

# FINANCIAL STATEMENTS

Directors' Statement	162	Shareholders' Information	338
Independent Auditors' Report	177	Governance Disclosure Guide	340
Balance Sheets	178	Corporate Information	352
Consolidated Income Statement	180	Notice of Annual General Meeting	353
Consolidated Statement of Comprehensive Income	181	Proxy Form	363
Consolidated Statement of Changes in Equity	182	Financial Calendar	Inside Back Cover
Consolidated Statement of Cash Flows	190		
Notes to the Financial Statements	193		
Supplementary Information	334		
EVA Statement	337		

# DIRECTORS' STATEMENT

Year ended December 31, 2015

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 December 31, 2015.

In our opinion:

- the financial statements set out on pages 178 to 333 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 December 31, 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- 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:

Ang Kong Hua  
Tang Kin Fei  
Bobby Chin Yoke Choong  
Margaret Lui  
Tan Sri Mohd Hassan Marican  
Tham Kui Seng  
Dr Teh Kok Peng  
Ajaib Haridass  
Neil McGregor  
Nicky Tan Ng Kuang (appointed on November 1, 2015)

## Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore 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 held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominee			Other shareholdings in which the director is deemed to have an interest		
		At			At		
		beginning of the year	At end of the year	At 21/01/2016	beginning of the year	At end of the year	At 21/01/2016
<b>Ang Kong Hua</b>							
Sembcorp Industries Ltd	Ordinary shares (Note 1)	70,500	121,600	121,600	–	–	–
<b>Tang Kin Fei</b>							
Sembcorp Industries Ltd	Ordinary shares (Note 2)	5,499,486	5,688,006	5,688,006	–	–	–
	Conditional award of: – 400,000 performance shares to be delivered after 2014 (Note 3a)	Up to 600,000	–	–	–	–	–

## Directors' Interests (cont'd)

Name of director and corporation in which interests held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominee			Other shareholdings in which the director is deemed to have an interest		
		At			At		
		beginning of the year	At end of the year	At 21/01/2016	beginning of the year	At end of the year	At 21/01/2016
<b>Tang Kin Fei (cont'd)</b>	Conditional award of: Sembcorp Industries Ltd (cont'd)						
	– 300,000 performance shares to be delivered after 2015 (Note 3b)	Up to 450,000	Up to 450,000	Up to 450,000	–	–	–
	– 300,000 performance shares to be delivered after 2016 (Note 3c)	Up to 450,000	Up to 450,000	Up to 450,000	–	–	–
	– 350,000 performance shares to be delivered after 2017 (Note 3d)	–	Up to 525,000	Up to 525,000	–	–	–
	– 126,000 restricted shares to be delivered after 2012 (Note 4a)	57,120	–	–	–	–	–
	– 126,000 restricted shares to be delivered after 2013 (Note 4b)	126,000	63,000	63,000	–	–	–
	– 180,000 restricted shares to be delivered after 2014 (Note 4c)	Up to 270,000	Up to 136,800	Up to 136,800	–	–	–
	– 180,000 restricted shares to be delivered after 2015 (Note 4d)	Up to 270,000	Up to 270,000	Up to 270,000	–	–	–
	– 230,000 restricted shares to be delivered after 2016 (Note 4e)	–	Up to 345,000	Up to 345,000	–	–	–
	Subordinated Perpetual Securities issued on August 21, 2013 under the S\$2 Billion Multicurrency Debt Issuance Programme	Principal amount: S\$1,000,000	Principal amount: S\$1,000,000	Principal amount: S\$1,000,000	–	–	–
Sembcorp Marine Ltd	Ordinary shares	249,470	272,270	272,270	–	–	–

## DIRECTORS' STATEMENT

Year ended December 31, 2015

### Directors' Interests (cont'd)

Name of director and corporation in which interests held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominee			Other shareholdings in which the director is deemed to have an interest		
		At			At		
		beginning of the year	At end of the year	At 21/01/2016	beginning of the year	At end of the year	At 21/01/2016
<b>Tang Kin Fei (cont'd)</b>							
Sembcorp Financial Services Pte Ltd	Fixed Rate Notes due 2020 issued under the S\$2 Billion Multicurrency Debt Issuance Programme (Note 5)	Principal amount: S\$500,000	Principal amount: S\$500,000	Principal amount: S\$500,000	-	-	-
<b>Bobby Chin Yoke Choong</b>							
Sembcorp Industries Ltd	Ordinary shares	55,600	68,500	68,500	-	-	-
<b>Margaret Lui</b>							
Sembcorp Industries Ltd	Ordinary shares	28,100	40,500	40,500	-	-	-
<b>Tan Sri Mohd Hassan Marican</b>							
Sembcorp Industries Ltd	Ordinary shares (Note 6)	29,600	41,000	41,000	-	-	-
Sembcorp Marine Ltd	Ordinary shares (Note 6)	30,200	80,300	80,300	-	-	-
<b>Tham Kui Seng</b>							
Sembcorp Industries Ltd	Ordinary shares	15,500	24,900	24,900	-	-	-
<b>Dr Teh Kok Peng</b>							
Sembcorp Industries Ltd	Ordinary shares	8,700	19,400	19,400	-	-	-
Sembcorp Marine Ltd	Ordinary shares	40,000	40,000	40,000	-	-	-
<b>Ajaib Haridass</b>							
Sembcorp Industries Ltd	Ordinary shares	-	5,800	5,800	-	-	-
Sembcorp Marine Ltd	Ordinary shares	713,910	739,810	739,810	-	-	-
<b>Neil McGregor</b>							
Sembcorp Industries Ltd	Ordinary shares	-	5,300	5,300	-	-	-

Note 1: Of the 121,600 Sembcorp Industries Ltd (SCI) shares, 70,500 shares are held in the name of DBS Nominees Pte Ltd.

Note 2: Of the 5,688,006 SCI shares, 1,000,000 shares are held in the name of DBS Nominees Pte Ltd and 1,000,000 shares are held in the name of Citibank Nominees Singapore Pte Ltd.

Note 3: 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.

- Period from 2012 to 2014<sup>1</sup>
- Period from 2013 to 2015
- Period from 2014 to 2016
- Period from 2015 to 2017

<sup>1</sup> For this period, no SCI shares were released to Tang Kin Fei under the Performance Share Plan (PSP) scheme as the targets were not met.

### Directors' Interests (cont'd)

Note 4: The actual number to be delivered will depend on the achievement of set targets at the end of the 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.

- Period from 2011 to 2012<sup>1</sup>
- Period from 2012 to 2013<sup>2</sup>
- Period from 2013 to 2014<sup>3</sup>
- Period from 2014 to 2015
- Period from 2015 to 2016

<sup>1</sup> For this period, 57,120 SCI shares (the final release of the 1/3 of the 171,360 shares) were vested under the award to Tang Kin Fei on March 27, 2015. The 1st and 2nd release of 57,120 shares each have been vested in 2013 and 2014 respectively.

<sup>2</sup> For this period, 63,000 SCI shares (2nd release of the 1/3 of the 189,000 shares) were vested under the award to Tang Kin Fei on March 27, 2015 and the remaining 63,000 shares will be vested in 2016. The 1st release of 63,000 shares has been vested on March 27, 2014.

<sup>3</sup> For this period, 68,400 SCI shares (1st release of the 1/3 of the 205,200 shares) were vested under the award to Tang Kin Fei on March 27, 2015 and the remaining 136,800 shares will be vested in 2016 and 2017.

Note 5: Fixed Rate Notes issued under the S\$2 Billion Multicurrency Debt Issuance Programme of Sembcorp Industries Ltd and Sembcorp Financial Services Pte Ltd, a related company of Sembcorp Industries Group.

Note 6: The 41,000 SCI shares and 80,300 Sembcorp Marine Ltd shares are held in the name of Citibank Nominees Singapore Pte Ltd.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or 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 January 21, 2016.

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

Except as disclosed in Notes 28(a) and 35 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 (SCI PSP 2010) and Restricted Share Plan (SCI RSP 2010) (collectively, the "2010 Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on April 22, 2010. The 2010 Share Plans replaced the Share Plans which were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on June 5, 2000 and expired in 2010.

The Executive Resource & 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:

Ang Kong Hua (Chairman)  
Margaret Lui  
Tan Sri Mohd Hassan Marican  
Dr Teh Kok Peng (appointed on April 22, 2015)

The SCI RSP 2010 is the incentive scheme for directors and employees of the Group whereas the SCI PSP 2010 is aimed primarily at key executives of the Group.

## DIRECTORS' STATEMENT

Year ended December 31, 2015

### Share-based Incentive Plans (cont'd)

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 SCI RSP 2010 is intended to apply to a broad base of senior executives as well as to the non-executive directors, while the SCI 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 SCI RSP 2010 and the SCI 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 associated companies over which the Company has operational control.

A participant's awards under the 2010 Share Plans will be determined at the sole discretion of the Committee. In considering an award to be granted to a participant, the Committee may take into account, *inter alia*, the participant's performance during the relevant period, and his capability, entrepreneurship, scope of responsibility and skill set.

Other information regarding the 2010 Share Plans and Share Option Plan is as follows:

#### a. Share Option Plan

Under the rules of the Share Option Plan, participants who ceased to be employed by the Group or the associated company by reason of ill health, injury or disability, redundancy, retirement at or after the legal retirement age, retirement before the legal retirement age, death, etc., or any other event approved by the Committee, may be allowed by the Committee to retain their unexercised options. The Committee may determine the number of shares comprised in that option which may be exercised and the period during which such option shall be exercisable, being a period not later than the expiry of the exercise period in respect of that option. Such option may be exercised at any time notwithstanding that the date of exercise of such option falls on a date prior to the first day of the exercise period in respect of such option.

Other information regarding the Share Option Plan is as follows:

- i. The exercise price of the options can be set at market price or a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. Market price is the volume-weighted average price for the shares on the Singapore Exchange Securities Trading Limited (SGX-ST) over the three consecutive trading days prior to grant date of that option. For all options granted to date, the exercise prices are set at market price.

### Share-based Incentive Plans (cont'd)

#### a. Share Option Plan (cont'd)

- ii. After the first 12 months of lock-out period, the Group imposed a further vesting of 4 years for managers and above for retention purposes.
- iii. In 2015 and 2014, all options were settled by the issuance of treasury shares.
- iv. The options granted expire after 5 years for non-executive directors and associated company's employees, and 10 years for the employees of the Group. There are no outstanding share options for non-executive directors.
- v. All options will expire on June 9, 2016.
- vi. Sembcorp Industries Ltd Share Option Plan  
At the end of the financial year, details of the options granted under the Share Option Plan on unissued ordinary shares of the Company are as follows:

#### Sembcorp Industries Ltd Ordinary shares 2015

Date of grant of options	Exercise price per share	Options							Exercise period
		Options		cancelled /		Options	Options	Options	
		exercised	outstanding	lapsed /	not exercised	outstanding	exercisable	exercisable	
		Jan 1, 2015		Dec 31, 2015	Jan 1, 2015	Dec 31, 2015			
01/07/2005	S\$2.37	121,250	(71,000)	(50,250)	–	121,250	–	02/07/2006 to 01/07/2015	
21/11/2005	S\$2.36	176,750	(94,000)	(82,750)	–	176,750	–	22/11/2006 to 21/11/2015	
09/06/2006	S\$2.52	373,299	(53,750)	–	319,549	373,299	319,549	10/06/2007 to 09/06/2016	
		<b>671,299</b>	<b>(218,750)</b>	<b>(133,000)</b>	<b>319,549</b>	<b>671,299</b>	<b>319,549</b>		

#### 2014

Date of grant of options	Exercise price per share	Options							Exercise period
		Options		cancelled /		Options	Options	Options	
		exercised	outstanding	lapsed /	not exercised	outstanding	exercisable	exercisable	
		Jan 1, 2014		Dec 31, 2014	Jan 1, 2014	Dec 31, 2014			
17/05/2004	S\$0.99	26,500	(3,625)	(22,875)	–	26,500	–	18/05/2005 to 17/05/2014	
22/11/2004	S\$1.16	29,375	(5,875)	(23,500)	–	29,375	–	23/11/2005 to 22/11/2014	
01/07/2005	S\$2.37	139,875	(15,625)	(3,000)	121,250	139,875	121,250	02/07/2006 to 01/07/2015	
21/11/2005	S\$2.36	217,625	(36,875)	(4,000)	176,750	217,625	176,750	22/11/2006 to 21/11/2015	
09/06/2006	S\$2.52	809,049	(431,750)	(4,000)	373,299	809,049	373,299	10/06/2007 to 09/06/2016	
		<b>1,222,424</b>	<b>(493,750)</b>	<b>(57,375)</b>	<b>671,299</b>	<b>1,222,424</b>	<b>671,299</b>		

## DIRECTORS' STATEMENT

Year ended December 31, 2015

### Share-based Incentive Plans (cont'd)

#### a. Share Option Plan (cont'd)

##### vi. Sembcorp Industries Ltd Share Option Plan (cont'd)

The details of options of the Company awarded / exercised since commencement of the Scheme (aggregate) to December 31, 2015 are as follows:

Option participants	Aggregate options			
	Aggregate options granted	cancelled / lapsed / not accepted	Aggregate options exercised	Aggregate options outstanding
<b>Directors</b>				
Ang Kong Hua	–	–	–	–
Tang Kin Fei	3,444,052	(607,759) <sup>1</sup>	(2,836,293)	–
Goh Geok Ling (retired on April 21, 2015)	370,000	–	(370,000)	–
Evert Henkes (retired on April 21, 2015)	94,000	–	(94,000)	–
Bobby Chin Yoke Choong	–	–	–	–
Margaret Lui	–	–	–	–
Tan Sri Mohd Hassan Marican	–	–	–	–
Tham Kui Seng	–	–	–	–
Dr Teh Kok Peng	–	–	–	–
Ajaib Haridass	–	–	–	–
Neil McGregor	–	–	–	–
Nicky Tan Ng Kuang	–	–	–	–
<b>Other executives</b>				
Group	149,771,742	(69,559,413)	(79,892,780)	319,549
Associated company	748,600	(215,100)	(533,500)	–
Parent Group <sup>2</sup>	378,500	(113,000)	(265,500)	–
<b>Former directors of the Company</b>	10,641,578	(2,383,328)	(8,258,250)	–
<b>Total</b>	<b>165,448,472</b>	<b>(72,878,600)</b>	<b>(92,250,323)</b>	<b>319,549</b>

1. Options lapsed due to replacement of 1999 options and expiry of earlier options.

2. Parent Group refers to former employees of Singapore Technologies Pte Ltd. No options were granted to former employees of Singapore Technologies Pte Ltd since 2005.

Since the commencement of the Share Option Plan, no options have been granted to the controlling shareholders of the Company or their associates. No participant under the Share Option Plan has been granted 5% or more of the total options available. No options have been offered at a discount.

The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any company.

### Share-based Incentive Plans (cont'd)

#### a. Share Option Plan (cont'd)

##### vii. Share options of a listed subsidiary

At the end of the financial year, details of the options granted under the Share Option Plan on unissued ordinary shares of Sembcorp Marine Ltd are as follows:

#### Sembcorp Marine Ltd Ordinary shares 2015

Date of grant of options	Exercise price per share	Options outstanding		Options cancelled / lapsed / not accepted		Options exercisable		Exercise period
		at Jan 1, 2015	at Dec 31, 2015	at Dec 31, 2015	at Dec 31, 2015	at Jan 1, 2015	at Dec 31, 2015	
11/08/2005	S\$2.11	667,190	(392,000)	(275,190)	–	667,190	–	12/08/2006 to 11/08/2015
02/10/2006	S\$2.38	1,009,312	(22,000)	(14,000)	973,312	1,009,312	973,312	03/10/2007 to 02/10/2016
		<b>1,676,502</b>	<b>(414,000)</b>	<b>(289,190)</b>	<b>973,312</b>	<b>1,676,502</b>	<b>973,312</b>	

#### 2014

Date of grant of options	Exercise price per share	Options outstanding		Options cancelled / lapsed / not accepted		Options exercisable		Exercise period
		at Jan 1, 2014	at Dec 31, 2014	at Dec 31, 2014	at Dec 31, 2014	at Jan 1, 2014	at Dec 31, 2014	
10/08/2004	S\$0.74	168,710	(129,760)	(38,950)	–	168,710	–	11/08/2005 to 10/08/2014
11/08/2005	S\$2.11	857,140	(173,500)	(16,450)	667,190	857,140	667,190	12/08/2006 to 11/08/2015
02/10/2006	S\$2.38	1,134,329	(109,617)	(15,400)	1,009,312	1,134,329	1,009,312	03/10/2007 to 02/10/2016
		<b>2,160,179</b>	<b>(412,877)</b>	<b>(70,800)</b>	<b>1,676,502</b>	<b>2,160,179</b>	<b>1,676,502</b>	

#### b. Performance Share Plan

Under the Performance Share Plan (SCI PSP 2010), the awards granted conditional on performance targets are set based on medium-term corporate objectives at the start of each rolling three-year performance qualifying period. A specific number of performance shares shall be awarded at the end of the three-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset.

The performance levels were calibrated based on Wealth Added and Total Shareholder Return. For awards granted from 2014 onwards, the performance levels were calibrated based on Wealth Added, Total Shareholder Return and Earnings per share. 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.

## DIRECTORS' STATEMENT

Year ended December 31, 2015

### Share-based Incentive Plans (cont'd)

#### b. Performance Share Plan (cont'd)

To create alignment between senior management and other employees at the time of vesting, SCI PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2015 to 2017 will be vested to the senior management participants only if the restricted shares for the performance period 2016 to 2017 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.

##### i. Sembcorp Industries Ltd Performance Shares

The details of the movement of the performance shares of Sembcorp Industries Ltd awarded during the financial year since commencement of the Performance Share Plan (aggregate) are as follows:

Performance shares participants	Movements during the year					
	At Jan 1	Additional performance		Performance		At Dec 31
		shares awarded	shares awarded arising from targets met	shares lapsed arising from targets not met	Conditional performance shares released	
<b>2015</b>						
<b>Director of the Company:</b>						
Tang Kin Fei	1,000,000	350,000	–	(400,000)	–	950,000
<b>Key executives of the Group</b>	1,004,861	481,250	–	(354,861)	–	1,131,250
	<b>2,004,861</b>	<b>831,250</b>	–	<b>(754,861)</b>	–	<b>2,081,250</b>
<b>2014</b>						
<b>Director of the Company:</b>						
Tang Kin Fei	1,100,000	300,000	–	(148,000)	(252,000)	1,000,000
<b>Key executives of the Group</b>	1,069,723	325,000	–	(144,249)	(245,613)	1,004,861
	<b>2,169,723</b>	<b>625,000</b>	–	<b>(292,249)</b>	<b>(497,613)</b>	<b>2,004,861</b>

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2012 to 2014 (2014: performance period 2011 to 2013), no performance shares were released via the issuance of treasury shares (2014: 497,613).

In 2015, 754,861 (2014: 292,249) performance shares were lapsed for under-achievement of the performance targets for the performance period 2012 to 2014 (2014: 2011 to 2013).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2015, was 2,081,250 (2014: 2,004,861). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,121,875 (2014: 3,007,292) performance shares.

### Share-based Incentive Plans (cont'd)

#### b. Performance Share Plan (cont'd)

##### ii. Performance shares of a listed subsidiary

The details of the movement of the performance shares of Sembcorp Marine Ltd awarded during the year are as follows:

	2015	2014
At January 1	<b>2,810,000</b>	1,915,000
Conditional performance shares awarded	<b>1,215,000</b>	1,480,000
Conditional performance shares lapsed	<b>(150,000)</b>	(62,225)
Performance shares lapsed arising from targets not met	<b>(675,000)</b>	(360,715)
Conditional performance shares released	–	(162,060)
At December 31	<b>3,200,000</b>	2,810,000

No performance shares of Sembcorp Marine Ltd were awarded to the directors of the Company.

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2012 to 2014 (2014: 2011 to 2013), no performance shares were released via the issuance of treasury shares (2014: 162,060).

In 2015, 675,000 (2014: 360,715) performance shares were lapsed for under-achievement of the performance targets for the performance period 2012 to 2014 (2014: 2011 to 2013).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at December 31, 2015, was 3,200,000 (2014: 2,810,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 4,800,000 (2014: 4,215,000) performance shares.

#### c. Restricted Share Plan

Under the Restricted Share Plan (SCI 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 Total Assets (excluding Sembcorp Marine Ltd) and Group Profit from Operations (excluding Sembcorp Marine Ltd) for awards granted in 2015.

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 SCI 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 Challenge Bonus.

A specific number of restricted shares shall be awarded at the end of the two-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset. There is a further vesting 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 two-year performance cycle, with no further vesting conditions.

Senior management participants are required to hold a minimum percentage of the shares released to them under the Restricted Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

## DIRECTORS' STATEMENT

Year ended December 31, 2015

### Share-based Incentive Plans (cont'd)

#### c. Restricted Share Plan (cont'd)

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 SCI RSP 2010.

From 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Mr Tang Kin Fei, who is the Group President & CEO, and who does not receive any directors' fees). In 2015 and 2014, 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 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. A non-executive director who steps down before the payment of the share component will receive all of his director's fees for the year (calculated on a pro-rated basis, where applicable) in cash.

#### i. Sembcorp Industries Ltd Restricted Shares

The details of the movement of the restricted shares of Sembcorp Industries Ltd awarded during the year are as follows:

Restricted shares participants	Movements during the year					At Dec 31
	Additional restricted					
	At Jan 1	Conditional restricted shares awarded	shares arising from targets met	Conditional restricted shares released	Conditional restricted shares lapsed	
<b>2015</b>						
<b>Directors of the Company:</b>						
Ang Kong Hua	–	51,100	–	(51,100)	–	–
Tang Kin Fei	543,120	230,000	25,200	(188,520)	–	609,800
Bobby Chin Yoke Choong	–	12,900	–	(12,900)	–	–
Margaret Lui	–	12,400	–	(12,400)	–	–
Tan Sri Mohd Hassan Marican	–	11,400	–	(11,400)	–	–
Tham Kui Seng	–	9,400	–	(9,400)	–	–
Dr Teh Kok Peng	–	10,700	–	(10,700)	–	–
Ajaib Haridass	–	5,800	–	(5,800)	–	–
Neil McGregor	–	5,300	–	(5,300)	–	–
<b>Other executives</b>						
<b>of the Group</b>	6,789,809	2,876,075	266,560	(2,475,072)	(238,043)	7,219,329
	<b>7,332,929</b>	<b>3,225,075</b>	<b>291,760</b>	<b>(2,782,592)</b>	<b>(238,043)</b>	<b>7,829,129</b>

### Share-based Incentive Plans (cont'd)

#### c. Restricted Share Plan (cont'd)

#### i. Sembcorp Industries Ltd Restricted Shares (cont'd)

Restricted shares participants	Movements during the year					At Dec 31
	Additional restricted					
	At Jan 1	Conditional restricted shares awarded	shares arising from targets met	Conditional restricted shares released	Conditional restricted shares lapsed	
<b>2014</b>						
<b>Directors of the Company:</b>						
Ang Kong Hua	–	18,400	–	(18,400)	–	–
Tang Kin Fei	471,060	180,000	63,000	(170,940)	–	543,120
Goh Geok Ling (retired on April 21, 2015)	–	9,900	–	(9,900)	–	–
Evert Henkes (retired on April 21, 2015)	–	13,500	–	(13,500)	–	–
Bobby Chin Yoke Choong	–	11,000	–	(11,000)	–	–
Margaret Lui	–	9,900	–	(9,900)	–	–
Tan Sri Mohd Hassan Marican	–	10,600	–	(10,600)	–	–
Tham Kui Seng	–	6,600	–	(6,600)	–	–
Dr Teh Kok Peng	–	7,400	–	(7,400)	–	–
<b>Other executives</b>						
<b>of the Group</b>	6,483,954	2,113,000	1,087,350	(2,627,146)	(267,349)	6,789,809
	<b>6,955,014</b>	<b>2,380,300</b>	<b>1,150,350</b>	<b>(2,885,386)</b>	<b>(267,349)</b>	<b>7,332,929</b>

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2013 to 2014, a total of 802,901 restricted shares were released in 2015. For awards in relation to the performance period 2012 to 2013, a total of 1,033,746 (2014: 1,223,584) were released in 2015. For awards in relation to the performance period 2011 to 2012, a total of 823,882 (2014: 907,067) restricted shares were released in 2015. For awards in relation to the performance period 2010 to 2011, no restricted shares were released in 2015 (2014: 667,435). In 2015, there were 119,000 (2014: 87,300) shares released to non-executive directors. In 2015, there were additional 3,063 shares released to employees due to sale of a subsidiary. Of the restricted shares released, 53,354 (2014: 29,887) restricted shares were cash-settled. The remaining restricted shares were released via the issuance of treasury shares.

