will cease to hold office pursuant to article 100 of the Company's Constitution and who, being eligible, has offered himself for re-election:	
	(a) Mr Patrick Daniel	**Resolution 5**
	(b) Mr Tan Wah Yeow	**Resolution 6**
4.	To approve directors' fees of up to S$2,300,000 for the year ending 31 December 2019 (2018: up to S$2,500,000).	**Resolution 7**
5.	To re-appoint KPMG LLP as the auditors of the Company and to authorise the directors to fix their remuneration.	**Resolution 8**

SPECIAL BUSINESS

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

6. **Renewal of Share Issue Mandate** — **Resolution 9**

That authority be and is hereby given to the directors to:

(a) (i) issue shares of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the directors may, in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 5% of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue or consolidation or subdivision of shares;

and, in paragraph (1) above and this paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

7. **Renewal of Share Plan Mandate** **Resolution 10**

That approval be and is hereby given to the directors to:

(a) grant awards in accordance with the provisions of the Sembcorp Marine Performance Share Plan 2010 (the "**Performance Share Plan**") and/or the Sembcorp Marine Restricted Share Plan 2010 (the "**Restricted Share Plan**") (the Performance Share Plan and the Restricted Share Plan, together the "**Share Plans**"); and

(b) allot and issue from time to time such number of ordinary shares of the Company as may be required to be delivered pursuant to the vesting of awards under the Share Plans,

provided that:

(1) the aggregate number of (i) new ordinary shares allotted and issued and/or to be allotted and issued, (ii) existing ordinary shares (including shares held in treasury) delivered and/or to be delivered, and (iii) ordinary shares released and/or to be released in the form of cash in lieu of ordinary shares, pursuant to the Share Plans, shall not exceed 7% of the total number of issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) from time to time; and

(2) the aggregate number of ordinary shares under awards to be granted pursuant to the Share Plans during the period commencing from this Annual General Meeting and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 1% of the total number of issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) from time to time,

and in this Resolution, "subsidiary holdings" has the meaning given to it in the Listing Manual of the Singapore Exchange Securities Trading Limited.

8. **Modifications to, and Renewal of, IPT Mandate** **Resolution 11**

That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("**Chapter 9**") of the Singapore Exchange Securities Trading Limited, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in Appendix 1 to the Company's Letter to Shareholders dated 1 April 2019 (the "**Letter**") with any party who is of the class of interested persons described in Appendix 1 to the Letter, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;

(b) the approval given in paragraph (a) above (the "**IPT Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

(c) the directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

9. **Renewal of Share Purchase Mandate** **Resolution 12**

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the "**Companies Act**"), the exercise by the directors of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and/or any other securities exchange on which the Shares may for the time being be listed and quoted ("**Other Exchange**"); and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, the Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange, as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the directors pursuant to the Share Purchase Mandate may be exercised by the directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held;

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; and

(iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"**Average Closing Price**" means the average of the last dealt prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST or, as the case may be, the Other Exchange, immediately preceding the date of market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five-day period;

"**date of the making of the offer**" means the date on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the off-market purchase;

"**Maximum Limit**" means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of the SGX-ST)); and

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed, whether pursuant to a market purchase or an off-market purchase, 105% of the Average Closing Price of the Shares; and

(d) the directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

By Order of the Board

Tan Yah Sze/Chay Suet Yee
Company Secretaries
Sembcorp Marine Limited

1 April 2019
Singapore

Explanatory Notes:

Resolutions 2 to 6 – Detailed information on these directors can be found under the Board of Directors, Corporate Governance Report and Supplementary Information sections in the Annual Report 2018.

Resolution 2 – Resolution 2 is to approve the re-election of Mrs Gina Lee-Wan, who will retire under article 94 of the Company's Constitution, as a director of the Company. Upon re-election, Mrs Lee will remain as a member of the Board Risk Committee and a member of the Special Committee. Mrs Lee is considered an independent director.

Resolution 3 – Resolution 3 is to approve the re-election of Mr Bob Tan Beng Hai, who will retire under article 94 of the Company's Constitution, as a director of the Company. Upon re-election, Mr Tan will remain as Chairman of the Board Risk Committee, Chairman of the Special Committee and a member of the Executive Committee. Mr Tan is considered an independent director.