In 2015, additional 291,760 (2014: 1,150,350) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2013 to 2014 (2014: performance period 2012 to 2013).

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2015, was 7,829,129 (2014: 7,332,929). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 5,267,075 (2014: 4,383,100). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 7,900,613 (2014: 6,574,650) restricted shares.

## DIRECTORS' STATEMENT

Year ended December 31, 2015

### Share-based Incentive Plans (cont'd)

#### c. Restricted Share Plan (cont'd)

##### i. Sembcorp Industries Ltd Restricted Shares (cont'd)

###### Sembcorp Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2013 to 2014 (2014: performance period 2012 to 2013), a total of S\$1,792,563, equivalent to 375,838 (2014: S\$3,346,469 equivalent to 558,210) notional restricted shares, were paid. A total of 440,000 (2014: 450,000) notional restricted shares of Sembcorp Industries Ltd's shares were awarded in 2015 for the Sembcorp Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at end 2015, was 890,000 (2014: 850,000). 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 1,335,000 (2014: 1,275,000).

##### ii. Restricted shares of a listed subsidiary

The details of the movement of the restricted shares of Sembcorp Marine Ltd awarded during the year are as follows:

	Movements during the year					At Dec 31
	At Jan 1	Additional conditional restricted shares awarded	Additional conditional restricted shares arising from targets met	Conditional restricted shares released	Conditional restricted shares lapsed	
<b>2015</b>						
<b>Directors of the Company:</b>						
Tang Kin Fei	–	22,800	–	(22,800)	–	–
Tan Sri Mohd Hassan Marican	–	50,100	–	(50,100)	–	–
Ajaib Haridass	–	25,900	–	(25,900)	–	–
<b>Other participants</b>	8,262,801	5,031,701	198,159	(2,970,120)	(420,956)	10,101,585
	<b>8,262,801</b>	<b>5,130,501</b>	<b>198,159</b>	<b>(3,068,920)</b>	<b>(420,956)</b>	<b>10,101,585</b>
<b>2014</b>						
<b>Directors of the Company:</b>						
Tang Kin Fei	–	16,500	–	(16,500)	–	–
Tan Sri Mohd Hassan Marican	–	18,700	–	(18,700)	–	–
Ajaib Haridass	–	18,200	–	(18,200)	–	–
<b>Other participants</b>	8,545,150	2,996,580	508,977	(3,504,178)	(283,728)	8,262,801
	<b>8,545,150</b>	<b>3,049,980</b>	<b>508,977</b>	<b>(3,557,578)</b>	<b>(283,728)</b>	<b>8,262,801</b>

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2013 to 2014, a total of 1,013,899 restricted shares were released in 2015. For awards in relation to the performance period 2012 to 2013, a total of 950,779 (2014: 1,154,566) restricted shares were released in 2015. For awards in relation to the performance period 2011 to 2012, a total of 945,042 (2014: 1,074,512) restricted shares were released in 2015. For awards in relation to the performance period 2010 to 2011, no restricted shares were released in 2015 (2014: 1,232,100). In 2015, there were 159,200 (2014: 96,400) restricted shares released to non-executive directors. The restricted shares were released via the issuance of treasury shares.

In 2015, additional 198,159 (2014: 508,977) Sembcorp Marine Ltd's restricted shares were awarded for the over-achievement of the performance targets for the performance period 2013 to 2014 (2014: performance period 2012 to 2013).

### Share-based Incentive Plans (cont'd)

#### c. Restricted Share Plan (cont'd)

##### ii. Restricted shares of a listed subsidiary (cont'd)

The total number of Sembcorp Marine Ltd's restricted shares outstanding, including awards achieved but not released, as at December 31, 2015, was 10,101,585 (2014: 8,262,801). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 7,623,701 (2014: 5,450,570). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 11,435,552 (2014: 8,175,855) restricted shares.

###### Challenge Bonus of a listed subsidiary

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2013 to 2014 (2014: performance period 2012 to 2013), a total of S\$2,849,108 (2014: S\$4,122,758), equivalent to 942,290 (2014: 1,010,480) notional restricted shares, were paid.

A total of 2,140,509 (2014: 1,223,280) notional restricted shares were awarded on May 27, 2015 (2014: June 15, 2014) 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 December 31, 2015, was 3,070,668 (2014: 2,066,240). 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 4,606,002 (2014: 3,099,360).

#### d. Maximum Number of Shares Issuable

The maximum number of performance shares and restricted shares which could be delivered, when aggregated with the number of new shares issued and issuable in respect of all options granted, is within the 15% limit of the share capital of the Company on the day preceding the relevant date of the grant.

### Audit Committee

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

Bobby Chin Yoke Choong (Chairman)  
 Tham Kui Seng  
 Dr Teh Kok Peng  
 Ajaib Haridass (appointed on April 22, 2015)

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

The Audit Committee also reviewed the following:

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



## DIRECTORS' STATEMENT

Year ended December 31, 2015

### Audit Committee *(cont'd)*

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 associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.

### Auditors

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

On behalf of the Board of Directors



**Ang Kong Hua**  
Chairman



**Tang Kin Fei**  
Director

**Singapore**  
**February 17, 2016**

## INDEPENDENT AUDITORS' REPORT

Year ended December 31, 2015

### Members of the Company Sembcorp Industries Ltd

#### Report on the financial statements

We have audited the accompanying financial statements of Sembcorp Industries Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at December 31, 2015, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 178 to 333.

#### Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

#### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2015, and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

#### 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.



**KPMG LLP**  
Public Accountants and Chartered Accountants

**Singapore**  
**February 17, 2016**

# BALANCE SHEETS

As at December 31, 2015

	Note	Group		Company		Note	Group		Company	
		2015 S\$'000	2014 S\$'000	2015 S\$'000	2014 S\$'000		2015 S\$'000	2014 S\$'000	2015 S\$'000	2014 S\$'000
<b>Non-current assets</b>										
Property, plant and equipment	3	8,685,182	7,725,423	529,691	606,245					
Investment properties	4	21,081	23,579	–	–					
Investments in subsidiaries	5	–	–	2,472,184	1,999,357					
Interests in associates and joint ventures	6	2,349,257	2,074,394	–	–					
Other financial assets	7	283,558	314,933	–	–					
Trade and other receivables	8	450,548	467,340	143,757	14,440					
Tax recoverable		6,938	–	–	–					
Intangible assets	10	442,956	390,566	22,224	21,857					
Deferred tax assets	11	68,283	49,706	–	–					
		12,307,803	11,045,941	3,167,856	2,641,899					
<b>Current assets</b>										
Inventories and work-in-progress	12	4,232,509	3,204,912	12,341	11,200					
Trade and other receivables	8	1,567,557	1,200,336	137,077	157,075					
Tax recoverable		9,726	8,514	–	–					
Assets held for sale	13	41,803	24,437	5,893	–					
Other financial assets	7	149,606	30,825	–	–					
Cash and cash equivalents	14	1,606,488	1,661,427	325,831	198,395					
		7,607,689	6,130,451	481,142	366,670					
<b>Total assets</b>		19,915,492	17,176,392	3,648,998	3,008,569					
<b>Current liabilities</b>										
Trade and other payables	15	3,387,921	2,745,363	131,073	286,636					
Excess of progress billings over work-in-progress	12	320,151	1,028,587	–	5					
Provisions	17	58,664	73,714	22,486	13,416					
Liabilities held for sale	13	5,430	–	–	–					
Other financial liabilities	18	181,471	165,930	–	1,558					
Current tax payable		191,785	257,826	46,671	41,009					
Interest-bearing borrowings	20	1,800,607	1,086,003	3	8					
		5,946,029	5,357,423	200,233	342,632					
<b>Net current assets</b>		1,661,660	773,028	280,909	24,038					
<b>Non-current liabilities</b>										
Deferred tax liabilities	11	319,605	413,680	53,987	53,298					
Provisions	17	58,742	105,423	593	593					
Other financial liabilities	18	258,880	106,472	–	–					
Retirement benefit obligations	19	8,891	15,658	–	–					
Interest-bearing borrowings	20	5,032,342	3,648,578	–	3					
Other long-term payables	15	247,509	296,884	283,572	482,846					
		5,925,969	4,586,695	338,152	536,740					
<b>Total liabilities</b>		11,871,998	9,944,118	538,385	879,372					
<b>Net assets</b>		8,043,494	7,232,274	3,110,613	2,129,197					
<b>Equity attributable to owners of the Company:</b>										
Share capital	21	565,572	565,572	565,572	565,572					
Other reserves	22	(142,938)	(130,297)	(13,660)	(22,386)					
Revenue reserve		5,207,742	4,978,291	1,756,013	1,383,446					
		5,630,376	5,413,566	2,307,925	1,926,632					
Perpetual securities	23	802,688	202,565	802,688	202,565					
		6,433,064	5,616,131	3,110,613	2,129,197					
<b>Non-controlling interests</b>	29	1,610,430	1,616,143	–	–					
<b>Total equity</b>		8,043,494	7,232,274	3,110,613	2,129,197					

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

# CONSOLIDATED INCOME STATEMENT

Year ended December 31, 2015

	Note	Group	
		2015 S\$'000	2014 S\$'000
<b>Turnover</b>	25	<b>9,544,621</b>	10,894,660
Cost of sales		<b>(8,812,960)</b>	(9,479,983)
<b>Gross profit</b>		<b>731,661</b>	1,414,677
General and administrative expenses		<b>(524,373)</b>	(352,486)
Other income		<b>531,950</b>	103,611
Other expense (net)		<b>(113,959)</b>	(26,924)
Finance income	26	<b>32,856</b>	19,431
Finance costs	26	<b>(237,984)</b>	(70,132)
Share of results of associates and joint ventures, net of tax		<b>6,199</b>	158,261
<b>Profit before tax</b>		<b>426,350</b>	1,246,438
Tax credit / (expense)	27	<b>28,052</b>	(162,156)
<b>Profit for the year</b>	28	<b>454,402</b>	1,084,282
<b>Profit attributable to:</b>			
Owners of the Company		<b>548,855</b>	801,096
Non-controlling interests		<b>(94,453)</b>	283,186
Profit for the year		<b>454,402</b>	1,084,282
Earnings per share (cents):	30		
Basic		<b>29.17</b>	44.31
Diluted		<b>28.95</b>	43.98

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2015

	Note	Group	
		2015 S\$'000	2014 S\$'000
<b>Profit for the year</b>		<b>454,402</b>	1,084,282
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences for foreign operations		<b>116,765</b>	129,982
Exchange differences on monetary items forming part of net investment in foreign operation		<b>765</b>	(2,280)
Net change in fair value of cash flow hedges		<b>(77,122)</b>	(147,973)
Net change in fair value of cash flow hedges reclassified to profit or loss		<b>113,230</b>	18,873
Net change in fair value of available-for-sale financial assets		<b>(2,940)</b>	(33,572)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		<b>51,569</b>	–
Share of other comprehensive income of associates and joint ventures		<b>(23,835)</b>	(8,654)
		<b>178,432</b>	(43,624)
<i>Items that may not be reclassified subsequently to profit or loss:</i>			
Defined benefit plan actuarial gains and losses		<b>(6,229)</b>	16,776
Other comprehensive income for the year, net of tax	24	<b>172,203</b>	(26,848)
<b>Total comprehensive income for the year</b>		<b>626,605</b>	1,057,434
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>684,792</b>	766,663
Non-controlling interests		<b>(58,187)</b>	290,771
<b>Total comprehensive income for the year</b>		<b>626,605</b>	1,057,434

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2015

Group	Attributable to owners of the Company													
	Currency					Share-based					Non-			
	Share capital	Reserve for own shares	translation reserve	Capital reserve	Merger reserve	payments reserve	Fair value reserve	Hedging reserve	Revenue reserve	Total	Perpetual securities	Total	controlling interests	Total equity
SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
<b>At January 1, 2015</b>	565,572	(15,041)	(200,461)	304,009	29,201	(18,561)	(11,958)	(217,486)	4,978,291	5,413,566	202,565	5,616,131	1,616,143	7,232,274
<b>Total comprehensive income for the year</b>														
Profit for the year	-	-	-	-	-	-	-	-	548,855	548,855	-	548,855	(94,453)	454,402
<b>Other comprehensive income</b>														
Foreign currency translation differences for foreign operations	-	-	87,742	-	-	-	-	-	-	87,742	-	87,742	29,023	116,765
Exchange differences on monetary items forming part of net investment in foreign operation	-	-	765	-	-	-	-	-	-	765	-	765	-	765
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	-	-	-	-	(68,447)	-	(68,447)	-	(68,447)	(8,675)	(77,122)
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	(5,564)	-	-	(5,564)	-	(5,564)	2,624	(2,940)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	-	-	-	-	44,920	-	-	44,920	-	44,920	6,649	51,569
Defined benefit plan actuarial gains and losses	-	-	-	-	-	-	-	-	(6,125)	(6,125)	-	(6,125)	(104)	(6,229)
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	(23,835)	-	(23,835)	-	(23,835)	-	(23,835)
Total other comprehensive income for the year	-	-	88,507	-	-	-	39,356	14,199	(6,125)	135,937	-	135,937	36,266	172,203
Total comprehensive income for the year	-	-	88,507	-	-	-	39,356	14,199	542,730	684,792	-	684,792	(58,187)	626,605

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2015

Group	Attributable to owners of the Company													
	Currency					Share-based					Non-			
	Share capital	Reserve for own shares	translation reserve	Capital reserve	Merger reserve	payments reserve	Fair value reserve	Hedging reserve	Revenue reserve	Total	Perpetual securities	Total	controlling interests	Total equity
SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
<b>Transactions with owners of the Company, recognised directly in equity</b>														
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	46,757	46,757
Issue of perpetual securities	-	-	-	-	-	-	-	-	-	-	596,551	596,551	-	596,551
Share-based payments	-	-	-	-	-	19,278	-	-	-	19,278	-	19,278	3,616	22,894
Purchase of treasury shares	-	(6,809)	-	-	-	-	-	-	-	(6,809)	-	(6,809)	-	(6,809)
Treasury shares transferred to employees	-	13,205	-	-	-	(12,667)	-	-	-	538	-	538	-	538
Treasury shares of a subsidiary	-	-	-	(875)	-	(6,100)	-	-	-	(6,975)	-	(6,975)	(4,457)	(11,432)
Non-controlling interests of subsidiary acquired (Note 34(b))	-	-	-	-	-	-	-	-	-	-	-	-	140,147	140,147
Acquisition of non-controlling interests	-	-	-	4,745	-	-	-	-	-	4,745	-	4,745	(12,723)	(7,978)
Put liability to acquire non-controlling interests	-	-	-	(193,113)	-	-	-	-	-	(193,113)	-	(193,113)	-	(193,113)
Realisation of reserve upon disposal of associate	-	-	17,116	-	-	-	-	-	-	17,116	-	17,116	-	17,116
Realisation of reserve upon disposal of subsidiaries	-	-	10,406	-	-	-	-	-	-	10,406	-	10,406	8,457	18,863
Realisation of reserve upon liquidation of subsidiary	-	-	111	-	-	-	-	-	-	111	-	111	-	111
Perpetual securities distribution paid	-	-	-	-	-	-	-	-	-	-	(24,367)	(24,367)	-	(24,367)
Accrued perpetual securities distribution (Note 23)	-	-	-	-	-	-	-	-	(27,939)	(27,939)	27,939	-	-	-
Dividend paid to owners (Note 31)	-	-	-	-	-	-	-	-	(285,866)	(285,866)	-	(285,866)	-	(285,866)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(129,323)	(129,323)
Unclaimed dividends	-	-	-	-	-	-	-	-	526	526	-	526	-	526
Total transactions with owners	-	6,396	27,633	(189,243)	-	511	-	-	(313,279)	(467,982)	600,123	132,141	52,474	184,615
<b>At December 31, 2015</b>	<b>565,572</b>	<b>(8,645)</b>	<b>(84,321)</b>	<b>114,766</b>	<b>29,201</b>	<b>(18,050)</b>	<b>27,398</b>	<b>(203,287)</b>	<b>5,207,742</b>	<b>5,630,376</b>	<b>802,688</b>	<b>6,433,064</b>	<b>1,610,430</b>	<b>8,043,494</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2015

Group	Attributable to owners of the Company													
	Currency					Share-based					Non-			
	Share capital	Reserve for own shares	translation reserve	Capital reserve	Merger reserve	payments reserve	Fair value reserve	Hedging reserve	Revenue reserve	Total	Perpetual securities	Total	controlling interests	Total equity
SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
<b>At January 1, 2014</b>	565,572	(13,877)	(333,798)	313,875	29,201	(14,661)	13,063	(95,033)	4,563,136	5,027,478	202,970	5,230,448	1,299,546	6,529,994
<b>Total comprehensive income for the year</b>														
Profit for the year	-	-	-	-	-	-	-	-	801,096	801,096	-	801,096	283,186	1,084,282
<b>Other comprehensive income</b>														
Foreign currency translation differences for foreign operations	-	-	98,545	-	-	-	-	-	-	98,545	-	98,545	31,437	129,982
Exchange differences on monetary items forming part of net investment in foreign operation	-	-	(2,280)	-	-	-	-	-	-	(2,280)	-	(2,280)	-	(2,280)
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	-	-	-	-	(132,702)	-	(132,702)	-	(132,702)	(15,271)	(147,973)
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	(24,986)	-	-	(24,986)	-	(24,986)	(8,586)	(33,572)
Defined benefit plan actuarial gains and losses	-	-	-	-	-	-	-	-	16,776	16,776	-	16,776	-	16,776
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	(35)	(8,619)	-	(8,654)	-	(8,654)	-	(8,654)
Total other comprehensive income for the year	-	-	96,265	-	-	-	(25,021)	(122,453)	16,776	(34,433)	-	(34,433)	7,585	(26,848)
Total comprehensive income for the year	-	-	96,265	-	-	-	(25,021)	(122,453)	817,872	766,663	-	766,663	290,771	1,057,434

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2015

Group	Attributable to owners of the Company													
	Currency					Share-based					Non-			
	Share capital	Reserve for own shares	translation reserve	Capital reserve	Merger reserve	payments reserve	Fair value reserve	Hedging reserve	Revenue reserve	Total	Perpetual securities	Total	controlling interests	Total equity
SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
<b>Transactions with owners of the Company, recognised directly in equity</b>														
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,723	1,723
Share-based payments	-	-	-	-	-	24,899	-	-	-	24,899	-	24,899	4,799	29,698
Purchase of treasury shares	-	(20,886)	-	-	-	-	-	-	-	(20,886)	-	(20,886)	-	(20,886)
Treasury shares transferred to employees	-	19,722	-	-	-	(18,499)	-	-	-	1,223	-	1,223	-	1,223
Treasury shares of a subsidiary	-	-	-	3,686	-	(10,300)	-	-	-	(6,614)	-	(6,614)	(4,229)	(10,843)
Non-controlling interests of subsidiary acquired (Note 34(b))	-	-	-	-	-	-	-	-	-	-	-	-	186,942	186,942
Acquisition of non-controlling interests	-	-	-	(13,552)	-	-	-	-	-	(13,552)	-	(13,552)	(12,625)	(26,177)
Realisation of reserve when a joint venture became a subsidiary (Note 34(b))	-	-	37,178	-	-	-	-	-	-	37,178	-	37,178	-	37,178
Reduction of non-controlling interests upon sale of investment for sale	-	-	-	-	-	-	-	-	-	-	-	-	(4,830)	(4,830)
Realisation of reserve upon liquidation of subsidiaries	-	-	(106)	-	-	-	-	-	-	(106)	-	(106)	-	(106)
Perpetual securities distribution paid	-	-	-	-	-	-	-	-	-	-	(10,000)	(10,000)	-	(10,000)
Accrued perpetual securities distribution (Note 23)	-	-	-	-	-	-	-	-	(9,595)	(9,595)	9,595	-	-	-
Dividend paid to owners (Note 31)	-	-	-	-	-	-	-	-	(393,124)	(393,124)	-	(393,124)	-	(393,124)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(145,954)	(145,954)
Unclaimed dividends	-	-	-	-	-	-	-	-	2	2	-	2	-	2
Total transactions with owners	-	(1,164)	37,072	(9,866)	-	(3,900)	-	-	(402,717)	(380,575)	(405)	(380,980)	25,826	(355,154)
<b>At December 31, 2014</b>	565,572	(15,041)	(200,461)	304,009	29,201	(18,561)	(11,958)	(217,486)	4,978,291	5,413,566	202,565	5,616,131	1,616,143	7,232,274

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2015

	Group			Group	
	2015	2014		2015	2014
	S\$'000	S\$'000		S\$'000	S\$'000
<b>Cash flows from operating activities</b>			<b>Cash flows from investing activities</b>		
Profit for the year	454,402	1,084,282	Dividend received	59,547	101,958
Adjustments for:			Interest received	29,659	19,840
Dividend	(1,026)	(1,194)	Proceeds from disposal of interests in subsidiaries, net of cash disposed of (Note 33)	204,173	1
Finance income	(32,856)	(19,431)	Proceeds from capital reduction in a joint venture	–	4,135
Finance costs	237,984	70,132	Proceeds from sale of investment held for sale	–	7,250
Depreciation and amortisation	404,961	314,834	Proceeds from disposal of interests in an associate	487,929	–
Share of results of associates and joint ventures, net of tax	(6,199)	(158,261)	Proceeds from sale of property, plant and equipment	2,639	7,983
Gain on disposal of property, plant and equipment and other financial assets	(3,114)	(4,150)	Proceeds from sale of investment properties	9,983	4,031
Loss on disposal of intangible assets	9	3	Proceeds from sale of intangible assets	48	14
Gain on disposal of investment properties	(2,983)	(3,097)	Proceeds from disposal of other financial assets	169,767	–
Gain on disposal of investment in subsidiaries and an associate	(425,566)	–	Loan repayment from related parties	14,687	6,283
Fair value gain on re-measurement of pre-existing equity interest in a joint venture, which became a subsidiary	–	(3,792)	Loan to related parties	(26,351)	(32,631)
Changes in fair value of financial instruments	42,126	11,225	Non-trade balances with related corporations and external parties, net of repayment	15,512	(50,315)
Equity settled share-based compensation expenses	22,894	29,698	Acquisition of subsidiary, net of cash acquired (Note 34)	(213,636)	61,741
Allowance made for impairment loss in value of assets and assets written off (net)	125,364	7,024	Acquisition of / additional investments in associates and joint ventures	(426,961)	(303,203)
Gain on acquisition	–	(13,505)	Acquisition of other financial assets	(165,979)	(7,341)
Allowance for / (Write-back of) doubtful debts	198,223	(1,516)	Purchase of property, plant and equipment and investment property (Note (a))	(1,423,288)	(1,306,419)
Bad debts written off	3,247	750	Payment for intangible assets	(8,872)	(31,423)
Work-in-progress written-down	85,518	–	Cash balances transferred to assets held for sale	(6,249)	–
Provision for foreseeable losses on construction work-in-progress	277,961	–	Net cash used in investing activities	(1,277,392)	(1,518,096)
Tax (refund) / expense (Note 27)	(28,052)	162,156			
Operating profit before working capital changes	1,352,893	1,475,168			
Changes in working capital:					
Inventories and work-in-progress	(2,101,118)	(1,383,998)			
Receivables	(455,306)	44,414			
Payables	649,458	2,652			
	(554,073)	138,226			
Tax paid	(149,760)	(118,979)			
Net cash (used in) / from operating activities	(703,833)	19,247			

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



## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2015

	Group	
	2015	2014
	S\$'000	S\$'000
<b>Cash flows from financing activities</b>		
Proceeds from share issue to non-controlling interests of subsidiaries	4,549	1,723
Proceeds from share options exercised with issue of treasury shares	538	1,223
Proceeds from share options exercised with issue of treasury shares of a subsidiary	861	736
Purchase of treasury shares	(6,809)	(20,886)
Purchase of treasury shares by a subsidiary	(12,293)	(11,579)
Proceeds from issue of perpetual securities, net of transaction costs	596,551	–
Proceeds from borrowings	2,773,318	2,292,133
Repayment of borrowings	(779,852)	(720,900)
Payment on finance leases	(4,073)	(4,131)
Acquisition of non-controlling interests	(4)	(26,177)
Dividends paid to owners of the Company	(285,866)	(393,124)
Dividends paid to non-controlling interests of subsidiaries	(129,323)	(145,954)
Perpetual securities distribution paid	(24,367)	(10,000)
Unclaimed dividends	526	2
Interest paid	(222,171)	(62,426)
Net cash from financing activities	1,911,585	900,640
<b>Net decrease in cash and cash equivalents</b>	<b>(69,640)</b>	<b>(598,209)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>1,659,434</b>	<b>2,255,865</b>
Effect of exchange rate changes on balances held in foreign currency	14,671	1,778
<b>Cash and cash equivalents at end of the year (Note 14)</b>	<b>1,604,465</b>	<b>1,659,434</b>

- a. During the year, the Group acquired property, plant and equipment with an aggregate cost of S\$1,439,405,000 (2014: S\$1,276,418,000) of which S\$392,000 (2014: S\$604,000) was acquired by means of finance lease, S\$nil (2014: S\$31,479,000) relates to net payment on prior year's accrued capital expenditure, S\$16,034,000 (2014: S\$nil) relates to other accrued capital expenditure and S\$2,752,000 (2014: S\$84,000) relates to provision for restoration costs as disclosed in Note 17.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on February 17, 2016.

### 1. Domicile and Activities

Sembcorp Industries Ltd (the "Company") is a company incorporated in the Republic of Singapore and has its registered office at 30 Hill Street #05-04, Singapore 179360.

With the adoption of FRS110 on January 1, 2014, the Company has been assessed to be a subsidiary of Temasek Holdings (Private) Limited, a company incorporated in the Republic of Singapore. As such, the Company's immediate and 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, joint ventures and joint operations.

The principal activities of the Company include:

- investment holding, as well as the corporate headquarter which gives strategic direction and provides management services to its subsidiaries; and
- production and supply of utilities services, terminalling and storage of petroleum products and chemicals.

The principal activities of key subsidiaries are as follows:

#### i. Utilities

The Utilities segment's principal activities are in the provision of energy, water, on-site logistics and solid waste management to industrial and municipal customers. Key activities in the energy sector include power generation and retail, process steam production and supply, as well as natural gas import, supply and retail. In the water sector, the business offers wastewater treatment as well as the production and supply of reclaimed, desalinated and potable water and water for industrial use;

#### ii. Marine

The Marine segment focuses principally on providing integrated solutions for the marine and offshore industry. Key capabilities include rigs & floaters; repairs & upgrades; offshore platforms and specialised shipbuilding;

#### iii. Urban Development

The Urban Development segment owns, develops, markets and manages integrated urban developments comprising industrial parks as well as business, commercial and residential space in Asia; and

#### iv. Others / Corporate

Others / Corporate segment comprises businesses mainly relating to minting, design and construction activities, offshore engineering and others.

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

### 2. Summary of Significant Accounting Policies

#### a. Basis of Preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements are presented in Singapore dollar which is the Company's functional currency. The financial statements have been prepared on the historical cost basis except as otherwise described in the accounting policies below.

The preparation of the financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is discussed in Note 40.

With effect from January 1, 2015, the Group adopted the new or revised FRS that are mandatory for application from that date. The adoption of these new or revised FRS did not have any significant impact on the financial statements.

The accounting policies set out below have been applied consistently by Group entities to all periods presented in these financial statements.

#### b. Consolidation

##### i. Business Combinations

###### *Acquisitions on or after January 1, 2010*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Deferred consideration comprises obligations to pay specific amounts at future dates. Deferred consideration is recognised and measured at fair value at the acquisition date and included in the consideration transferred. The unwinding of any interest element of deferred consideration is recognised in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

### 2. Summary of Significant Accounting Policies *(cont'd)*

#### b. Consolidation *(cont'd)*

##### i. Business Combinations *(cont'd)*

###### *Acquisitions between January 1, 2004 and December 31, 2009*

For acquisitions between January 1, 2004 and December 31, 2009, business combinations are accounted for using the purchase method, upon the adoption of FRS 103. 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.

###### *Acquisitions prior to January 1, 2004*

Prior to January 1, 2004, business combinations were accounted for either by the purchase method, or if they were between entities under common control, by the historical cost method similar to the pooling-of-interest method.

##### ii. Put Option with Non-controlling Interests

When an entity within the Group writes a put option with the non-controlling shareholders as part of the acquisition of a subsidiary for settlement in cash or in another financial asset, a put liability is recognised for the present value of the exercise price of the option. This creates an obligation or potential obligation for the entity to purchase its subsidiary's instruments (constitutes the Group's own equity in the consolidated financial statements) for cash or another financial asset.

When the non-controlling shareholders still have present access to the returns associated with the underlying ownership interests, the Group has chosen an accounting policy that the non-controlling shareholders continue to be recognised. Therefore, the present value of the option is recognised in equity. Subsequent to initial recognition of the financial liability, changes in the carrying amount of the financial liability is recognised within equity.

If the put option expires unexercised, then the charge to equity will be reversed and the financial liability will be derecognised. If the put option is exercised, then the charge to equity will be reversed and the financial liability will be derecognised and acquisition accounting will be applied.

At the entity level, the put option shall be accounted as embedded derivatives.

##### iii. Non-controlling Interests

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their own capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of net assets of the subsidiary.

Prior to January 1, 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.

### 2. Summary of Significant Accounting Policies *(cont'd)*

#### b. Consolidation *(cont'd)*

##### iv. 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.

##### v. Acquisitions from Entities under Common Control

Business combinations that involve entities under common control are excluded from the scope of FRS 103. Such combinations are accounted at historical cost in a manner similar to the pooling-of-interest method, in the preparation of the consolidated financial statements. Under this method of accounting, the difference between the value of the share capital issued and the value of shares received is taken to the merger reserve.

##### vi. Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

##### vii. 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 yet available for the purpose of statutory filing, the share of results is arrived at from management financial statements made up mainly to the end of the accounting year to December 31.

### 2. Summary of Significant Accounting Policies *(cont'd)*

#### b. Consolidation *(cont'd)*

##### viii. Joint Arrangements

###### *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 yet available for the purpose of statutory filing, the share of results is arrived at from management financial statements made up mainly to the end of the accounting year to December 31.

###### *Joint Operations*

A joint operation is an arrangement in which the Group has joint control whereby the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement. The Group accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

##### ix. 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.

##### x. 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.

#### c. Foreign Currencies

##### i. Foreign Currency Transactions and Balances

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at foreign 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 foreign exchange rates at that date.
- Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using exchange rate at the date of the transaction.
- Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at exchange rates at the date the fair value was determined.

Foreign currency differences arising from the settlement or from translation of monetary items are recognised in profit or loss.

### 2. Summary of Significant Accounting Policies *(cont'd)*

#### c. Foreign Currencies *(cont'd)*

##### i. Foreign Currency Transactions and Balances *(cont'd)*

Foreign currency differences arising on retranslation are recognised directly in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:

- Available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- A financial liability designated as a hedge of a 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 foreign exchange rates ruling at the date of the balance sheet.
- Revenues and expenses are translated at average foreign exchange rates.
- All resulting foreign exchange differences are taken to the foreign currency translation reserve in other comprehensive income.

Goodwill (except those relating to acquisitions of foreign operations prior to January 1, 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 January 1, 2004 are translated at foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (currency 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.

### 2. Summary of Significant Accounting Policies *(cont'd)*

#### c. Foreign Currencies *(cont'd)*

##### iii. Net Investment in a Foreign Operation

Exchange 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 exchange 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.

#### d. 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 asset 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 costs 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.

##### 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 Lands

Operating leasehold lands have been capitalized as part of property, plant and equipment and is depreciated over the lease period or over a period in which the future economic benefits embodied in the assets are expected to be consumed.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 2. Summary of Significant Accounting Policies (cont'd)

#### d. Property, Plant and Equipment (cont'd)

##### 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.

##### 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 and wet berthage	Lease period of 3 to 60 years
Buildings	10 to 75 years or lease period of 3 to 60 years
Improvements to premises	3 to 30 years
Quays and dry docks	25 to 60 years or lease period of 6 to 22 years
Infrastructure	8 to 80 years
Plant and machinery	3 to 40 years
Marine vessels	7 to 25 years
Tools and workshop equipment	3 to 10 years
Furniture, fittings and office equipment	1 to 10 years
Motor vehicles	2 to 10 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 and capital work-in-progress.

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

### 2. Summary of Significant Accounting Policies (cont'd)

#### e. 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 20 to 50 years. The assets' depreciation methods, useful lives and residual values are reviewed, if not insignificant, annually, and adjusted if appropriate. No depreciation is provided on the freehold land.

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

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

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

#### f. 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 2(l).

##### ii. Goodwill / Negative Goodwill Previously Written Off Against Reserves

Goodwill that has previously been taken to reserves is not taken to profit or loss when (i) the business is disposed of or discontinued or (ii) the goodwill is impaired. Similarly, negative goodwill that has previously been taken to reserves is not taken to profit or loss when the business is disposed of or discontinued.

### 2. Summary of Significant Accounting Policies (cont'd)

#### f. Intangible Assets (cont'd)

##### iii. 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.

##### iv. Service Concession Arrangements

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition by reference to the fair value of the services provided. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalised borrowing costs, less accumulated amortisation and accumulated impairment losses.

The estimated useful life of an intangible asset in a service concession arrangement is the period when the Group has a right to charge the public for the usage of the infrastructure to the end of the concession period.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 25 to 30 years.

##### v. Long-term Revenue Contract

Long-term revenue contract is fair valued using cash flow projections over the contractual period of 10 to 30 years. Amortisation is recognised in profit or loss on a straight-line basis over the contractual period.

##### vi. Water Rights

Water rights are perpetual in nature. Water rights are measured at cost less accumulated impairment losses. Water rights are tested for impairment annually in accordance with Note 2(l).

##### vii. Other Intangible Assets

Other intangible assets with a finite life are measured at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally generated goodwill is recognised in profit or loss as an expense as incurred. Other intangible assets are amortised on a straight-line basis from the date the asset is available for use and over its estimated useful lives ranging from 3 to 30 years.

##### viii. 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.

##### ix. Amortisation

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

### 2. Summary of Significant Accounting Policies (cont'd)

#### g. Financial Assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheets when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss; held to maturity investments; 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.

##### i. Financial Assets at Fair Value Through Profit or Loss

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

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

##### ii. Held to Maturity Investments

Where the Group has the positive intent and ability to hold investments to maturity, then such investments are recognised initially at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less impairment losses. During the year, the Group did not hold any investment in this category.

##### iii. Loans and Receivables

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

Loans and receivables comprise cash and cash equivalents, work-in-progress due from customers on construction contracts, trade and other receivables, including service concession receivables and excluding prepayments and advances to suppliers.

### 2. Summary of Significant Accounting Policies (cont'd)

#### g. Financial Assets (cont'd)

##### iii. Loans and Receivables (cont'd)

###### 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.

###### Service Concession Arrangement

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition, the financial assets are measured at amortised cost.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognised initially at the fair value of the consideration (see also Note 2(f)(iv)).

##### iv. 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, unit trusts and funds, and quoted mutual funds.

###### Impairment

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

### 2. Summary of Significant Accounting Policies (cont'd)

#### g. Financial Assets (cont'd)

##### iv. Available-for-Sale Financial Assets (cont'd)

###### Impairment (cont'd)

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. 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 held-to-maturity investment security or 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.

### 2. Summary of Significant Accounting Policies (cont'd)

#### h. Derivatives

Derivatives are used to manage exposures to foreign exchange, interest rate and commodity price risks arising from operational, financing and investment activities. Derivatives are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured 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 2(i).

#### i. Hedging Activities

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, together with the methods that will be used to assess the effectiveness of the hedge relationship as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

##### i. Fair Value Hedges

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

##### ii. Cash Flow Hedges

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

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

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

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

### 2. Summary of Significant Accounting Policies (cont'd)

#### i. Hedging Activities (cont'd)

##### iii. Hedge of Monetary Assets and Liabilities

Where a derivative is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any changes in fair value on the hedging instrument is recognised in profit or loss.

##### iv. Hedge of a Net Investment in Foreign Operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

##### v. Separable Embedded Derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

#### j. Inventories and Work-In-Progress

##### i. Finished Goods and Components

Inventories 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. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Costs of inventories also include the transfer from other comprehensive income, if any, of gains or losses on qualifying cash flow hedges relating to purchases of raw materials.

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.

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.



### 2. Summary of Significant Accounting Policies (cont'd)

#### j. Inventories and Work-In-Progress (cont'd)

##### ii. Long-term Contracts

The accounting policy for recognition of contract revenue is set out in Note 2(u)(ii).

Long-term contracts-in-progress at the balance sheet date represent the gross unbilled amount expected to be collected from customers for contract work performed to date and are recorded in the balance sheet at cost plus attributable profit less recognised losses, net of progress billings and allowance for foreseeable losses, and are presented in the balance sheet as "Work-in-progress" (as an asset) or "Excess of progress billings over work-in-progress" (as a liability), as applicable. Work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work completed to date. This comprises mainly uncompleted ship and rig repair, building and conversion jobs. It is measured at cost plus profit recognised to date less progress billings and recognised losses. The amount due from customers on construction contracts are classified as financial assets. Long-term contract costs includes the cost of direct materials, direct labour, sub-contractors' costs and an appropriate allocation of fixed and variable production overheads. Allowance is made for anticipated losses, if any, on work-in-progress when the possibility of loss is ascertained. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Progress billings not yet paid by the customer are included in the balance sheet under "Trade and other receivables". Amounts received before progress billings are included in the balance sheet, as "Trade and other payables".

##### iii. Development Properties

Development properties are those properties which are held with the intention of development and sale in the ordinary course of business. They are stated at the lower of cost and net realisable value.

The cost of properties under development comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

The aggregated costs incurred are presented as development properties while progress billings are presented separately as deferred income within "Trade and other payables".

#### k. 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.

Non-monetary government grants and assets received are valued at fair value or nominal amounts.

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.

### 2. Summary of Significant Accounting Policies (cont'd)

#### i. Impairment – 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 (CGU) exceeds its recoverable amount. A CGU 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 CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then, to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and as and when indicators of impairment occur.

##### i. Calculation of Recoverable Amount

The recoverable amount of an asset or CGU 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 CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs 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 CGUs 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.

### 2. Summary of Significant Accounting Policies (cont'd)

#### m. Non-derivative Financial Liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the balance sheets when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, trade and other payables, other long-term liabilities (excludes deferred income, deferred grants, advance payments and long-term employee benefits) and put liability to acquire non-controlling interests.

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.

#### n. Deferred Income

When the Group receives advance payments from customers in respect of connection and capacity charges for the supply and delivery of gas and utilities, the Group recognises the deferred income to profit or loss on a straight-line basis over the period stipulated in the respective customer contract commencing from the date of supply and delivery of gas and utilities.

When the Group receives a deferred income and a financial asset as consideration for providing construction services in a service concession arrangement, the Group recognises the deferred income as the difference between the fair value of the construction services provided and the fair value of the financial asset received. The fair value of the construction services provided is estimated as the value of construction services at an arm's length transaction between willing parties. The fair value of the financial asset received is estimated as the present value of the minimum guaranteed sum receivable from the grantor of the service concession which is discounted at the imputed rate of interest i.e. the prevailing rate of interest for a similar instrument of the grantor. On completion of the construction services, the deferred income in a service concession arrangement is amortised over the estimated useful life. Subsequent to initial recognition, the deferred income is measured at cost less accumulated amortisation.

### 2. Summary of Significant Accounting Policies (cont'd)

#### o. 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. Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each defined benefit plan by estimating 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. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

The discount rate is the yield at the reporting date on high quality bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefits expense in profit or loss.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

##### iii. Long-term Employee Benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans 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. This has been reported in other long-term payables.

### 2. Summary of Significant Accounting Policies (cont'd)

#### o. Employee Benefits (cont'd)

##### iv. 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.

##### v. 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 December 31, 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.

##### vi. 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.

### 2. Summary of Significant Accounting Policies (cont'd)

#### o. Employee Benefits (cont'd)

##### vi. Equity and Equity-related Compensation Benefits (cont'd)

###### Restricted Share Plan

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

The fair value of the compensation cost is measured at grant date and amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. Awards granted have non-market based performance conditions. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates.

At the balance sheet date, the Company revises its estimates of the number of performance-based restricted shares that the employees are expected to receive based on the achievement of non-market performance conditions and the number of shares ultimately given. It recognises the impact of the revision of the original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

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

In the Company's separate financial statements, the fair value of options, performance shares and restricted shares granted to employees of its subsidiaries is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase in equity over the vesting period.

##### vii. Cash-related Compensation Benefits

###### Sembcorp 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.

##### p. Provisions

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

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 2. Summary of Significant Accounting Policies (cont'd)

#### q. 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.

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, joint ventures and associates 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.

#### r. 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.

Preference shares are classified as equity if it is non-redeemable or redeemable only at the Company's option, and any dividends are discretionary. Discretionary dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

### 2. Summary of Significant Accounting Policies (cont'd)

#### s. Perpetual Securities

The perpetual securities do not have a maturity date and the Company is able to elect to defer making a distribution, subject to the terms and conditions of the securities issue. Accordingly, the Company is not considered to have a contractual obligation to make principal repayments or distributions in respect of its perpetual securities issue and the perpetual securities are classified and presented as equity. Distributions are treated as dividends which will be directly debited from equity. Incremental costs directly attributable to the issuance of perpetual securities are deducted against the proceeds from the issue.

#### t. Dividends

Dividends on ordinary shares are recognised when they are approved for payments. Dividends on ordinary shares and redeemable convertible preference share capital classified as equity are accounted for as movements in revenue reserve.

#### u. Revenue Recognition

##### i. Income on Goods Sold and Services Rendered

Revenue from goods sold is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from the provision of consultancy services is recognised using the percentage of completion method. The stage of completion is measured by reference to the percentage of cost incurred to-date to the estimated total costs for each project. Revenue on other service work is recognised when the work is completed. Revenue excludes goods and services or other sales taxes and is after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

##### ii. Contract Revenue

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

Revenue from repair work, engineering, overhaul, service work, infrastructure construction and marine and civil construction contracts is recognised based on percentage of completion. The percentage of completion is assessed by reference to surveys of work performed, or by reference to the ratio of costs incurred to-date to the estimated total costs for each contract, with due consideration given to the inclusion of only those costs that reflect work performed.

When the outcome of a long-term contract can be estimated reliably, contract revenue and costs are recognised as income and expense respectively using the percentage of completion method. When the outcome of a long-term contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that can probably be recovered and contract costs are recognised as an expense in the period in which they are incurred. An expected loss on a contract is recognised immediately in profit or loss when it is foreseeable.

##### iii. Sale of Electricity, Utilities and Gases

Revenue from the sale of electricity, utilities and gases is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when electricity, utilities and gases are delivered based on contractual terms stipulated in respective agreements with customers.

##### iv. Service Concession Revenue

Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contracts (see (ii) above). Operation or service revenue is recognised in the period in which the services are provided by the Group. When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered.

### 2. Summary of Significant Accounting Policies (cont'd)

#### u. Revenue Recognition (cont'd)

##### v. Charter Hire and Rental Income

Charter hire and rental income receivable under operating lease 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 total rental income, over the term of the lease.

Contingent rentals are recognised as income in the accounting period in which they are earned.

##### v. 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.

#### w. Leases

##### i. Operating Lease

###### *When entities within the Group are lessees of an operating lease*

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made.

###### *When entities within the Group are lessors of an operating lease*

Assets subject to operating leases are included in investment properties and are measured at cost less accumulated depreciation and impairment losses. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

##### ii. Finance Lease

###### *When entities within the Group are lessors of a finance lease*

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

#### x. Finance Costs

Finance costs comprise interest expense on borrowings, unwinding of the discounts on provision, amortisation of capitalised transaction costs, transaction costs written off and termination of interest rate swaps. 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.

#### y. Earnings per Share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company (excluding perpetual security holders) by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders (excluding perpetual security holders) 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, restricted shares and performance shares granted to employees.

### 2. Summary of Significant Accounting Policies (cont'd)

#### z. 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 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.

#### aa. Assets (or Disposal Groups) Held For Sale

Non-current assets (or disposal groups) 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).