Resolution 4 – Resolution 4 is to approve the re-election of Mr Wong Weng Sun, who will retire under article 94 of the Company's Constitution, as a director of the Company. Upon re-election, Mr Wong will remain as the President & CEO of the Company and a member of the Executive Committee. Mr Wong is considered a non-independent director.

Resolution 5 – Resolution 5 is to approve the re-election of Mr Patrick Daniel, who will cease to hold office under article 100 of the Company's Constitution, as a director of the Company. Upon re-election, Mr Daniel will remain as a member of the Audit Committee and a member of the Executive Resource & Compensation Committee. Mr Daniel is considered an independent director.

Resolution 6 – Resolution 6 is to approve the re-election of Mr Tan Wah Yeow, who will cease to hold office under article 100 of the Company's Constitution, as a director of the Company. Upon re-election, Mr Tan will remain as a member of the Audit Committee. Mr Tan is considered an independent director.

Resolution 7 – Resolution 7 is to approve the payment of an aggregate amount of S$2,300,000 as directors' remuneration for the non-executive directors of the Company for the year ending 31 December 2019. The amount of directors' fees is computed based on the anticipated number of board and committee meetings for year 2019, assuming full attendance by all of the non-executive directors. In the event that the amount proposed is insufficient, approval will be sought at the next Annual General Meeting in year 2020 ("**2020 AGM**") before payments are made to directors for the shortfall. Directors and their associates will abstain from voting on Resolution 7.

The amount of directors' remuneration approved at the Annual General Meeting in year 2018 was S$2,500,000. The total amount of directors' remuneration paid to the directors in year 2018 was S$2,155,375, full details of which can be found on page 332 of the Annual Report 2018.

The current intention is that the directors' fees for the non-executive directors for year 2019 will comprise a cash component and a share component, with up to 30% being paid out in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010 (including any extension) or new/replacement plan. Any such award would typically consist of the grant of fully paid shares outright with no performance or vesting conditions attached, but with a selling moratorium. Under the directors' fee framework (which is set out on page 93 of the Annual Report 2018), non-executive directors are required to hold shares (including shares obtained by other means) worth at least the value of their basic retainer fee of S$75,000; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The cash component of the directors' fees for year 2019 is intended to be paid half-yearly in arrears. The share component of the directors' fees for year 2019 is intended to be paid after the 2020 AGM has been held. The actual number of shares to be awarded to each non-executive director holding office at the time of the payment is intended to be determined by reference to the volume-weighted average price of a share on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the 2020 AGM (or, if no final dividend is proposed at the 2020 AGM, or the resolution to approve any such final dividend is not approved at the 2020 AGM, over the 14 trading days immediately following the date of the 2020 AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. A non-executive director who steps down before the payment of the share component will receive all of his directors' fees for year 2019 (calculated on a pro-rated basis, where applicable) in cash.

Resolution 9 – Resolution 9 is to empower the directors to issue shares of the Company and to make or grant Instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such Instruments, up to a number not exceeding 50% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings), of which up to 5% may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) at the time that Resolution 9 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 9 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares. As at 5 March 2019 (the "**Latest Practicable Date**"), the Company had 1,155,848 treasury shares and no subsidiary holdings.

Resolution 10 – Resolution 10 is to empower the directors to offer and grant awards pursuant to the Sembcorp Marine Performance Share Plan 2010 and the Sembcorp Marine Restricted Share Plan 2010 (collectively, the "**Share Plans**") and to issue ordinary shares of the Company pursuant to the vesting of awards granted pursuant to the Share Plans provided that: (a) the aggregate number of (i) new ordinary shares allotted and issued and/or to be allotted and issued, (ii) existing ordinary shares (including shares held in treasury) delivered and/or to be delivered, and (iii) ordinary shares released and/or to be released in the form of cash in lieu of ordinary shares, pursuant to the Share Plans, shall not exceed 7% of the total number of issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) from time to time; and (b) the aggregate number of ordinary shares under awards to be granted pursuant to the Share Plans during the period commencing from this Annual General Meeting and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 1% of the total number of issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) from time to time. Approval for the adoption of the Share Plans was given by shareholders at an Extraordinary General Meeting of the Company held on 20 April 2010. The grant of awards under the Share Plans will be made in accordance with their respective provisions.