#### ab. 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.

#### ac. 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.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 3. Property, Plant and Equipment

Group	Note	Leasehold and freehold land,				Plant and machinery	Marine vessels	Tools and workshop equipment	Furniture, fittings and office equipment	Motor vehicles	Capital work-in-progress	Total
		wet berthage and buildings	Improvements to premises	Quays and dry docks	Infrastructure							
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
<b>Cost / Valuation</b>												
Balance at January 1, 2015		1,265,282	62,917	911,654	290,433	4,384,785	258,131	56,130	148,435	77,480	3,011,741	10,466,988
Translation adjustments		(36,558)	163	14	(1,444)	(56,442)	17,093	69	(545)	(1,185)	(182,209)	(261,044)
Additions		108,939	894	25,319	11,395	56,020	1,555	2,540	18,107	5,839	1,208,797	1,439,405
Reclassification		473,615	360	824	24,845	2,201,157	10,390	1,468	2,834	262	(2,715,755)	-
Transfer to intangible assets	10	-	-	-	-	-	-	-	(8)	-	(3,482)	(3,490)
Transfer to investment properties	4	-	-	-	-	-	-	-	-	-	(834)	(834)
Disposals / Write-offs		(13,759)	(2,787)	(51,599)	(16)	(55,216)	-	(650)	(3,682)	(2,169)	(4,254)	(134,132)
Transfer to assets held for sale	13	-	(113)	-	-	(55,976)	-	-	(574)	-	-	(56,663)
Acquisition of subsidiaries	34	16,957	-	-	-	630,007	-	-	66	-	64,975	712,005
Disposal of subsidiaries	33	(97,359)	(5,954)	-	(232,177)	(99,164)	-	-	(7,573)	(2,726)	(12,980)	(457,933)
Balance at December 31, 2015		1,717,117	55,480	886,212	93,036	7,005,171	287,169	59,557	157,060	77,501	1,365,999	11,704,302
<b>Accumulated Depreciation and Impairment Losses</b>												
Balance at January 1, 2015		395,899	38,036	251,852	16,343	1,823,488	25,053	46,114	112,600	32,180	-	2,741,565
Translation adjustments		3,736	27	142	(2,198)	15,879	1,077	70	1,571	(525)	-	19,779
Depreciation for the year	(v), 28(a)	41,247	4,144	20,648	4,605	276,617	11,152	4,335	15,095	6,979	-	384,822
Impairment losses	(vii), 28(a)	-	19	-	-	68,998	1,400	-	35	-	-	70,452
Transfer to intangible assets	10	-	-	-	-	-	-	-	(3)	-	-	(3)
Disposals / Write-offs		(10,107)	(240)	(51,597)	(16)	(21,835)	-	(648)	(3,505)	(1,678)	-	(89,626)
Transfer to assets held for sale	13	-	(86)	-	-	(50,481)	-	-	(540)	-	-	(51,107)
Disposal of subsidiaries	33	(7,032)	(1,134)	-	(2,762)	(38,040)	-	-	(6,640)	(1,154)	-	(56,762)
Balance at December 31, 2015		423,743	40,766	221,045	15,972	2,074,626	38,682	49,871	118,613	35,802	-	3,019,120
<b>Carrying Amount</b>												
At January 1, 2015		869,383	24,881	659,802	274,090	2,561,297	233,078	10,016	35,835	45,300	3,011,741	7,725,423
At December 31, 2015		1,293,374	14,714	665,167	77,064	4,930,545	248,487	9,686	38,447	41,699	1,365,999	8,685,182

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 3. Property, Plant and Equipment (cont'd)

Group	Note	Leasehold and freehold land,				Plant and machinery	Marine vessels	Tools and workshop equipment	Furniture, fittings and office equipment	Motor vehicles	Capital work-in-progress	Total
		wet berthage and buildings	Improvements to premises	Quays and dry docks	Infrastructure							
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cost / Valuation</b>												
Balance at January 1, 2014		1,181,757	56,026	883,133	277,039	3,468,870	247,996	53,742	130,575	63,148	1,238,360	7,600,646
Translation adjustments		8,999	268	9	(5,529)	7,293	10,135	46	390	(57)	(8,174)	13,380
Additions		26,006	3,164	28,715	15,498	209,344	–	1,366	15,365	21,117	955,843	1,276,418
Reclassification		8,148	3,772	10	519	729,725	–	1,198	3,128	4,583	(751,083)	–
Transfer to intangible assets	10	–	–	–	1,344	–	–	–	–	–	(3,014)	(1,670)
Transfer to investment properties	4	(1,450)	–	–	–	–	–	–	(3)	–	–	(1,453)
Disposals / Write-offs		(1,786)	(313)	(213)	(235)	(31,724)	–	(222)	(2,763)	(11,548)	(164)	(48,968)
Acquisition of subsidiary	34	43,608	–	–	1,797	1,277	–	–	1,743	237	1,579,973	1,628,635
Balance at December 31, 2014		1,265,282	62,917	911,654	290,433	4,384,785	258,131	56,130	148,435	77,480	3,011,741	10,466,988
<b>Accumulated Depreciation and Impairment Losses</b>												
Balance at January 1, 2014		358,420	33,978	231,259	12,759	1,641,388	15,306	41,904	102,362	36,620	–	2,473,996
Translation adjustments		2,064	42	8	(2,363)	6,790	453	41	437	(354)	–	7,118
Depreciation for the year	(v), 28(a)	37,040	4,233	20,623	5,947	198,547	9,294	4,388	12,470	6,420	–	298,962
Reclassification		(44)	64	–	–	–	–	–	(20)	–	–	–
Transfer to investment properties	4	(879)	–	–	–	–	–	–	(3)	–	–	(882)
Disposals / Write-offs		(702)	(281)	(38)	–	(23,237)	–	(219)	(2,646)	(10,506)	–	(37,629)
Balance at December 31, 2014		395,899	38,036	251,852	16,343	1,823,488	25,053	46,114	112,600	32,180	–	2,741,565
<b>Carrying Amount</b>												
At January 1, 2014		823,337	22,048	651,874	264,280	1,827,482	232,690	11,838	28,213	26,528	1,238,360	5,126,650
At December 31, 2014		869,383	24,881	659,802	274,090	2,561,297	233,078	10,016	35,835	45,300	3,011,741	7,725,423

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 3. Property, Plant and Equipment (cont'd)

Company	Note	Leasehold and freehold land,				Furniture, fittings and office equipment	Motor vehicles	Capital work-in-progress	Total
		wet berthage and buildings	Improvements to premises	Quays and dry docks	Plant and machinery	and office equipment	Motor vehicles	Capital work-in-progress	
		\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	
<b>Cost</b>									
Balance at January 1, 2015		19,566	7,905	8,226	821,117	16,945	1,788	5,719	881,266
Additions		–	663	–	13,082	1,046	135	3,802	18,728
Reclassification		–	–	–	4,828	279	–	(5,107)	–
Transfer to intangible assets	10	–	–	–	–	–	–	(368)	(368)
Disposals / Write-offs		(9)	–	–	(3,019)	(344)	–	–	(3,372)
Transfer to assets held for sale	13	–	(91)	–	(33,698)	(265)	–	–	(34,054)
Balance at December 31, 2015		19,557	8,477	8,226	802,310	17,661	1,923	4,046	862,200
<b>Accumulated Depreciation and Impairment Losses</b>									
Balance at January 1, 2015		6,679	4,872	2,833	246,878	12,504	1,255	–	275,021
Depreciation for the year		1,050	1,208	405	48,553	2,184	186	–	53,586
Disposals / Write-offs		(3)	–	–	(2,613)	(341)	–	–	(2,957)
Transfer to assets held for sale	13	–	(64)	–	(28,203)	(231)	–	–	(28,498)
Impairment losses	(xi)	–	19	–	35,325	13	–	–	35,357
Balance at December 31, 2015		7,726	6,035	3,238	299,940	14,129	1,441	–	332,509
<b>Carrying Amount</b>									
At January 1, 2015		12,887	3,033	5,393	574,239	4,441	533	5,719	606,245
At December 31, 2015		11,831	2,442	4,988	502,370	3,532	482	4,046	529,691
<b>Cost</b>									
Balance at January 1, 2014		19,656	7,576	8,226	616,520	15,450	1,635	193,065	862,128
Additions		–	338	–	13,806	1,439	153	5,277	21,013
Reclassification		–	–	–	191,619	538	–	(192,157)	–
Transfer to intangible assets	10	–	–	–	–	–	–	(307)	(307)
Disposals / Write-offs		(90)	(9)	–	(828)	(482)	–	(159)	(1,568)
Balance at December 31, 2014		19,566	7,905	8,226	821,117	16,945	1,788	5,719	881,266
<b>Accumulated Depreciation and Impairment Losses</b>									
Balance at January 1, 2014		5,653	3,776	2,429	200,840	10,816	1,024	–	224,538
Depreciation for the year		1,052	1,105	404	46,455	2,163	231	–	51,410
Disposals / Write-offs		(26)	(9)	–	(417)	(475)	–	–	(927)
Balance at December 31, 2014		6,679	4,872	2,833	246,878	12,504	1,255	–	275,021
<b>Carrying Amount</b>									
At January 1, 2014		14,003	3,800	5,797	415,680	4,634	611	193,065	637,590
At December 31, 2014		12,887	3,033	5,393	574,239	4,441	533	5,719	606,245



## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 3. Property, Plant and Equipment (cont'd)

#### Group

- i. Property, plant and equipment with the following net book values have been pledged to secure loan facilities granted to subsidiaries:

	Group	
	2015	2014
	Note	
	S\$'000	S\$'000
Freehold land and buildings	50,644	31,084
Leasehold land and buildings	37,914	90,365
Plant and machinery	2,698,739	68,613
Capital work-in-progress	89,162	1,873,660
Other assets	27,041	4,313
	20(b)	2,903,500
		2,068,035

- ii. Assets with net book value of S\$620,000 (2014: S\$17,070,000) were acquired under finance lease.
- iii. Included in the cost of leasehold land and buildings, quays and dry docks and plant and machinery are amounts of S\$120,866,000, S\$100,900,000 and S\$667,000 (2014: S\$120,866,000, S\$100,900,000 and S\$667,000) respectively which were measured at valuation as determined by firms of professional valuers. Also included in the cost of quays and dry docks is an amount of S\$25,152,000 (2014: S\$25,152,000) which was measured at Directors' valuation. These revaluations were done on a one-off basis prior to January 1, 1997.
- iv. During the year, interest and direct staff costs amounting to S\$146,952,000 (2014: S\$78,140,000) and S\$22,644,000 (2014: S\$17,470,000), respectively were capitalised as capital work-in-progress. Included in these amounts are capitalised interest costs calculated using a capitalisation rate of 12.1% (2014: nil%).
- v. During the year, depreciation amounting to S\$1,262,000 and no amortisation (2014: S\$573,000 and S\$217,000) of intangible assets were capitalised as work-in-progress.
- vi. Property, plant and equipment arising from the acquisition of subsidiary was at fair value.
- vii. In 2015, management noted indicators of impairment with respect to certain wastewater treatment plants, boilers and other assets. Due to changes in its operating environment with the closures of certain customers' facilities and its estimated future ongoing operating costs, management has decided to retire these wastewater treatment plants and boilers. Management has estimated the recoverable amount based on the value-in-use method, to be zero due to no incoming cash flows being estimated for the foreseeable future. Hence, the carrying amount of the above assets amounting to S\$69,052,000 was fully impaired and the impairment losses was recognised in cost of sales.

Owing to the adverse developments in the offshore marine sector, there was an indication that the Group's marine accommodation vessel might be impaired. The Group used the discounted cash flow projections which took into account the existing charter rates over the remaining contractual period and assumed renewal rates, and certain utilisation rate. Based on the Group's assessment of the recoverable amount of the marine accommodation vessel, an impairment loss of S\$1,400,000 was recognised in cost of sales.

### 3. Property, Plant and Equipment (cont'd)

#### Group (cont'd)

- viii. During the year, property, plant and equipment included provision for restoration costs amounting to S\$6,020,000 (2014: S\$84,000) (Note 17).
- ix. During the year, construction-in-progress of a subsidiary in the Group's China water treatment business had ceased, pending the receipt of the Environmental Protection Bureau's approval. As the application for approval is in progress, no impairment has been recorded as at December 31, 2015.
- x. A subsidiary in India has entered into an agreement to convert an existing leasehold land upon which its property, plant and equipment reside to freehold land. The subsidiary has fully paid for the conversion of the leasehold land based on the freehold rate. As at December 31, 2015, the land has not been transferred to the subsidiary. Pursuant to the current lease agreement, it is provided that in the event that the land is not transferred, the lessor is obliged to renew the lease for a further period on mutually agreed terms and conditions. No impairment, revision of useful life or provision for restoration cost has been recorded nor assessment of impact to the tax benefit availed under the Mega Power Status amounting to S\$164,600,000 as at December 31, 2015, as the alienation of this leasehold land is in progress (approved by the Chief Minister and awaiting final approval of the Group of Ministers).

#### Company

- i. During the year, due to change in operating environment with the closures of certain customers' facilities and estimated ongoing operating costs to be incurred, management has decided to retire certain wastewater treatment plants, boilers and other assets. Management has estimated the recoverable amount based on the value-in-use method, to be zero due to no incoming cash flows being estimated for the foreseeable future. Accordingly, an impairment loss of S\$35,357,000 was recognised in cost of sales.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 4. Investment Properties

	Note	Group	
		2015	2014
		S\$'000	S\$'000
<b>Cost</b>			
Balance at January 1		44,061	43,499
Translation adjustments		391	43
Additions		4,323	–
Transfer from property, plant and equipment	3	834	1,453
Disposals		(13,216)	(934)
Balance at December 31		36,393	44,061
<b>Accumulated Depreciation and Impairment Losses</b>			
Balance at January 1		20,482	22,545
Translation adjustments		2	–
Depreciation for the year	28(a)	1,044	870
Transfer from property, plant and equipment	3	–	882
Reversal of impairment	28(a)	–	(3,815)
Disposals		(6,216)	–
Balance at December 31		15,312	20,482
<b>Carrying Amount</b>			
At December 31		21,081	23,579

The following amounts are recognised in profit or loss:

	Group	
	2015	2014
	S\$'000	S\$'000
Rental income	6,443	6,613
Operating expenses arising from rental of investment properties	4,552	3,489

The fair value of the investment properties as at the balance sheet date is S\$58,683,000 (2014: S\$62,349,000). The fair values are mostly determined by independent professional valuers using a combination of investment income method and direct or market comparison techniques, including adjustments to reflect the specific use of the investment properties. Such valuation is derived from observable market data from an active and transparent market. In the absence of current prices in an active market, the fair values are determined by considering the aggregate of the estimated cash flow expected to be received from renting out the properties or Directors' valuation. A yield that reflects the specific risks inherent in the cash flows is then applied to the net annual cash flows to obtain the fair values.

### 5 Investment in Subsidiaries

	Company	
	2015	2014
	S\$'000	S\$'000
<b>At cost and carrying value:</b>		
Quoted equity shares	739,225	739,225
Unquoted equity shares	1,443,912	870,911
Preference shares	287,500	387,500
Share-based payments reserve	1,547	1,721
	2,472,184	1,999,357

The fair value of the equity interest of the listed subsidiary with carrying amount of S\$739,225,000 (2014: S\$739,225,000), amounts to S\$2,229,974,000 (2014: S\$4,154,122,000) based on the last transacted market price as at December 31, 2015 (December 31, 2014).

Details of key subsidiaries are set out in Note 43.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 6. Interests in Associates and Joint Ventures

	Note	Group	
		2015	2014
		S\$'000	S\$'000
Interests in associates and joint ventures		2,292,190	2,019,160
Quasi-equity loan to an associate	(a)	57,067	55,234
		<b>2,349,257</b>	<b>2,074,394</b>

In 2015, the Group received dividends of S\$58,521,000 from its investments in associates and joint ventures (2014: S\$100,764,000).

The carrying value as at year end includes goodwill on acquisition as follows:

	Group	
	2015	2014
	S\$'000	S\$'000
Balance at January 1	9,335	2,034
Translation during the year	(43)	329
Allowance made for impairment	–	(1,688)
Goodwill on acquisition	–	8,660
Balance at December 31	<b>9,292</b>	<b>9,335</b>

- a. The quasi-equity loan to an associate is unsecured, bears interest rate at 3.72% (2014: 3.72%) per annum and the settlement of the amount is neither planned nor likely to occur in the foreseeable future.

### 6. Interests in Associates and Joint Ventures (cont'd) Associates

The Group has one (2014: nil) associate that is material and a number of associates that are individually immaterial to the Group. All are equity accounted. The following is the material associate:

Name of material associate	Principal activity	Country of incorporation	Effective equity held by the Group	
			2015	2014
			%	%
Cosco Shipyard Group Co., Ltd	Provision of services for repairs of vessels; repairs, construction and conversion of offshore platforms and offshore engineering facilities; and related services	People's Republic of China	18.30	18.30

The following summarises the financial information of the Group's material associate based on the financial statements prepared in accordance with FRS:

	Cosco Shipyard Group Co., Ltd		Immaterial associates	
	2015	2015	Total 2015	Total 2014
	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	3,515,121			
Loss from continuing operations	(900,754)			
Other comprehensive income	–			
<b>Total comprehensive income</b>	<b>(900,754)</b>			
Attributable to non-controlling interests	(329,024)			
Attributable to investee's shareholders	(571,730)			
Non-current assets	2,447,946			
Current assets	7,751,894			
Non-current liabilities	(2,755,377)			
Current liabilities	(6,382,233)			
<b>Net assets</b>	<b>1,062,230</b>			
Attributable to non-controlling interests	247,179			
Attributable to investee's shareholders	815,051			
<b>Group's interest in net assets of investees at January 1</b>	<b>395,094</b>	<b>622,267</b>	<b>1,017,361</b>	985,223
Group's share of:				
– (Loss) / Profit from continuing operations	(171,519)	48,798	(122,721)	80,532
– Other comprehensive income	–	(12,784)	(12,784)	5,810
– Total comprehensive income	(171,519)	36,014	(135,505)	86,342
Translation	11,259	784	12,043	7,044
Dividend received	–	(21,736)	(21,736)	(61,248)
Divestment of an associate during the year	–	(140,329)	(140,329)	–
<b>Carrying amount of interest in investees at December 31</b>	<b>234,834</b>	<b>497,000</b>	<b>731,834</b>	1,017,361

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 6. Interests in Associates and Joint Ventures (cont'd)

#### Associates (cont'd)

The fair value of the equity interest of a listed associate amounts to S\$341,030,000 (2014: S\$289,839,000) based on the last transacted market price as at December 31, 2015 (December 31, 2014).

#### Joint Ventures

No individual joint ventures are considered to be material to the Group. All are equity accounted. Summarised financial information of the joint ventures are presented in aggregate, representing the Group's share, is as follows:

	Group	
	2015	2014
	S\$'000	S\$'000
Carrying amount	1,617,423	1,057,033
Profit for the year	128,920	77,729
Other comprehensive income	(12,329)	15,069
Total comprehensive income	116,591	92,798

The Group's share of the capital commitments of the joint ventures at the balance sheet date amounted to S\$303,398,000 (2014: S\$292,561,000).

The Group's interest in joint ventures with total carrying amount of S\$365,260,000 (2014: S\$236,176,000) as at balance sheet date has been pledged to banks to secure credit facilities granted to the joint venture entities.

In 2015, the Group paid S\$215,509,000 (2014: S\$57,347,000) for Fully and Compulsory Convertible Debentures (FCCDs) of NCC Power Projects Limited (NCCPP). The FCCDs will be converted into equity upon fulfilling the agreed conversion criteria. Upon the conversion of FCCDs to equity, there will be a call option for the other shareholder to have the right to buy some of the shares resulting from the conversion of the FCCDs from the Group not more than once every financial year during the option period (from commencement of operation of the plant to March 1, 2019).

In December 2015, the Group formed a joint venture with Chongqing Energy Investment Group's subsidiary, Chongqing Songzao Coal and Power LLC, in Chongqing, China. The Group holds 49% interest in the joint venture, ChongQing SongZao Sembcorp Electric Power Co., Ltd. The total cash consideration amounted to S\$201,801,000.

The Group's stake in Phu My 3 was deemed to have increased from 33.33% to 66.67% in 2014 on the basis that management determined that the outstanding remaining condition precedent to be an administrative procedure. As the venture with the other partner under the contractual agreement requires unanimous consent for all major decisions over the relevant activities, Phu My 3 remains a joint venture.

In 2014, the Group increased its stake in Thermal Powertech Corporation India Limited (TPCIL) from 49% to 65% and it became a subsidiary of the Group (Note 34).

Details of the key associates and joint ventures are set out in Note 44.

### 7. Other Financial Assets

	Note	Group	
		2015	2014
		S\$'000	S\$'000
<b>a. Non-current Assets</b>			
Available-for-sale financial assets:			
- Equity shares	(a)	244,155	242,199
- Unit trusts and funds	(b)	12,137	12,600
		256,292	254,799
Financial assets at fair value through profit or loss, on initial recognition:			
- Equity shares	(c)	-	52,432
- Unit trusts and funds		-	1,957
- Cross currency swaps		11,155	-
		11,155	54,389
Cash flow hedges:			
- Forward foreign exchange contracts		3,189	2,592
- Fuel oil swaps		83	30
- Interest rate swaps		12,839	3,123
		16,111	5,745
		283,558	314,933
<b>b. Current Assets</b>			
Available-for-sale financial assets:			
- Unit trusts and funds	(b)	25,855	-
Financial assets at fair value through profit or loss, on initial recognition:			
- Equity shares	(c)	51,033	-
- Forward foreign exchange contracts		56,253	15,180
- Foreign exchange swap contracts		77	120
		107,363	15,300
Hedge of net investment in foreign operations:			
- Forward foreign exchange contracts		122	122
Cash flow hedges:			
- Forward foreign exchange contracts		16,217	14,616
- Fuel oil swaps		49	787
		16,266	15,403
		149,606	30,825

- During the year, impairment losses on available-for-sale financial assets amounting to S\$51,569,000 (2014: S\$nil) were recognised in profit or loss through reclassifying the losses accumulated in the fair value reserve in equity.
- Included in unit trusts and funds are amounts of S\$26,219,000 (2014: S\$nil) pledged to secure loan facilities.
- The non-derivative financial assets designated at fair value through profit or loss relate to investment in equity shares of a company, which owns, operates and manages a coal-fired power plant in the People's Republic of China. Based on the agreement, the Group will transfer all of its rights and interests in the company to the other shareholders in 2016.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 8. Trade and Other Receivables

	Note	Group						Company					
		2015			2014			2015			2014		
		Non-current S\$'000	Current S\$'000	Total S\$'000	Non-current S\$'000	Current S\$'000	Total S\$'000	Non-current S\$'000	Current S\$'000	Total S\$'000	Non-current S\$'000	Current S\$'000	Total S\$'000
Trade receivables		6,000	1,037,208	1,043,208	7,543	624,264	631,807	2,484	99,205	101,689	7,543	85,900	93,443
Service concession receivables	(a)	228,271	11,764	240,035	234,849	11,221	246,070	-	-	-	-	-	-
Amounts due from related parties	9	127,809	57,972	185,781	118,382	80,422	198,804	135,000	13,741	148,741	-	11,422	11,422
Amount due from non-controlling interests		-	75,414	75,414	1,542	54,749	56,291	-	-	-	-	-	-
Staff loans		34	27	61	54	168	222	-	-	-	-	-	-
Deposits		23,769	21,864	45,633	44,049	18,547	62,596	-	1,664	1,664	-	1,368	1,368
Sundry receivables	(b)	17,620	94,936	112,556	-	88,137	88,137	-	495	495	-	831	831
Unbilled receivables	(c)	-	271,291	271,291	-	271,956	271,956	-	38,626	38,626	-	53,647	53,647
Loan receivables		-	3,803	3,803	-	3,824	3,824	-	-	-	-	-	-
Recoverable		1,105	7,901	9,006	7	7,177	7,184	-	1,068	1,068	-	1,363	1,363
Interest receivable		-	1,992	1,992	-	905	905	-	61	61	-	93	93
		404,608	1,584,172	1,988,780	406,426	1,161,370	1,567,796	137,484	154,860	292,344	7,543	154,624	162,167
Allowance for doubtful trade and other receivables		(18,837)	(208,036)	(226,873)	(1,137)	(35,286)	(36,423)	-	(20,686)	(20,686)	-	(1,603)	(1,603)
Loan and receivables	36(b)	385,771	1,376,136	1,761,907	405,289	1,126,084	1,531,373	137,484	134,174	271,658	7,543	153,021	160,564
Prepayments	(e)	64,777	59,479	124,256	54,903	47,329	102,232	6,273	2,590	8,863	6,897	3,592	10,489
Defined benefit assets	19(b)	-	-	-	7,148	-	7,148	-	-	-	-	-	-
Advance to suppliers		-	131,942	131,942	-	26,923	26,923	-	313	313	-	462	462
		450,548	1,567,557	2,018,105	467,340	1,200,336	1,667,676	143,757	137,077	280,834	14,440	157,075	171,515

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 8. Trade and Other Receivables (cont'd)

#### a. Service Concession Receivables

The subsidiaries in Singapore, Chile and Panama each have entered into service concession arrangements with the local governments. Under these arrangements, the subsidiaries are to supply treated water to the local governments for periods ranging from 25 years to 30 years. All of these arrangements fall within the scope of INT FRS 112.

The significant aspects of the service concession arrangements are as follows:

- i. The subsidiaries will receive a minimum guaranteed sum from the grantors in exchange for services performed. The subsidiaries recognised these as financial receivables as they have contractual rights under the concession arrangements. The financial receivables are measured on initial recognition at their fair values using interest rates ranging from 3.62% to 17.0%; and
- ii. Upon expiry of the concession arrangements, the assets are to be transferred to the local governments between 2024 to 2035.

#### b. Sundry receivables

Sundry receivables represent mainly GST receivables.

#### c. Unbilled receivables

Unbilled receivables represent revenue accrued for sale of utilities services, electricity, gas and other related products. Included in the Company's unbilled receivables are amounts of S\$5.4 million (2014: S\$5.5 million) due from related companies.

#### d. Trade and other receivables

Trade and other receivables of S\$428,195,000 (2014: S\$92,840,000) have been pledged to secure loan facilities.

#### e. Prepayments

Prepayments are charged to profit or loss on a straight-line basis over the period of prepayments. They relate primarily to:

##### Group

- i. Connection fees prepaid under the Generation Connection and Use of System Agreement for the use of the transmission lines to a related corporation amounted to S\$32,208,000 (2014: S\$34,188,000);
- ii. Service fees prepaid under the Gasoil Supply and Storage Agreement for the usage of the tank; and
- iii. Capacity charges prepaid for the use of gas delivery pipelines, prepaid insurance premium, transport tariff recoverable and maintenance of plant.

##### Company

- i. Connection and capacity charges prepaid for the use of pipelines and piperacks.

### 8. Trade and Other Receivables (cont'd)

The impairment losses on loans and receivables are as follow:

		Gross	Impairment	Net	Gross	Impairment	Net
		2015	2015	2015	2014	2014	2014
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>							
Trade receivables		1,043,208	(192,575)	850,633	631,807	(28,060)	603,747
Amounts due from							
related parties	9	185,781	(2,422)	183,359	198,804	(2,028)	196,776
Other receivables		759,791	(31,876)	727,915	737,185	(6,335)	730,850
	36(b)	1,988,780	(226,873)	1,761,907	1,567,796	(36,423)	1,531,373
<b>Company</b>							
Trade receivables		101,689	(20,686)	81,003	93,443	(1,529)	91,914
Amounts due from							
related parties	9	148,741	–	148,741	11,422	–	11,422
Other receivables		41,914	–	41,914	57,302	(74)	57,228
	36(b)	292,344	(20,686)	271,658	162,167	(1,603)	160,564

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 9. Amounts Due from Related Parties

	Note	Associates		Joint ventures		Related companies		Total	
		2015	2014	2015	2014	2015	2014	2015	2014
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>									
Amounts due from:									
Trade		17,444	2,527	7,111	21,557	2,750	49,485	27,305	73,569
Non-trade		3,764	4,814	1,300	530	–	–	5,064	5,344
Loans		–	–	141,637	119,891	11,775	–	153,412	119,891
	8	21,208	7,341	150,048	141,978	14,525	49,485	185,781	198,804
Allowance for doubtful receivables		(620)	(668)	(1,802)	(1,360)	–	–	(2,422)	(2,028)
		20,588	6,673	148,246	140,618	14,525	49,485	183,359	196,776
Amount due within 1 year		(20,588)	(6,673)	(21,654)	(23,373)	(14,525)	(49,485)	(56,767)	(79,531)
		–	–	126,592	117,245	–	–	126,592	117,245

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

The loans to joint ventures of S\$126,592,000 (2014: S\$117,245,000) are unsecured, not expected to be repaid in the next 12 months and bear interest rates ranging from 0.46% to 2.38% (2014: 0.22% to 2.30%) per annum. The remaining balance is repayable in the next 12 months.

	Note	Subsidiaries		Associates		Joint ventures		Related companies		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Company</b>											
Amounts due from related parties	8	148,586	10,691	21	–	110	468	24	263	148,741	11,422
Amount due within 1 year	8	(13,586)	(10,691)	(21)	–	(110)	(468)	(24)	(263)	(13,741)	(11,422)
	8	135,000	–	–	–	–	–	–	–	135,000	–

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

The loan to a related party of S\$135,000,000 (2014: S\$nil) is unsecured, not expected to be repaid in the next 12 months and bears interest rate of 4.75% (2014: nil%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 10. Intangible Assets

	Note	Service		Long-term	Intellectual	Water		Total
		concession	arrangements	revenue	property	rights	Others	
		Goodwill		contract	rights	rights	Others	Total
		SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
<b>Group Cost</b>								
Balance at								
January 1, 2015		165,791	143,987	39,775	60,072	10,168	33,635	453,428
Translation adjustments		(645)	(9,515)	(2,360)	–	(491)	(2,128)	(15,139)
Additions		–	1,159	–	–	–	7,713	8,872
Acquisition of subsidiaries	34	43,107	–	56,190	–	–	10,645	109,942
Disposal of subsidiaries	33	(33,145)	–	–	–	–	(15,511)	(48,656)
Transfer from property, plant and equipment	3	–	–	–	–	–	3,490	3,490
Transfer to assets held for sale		(1,901)	–	–	–	–	(17)	(1,918)
Disposals		–	(101)	–	–	–	(6)	(107)
Write-offs	28(a)	–	(976)	–	–	–	(9)	(985)
Balance at								
December 31, 2015		173,207	134,554	93,605	60,072	9,677	37,812	508,927
<b>Accumulated Amortisation and Impairment Losses</b>								
Balance at								
January 1, 2015		1,901	28,961	–	13,637	–	18,363	62,862
Translation adjustments		–	(3,540)	(55)	–	–	(494)	(4,089)
Amortisation charge for the year	28(a)	–	7,591	3,253	6,007	–	3,509	20,360
Impairment loss		–	–	–	–	–	19	19
Disposal of subsidiaries	33	–	–	–	–	–	(10,543)	(10,543)
Transfer from property, plant and equipment	3	–	–	–	–	–	3	3
Transfer to assets held for sale		(1,901)	–	–	–	–	(17)	(1,918)
Disposals		–	(90)	–	–	–	(2)	(92)
Write-offs	28(a)	–	(631)	–	–	–	–	(631)
Balance at								
December 31, 2015		–	32,291	3,198	19,644	–	10,838	65,971
<b>Carrying Amount</b>								
At January 1, 2015		163,890	115,026	39,775	46,435	10,168	15,272	390,566
At December 31, 2015		173,207	102,263	90,407	40,428	9,677	26,974	442,956

### 10. Intangible Assets (cont'd)

	Note	Service		Long-term	Intellectual	Water		Total
		concession	arrangements	revenue	property	rights	Others	
		Goodwill		contract	rights	rights	Others	Total
		SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
<b>Group Cost</b>								
Balance at								
January 1, 2014		137,660	145,334	–	33,559	11,265	28,375	356,193
Translation adjustments		2,000	(2,527)	865	–	(1,097)	(151)	(910)
Additions		–	899	–	26,513	–	4,011	31,423
Acquisition of subsidiary	34	26,131	–	38,910	–	–	244	65,285
Transfer from property, plant and equipment	3	–	411	–	–	–	1,259	1,670
Disposals		–	(130)	–	–	–	(89)	(219)
Write-offs	28(a)	–	–	–	–	–	(14)	(14)
Balance at								
December 31, 2014		165,791	143,987	39,775	60,072	10,168	33,635	453,428
<b>Accumulated Amortisation and Impairment Losses</b>								
Balance at								
January 1, 2014		1,901	22,160	–	9,397	–	14,512	47,970
Translation adjustments		–	(677)	–	–	–	(7)	(684)
Amortisation charge for the year	28(a)	–	7,591	–	4,240	–	3,961	15,792
Disposals		–	(113)	–	–	–	(89)	(202)
Write-offs	28(a)	–	–	–	–	–	(14)	(14)
Balance at								
December 31, 2014		1,901	28,961	–	13,637	–	18,363	62,862
<b>Carrying Amount</b>								
At January 1, 2014		135,759	123,174	–	24,162	11,265	13,863	308,223
At December 31, 2014		163,890	115,026	39,775	46,435	10,168	15,272	390,566

In 2014, the Group's amortisation amounting to S\$217,000 was capitalised as work-in-progress (Note 3(v)).

Intangible assets of S\$487,000 (2014: S\$484,000) have been pledged to secure loan facilities.



## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 10. Intangible Assets (cont'd)

	Note	Goodwill S\$'000	Others S\$'000	Total S\$'000
<b>Company</b>				
<b>Cost</b>				
Balance at January 1, 2015		18,946	6,095	25,041
Additions		–	1,910	1,910
Transfer from property, plant and equipment	3	–	368	368
Balance at December 31, 2015		18,946	8,373	27,319
<b>Accumulated Amortisation and Impairment Losses</b>				
Balance at January 1, 2015		–	3,184	3,184
Amortisation charge for the year		–	1,911	1,911
Balance at December 31, 2015		–	5,095	5,095
<b>Carrying Amount</b>				
At January 1, 2015		18,946	2,911	21,857
At December 31, 2015		18,946	3,278	22,224
<b>Company</b>				
<b>Cost</b>				
Balance at January 1, 2014		18,946	3,911	22,857
Additions		–	1,978	1,978
Transfer from property, plant and equipment	3	–	307	307
Disposal		–	(87)	(87)
Write-Off		–	(14)	(14)
Balance at December 31, 2014		18,946	6,095	25,041
<b>Accumulated Amortisation and Impairment Losses</b>				
Balance at January 1, 2014		–	1,789	1,789
Amortisation charge for the year		–	1,496	1,496
Disposal		–	(87)	(87)
Write-Off		–	(14)	(14)
Balance at December 31, 2014		–	3,184	3,184
<b>Carrying Amount</b>				
At January 1, 2014		18,946	2,122	21,068
At December 31, 2014		18,946	2,911	21,857

### 10. Intangible Assets (cont'd)

#### Amortisation

The amortisation of intangible assets is analysed as follows:

	Group	
	2015 S\$'000	2014 S\$'000
Cost of sales	17,256	12,022
Administrative expenses	3,104	3,553
Capitalised as capital work-in-progress	–	217
Total	20,360	15,792

#### Service concession arrangements

The subsidiaries in Chile, Panama, South Africa and China have service concession agreements with the local municipalities in Chile; Panama; Mbombela and Ilembe in South Africa; and Fuzhou, Xinmin and Yanjiao in People's Republic of China. Under these agreements, the subsidiaries are to supply drinking water to the local communities for periods of 25 to 30 years. All of these arrangements fall within the scope of INT FRS 112.

The significant aspects of the above service concession arrangements are as follows:

- The arrangements are 25 to 30 years concession arrangements for water treatment with the respective municipal governments. The Group has a total of 4 Build-Own-Operate-Transfer (BOOT) arrangements and 3 concession contracts as at the end of the reporting period.
- Under the BOOT arrangement, the operator is required to design, construct, own as well as operate, manage and maintain the assets and water services works for the supply of water.
- Under the concession contract, the operator has a right of use of all assets of the local authority concerning water and sanitation. Concessional rights include rights to possess, use, operate, manage, maintain, rehabilitate, redesign, improve and expand existing assets and water services, as well as rights to own, design, construct any new assets and water services works within the geographical scope of concession.
- Upon expiry of the concession arrangements, the assets are to be transferred to the local municipality at no cost.
- The tariffs in the South African subsidiaries are subject to review every 5 years. The tariffs are adjusted annually with an escalation formula based on costs specified in the contract. Tariff adjustments have to be approved by the Local Municipality in the city where the project is located. The tariffs in China are regulated by the Administrative Measures on Pricing of Municipal Water Supply issued by the State Development and Reform Commission (SDRC). Tariffs adjustments have to be approved by the Water Supply Company and Price Bureau, with the local institution controlling prices under the SDRC, in the city where the project is located. The tariff adjustment is based on the previous year consumer price index as stipulated in the concession agreements.

#### Long-term revenue contract

The subsidiaries in India have long-term power purchase agreements (PPAs) with the local Electricity Board and commercial customers.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 10. Intangible Assets (cont'd)

*Long-term revenue contract (cont'd)*

The significant terms of the above PPAs are as follows:

- A subsidiary in India has a long-term contract to provide 500 megawatts of power to the Andhra Pradesh Power distribution companies for a period of 25 years.
- In 2015, the acquired subsidiaries in the renewables sector in India have long-term contracts with India's State Electricity Boards in Gujarat, Karnataka, Maharashtra, Rajasthan and Tamil Nadu, with tenures ranging from 10 to 30 years. These subsidiaries also sell electricity to commercial customers with tenures ranging from 10 to 25 years.

*Intellectual property rights*

Intellectual property rights relate to acquired patents of offshore designs.

*Water rights*

The water rights have infinite useful lives and are perpetual in nature. The water rights as established in the acquisition contracts were obtained from the General Water Directorate (DGA), a regulatory body under the Ministry of Public Works in Chile. The rights allow the Group to extract water from the specific water sources and supply water to end customers.

*Goodwill*

**Group**

#### **Impairment Testing for Goodwill**

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Note	Group	
		2015 S\$'000	2014 S\$'000
<b>Cash-generating Unit (CGU)</b>			
SUT Division	(a)	18,946	18,946
Sembcorp Cogen Pte Ltd	(b)	26,378	26,378
Sembcorp Gas Pte Ltd	(c)	41,986	41,986
Thermal Powertech Corporation India Limited	(d)	26,586	26,712
Sembcorp Bournemouth Water Limited	(e)	–	32,049
Sembcorp Green Infra Limited and its subsidiaries	(f)	41,441	–
Multiple units with insignificant goodwill		17,870	17,819
		<b>173,207</b>	163,890

### 10. Intangible Assets (cont'd)

*Goodwill (cont'd)*

**Group (cont'd)**

#### **Impairment Testing for Goodwill (cont'd)**

The recoverable amounts for SUT Division, Sembcorp Cogen Pte Ltd, Sembcorp Gas Pte Ltd, Thermal Powertech Corporation India Limited and Sembcorp Green Infra Limited and its subsidiaries were determined using value-in-use calculations. Cash flow projections used in the value-in-use calculations were prepared based on management's past experience in operating the business and forward market outlook over the long-term nature of the utilities and power business. Pre-tax discount rates between 4.7% to 5.8% (2014: 4.4% to 5.9%) had been used.

At the balance sheet date, based on the following key assumptions, the recoverable amounts exceeded their carrying amounts.

#### **a. SUT Division**

- Use cash flow projections over a period of 10 years (2014: 10 years);
- Estimation of demand and supply for industrial utilities and services are computed based on long-term secured contracts with customers updated with new contracts signed over the financial year;
- Scheduled plant maintenance and its associated costs have been accounted for in the forecast. Yearly maintenance cost is assumed to be 1% to 2% (2014: 4%) of the asset value;
- Expected capital expenditure for replenishment of parts has been included in the forecast in accordance with plant maintenance programme;
- Inflation rate of 0.8% to 2.1% (2014: 2.7%) has been used to project overheads and other general expenses; and
- No terminal value is considered.

#### **b. Sembcorp Cogen Pte Ltd**

- Use cash flow projections over a period of 11 years (2014: 12 years);
- Estimation of demand and supply of electricity and electricity margin is derived based on forecasted market conditions leading to pool price movement;
- Scheduled plant maintenance and its associated costs have been accounted for in the forecast based on the remaining economic useful lives of the plants. Yearly maintenance costs are assumed to range from 3% to 5% (2014: 3% to 4%) of the asset value;
- Expected capital expenditure for replenishment of parts has been included in the forecasts in accordance with plant maintenance programme;
- Inflation rate assumption ranging from 0.8% to 2.1% (2014: 2.7%) has been used to project overheads and other general expenses; and
- No terminal value is considered.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 10. Intangible Assets (cont'd)

Goodwill (cont'd)

Group (cont'd)

#### c. Sembcorp Gas Pte Ltd

- i. Use cash flow projections over a period of 11 years (2014: 12 years);
- ii. Estimation of sale and purchases of gas quantity is derived based on the contractual period of the existing contracts;
- iii. Forward USD / SGD exchange rate and High Sulphur Fuel Oil (HSFO) prices against current financial year were assumed in the forecast performance;
- iv. Yearly maintenance costs to service the gas pipelines are assumed to range from 3% to 5% (2014: 3% to 4%) of the asset value;
- v. Inflation rate assumption range from 0.8% to 2.1% (2014: 2.7%) has been used to project overheads and other general expenses; and
- vi. No terminal value is considered.

#### d. Thermal Powertech Corporation India Limited (TPCIL)

- i. Use of cash flow projections over a period of 25 years;
- ii. Estimation of demand and supply of electricity and electricity margin is derived based on a combination of forecasted short to medium and long-term secured contracts;
- iii. Scheduled plant maintenance and its associated costs have been accounted for in the forecast based on Indian regulatory guidelines;
- iv. Expected capital expenditure for replenishment of parts has been included in the forecasts in accordance with plant maintenance programme;
- v. Inflation rate assumption of 5% has been used to project overheads and other general expenses;
- vi. Cash flows are estimated based on the long-term secured contract on the premise that the conversion of the leasehold land, which the subsidiary has already paid in full, will be converted to freehold (Note 3(x)); and
- vii. No terminal value is considered.

#### e. Sembcorp Bournemouth Water Limited

The recoverable amount was based on its fair value less costs to sell, determined by reference to the Regulatory Capital Value (RCV) plus a premium (Level 2 in fair value in hierarchy). The RCV is a published figure in United Kingdom (UK), and the premium was calculated based on the premiums paid on the recent acquisitions of water companies in the UK. The recoverable amount was higher than its carrying value. In 2015, the Group has disposed its 100% interest in Sembcorp Bournemouth Water Limited. Upon disposal, the goodwill was derecognised (Note 33).

### 10. Intangible Assets (cont'd)

Goodwill (cont'd)

Group (cont'd)

#### f. Sembcorp Green Infra Limited and its subsidiaries

- i. Use of cash flow projections over a period of 25 years;
- ii. Estimation demand and supply of electricity and electricity margin is derived based on forecasted wind resource, and forecasted and long-term secured contracts;
- iii. Expected capital expenditure for replenishment of parts has been included in the forecast in accordance with plant maintenance programme;
- iv. Inflation rate assumption of 5% has been used to project overheads and other general expenses; and
- v. No terminal value is considered.

#### Company

The Company's goodwill relates to goodwill of SUT on the acquisition of the SUT Division in 2008.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 11. Deferred Tax Assets and Liabilities

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

	Recognised						At Dec 31
	in profit or loss	Recognised in equity	Disposal of subsidiary	Acquisition of subsidiary	Translation adjustments		
At Jan 1	(Note 27)	(Note 24)	(Note 33)	(Note 34)	adjustments		At Dec 31
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>							
<b>2015</b>							
<b>Deferred tax liabilities</b>							
Property, plant and equipment	471,387	(39,473)	–	(44,836)	65,300	(4,075)	448,303
Interests in associates	10,284	(8,576)	–	–	–	–	1,708
Other financial assets	22,659	666	1,616	–	1,336	(64)	26,213
Trade and other receivables	9,471	583	–	–	–	(180)	9,874
Intangible assets	11,442	(573)	–	–	19,830	(797)	29,902
Other items	9,907	792	(1,540)	–	–	235	9,394
Total	535,150	(46,581)	76	(44,836)	86,466	(4,881)	525,394
<b>Deferred tax assets</b>							
Property, plant and equipment	(77,257)	(2,933)	–	19	–	333	(79,838)
Inventories	(508)	(367)	–	–	–	–	(875)
Trade receivables	(361)	232	–	–	–	2	(127)
Trade and other payables	(8,932)	(1,464)	–	–	(3,734)	(93)	(14,223)
Tax losses	(4,991)	(61,455)	–	–	(47,088)	1,967	(111,567)
Provisions	(25,727)	6,823	–	–	–	20	(18,884)
Other financial liabilities	(48,793)	124	5,886	–	–	(137)	(42,920)
Retirement benefit obligations	(3,255)	(41)	230	223	–	(320)	(3,163)
Other items	(1,352)	61	–	–	(1,238)	54	(2,475)
Total	(171,176)	(59,020)	6,116	242	(52,060)	1,826	(274,072)

### 11. Deferred Tax Assets and Liabilities (cont'd)

	Recognised						At Dec 31
	in profit or loss	Recognised in equity	Disposal of subsidiary	Acquisition of subsidiary	Translation adjustments		
At Jan 1	(Note 27)	(Note 24)	(Note 33)	(Note 34)	adjustments		At Dec 31
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>							
<b>2014</b>							
<b>Deferred tax liabilities</b>							
Property, plant and equipment	392,872	49,973	–	–	28,132	410	471,387
Interests in associates	9,709	575	–	–	–	–	10,284
Other financial assets	22,442	–	210	–	–	7	22,659
Trade and other receivables	8,366	1,168	–	–	–	(63)	9,471
Intangible assets	–	–	–	–	11,206	236	11,442
Other items	8,072	695	1,104	–	–	36	9,907
Total	441,461	52,411	1,314	–	39,338	626	535,150
<b>Deferred tax assets</b>							
Property, plant and equipment	(56,122)	(21,072)	–	–	–	(63)	(77,257)
Inventories	(477)	(31)	–	–	–	–	(508)
Trade receivables	(343)	(29)	–	–	–	11	(361)
Trade and other payables	(4,314)	(4,634)	–	–	–	16	(8,932)
Tax losses	(1,410)	(3,845)	–	–	–	264	(4,991)
Provisions	(29,029)	3,052	–	–	–	250	(25,727)
Other financial liabilities	(21,931)	316	(27,176)	–	–	(2)	(48,793)
Retirement benefit obligations	(6,458)	15	3,233	–	–	(45)	(3,255)
Other items	(951)	(445)	–	–	–	44	(1,352)
Total	(121,035)	(26,673)	(23,943)	–	–	475	(171,176)

	Recognised			Recognised			At
	At Jan 1, 2014	in profit or loss	Recognised in equity	At Dec 31, 2014	in profit or loss	Recognised in equity	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Company</b>							
<b>Deferred tax liabilities</b>							
Property, plant and equipment	48,487	9,351	–	57,838	(3,851)	–	53,987
Derivative assets	–	–	(265)	(265)	–	265	–
Total	48,487	9,351	(265)	57,573	(3,851)	265	53,987
<b>Deferred tax assets</b>							
Trade and other payables	(1,059)	–	–	(1,059)	1,059	–	–
Provisions	(3,216)	–	–	(3,216)	3,216	–	–
Total	(4,275)	–	–	(4,275)	4,275	–	–

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 11. Deferred Tax Assets and Liabilities (cont'd)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset 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 sheet are as follows:

	Group		Company	
	2015	2014	2015	2014
	S\$'000	S\$'000	S\$'000	S\$'000
Deferred tax liabilities	319,605	413,680	53,987	53,298
Deferred tax assets	(68,283)	(49,706)	–	–
	251,322	363,974	53,987	53,298

As at December 31, a deferred tax liability of S\$17,018,000 (2014: S\$14,258,000) for potential taxable temporary differences arising from undistributed retained earnings related to investment in subsidiaries and joint ventures were not recognised.

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

	Group	
	2015	2014
	S\$'000	S\$'000
Deductible temporary differences	12,348	13,212
Tax losses	271,424	128,084
Capital allowances	1,394	1,154
	285,166	142,450

Tax losses of the Group amounting to S\$69,748,000 (2014: S\$6,596,000) will expire between 2016 and 2023 (2014: 2015 and 2019). The remaining tax losses, capital allowances and deductible temporary differences do not expire under current tax legislation.