Resolution 11 – Resolution 11 is to renew the mandate, as proposed to be modified, to enable the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual), or any of them, to enter into certain interested person transactions with specified classes of interested persons, as described in the Letter to Shareholders dated 1 April 2019 (the "**Letter**"). The proposed modifications are to expand certain of the general transactions which the EAR Group (as defined in Appendix 1 to the Letter) may enter into with Interested Persons (as defined in Appendix 1 to the Letter), in order to accommodate the overall expansion and growth of the EAR Group's activities and product range and also to align with the EAR Group's current presentation of its key businesses. Please refer to the Letter for more details.

Resolution 12 – Resolution 12 is to renew the mandate to enable the Company to purchase or otherwise acquire issued ordinary shares of the Company, on the terms and subject to the conditions set out in the resolution.

The Company intends to use internal and/or external sources of funds to finance the purchase or acquisition of its ordinary shares. The amount of financing required for the Company to purchase or acquire its ordinary shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of ordinary shares purchased or acquired, the price at which such ordinary shares were purchased or acquired and whether the ordinary shares purchased or acquired are held in treasury or cancelled.

Based on the existing issued ordinary shares as at the Latest Practicable Date and excluding any ordinary shares held in treasury, the purchase by the Company of 10% of its issued ordinary shares (and disregarding the 1,155,848 ordinary shares held in treasury) will result in the purchase or acquisition of 208,860,425 ordinary shares.

In the case of both market purchases and off-market purchases by the Company and assuming that the Company purchases or acquires the 208,860,425 ordinary shares at the Maximum Price of S$1.80 for one ordinary share (being the price equivalent to 105% of the average of the last dealt prices of the ordinary shares for the five consecutive market days on which the ordinary shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 208,860,425 ordinary shares is S$375,948,765.

The financial effects of the purchase or acquisition of such ordinary shares by the Company pursuant to the proposed Share Purchase Mandate on the audited financial statements of the Group and the Company for the financial year ended 31 December 2018 based on these assumptions are set out in paragraph 3.7 of the Letter.

Please refer to the Letter for more details.

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be lodged at the office of the Company's Share Registrar, KCK Corpserve Pte. Ltd., at 333 North Bridge Road #08-00, KH Kea Building, Singapore 188721 not less than 72 hours before the time appointed for holding the Annual General Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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sembcorp marine

PROXY FORM

Sembcorp Marine Ltd
(Incorporated in Singapore)
Company Registration No. 196300098Z

IMPORTANT
1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in Sembcorp Marine Ltd, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

PERSONAL DATA PRIVACY
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 1 April 2019.

I/We ______________________ (Name) ______________________ (NRIC/Passport/Co Regn No.)

of ____ (Address)

being a member/members of Sembcorp Marine Ltd (the "Company") hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the 56th Annual General Meeting of the Company to be held at Stephen Riady Auditorium@NTUC, NTUC Centre, Level 7, One Marina Boulevard, Singapore 018989 on Tuesday, 16 April 2019 at 11.00 am and at any adjournment thereof.

(Voting will be conducted by poll. Please indicate with a "√" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of the 56th 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 56th Annual General Meeting.)

No.	Ordinary Resolutions	For	Against
	Routine Business		
1	To adopt the Directors' Statement and Audited Financial Statements		
2	To re-elect Mrs Gina Lee-Wan		
3	To re-elect Mr Bob Tan Beng Hai		
4	To re-elect Mr Wong Weng Sun		
5	To re-elect Mr Patrick Daniel		
6	To re-elect Mr Tan Wah Yeow		
7	To approve directors' fees for the year ending 31 December 2019		
8	To re-appoint KPMG LLP as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
9	To approve the renewal of the Share Issue Mandate		
10	To approve the renewal of the Share Plan Mandate		
11	To approve the modifications to, and renewal of, the Interested Person Transactions Mandate		
12	To approve the renewal of the Share Purchase Mandate		

Total Number of Shares Held	

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

Date

IMPORTANT: PLEASE READ NOTES OVERLEAF

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Notes:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be lodged at the office of the Company's Share Registrar, KCK Corpserve Pte. Ltd., at 333 North Bridge Road #08-00, KH Kea Building, Singapore 188721 not less than 72 hours before the time appointed for the Annual General Meeting.
5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting in person at the Annual General Meeting if he finds that he is able to do so. In such event, the relevant instrument appointing a proxy or proxies will be deemed to be revoked.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where 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. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by 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.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

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