Deferred tax assets have not been recognised under the following circumstances:

- Where they qualified 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
- Where it is uncertain that future taxable profit will be available against which certain subsidiaries of the Group can utilise the benefits.

### 12. Inventories and Work-In-Progress

	Note	Group		Company	
		2015	2014	2015	2014
		S\$'000	S\$'000	S\$'000	S\$'000
Raw materials		160,871	94,219	3,338	4,442
Finished goods		153,947	139,902	8,538	6,758
		314,818	234,121	11,876	11,200
Allowance for inventory obsolescence		(24,754)	(23,045)	–	–
		290,064	211,076	11,876	11,200
Work-in-progress	(a)	3,829,050	2,993,836	465	–
Properties under development		113,395	–	–	–
		4,232,509	3,204,912	12,341	11,200

In 2015, raw materials and changes in finished goods included as cost of sales amounted to S\$316,261,000 (2014: S\$157,723,000).

In 2015, the net write-down of inventories to net realisable value by the Group amounted to S\$2,492,000 (2014: S\$3,183,000) and is included in cost of sales.

Inventories of S\$63,663,000 (2014: S\$nil) have been pledged to secure loan facilities.

	Note	Group		Company	
		2015	2014	2015	2014
		S\$'000	S\$'000	S\$'000	S\$'000
(a) Work-in-progress:					
Costs and attributable profits less allowance for foreseeable losses		10,623,888	8,135,344	465	3,154
Progress billings		(7,114,989)	(6,170,095)	–	(3,159)
		3,508,899	1,965,249	465	(5)
Comprising:					
Due from customers on construction contracts	36	3,325,798	2,705,106	–	–
Work-in-progress		503,252	288,730	465	–
		3,829,050	2,993,836	465	–
Excess of progress billings over work-in-progress		(320,151)	(1,028,587)	–	(5)
		3,508,899	1,965,249	465	(5)

During the financial year, the Group conducted a review of all of its long-term construction contracts and concluded that certain contracts were loss-making, resulting in an allowance of S\$277,961,000 (2014: S\$nil). Such losses took into account the expected contract price adjustments from modifications to the original contract terms and deterioration in credit risk assessment on these customers. Other considerations include the timeline and total costs to complete these construction contracts.

In 2015, the net write-down of work-in-progress to net realisable value by the Group amounted to S\$85,518,000 (2014: S\$nil) and is included in cost of sales.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 13. Assets Held for Sale

	Note	Group			Company	
		Investment	Assets	Assets	Assets	Assets
		held for sale	held for sale	Total	held for sale	held for sale
	2015	2015	2015	2014	2015	
	SS'000	SS'000	SS'000	SS'000	SS'000	
Property, plant and equipment	3	–	5,556	5,556	24,437	5,556
Inventories and work-in-progress		–	337	337	–	337
Interest in joint venture	6	452	–	452	–	–
Trade and other receivables		29,209	–	29,209	–	–
Cash and cash equivalents		6,249	–	6,249	–	–
Assets held for sale		35,910	5,893	41,803	24,437	5,893
Trade and other payables		3,783	–	3,783	–	–
Current tax payable		1,647	–	1,647	–	–
Liabilities held for sale		5,430	–	5,430	–	–

#### 2015

The disposal plan for the 2014 plant and machinery has changed into a divestment of the Group's entire stake in Sembcorp Air Products (Hyco) Pte Ltd (SembAP) and SembAP's 50% owned joint venture, Sakra Island Carbon Dioxide Pte Ltd (SICD). As at December 31, 2015, the assets and liabilities related to SembAP have been classified as assets and liabilities held for sale. The disposal was completed on January 28, 2016. Accordingly, an amount of S\$14,534,000 is written back and presented in general and administrative expense.

There are no other items in other comprehensive income relating to the disposal of investment.

The Group's and the Company's carrying value of the plant and machinery and inventories of S\$5,893,000 reflects the recoverable amount.

#### 2014

The carrying value of the plant and machinery of S\$24,437,000 reflected the agreed consideration amount.

### 14. Cash and Cash Equivalents

	Note	Group		Company	
		2015	2014	2015	2014
		SS'000	SS'000	SS'000	SS'000
Fixed deposits with banks		419,074	306,151	–	–
Cash and bank balances		1,187,414	1,355,276	325,831	198,395
Cash and cash equivalents in the balance sheets		1,606,488	1,661,427	325,831	198,395
Bank overdrafts	20	(2,023)	(1,993)	–	–
Cash and cash equivalents in the consolidated statement of cash flows		1,604,465	1,659,434	325,831	198,395

Fixed deposits with banks of the Group earn interest at rates ranging from 0.01% to 14.14% (2014: 0.02% to 11.59%) per annum.

Included in the cash and bank balances are amount of S\$278,796,000 (2014: S\$356,877,000) placed with a related corporation.

### 14. Cash and Cash Equivalents (cont'd)

Included in the Group's cash and cash equivalents in the balance sheet is an amount of S\$104,497,000 (2014: S\$79,282,000) which banks have a first charge in the event that the subsidiaries do not meet the debt servicing requirement.

Included in the Company's cash and cash equivalents at the balance sheet date are amounts of S\$325.1 million (2014: S\$196.4 million) placed with a bank under the Group's cash pooling arrangement by a subsidiary and amounts of S\$0.7 million (2014: S\$2.0 million) placed with a related corporation.

### 15. Trade and Other Payables

	Note	Group		Company	
		2015	2014	2015	2014
		SS'000	SS'000	SS'000	SS'000
<b>Current liabilities</b>					
Trade payables		2,668,166	1,873,742	4,318	10,329
Advance payments from customers		36,843	50,460	1,377	1,742
Amounts due to related parties	16	8,073	5,612	24,854	118,828
Amounts due to non-controlling interests		989	2,884	–	–
Accrued operating expenses	(a)	428,643	452,808	92,613	136,848
Deposits		28,745	34,790	342	342
Accrued interest payable		44,495	39,564	–	–
Accrued capital expenditure		82,063	66,029	3,616	5,478
Retirement benefit obligations	19	259	503	–	–
Other creditors		89,645	218,971	3,953	13,069
		3,387,921	2,745,363	131,073	286,636
<b>Non-current liabilities</b>					
Deferred income	(b)	110,181	161,290	15,928	13,323
Deferred grants	(c)	2,802	4,412	–	–
Amounts due to related parties	16	–	–	246,000	449,000
Loan due to non-controlling interests	(d)	–	8,362	–	–
Other payables	(e)	134,526	122,820	21,644	20,523
Other long-term payables		247,509	296,884	283,572	482,846

a. Included in the Company's accrued operating expenses are amounts of S\$25.2 million (2014: S\$1.8 million) due to related companies.

b. Deferred income relates mainly to:

- advance payments received from customers in respect of connection and capacity charges for the supply and delivery of gas and utilities; and
- the difference between the fair value of the construction services provided pursuant to service concession arrangements and the fair value of the financial asset receivable.

c. Deferred grants relate to government grants for capital assets.

d. In 2014, loan due to non-controlling interests of S\$8,362,000 was unsecured, non-interest bearing. In 2015, the loan due to non-controlling interests was no longer consolidated upon divestment of a subsidiary.

e. Other long-term payables include retention monies of subsidiaries, long-term employee benefits and accrued operating and maintenance services which will be billed only after the initial payment-free period, which is more than one year.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 16. Amounts Due to Related Parties

	Associates		Joint ventures		Related companies		Total		
	2015	2014	2015	2014	2015	2014	2015	2014	
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
<b>Group</b>									
Amounts due to:									
Trade		23	130	3,605	2,302	728	145	4,356	2,577
Non-trade		300	17	9	287	–	–	309	304
Advance payment – trade		–	–	3,408	2,731	–	–	3,408	2,731
	15	<b>323</b>	147	<b>7,022</b>	5,320	<b>728</b>	145	<b>8,073</b>	5,612

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

	Subsidiaries		Joint ventures		Related companies		Total		
	2015	2014	2015	2014	2015	2014	2015	2014	
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
<b>Company</b>									
Amounts due to:									
Trade	(i)	21,574	16,413	–	48	95	53	21,669	16,514
Non-trade		2,185	2,314	–	–	–	–	2,185	2,314
Loans from a related party	(ii)	247,000	549,000	–	–	–	–	247,000	549,000
		<b>270,759</b>	567,727	–	48	<b>95</b>	53	<b>270,854</b>	567,828
Amounts due after 1 year		(246,000)	(449,000)	–	–	–	–	(246,000)	(449,000)
	15	<b>24,759</b>	118,727	–	48	<b>95</b>	53	<b>24,854</b>	118,828

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

ii. The loans from a related party of S\$247,000,000 (2014: S\$549,000,000) bear interest rates ranging from 1.84% to 3.82% (2014: 1.7% to 3.82%) per annum and were unsecured.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 17. Provisions

		Onerous	Restoration				
	Claims	contracts	costs	Warranty	Others	Total	
Note	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000
<b>Group</b>							
<b>2015</b>							
Balance at January 1	54,814	–	62,338	54,649	7,336	179,137	
Translation adjustments	256	–	(84)	401	221	794	
Provisions made / (written back) during the year, net	(9,362)	–	2,752	(37,464)	(85)	(44,159)	
Provisions utilised during the year	(20,087)	–	(3,246)	(329)	(1,578)	(25,240)	
Acquisition of subsidiaries	34	–	3,268	–	–	3,268	
Disposal of subsidiaries	35	3,345	–	–	–	3,345	
Unwind of discount on restoration costs	26	–	261	–	–	261	
Balance at December 31	28,966	–	65,289	17,257	5,894	117,406	
Provisions due:							
– within 1 year	28,826	–	10,129	17,257	2,452	58,664	
– after 1 year but within 5 years	140	–	1,882	–	1,755	3,777	
– after 5 years	–	–	53,278	–	1,687	54,965	
	28,966	–	65,289	17,257	5,894	117,406	
<b>2014</b>							
Balance at January 1	67,936	823	62,221	58,502	4,558	194,040	
Translation adjustments	134	–	33	280	130	577	
Provisions made / (written back) during the year, net	(7,765)	(823)	84	(4,133)	1,688	(10,949)	
Provisions utilised during the year	(5,491)	–	–	–	(148)	(5,639)	
Other adjustments	–	–	–	–	1,108	1,108	
Balance at December 31	54,814	–	62,338	54,649	7,336	179,137	
Provisions due:							
– within 1 year	54,198	–	–	15,187	4,329	73,714	
– after 1 year but within 5 years	616	–	3,214	39,462	985	44,277	
– after 5 years	–	–	59,124	–	2,022	61,146	
	54,814	–	62,338	54,649	7,336	179,137	

### 17. Provisions (cont'd)

	Claims	Restoration	Total
	costs	costs	
	\$S'000	\$S'000	\$S'000
<b>Company</b>			
<b>2015</b>			
Balance at January 1	13,416	593	14,009
Provisions made / (written back) during the year, net	9,137	–	9,137
Provisions utilised during the year	(67)	–	(67)
Balance at December 31	22,486	593	23,079
Provisions due:			
– within 1 year	22,486	–	22,486
– after 5 years	–	593	593
	22,486	593	23,079
<b>2014</b>			
Balance at January 1	20,931	593	21,524
Provisions made / (written back) during the year, net	(2,035)	–	(2,035)
Provisions utilised during the year	(5,480)	–	(5,480)
Balance at December 31	13,416	593	14,009
Provisions due:			
– within 1 year	13,416	–	13,416
– after 5 years	–	593	593
	13,416	593	14,009

#### Claims

This provision relates to the obligations arising from contractual and commercial arrangements in the Group's and the Company's operations, based on the best estimate of the possible outflow considering both contractual and commercial factors.

#### Onerous Contracts

The provision for onerous contracts relates to the Group's exposure to the unavoidable cost of meeting its obligations under the contracts, which exceeds the expected benefits to be derived by the Group. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contracts.

#### 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 subsidiaries expect to incur the liability upon termination of the lease.

#### Warranty

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



## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 17. Provisions (cont'd)

#### Others

Others include provision for maintenance obligation recognised for the contractual obligations to maintain the infrastructure and equipment to specified levels of serviceability under the service concession agreements. The provisions are measured at the best estimate of the expenditure required and timing of outflows, to settle the present obligation at the end of each reporting period.

### 18. Other Financial Liabilities

	Group		Company	
	2015	2014	2015	2014
Note	S\$'000	S\$'000	S\$'000	S\$'000
<b>Current Liabilities</b>				
Financial liabilities at fair value through profit or loss, on initial recognition:				
- Forward foreign exchange contracts	298	3,254	-	-
- Foreign exchange swap contracts	1,318	4,536	-	-
Hedge of net investment in foreign operations:				
- Foreign exchange swap contracts	596	-	-	-
Cash flow hedges:				
- Interest rate swaps	477	1,747	-	-
- Forward foreign exchange contracts	106,040	47,803	-	1,558
- Fuel oil swaps	72,742	108,590	-	-
	<b>181,471</b>	<b>165,930</b>	<b>-</b>	<b>1,558</b>
<b>Non-current Liabilities</b>				
Financial liabilities at fair value through profit or loss, on initial recognition:				
- Forward foreign exchange contracts	575	-	-	-
- Interest rate swaps	157	-	-	-
Hedge of net investment in foreign operations:				
- Cross currency swaps	46,526	42,072	-	-
Cash flow hedges:				
- Interest rate swaps	2,198	6,796	-	-
- Forward foreign exchange contracts	2,399	35,203	-	-
- Fuel oil swaps	13,912	22,401	-	-
Put liability to acquire non-controlling interests (a)	193,113	-	-	-
	<b>258,880</b>	<b>106,472</b>	<b>-</b>	<b>-</b>

(a) This represents the fair value of the put liability to acquire the non-controlling interests as part of the share purchase agreement of a subsidiary. Under the agreement, the Group entered into put and call options with the existing shareholders (i.e. non-controlling shareholders upon the Group's acquisition of 60% in SGI) of SGI (Note 34) as follows:

- Put option – Non-controlling shareholder has the right to sell to the Group its entire shares during the option period (February 11, 2015 to July 31, 2018) at the put option consideration.
- Call option – The Group has the right to buy the entire shares of the non-controlling shareholder during the option period (January 1, 2018 to July 31, 2018) at the call option consideration.
- IPO call option – The Group has the right to buy the entire shares of the non-controlling shareholder during the option period (within 20 days from the final determination of the valuation of the shares for IPO prospects) at 90% of the valuation to be determined.

### 19. Retirement Benefit Obligations

	Note	Group	
		2015	2014
		S\$'000	S\$'000
Provision for retirement gratuities	(a)	3,284	2,624
Defined benefit obligations	(b)	5,866	13,537
		<b>9,150</b>	<b>16,161</b>
Current	15	259	503
Non-current		<b>8,891</b>	<b>15,658</b>

#### a. Provision for Retirement Gratuities

	Group	
	2015	2014
	S\$'000	S\$'000
Balance at January 1	2,624	2,064
Translation adjustments	144	81
Provision made during the year	816	756
Less: Amount paid	(300)	(277)
Balance at December 31	<b>3,284</b>	<b>2,624</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 19. Retirement Benefit Obligations *(cont'd)*

#### b. Defined Benefit Obligations

Certain subsidiaries provide pension arrangements to its full time employees through defined benefit plans and the related costs are assessed in accordance with the advice of professionally qualified actuaries.

One of the pension schemes has been closed to further accruals from June 1, 2013. The pensions for all active members at the closure date, which are based on service prior to closure, remain linked to final pensionable salary.

The numbers shown below have been based on calculations carried out by qualified independent actuaries to take into account the requirements of FRS 19 in order to assess the liabilities of the schemes at December 31, 2015 and December 31, 2014.

The present values of the funded defined benefit obligations, the related current service cost and, where applicable, past service cost were measured using the projected unit credit method. Details of the schemes are as follows:

	Group	
	2015	2014
	S\$'000	S\$'000
Present value of funded defined benefit obligations	236,339	405,596
Fair value of plan assets	(230,473)	(399,207)
Deficit in scheme	5,866	6,389

The amounts included in the balance sheet are as follows:

	Note	Group	
		2015	2014
		S\$'000	S\$'000
Defined benefit obligations		5,866	13,537
Defined benefit assets	8	–	(7,148)
		5,866	6,389

### 19. Retirement Benefit Obligations *(cont'd)*

#### b. Defined Benefit Obligations *(cont'd)*

The proportion of fair value of plan assets at the balance sheet is analysed as follows:

	Group	
	2015	2014
	S\$'000	S\$'000
Equity instruments	78,466	133,205
Debt instruments	125,722	229,605
Other assets	26,285	36,397
	230,473	399,207

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by the Group.

#### Movement in net defined benefit (asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability (asset) and its components.

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability / (asset)	
	2015	2014	2015	2014	2015	2014
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>						
Balance at January 1	405,596	375,101	(399,207)	(345,776)	6,389	29,325
<b>Included in income statement</b>						
Service cost	(3,427)	33	–	–	(3,427)	33
Interest cost / (income)	8,756	16,381	(8,292)	(15,174)	464	1,207
Administrative expenses	–	–	(9)	396	(9)	396
	5,329	16,414	(8,301)	(14,778)	(2,972)	1,636
<b>Included in other comprehensive income</b>						
Re-measurements loss / (gain):						
– Actuarial loss / (gain) arising from:						
– demographic assumptions	(1,893)	3,014	–	–	(1,893)	3,014
– financial assumptions	10,849	29,541	–	–	10,849	29,541
– experience adjustment	(3,752)	(3,388)	–	–	(3,752)	(3,388)
– Return on plan assets						
– excluding interest income	–	–	2,335	(50,280)	2,335	(50,280)
Effect of movements in exchange rates	3,510	1,097	(3,453)	(861)	57	236
	8,714	30,264	(1,118)	(51,141)	7,596	(20,877)
<b>Other</b>						
Contributions paid by employer	–	–	(2,412)	(3,727)	(2,412)	(3,727)
Benefits paid	(7,907)	(16,323)	7,874	16,323	(33)	–
Disposal of subsidiaries (see Note 33)	(175,697)	–	172,860	–	(2,837)	–
Acquisition of subsidiaries (see Note 34)	304	140	(169)	(108)	135	32
	(183,300)	(16,183)	178,153	12,488	(5,147)	(3,695)
<b>Balance at December 31</b>	<b>236,339</b>	<b>405,596</b>	<b>(230,473)</b>	<b>(399,207)</b>	<b>5,866</b>	<b>6,389</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 19. Retirement Benefit Obligations *(cont'd)*

#### b. Defined Benefit Obligations *(cont'd)*

The weighted average duration of the defined benefit obligation at the end of the reporting period is 19 (2014: 16 to 19) years.

#### Principal actuarial assumptions

The main financial assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 19 were as follows:

	Group	
	2015	2014
	%	%
Discount rate at December 31	3.8	3.7
Expected return on plan assets at December 31	3.8	4.5–5.5
Future rate of annual salary increases	–	3.3
Future rate of pension increases	1.9–3.1	1.9–3.6

Assumptions regarding future mortality are based on published statistics and mortality tables. The expected remaining life expectancy of an individual retiring at age 65 is 21 (2014: 22) for male and 24 (2014: 25) for female.

### 20. Interest-bearing Borrowings

	Note	Group		Company	
		2015	2014	2015	2014
		S\$'000	S\$'000	S\$'000	S\$'000
<b>Current Liabilities</b>					
Secured term loans	(b)	794,434	545,630	–	–
Unsecured term loans	(c)	1,003,863	534,736	–	–
Bank overdrafts	14	2,023	1,993	–	–
Finance lease liabilities	(d)	287	3,644	3	8
		1,800,607	1,086,003	3	8
<b>Non-current Liabilities</b>					
Non-convertible debentures	(a)	10,523	–	–	–
Secured term loans	(b)	1,451,860	1,129,882	–	–
Unsecured term loans	(c)	3,569,483	2,506,498	–	–
Finance lease liabilities	(d)	476	12,198	–	3
		5,032,342	3,648,578	–	3
		6,832,949	4,734,581	3	11

Included in interest-bearing borrowings are S\$1,181,325,000 (2014: S\$822,679,000) of loans taken with a related corporation.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 20. Interest-bearing Borrowings (cont'd)

#### Effective interest rates and maturity of liabilities (excluding finance lease liabilities)

	Group		Company	
	2015	2014	2015	2014
	%	%	%	%
Floating rate loans	0.68 – 15.15	0.82 – 13.75	–	–
Fixed rate loans	1.10 – 14.90	0.72 – 14.00	–	–
Bonds & notes	2.22 – 4.25	0.87 – 4.25	–	–
Debentures	12.00	–	–	–

	Group		Company	
	2015	2014	2015	2014
	S\$'000	S\$'000	S\$'000	S\$'000
Within 1 year	1,800,320	1,082,359	–	–
After 1 year but within 5 years	2,956,551	1,362,517	–	–
After 5 years	2,075,315	2,273,863	–	–
Total borrowings	6,832,186	4,718,739	–	–

#### a. Non-convertible Debentures

During the year, a subsidiary had issued non-convertible debentures of INR 500 million at interest rate of 12.0% per annum and repayable from 2020 to 2023.

#### b. Secured Term Loans

The secured term loans are collateralised by the following assets:

	Note	Group	
		Net Book Value	
		2015	2014
		S\$'000	S\$'000
Property, plant and equipment	3(i)	2,903,500	2,068,035
Unit trusts and funds	7	26,219	–
Trade and other receivables	8	428,195	92,840
Intangible assets	10	487	484
Inventories	12	63,663	–
Cash and cash equivalents	14	104,497	79,282
Net assets of a subsidiary		–	181,110
Equity share of a subsidiary		402,431	74,035

### 20. Interest-bearing Borrowings (cont'd)

#### c. Unsecured Term Loans

Included in the unsecured term loans are the following medium term notes of the Group:

The Company jointly with Sembcorp Financial Services Pte Ltd (SFS), a wholly-owned subsidiary of the Company, has a S\$2 billion Multicurrency Multi-Issuer Debt Issuance Programme (the "Programme"), pursuant to which the Company, together with SFS and certain other subsidiaries of the Company (the "Issuing Subsidiaries"), may from time to time issue Notes and Securities under the Programme subject to availability of funds from the market. The obligations of the Issuing Subsidiaries under the Programme are fully guaranteed by the Company.

As at December 31, 2015, SFS has the following outstanding medium term notes issued under the Programme:

	Nominal interest rate	Year of issue	Year of maturity	Principal
				amount
				S\$'000
S\$ medium term notes	3.7325%	2010	2020	300,000
S\$ medium term notes	4.25%	2010	2025	100,000
S\$ medium term notes	6 month SOR + 0.55%	2010	2017	100,000
S\$ medium term notes	3.64%	2013	2024	200,000
S\$ medium term notes	2.94%	2014	2021	100,000
S\$ medium term notes	3.593%	2014	2026	150,000
				950,000

Apart from the medium term notes issued by SFS, the Company has S\$800 million outstanding perpetual securities of which S\$200 million was issued in 2013 and another S\$600 million in 2015 under the Programme. The perpetual securities are accounted as equity of the Group.

As at December 31, an amount of S\$140,000,000 (2014: S\$140,000,000) medium term notes was held by a related corporation.

Sembcorp Marine Ltd (SCM), a subsidiary of the Company has a S\$2 billion Multicurrency Multi-Issuer Debt Issuance Programme (the "Programme") pursuant to which SCM, together with its subsidiaries, Jurong Shipyard Pte Ltd, Sembcorp Marine Repairs & Upgrades Pte Ltd (formerly known as Sembawang Shipyard Pte Ltd) and SMOE Pte Ltd (the "Issuing SCM Subsidiaries"), may from time to time issue the notes, subject to availability of funds from the market. The obligations of Issuing SCM Subsidiaries under the Programme are fully guaranteed by SCM.

Under the Programme, SCM or any of the Issuing SCM Subsidiaries may from time to time issue notes in series or tranches in Singapore Dollars or any other currency. Such notes are listed on the Singapore Exchange Securities Trading Limited and are cleared through the Central Depository (Pte) Ltd. The notes are redeemable at par.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 20. Interest-bearing Borrowings *(cont'd)*

#### c. Unsecured Term Loans *(cont'd)*

During the year, Jurong Shipyard Pte Ltd has issued the following medium term notes under the Programme:

	Nominal interest rate	Year of issue	Year of maturity	Principal amount S\$'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 December 31, 2015, an amount of S\$167,500,000 (2014: S\$167,500,000) medium term notes was held by a related corporation.

#### d. Finance Lease Liabilities

The Group has obligations under finance leases that are payable as follows:

	2015			2014		
	Payments S\$'000	Interest S\$'000	Principal S\$'000	Payments S\$'000	Interest S\$'000	Principal S\$'000
<b>Group</b>						
Within 1 year	336	49	287	4,118	474	3,644
After 1 year but within 5 years	524	48	476	8,100	1,182	6,918
After 5 years	–	–	–	5,595	315	5,280
Total	860	97	763	17,813	1,971	15,842

Under the terms of the lease agreements, no contingent rents are payable. The interest rates range from 1.60% to 13.92% (2014: 1.75% to 15.57%) per annum.

The Company has obligations under finance leases that are payable as follows:

	2015			2014		
	Payments S\$'000	Interest S\$'000	Principal S\$'000	Payments S\$'000	Interest S\$'000	Principal S\$'000
<b>Company</b>						
Within 1 year	3	–	3	13	5	8
After 1 year but within 5 years	–	–	–	3	–	3
Total	3	–	3	16	5	11

Under the terms of the lease agreements, no contingent rents are payable. The effective interest rate is 8.4% (2014: 6.09%) per annum.

### 21. Share Capital

	Group and Company	
	No. of ordinary shares	
	2015	2014
Issued and fully paid, with no par value:		
At the beginning and end of the year	1,787,547,732	1,787,547,732

The holders of ordinary 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 rank equally with regard to the Company's residual assets.

### 22. Other Reserves

	Note	Group		Company	
		2015 S\$'000	2014 S\$'000	2015 S\$'000	2014 S\$'000
<b>Distributable</b>					
Reserve for own shares	(a)	(8,645)	(15,041)	(8,645)	(15,041)
<b>Non-distributable</b>					
Currency translation reserve	(b)	(84,321)	(200,461)	–	–
Capital reserve	(c)	114,766	304,010	(121,709)	(109,042)
Merger reserve	(d)	29,201	29,201	–	–
Share-based payments reserve	(e)	(18,050)	(18,562)	116,694	102,990
Fair value reserve	(f)	27,398	(11,958)	–	–
Hedging reserve	(g)	(203,287)	(217,486)	–	(1,293)
		(142,938)	(130,297)	(13,660)	(22,386)

- a. Reserve for Own Shares  
At December 31, 2015, the Company held 2,371,253 (2014: 3,319,241) of its own uncanceled shares as treasury shares.
- b. Currency Translation Reserve  
The currency translation reserve comprises:
  - i. Foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group;
  - ii. Exchange differences on monetary items which form part of the Group's net investment in foreign operations; and
  - iii. Gains or losses on instruments used to hedge the Group's net investment in foreign operations that are determined to be effective hedges.



## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 25. Turnover

	Group	
	2015	2014
	S\$'000	S\$'000
Sale of gas, water, electricity and related services	4,099,551	4,730,457
Ship and rig repair, building, conversion, charter hire and related services	4,944,732	5,804,792
Construction and engineering related activities	303,092	171,868
Service concession revenue	47,173	53,041
Others	150,073	134,502
	<b>9,544,621</b>	<b>10,894,660</b>

### 26. Finance Income and Finance Costs

	Group	
	2015	2014
	S\$'000	S\$'000
<b>Finance income</b>		
– associates and joint ventures	4,988	3,474
– bank and others	27,868	15,957
	<b>32,856</b>	<b>19,431</b>

The finance income arose from loan and receivables.

#### Finance costs

Interest paid and payable to, measured at amortised cost:		
– banks and others	232,118	67,753
Amortisation of capitalised transaction costs	6,928	3,920
Unwind of discount on restoration costs	261	–
Interest rate swap		
– termination of interest rate swaps	(1,122)	(1,541)
– changes in fair value through profit or loss	(201)	–
	<b>237,984</b>	<b>70,132</b>

### 27. Tax (Credit) / Expense

	Group	
	2015	2014
	S\$'000	S\$'000
<b>Current tax expense</b>		
Current year	104,989	146,489
Over provided in prior years	(29,664)	(12,434)
Foreign withholding tax	2,224	2,363
	<b>77,549</b>	<b>136,418</b>
<b>Deferred tax expense</b>		
Movements in temporary differences	(100,825)	33,096
Over provided in prior years	(4,776)	(7,358)
	<b>(105,601)</b>	<b>25,738</b>
	<b>(28,052)</b>	<b>162,156</b>
Tax (credit) / expense		
<b>Reconciliation of effective tax rate</b>		
Profit for the year	454,402	1,084,282
Total tax expense	(28,052)	162,156
Share of results of associates and joint ventures, net of tax	(6,199)	(158,261)
Profit before share of results of associates and joint ventures, and tax expense	420,151	1,088,177
Tax using Singapore tax rate of 17%	71,426	184,990
Effect of different tax rates in foreign jurisdictions	410	2,884
Tax incentives and income not subject to tax	(131,503)	(48,232)
Expenses not deductible for tax purposes	47,988	26,818
Utilisation of deferred tax benefits not previously recognised	(2,073)	(1,306)
Over provided in prior years	(34,440)	(19,792)
Deferred tax benefits not recognised	28,705	24,079
Foreign withholding tax	2,224	2,363
Tax adjustment on changes in undistributed profits from foreign entities	(8,576)	575
Others	(2,213)	(10,223)
Tax (credit) / expense	<b>(28,052)</b>	<b>162,156</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 28. Profit for the Year

The following items have been included in arriving at profit for the year:

	Note	Group	
		2015 S\$'000	2014 S\$'000
<b>a. Expenses</b>			
Allowance made for / (reversal of) impairment losses (net)			
– property, plant and equipment	3	70,452	–
– investment property	4	–	(3,815)
– joint ventures		–	3,349
– interests in other investments		–	(16)
– receivables	36(b)	198,223	(1,516)
– inventory obsolescence	12	2,492	3,183
Amortisation of intangible assets	10	20,360	15,575
Audit fees paid / payable			
– auditors of the Company		1,955	1,430
– overseas affiliates of the auditors of the Company		822	1,182
– other auditors		717	333
Non-audit fees paid / payable			
– auditors of the Company		826	731
– overseas affiliates of the auditors of the Company		253	352
– other auditors		445	392
Depreciation			
– property, plant and equipment	3	383,557	298,389
– investment properties	4	1,044	870
Professional fee paid to directors or a firm in which a director is a member		1	1
Operating lease expenses		31,994	44,242
Property, plant and equipment written off		1,317	7,506
Intangible assets written off	10	354	–
Bad debts written off		3,247	750
Net change in fair value of cash flow hedges		119,788	24,695
Work-in-progress written-down		85,518	–
Provision for foreseeable losses on construction work-in-progress		277,961	–
<b>Staff costs</b>			
Staff costs		863,954	901,086
Included in staff costs are:			
Equity-settled share-based payments		22,894	29,698
Cash-settled share-based payments		(827)	5,352
Contributions to:			
– defined benefit plan		(3,427)	33
– defined contribution plan		46,661	43,813

### 28. Profit for the Year (cont'd)

	Note	Group	
		2015 S\$'000	2014 S\$'000
<b>b. Other income</b>			
Grants received			
– income related		7,741	4,265
Gross dividend income from available-for-sale financial assets		1,026	1,194
Gain / (loss) on disposal of			
– property, plant and equipment		661	4,150
– investment properties		2,983	3,097
– subsidiaries		72,409	–
– associate		353,157	–
Gain on acquisition		–	13,505
Fair value gain on re-measurement of pre-existing equity interest in joint venture, which became a subsidiary	34	–	3,792
Settlement amounts from customers		24,150	–
<b>c. Other expenses (net)</b>			
Net exchange loss		(14,728)	(9,499)
Net change in fair value of cash flow hedges		(34,691)	(26,755)
Net change in fair value of financial assets measured at fair value through profit or loss		(9,088)	15,530
Impairment losses on available-for-sale financial assets	7	(51,569)	–

### 29. Non-controlling Interests

The following subsidiary has material non-controlling interests:

Name of company	Country of incorporation	Operating Segment	Ownership interests held by non-controlling interests	
			2015 %	2014 %
Sembcorp Marine Group	Singapore	Marine	39.0	39.0



## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 29. Non-controlling Interests (cont'd)

The following summarises the financial information of the Group's subsidiary with material non-controlling interest, based on its (consolidated) financial statements prepared in accordance with FRS.

	<b>Sembcorp Marine Group</b>	<b>Group</b>	
	<b>S\$'000</b>	<b>2015</b>	<b>2014</b>
		<b>S\$'000</b>	<b>S\$'000</b>
<b>2015</b>			
Revenue	4,968,132		
Loss for the year	(299,966)		
Other comprehensive income	99,429		
<b>Total comprehensive income</b>	<b>(200,537)</b>		
Attributable to non-controlling interests:			
Loss for the year	(123,237)		
Other comprehensive income	45,391		
<b>Total comprehensive income</b>	<b>(77,846)</b>		
		<b>No. of shares</b>	<b>No. of shares</b>
		<b>'000</b>	<b>'000</b>
Non-current assets	4,084,086		
Current assets	5,117,036		
Non-current liabilities	(2,639,797)		
Current liabilities	(3,897,046)		
<b>Net assets</b>	<b>2,664,279</b>		
<b>Net assets attributable to non-controlling interests</b>	<b>1,127,277</b>		
Cash flows used in operating activities	(989,099)		
Cash flows used in investing activities	(932,197)		
Cash flows from financing activities	1,467,085		
<b>Net decrease in cash and cash equivalents</b>	<b>(454,211)</b>		
<b>Dividends paid to non-controlling interests</b>	<b>(14,558)</b>		
<b>2014</b>			
Revenue	5,832,595		
Profit for the year	601,275		
Other comprehensive income	4,803		
<b>Total comprehensive income</b>	<b>606,078</b>		
Attributable to non-controlling interests:			
Profit for the year	259,671		
Other comprehensive income	5,951		
<b>Total comprehensive income</b>	<b>265,622</b>		
Non-current assets	3,671,302		
Current assets	4,567,118		
Non-current liabilities	(1,657,796)		
Current liabilities	(3,448,597)		
<b>Net assets</b>	<b>3,132,027</b>		
<b>Net assets attributable to non-controlling interests</b>	<b>1,318,784</b>		
Cash flows used in operating activities	(508,273)		
Cash flows used in investing activities	(770,389)		
Cash flows from financing activities	667,742		
<b>Net decrease in cash and cash equivalents</b>	<b>(610,920)</b>		
<b>Dividends paid to non-controlling interests</b>	<b>(13,399)</b>		

### 30. Earnings Per Share

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>a. Basic earnings per share</b>		
Basic earnings per share is based on:		
i. Profit attributable to owners of the Company:		
Profit attributable to equity holders of the Company	548,855	801,096
Less: Profit attributable to perpetual security holders of the Company	(27,939)	(9,595)
Profit attributable to owners of the Company	520,916	791,501
	<b>No. of shares</b>	<b>No. of shares</b>
	<b>'000</b>	<b>'000</b>
ii. Weighted average number of ordinary shares:		
Issued ordinary shares at January 1	1,784,228	1,784,782
Effect of share options exercised, performance shares and restricted shares released	2,356	3,180
Effect of own shares held	(819)	(1,858)
Weighted average number of ordinary shares December 31	1,785,765	1,786,104
<b>b. Diluted earnings per share</b>		
Diluted earnings per share is based on:		
i. Profit attributable to owners of the Company:		
Profit attributable to equity holders of the Company	548,855	801,096
Less: Profit attributable to perpetual security holders of the Company	(27,939)	(9,595)
Profit attributable to owners of the Company	520,916	791,501
	<b>No. of shares</b>	<b>No. of shares</b>
	<b>'000</b>	<b>'000</b>
ii. Weighted average number of shares issued used in the calculation of basic earnings per share	1,785,765	1,786,104
Weighted average number of unissued ordinary shares from:		
- share options	187	424
- performance shares	2,787	2,773
- restricted shares	10,659	10,223
Weighted average number of ordinary shares	1,799,398	1,799,524

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 30. Earnings Per Share (cont'd)

For the purpose of calculating diluted earnings per ordinary share, the weighted average number of ordinary shares outstanding is adjusted for the effects of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: share options, performance shares and restricted shares.

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 (i.e. average market price) 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.

For performance shares and restricted shares, the weighted average number of ordinary shares in issue is adjusted as if all dilutive performance shares and restricted shares are released. No adjustment is made to the profit attributable to owners of the Company.

### 31. Dividends

Subject to the approval by the shareholders at the next Annual General Meeting, the directors have proposed a final ordinary one-tier tax exempt dividend of 6.0 cents per share (2014: one-tier tax exempt dividend of 11.0 cents per share) amounting to an estimated net dividend of S\$107,111,000 (2014: S\$196,265,000) in respect of the year ended December 31, 2015, based on the number of issued shares as at December 31, 2015.

The proposed dividend of 6.0 (2014: 11.0) cents per share has not been included as a liability in the financial statements.

	Group and Company	
	2015	2014
	S\$'000	S\$'000
<b>Dividend paid</b>		
Interim one-tier tax exempt dividend of 5.0 cents per share		
in respect of year 2015 (2014: 5.0 cents per share in respect of year 2014)	<b>89,338</b>	89,351
Final one-tier tax exempt dividend of 11.0 cents per share		
in respect of year 2014 (2014: 15.0 cents per share in respect of year 2013)	<b>196,528</b>	268,056
Final bonus one-tier tax exempt dividend of nil cents per share		
in respect of year 2014 (2014: 2.0 cents per share in respect of year 2013)	–	35,717
	<b>285,866</b>	393,124

### 32. Share-based Incentive Plans

The Company's Performance Share Plan (SCI PSP 2010) and Restricted Share Plan (SCI RSP 2010) (collectively, the "2010 Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on April 22, 2010. The 2010 Share Plans replaced the Share Plans which were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on June 5, 2000 and expired in 2010.

The Executive Resource & 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:

Ang Kong Hua (Chairman)  
Margaret Lui  
Tan Sri Mohd Hassan Marican  
Dr Teh Kok Peng (appointed on April 22, 2015)

The SCI RSP 2010 is the incentive scheme for directors and employees of the Group whereas SCI 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 SCI RSP 2010 is intended to apply to a broad base of senior executives as well as to the non-executive directors, while the SCI 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 SCI RSP 2010 and the SCI 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 associated companies over which the Company has operational control.

A participant's awards under the 2010 Share Plans will be determined at the sole discretion of the Committee. In considering an award to be granted to a participant, the Committee may take into account, *inter alia*, the participant's performance during the relevant period, and his capability, entrepreneurship, scope of responsibility and skill set.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 32. Share-based Incentive Plans (cont'd)

#### a. Share Option Plan

Other information regarding the 2010 Share Plans and Share Option Plan is as follows:

Under the rules of the Share Option Plan, participants who ceased to be employed by the Group or the associated company by reason of ill health, injury or disability, redundancy, retirement at or after the legal retirement age, retirement before the legal retirement age, death, etc., or any other event approved by the Committee, may be allowed by the Committee to retain their unexercised options. The Committee may determine the number of shares comprised in that option which may be exercised and the period during which such option shall be exercisable, being a period not later than the expiry of the exercise period in respect of that option. Such option may be exercised at any time notwithstanding that the date of exercise of such option falls on a date prior to the first day of the exercise period in respect of such option.

Other information regarding the Share Option Plan is as follows:

- The exercise price of the options can be set at market price or a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. Market price is the volume-weighted average price for the shares on the Singapore Exchange Securities Trading Limited (SGX-ST) over the three consecutive trading days prior to grant date of that option. For all options granted to date, the exercise prices are set at market price.
- After the first 12 months of lock-out period, the Group imposed a further vesting of 4 years for managers and above for retention purposes.
- In 2015 and 2014, all options were settled by the issuance of treasury shares.
- The options granted expire after 5 years for non-executive directors and associated company's employees, and 10 years for the employees of the Group. There are no outstanding share options for non-executive directors.
- All options will expire on June 9, 2016.

At the end of the year, details of the options granted under the Share Option Plan on unissued ordinary shares of the Company are as follows:

#### Sembcorp Industries Ltd Ordinary shares 2015

Date of grant of options	Exercise price per share	Options						Exercise period
		exercised	cancelled / lapsed / not accepted	outstanding at Jan 1, 2015	Options at Dec 31, 2015	exercisable at Jan 1, 2015	exercisable at Dec 31, 2015	
01/07/2005	\$2.37	121,250	(71,000)	(50,250)	–	121,250	–	02/07/2006 to 01/07/2015
21/11/2005	\$2.36	176,750	(94,000)	(82,750)	–	176,750	–	22/11/2006 to 21/11/2015
09/06/2006	\$2.52	373,299	(53,750)	–	319,549	373,299	319,549	10/06/2007 to 09/06/2016
		<b>671,299</b>	<b>(218,750)</b>	<b>(133,000)</b>	<b>319,549</b>	<b>671,299</b>	<b>319,549</b>	

### 32. Share-based Incentive Plans (cont'd)

#### a. Share Option Plan (cont'd)

#### Sembcorp Industries Ltd Ordinary shares 2014

Date of grant of options	Exercise price per share	Options						Exercise period
		exercised	cancelled / lapsed / not accepted	outstanding at Jan 1, 2014	Options at Dec 31, 2014	exercisable at Jan 1, 2014	exercisable at Dec 31, 2014	
17/05/2004	\$0.99	26,500	(3,625)	(22,875)	–	26,500	–	18/05/2005 to 17/05/2014
22/11/2004	\$1.16	29,375	(5,875)	(23,500)	–	29,375	–	23/11/2005 to 22/11/2014
01/07/2005	\$2.37	139,875	(15,625)	(3,000)	121,250	139,875	121,250	02/07/2006 to 01/07/2015
21/11/2005	\$2.36	217,625	(36,875)	(4,000)	176,750	217,625	176,750	22/11/2006 to 21/11/2015
09/06/2006	\$2.52	809,049	(431,750)	(4,000)	373,299	809,049	373,299	10/06/2007 to 09/06/2016
		<b>1,222,424</b>	<b>(493,750)</b>	<b>(57,375)</b>	<b>671,299</b>	<b>1,222,424</b>	<b>671,299</b>	

At the end of the financial year, details of the options granted under the Share Option Plan on unissued ordinary shares of Sembcorp Marine Ltd are as follows:

#### Sembcorp Marine Ltd Ordinary shares 2015

Date of grant of options	Exercise price per share	Options						Exercise period
		exercised	cancelled / lapsed / not accepted	outstanding at Jan 1, 2015	Options at Dec 31, 2015	exercisable at Jan 1, 2015	exercisable at Dec 31, 2015	
11/08/2005	\$2.11	667,190	(392,000)	(275,190)	–	667,190	–	12/08/2006 to 11/08/2015
02/10/2006	\$2.38	1,009,312	(22,000)	(14,000)	973,312	1,009,312	973,312	03/10/2007 to 02/10/2016
		<b>1,676,502</b>	<b>(414,000)</b>	<b>(289,190)</b>	<b>973,312</b>	<b>1,676,502</b>	<b>973,312</b>	

#### 2014

Date of grant of options	Exercise price per share	Options						Exercise period
		exercised	cancelled / lapsed / not accepted	outstanding at Jan 1, 2014	Options at Dec 31, 2014	exercisable at Jan 1, 2014	exercisable at Dec 31, 2014	
10/08/2004	\$0.74	168,710	(129,760)	(38,950)	–	168,710	–	11/08/2005 to 10/08/2014
11/08/2005	\$2.11	857,140	(173,500)	(16,450)	667,190	857,140	667,190	12/08/2006 to 11/08/2015
02/10/2006	\$2.38	1,134,329	(109,617)	(15,400)	1,009,312	1,134,329	1,009,312	03/10/2007 to 02/10/2016
		<b>2,160,179</b>	<b>(412,877)</b>	<b>(70,800)</b>	<b>1,676,502</b>	<b>2,160,179</b>	<b>1,676,502</b>	

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 32. Share-based Incentive Plans *(cont'd)*

#### a. Share Option Plan *(cont'd)*

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Semcorp Industries Ltd's options exercised in 2015 and 2014 were all settled by way of issuance of treasury shares. Semcorp Industries Ltd's options were exercised on a regular basis throughout the year. The weighted average share price during the year was S\$3.81 (2014: S\$5.16).

Semcorp Marine Ltd's options exercised in 2015 resulted in 414,000 (2014: 412,877) ordinary shares being issued at a weighted average price of S\$3.09 (2014: S\$4.20). Semcorp Marine Ltd's options were exercised on a regular basis throughout the year. The weighted average share price during the year was S\$2.68 (2014: S\$3.77).

#### Fair value of share options

The fair value of services received is measured by reference to the fair value of share options granted.

#### b. Performance Share Plan

Under the Performance Share Plan (SCI PSP 2010), the awards granted conditional on performance targets are set based on medium-term corporate objectives at the start of each rolling three-year performance qualifying period. A specific number of performance shares shall be awarded at the end of the three-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset.

The performance levels were calibrated based on Wealth Added and Total Shareholder Return. For awards granted from 2014 onwards, the performance levels were calibrated based on Wealth Added, Total Shareholder Return and Earnings per share. A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Performance shares to be delivered will range between 0% to 150% of the conditional performance shares awarded.

To create alignment between senior management and other employees at the time of vesting, SCI PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2015 to 2017 will be vested to the senior management participants only if the restricted shares for the performance period 2016 to 2017 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.

### 32. Share-based Incentive Plans *(cont'd)*

#### b. Performance Share Plan *(cont'd)*

##### i. Semcorp Industries Ltd Performance Shares

The details of the movement of the performance shares of Semcorp Industries Ltd awarded during the year are as follows:

	2015	2014
At January 1	2,004,861	2,169,723
Conditional performance shares awarded	831,250	625,000
Performance shares lapsed arising from targets not met	(754,861)	(292,249)
Conditional performance shares released	–	(497,613)
At December 31	2,081,250	2,004,861

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2012 to 2014 (2014: performance period 2011 to 2013), no performance shares were released via the issuance of treasury shares (2014: 497,613).

In 2015, 754,861 (2014: 292,249) performance shares were lapsed for under-achievement of the performance targets for the performance period 2012 to 2014 (2014: 2011 to 2013).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2015, was 2,081,250 (2014: 2,004,861). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,121,875 (2014: 3,007,292) performance shares.

##### ii. Performance shares of a listed subsidiary

The details of the movement of the performance shares of Semcorp Marine Ltd awarded during the year are as follows:

	2015	2014
At January 1	2,810,000	1,915,000
Conditional performance shares awarded	1,215,000	1,480,000
Conditional performance shares lapsed	(150,000)	(62,225)
Performance shares lapsed arising from targets not met	(675,000)	(360,715)
Conditional performance shares released	–	(162,060)
At December 31	3,200,000	2,810,000

No performance shares of Semcorp Marine Ltd were awarded to the directors of the Company.

With the Semcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2012 to 2014 (2014: performance period 2011 to 2013), no performance shares were released via the issuance of treasury shares (2014: 162,060).

In 2015, 675,000 (2014: 360,715) performance shares were lapsed for under-achievement of the performance targets for the performance period 2012 to 2014 (2014: 2011 to 2013).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at December 31, 2015, was 3,200,000 (2014: 2,810,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 4,800,000 (2014: 4,215,000) performance shares.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 32. Share-based Incentive Plans *(cont'd)*

#### b. Performance Share Plan *(cont'd)*

##### ii. Performance shares of a listed subsidiary *(cont'd)*

Fair value of performance shares

The fair values of the performance shares are estimated using a Monte Carlo simulation methodology at the grant dates.

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

	Fair value of Sembcorp Industries Ltd performance shares granted on May 11, 2015	Fair value of Sembcorp Industries Ltd performance shares granted on May 9, 2014	Fair value of Sembcorp Marine Ltd performance shares granted on May 27, 2015	Fair value of Sembcorp Marine Ltd performance shares granted on June 15, 2014
Fair value at measurement date	S\$2.44	S\$3.57	S\$1.40	S\$1.35
<b>Assumptions under the Monte Carlo model</b>				
Share price	S\$4.29	S\$5.40	S\$2.99	S\$4.04
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	18.0%	24.0%	18.3%	26.1%
Morgan Stanley Capital International (MSCI) AC Asia Pacific excluding Japan Industrials Index	11.8%	17.2%	11.6%	17.0%
Correlation with MSCI	(33.2%)	50.2%	39.5%	60.6%
Risk-free interest rate	1.23%	0.6%	1.2%	0.6%
Expected dividend	4.35%	3.0%	4.3%	4.2%

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 S\$3,513,000 (2014: S\$4,217,000) to the profit or loss based on the fair value of the performance shares at the grant date being expensed over the vesting period.

#### c. Restricted Share Plan

Under the Restricted Share Plan (SCI 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 Total Assets (excluding Sembcorp Marine Ltd) and Group Profit from Operations (excluding Sembcorp Marine Ltd) for awards granted in 2015.

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 SCI 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 Challenge Bonus.

### 32. Share-based Incentive Plans *(cont'd)*

#### c. Restricted Share Plan *(cont'd)*

A specific number of restricted shares shall be awarded at the end of the two-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset. There is a further vesting 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 two-year performance cycle, with no further vesting conditions.

Senior management participants are required to hold a minimum percentage of the shares released to them under the Restricted Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

To align the interests of the non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted shares awards under the SCI RSP 2010.

From 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Mr Tang Kin Fei, who is the Group President & CEO, and who does not receive any directors' fees). In 2015 and 2014, 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 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. A non-executive director who steps down before the payment of the share component will receive all of his director's fees for the year (calculated on a pro-rated basis, where applicable) in cash.

#### i. Sembcorp Industries Ltd Restricted Shares

The details of the movement of the restricted shares of Sembcorp Industries Ltd awarded during the year are as follows:

	2015	2014
At January 1	7,332,929	6,955,014
Conditional restricted shares awarded	3,225,075	2,380,300
Conditional restricted shares lapsed	(238,043)	(267,349)
Additional restricted shares awarded arising from targets met	291,760	1,150,350
Conditional restricted shares released	(2,782,592)	(2,885,386)
At December 31	7,829,129	7,332,929

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 32. Share-based Incentive Plans *(cont'd)*

#### c. Restricted Share Plan *(cont'd)*

##### i. Sembcorp Industries Ltd Restricted Shares *(cont'd)*

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2013 to 2014, a total of 802,901 restricted shares were released in 2015. For awards in relation to the performance period 2012 to 2013, a total of 1,033,746 (2014: 1,223,584) were released in 2015. For awards in relation to the performance period 2011 to 2012, a total of 823,882 (2014: 907,067) restricted shares were released in 2015. For awards in relation to the performance period 2010 to 2011, no restricted shares were released in 2015 (2014: 667,435). In 2015, there were 119,000 (2014: 87,300) shares released to non-executive directors. In 2015, there were additional 3,063 shares released to employees due to sale of a subsidiary. Of the restricted shares released, 53,354 (2014: 29,887) restricted shares were cash-settled. The remaining restricted shares were released via the issuance of treasury shares.

In 2015, additional 291,760 (2014: 1,150,350) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2013 to 2014 (2014: performance period 2012 to 2013).

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2015, was 7,829,129 (2014: 7,332,929). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 5,267,075 (2014: 4,383,100). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 7,900,613 (2014: 6,574,650) restricted shares.

##### Sembcorp Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2013 to 2014 (2014: performance period 2012 to 2013), a total of S\$1,792,563, equivalent to 375,838 (2014: S\$3,346,469, equivalent to 558,210) notional restricted shares, were paid. A total of 440,000 (2014: 450,000) notional restricted shares of Sembcorp Industries Ltd's shares were awarded in 2015 for the Sembcorp Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at end 2015, was 890,000 (2014: 850,000). 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 1,335,000 (2014: 1,275,000).

### 32. Share-based Incentive Plans *(cont'd)*

#### c. Restricted Share Plan *(cont'd)*

##### ii. Restricted shares of a listed subsidiary

The details of the movement of the restricted shares of Sembcorp Marine Ltd awarded during the year are as follows:

	2015	2014
At January 1	8,262,801	8,545,150
Conditional restricted shares awarded	5,130,501	3,049,980
Conditional restricted shares lapsed	(420,956)	(283,728)
Additional restricted shares awarded arising from targets met	198,159	508,977
Conditional restricted shares released	(3,068,920)	(3,557,578)
At December 31	10,101,585	8,262,801

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2013 to 2014, a total of 1,013,899 restricted shares were released. For awards in relation to the performance period 2012 to 2013, a total of 950,779 (2014: 1,154,566) restricted shares were released. For awards in relation to the performance period 2011 to 2012, a total of 945,042 (2014: 1,074,512) restricted shares were released. For awards in relation to the performance period 2010 to 2011, no restricted shares were released (2014: 1,232,100). In 2015, 159,200 (2014: 96,400) restricted shares released to non-executive directors. The restricted shares were released via the issuance of treasury shares.

In 2015, additional 198,159 (2014: 508,977) Sembcorp Marine Ltd's restricted shares were awarded for the over-achievement of the performance targets for the performance period 2013 to 2014 (2014: performance period 2012 to 2013).

The total number of Sembcorp Marine Ltd's restricted shares outstanding, including awards achieved but not released, as at December 31, 2015, was 10,101,585 (2014: 8,262,801). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 7,623,701 (2014: 5,450,570). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 11,435,552 (2014: 8,175,855) restricted shares.

##### Challenge Bonus of a listed subsidiary

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2013 to 2014 (2014: performance period 2012 to 2013), a total of S\$2,849,108 (2014: S\$4,122,758), equivalent to 942,290 (2014: 1,010,480) notional restricted shares, were paid.

A total of 2,140,509 (2014: 1,223,280) notional restricted shares were awarded on May 27, 2015 (2014: June 15, 2014) 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 December 31, 2015, was 3,070,668 (2014: 2,066,240). 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 4,606,002 (2014: 3,099,360).

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 32. Share-based Incentive Plans (cont'd)

#### c. Restricted Share Plan (cont'd)

##### ii. Restricted shares of a listed subsidiary (cont'd)

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:

	Fair value of Sembcorp Industries Ltd restricted shares granted on May 11, 2015	Fair value of Sembcorp Industries Ltd restricted shares granted on May 9, 2014	Fair value of Sembcorp Marine Ltd restricted shares granted on May 27, 2015	Fair value of Sembcorp Marine Ltd restricted shares granted on June 15, 2014
Fair value at measurement date	<b>S\$3.79</b>	S\$4.91	<b>S\$2.65</b>	S\$3.56
<b>Assumptions under the Monte Carlo model</b>				
Share price	<b>S\$4.29</b>	S\$5.40	<b>S\$2.99</b>	S\$4.04
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	<b>18.0%</b>	24.0%	<b>18.3%</b>	26.1%
Risk-free interest rate	<b>1.06% – 1.41%</b>	0.4%–0.9%	<b>1.0% – 1.4%</b>	0.4%–0.9%
Expected dividend	<b>4.35%</b>	3.0%	<b>4.3%</b>	4.2%

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 S\$18,492,000 (2014: S\$25,481,000) to the 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 Challenge Bonus

During the year, the Group wrote back charges of S\$827,000 (2014: charged S\$5,352,000) to the 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 Sembcorp Challenge Bonus and the market price at the vesting date.

### 33. Disposal of subsidiaries and associate

- On April 16, 2015, the Group's wholly-owned UK subsidiary, Sembcorp Holdings Limited, completed the sale of its 100% stake in Sembcorp Bournemouth Water Investment (SBWI) to the Pennon group PLC (Pennon) for an enterprise value of £191.5 million (approximately S\$393 million), with cash proceeds from the sale of £104.5 million (approximately S\$214 million). The gain on disposal of S\$54.7 million was recognised in other income.
- On August 24, 2015, the Group's wholly-owned subsidiary, China Water Company (Zhumadian) Limited has completed the sale of its entire 51% stake in Zhumadian China Water Company Limited to Beijing Enfei Environmental Protection Co for RMB90 million (approximately S\$19.5 million). The gain on disposal of S\$17.7 million was recognised in other income.

	Note	S\$'000
Property, plant and equipment	3	401,171
Long-term receivables		10,026
Intangible assets	10	38,113
Deferred tax assets	11	19
Inventories and work-in-progress		1,191
Trade and other receivables		32,919
Cash and cash equivalents		28,841
Trade and other payables		(44,383)
Current tax payable		(472)
Deferred tax liabilities	11	(44,613)
Provisions	17	3,345
Retirement benefit obligations		(2,837)
Interest bearing borrowings		(209,986)
Other long-term payables		(71,595)
Net assets derecognised		141,739
Non-controlling interests		8,460
Realisation of currency translation reserve upon disposal		10,406
		160,605
Gain on disposal of subsidiaries	28(b)	72,409
Consideration received, satisfied in cash		233,014
Less: Cash and cash equivalents disposed of due to de-consolidation		(28,841)
Net cash inflow		204,173

- During the year, the Group's wholly-owned subsidiary, Sembcorp Environment has disposed its 40% interest in SembSita Pacific Pte Ltd (SembSita) to 60% joint venture partner, Suez Environnement Asia (Suez), for a consideration of S\$487.9 million and a gain of S\$353.2 million has been recognised in other income.

### 34. Acquisition of Subsidiaries 2015

On February 13, 2015, Sembcorp acquired a 60% stake in Sembcorp Green Infra Limited (SGI), a renewable energy company in India with a wind and solar portfolio. Consequently, SGI's financials were consolidated into the Group's financial statements.

The principal activity of SGI is to sell power generated under a combination of long-term Power Purchase Agreements in India.

This acquisition marks Sembcorp's entry into India's attractive renewable energy market, and is a major step in the Group's strategy to grow its renewable energy market.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 34. Acquisition of Subsidiaries (cont'd)

2015 (cont'd)

#### Revenue and profit contribution

The acquired business contributed revenue of S\$115,460,000 and profit for the year of S\$16,132,000 to the Group's results for the period from February 13, 2015 to December 31, 2015.

Had SGI been consolidated from January 1, 2015, the Group's consolidated revenue and consolidated profit for the year ended December 31, 2015 would have been S\$9,549,286,000 and S\$451,176,000 respectively.

#### Consideration transferred

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

	2015	
	S\$'000	
<b>a. Effect on cash flows of the Group</b>		
Cash paid		232,483
Less: Cash and cash equivalents in subsidiary acquired		(18,847)
Cash outflow on acquisition		213,636
<b>b. Identifiable assets acquired and liabilities assumed</b>		
	At fair value	
	Note	S\$'000
Property, plant and equipment	3	712,005
Other financial assets		38,799
Intangible assets	10	66,835
Trade and other receivables		57,855
Deferred tax assets	11	4,344
Tax recoverable		3,548
Cash and cash equivalents		18,847
Total assets		902,233
Trade and other payables		91,641
Provisions	17	3,268
Other financial liabilities		109
Current tax payable		1,012
Deferred tax liabilities	11	38,750
Retirement benefit obligations	19	135
Borrowings		437,795
Total liabilities		572,710
Total net identifiable assets		329,523
Less: Non-controlling interests		(140,147)
Add: Goodwill	10	43,107
Consideration transferred for the business		232,483

### 34. Acquisition of Subsidiaries (cont'd)

2015 (cont'd)

#### Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique	Key assumptions
Property, plant and equipment	Freehold land – Sales comparison Buildings, Plant and machinery – Depreciated replacement / reproduction cost	<ul style="list-style-type: none"> <li>Freehold land – Prevailing market rates of similar agricultural lands from real estate agent / property brokers.</li> <li>Buildings, Plant and machinery – Current replacement costs were derived from market quotes received from suppliers / manufacturers.</li> </ul>
Intangible assets	Multi-period excess earnings method (MEEM)	<ul style="list-style-type: none"> <li>Revenue forecasted based on contracted tariffs as per long-term Power Purchase Agreements.</li> <li>The excess earning is obtained after deducting the Contributory Asset Charges (CACs) which represents the required return on all other assets employed to generate future income.</li> <li>Discount rate of 17%.</li> </ul>

#### Acquired receivables

Included in trade receivables are trade receivables stated at fair value of S\$13,031,000. The gross contractual amount for the trade receivables due was S\$13,031,000 and expected to be collectible.

#### Non-controlling interests

The Group has elected to measure the non-controlling interest (NCI) based on their proportionate interest of SGI's net identifiable assets as recognised by the Group, which amounted to S\$140,147,000.

#### Goodwill

The acquisition will provide a platform to accelerate the Group's growth in the renewable energy sector. It also includes local market knowledge and capability residing in the experienced management team which cannot be separately recognised as intangible asset from goodwill. None of the goodwill recognised is expected to be deductible for tax purposes.

#### Acquisition-related costs

The Group incurred acquisition-related costs of S\$2,160,000 on legal fees and due diligence costs. These costs have been included in 'General and administrative expenses'.



## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 34. Acquisition of Subsidiaries (cont'd)

#### 2014

In July 14, 2014, Sembcorp's interest in Thermal Powertech Corporation India Limited (TPCIL) was increased from 49% to 65% and became a subsidiary of the Group. Consequently, TPCIL's financials were consolidated into the Group's financial statements.

The principal activities of TPCIL are to build, own and operate a 1,320 megawatt (2 x 660 megawatt units) coal-fired power plant in India.

#### Revenue and profit contribution

The acquired business contributed losses amounting to S\$1,660,000 to the Group's results for the period from July 14, 2014 to December 31, 2014. TPCIL has not commenced operations and hence no revenue recognised.

Had TPCIL been consolidated from January 1, 2014, the Group's consolidated revenue and consolidated profit for the year ended December 31, 2014 would have been S\$10,894,660,000 and S\$1,084,244,000 respectively.

#### Consideration transferred

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

	2014	
	S\$'000	
<i>a. Effect on cash flows of the Group</i>		
Cash paid		–
Less: Cash and cash equivalents in subsidiary acquired		61,741
Cash inflow on acquisition		61,741
		<b>At fair value</b>
	<b>Note</b>	<b>S\$'000</b>
<i>b. Identifiable assets acquired and liabilities assumed</i>		
Property, plant and equipment	3	1,628,635
Intangible assets	10	39,154
Trade and other receivables		106,226
Tax recoverable		1,674
Cash and cash equivalents		61,741
Total assets		1,837,430
Trade and other payables		177,457
Deferred tax liabilities	11	39,338
Retirement benefit obligations	19	32
Borrowings		1,221,621
Total liabilities		1,438,448
Total net identifiable assets		398,982
Less: Non-controlling interests		(186,942)
Add: Goodwill	10	26,131
Less: Amount previously accounted for as joint venture		(197,201)
Less: Foreign currency translation reserve realized when joint venture became a subsidiary		(37,178)
Less: Fair value gain on step up acquisition of a joint venture		(3,792)
Consideration transferred for the business		–

### 34. Acquisition of Subsidiaries (cont'd)

#### 2014 (cont'd)

#### Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique	Key assumptions
Property, plant and equipment	Market comparison technique and cost technique	Supplier's quotations for major component parts of the power plant (mainly the boiler, turbines and generators).
Intangible assets	Multi-period excess earnings method (MEEM)	<ul style="list-style-type: none"> <li>Contract revenue are based on the contracted tariffs stipulated in the long-term power purchase agreement.</li> <li>Constant gross profit margin assumed on the understanding that any volatility in fuel cost incurred will be passed on to customer.</li> <li>Discounted rates of 18%.</li> </ul>

#### Acquired receivables

The fair value of trade and other receivables is S\$106,266,000. TPCIL has not commenced operations at the date of acquisition. Receivables mainly pertain to the capital contribution receivable from shareholders.

#### Non-controlling interests

The Group has elected to measure the non-controlling interest (NCI) based on their proportionate interest of TPCIL's net identifiable assets as recognised by the Group, which amounted to S\$186,942,000.

#### Goodwill

The goodwill of S\$26,131,000 recognised on acquisition is attributable to the control premium to acquire a controlling stake in TPCIL. None of the goodwill recognised is expected to be deductible for tax purposes.

The re-measurement to fair value of the Group's existing 49% interest in TPCIL resulted in a gain of S\$3,792,000. This amount has been recognised in "Other income" in the consolidated income statement (see Note 28).

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 35. Related Parties

#### a. Related party transactions

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

	Outstanding balances		Transactions	
	2015	2014	2015	2014
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Related Corporations</b>				
Sales	2,750	49,485	84,067	711,149
Purchases including rental	728	145	196,557	191,814
Loans due from	11,775	-	-	-
Finance income	-	-	3,536	2,928
Finance expense	-	-	33,591	9,227
<b>Associates and Joint Ventures</b>				
Sales	23,769	23,654	78,890	69,200
Purchases including rental	7,036	5,163	18,740	20,177
Payment on behalf	-	-	5,566	4,555
Loans due from	140,621	118,961	-	-

The Group has no financial assistance to non-wholly-owned subsidiary companies. The balances due from related parties arose from the usual trade transactions, reimbursements and for financing of capital expansion.

#### b. Compensation of key management personnel

The Group considers the directors of the Company (including the Group President & CEO of the Company), the Group Chief Financial Officer, the President & CEO of Sembcorp Marine Ltd, the Executive Vice President & Head of Group Business Development & Commercial, the Executive Vice President & Head, Group Asset Management, Utilities, the CEO of Sembcorp Development Ltd to be key management personnel in accordance with FRS 24 Related Party Disclosures. These persons have the authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation is as follows:

	Group	
	2015	2014
	S\$'000	S\$'000
Directors' fees and remuneration	8,432	7,772
Other key management personnel remuneration	9,606	10,110
	18,038	17,882
Fair value of share-based compensation	4,739	5,430

Remuneration includes salary (which includes allowances, fees and other emoluments) and bonus (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.

### 35. Related Parties (cont'd)

#### b. Compensation of key management personnel (cont'd)

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 increased or decreased by the yearly EVA performance of the Group and its subsidiaries achieved 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 the profit or loss.

### 36. 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, Group treasury policies and financial authority limits are documented and reviewed periodically. The policies set out the parameters for management of Group liquidity, counterparty risk, foreign exchange and derivative transactions and financing.

The Group utilises foreign exchange contracts, foreign exchange swaps, interest rate swaps, fuel oil swaps, contracts for differences and various financial instruments to manage exposures to interest rate, foreign exchange and commodity price risks arising from operating, financing and investment activities. Exposures to foreign currency risks are also hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount where possible. All such transactions must involve underlying assets or liabilities and no speculative transactions are allowed.

The financial authority limits seek to limit and mitigate transactional risks by setting out the threshold of approvals required for the entry into contractual obligations and investments.

#### a. Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and reduce market risk exposures within acceptable parameters.

#### i. Interest rate risk

The Group's exposure to market risk for changes in interest rate environment relates mainly to its debt obligations.

The Group's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts and long-term and short-term borrowings.

The Group enters into interest rate swaps and cross currency interest rate swaps to reduce its exposure to interest rate volatility. In accordance with the Group's policy, the duration of such interest rate swaps must not exceed the tenor of the underlying debt.

At December 31, 2015, the Group had interest rate swaps and cross currency interest rate swaps with an aggregate notional amount of S\$1,197,097,000 (2014: S\$940,904,000), of which S\$1,135,153,000 (2014: S\$910,253,000) was designated as cash flow hedges. The Group receives a variable interest rate and pays a fixed rate interest ranging from 1.53% to 13.05% (2014: 1.53% to 4.94%) per annum on the notional amount. Interest rate swaps with notional amounts of S\$326,000,000 (2014: S\$353,327,000) are taken with a related corporation.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 36. Financial Instruments (cont'd)

#### a. Market risk (cont'd)

##### i. Interest rate risk (cont'd)

###### Sensitivity analysis

It is estimated that 100 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	
	100 bp	100 bp	100 bp	100 bp
	Increase	Decrease	Increase	Decrease
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>				
<b>December 31, 2015</b>				
Variable rate financial instruments	(5,452)	5,452	27,479	(28,063)
<b>December 31, 2014</b>				
Variable rate financial instruments	1,762	(1,762)	24,943	(25,431)
<b>Company</b>				
<b>December 31, 2015</b>				
Variable rate financial instruments	3,231	(3,231)	–	–
<b>December 31, 2014</b>				
Variable rate financial instruments	924	(924)	–	–

##### 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 (EURO), Pounds Sterling (GBP) and Brazilian Real (BRL). Such risks are hedged either by forward foreign exchange contracts in respect of actual or forecasted currency exposures which are reasonably certain or hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount.

The Group's investments in its UK subsidiaries are hedged by GBP / SGD Cross Currency Swaps with notional amount of S\$333,758,000 (2014: S\$374,717,000) and GBP / SGD foreign exchange forward contract with notional amount of S\$nil (2014: S\$43,727,000), which mitigates the currency risks arising from the subsidiaries' net assets. The Group's investments in its Middle East (ME) subsidiaries are hedged by a USD / SGD foreign exchange swap contract with a notional amount of S\$73,024,000 (2014: S\$nil). On consolidation, the effective portions of the fair value loss of S\$8,859,000 (2014: S\$7,703,000), fair value gain of S\$nil (2014: S\$1,052,000) and fair value loss of S\$2,263,000 (2014: S\$nil) arising from the GBP / SGD Cross Currency Swaps, GBP / SGD foreign exchange forward contract and USD / SGD foreign exchange swap contract respectively, are recognised directly in the foreign currency translation reserves. These financial instruments are designated as hedge of a net investment in foreign operations and were effective as at December 31, 2015.

Foreign exchange forward contracts and cross currency swaps with notional amounts of S\$270,275,000 (2014: S\$468,219,000) and S\$239,608,000 (2014: S\$280,567,000) respectively are taken with a related corporation.

### 36. 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 (excluding the GBP / SGD Cross Currency Swaps, GBP / SGD foreign exchange forward contract and foreign exchange swap contract that are designated as a hedge of the Group's net investments in its subsidiaries in UK and ME) as provided to the management of the Group based on its risk management policy was as follows:

	SGD	USD	EURO	GBP	BRL	Others
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>						
<b>2015</b>						
<b>Financial assets</b>						
Cash and cash equivalents	39,168	358,377	26,467	92,757	–	12,368
Trade and other receivables	9,078	1,293,143	18,548	88,893	–	74,026
Due from customers on						
construction contracts	118	2,025,446	8,546	–	156,030	41,068
Other financial assets	–	27,463	–	–	–	32,725
	48,364	3,704,429	53,561	181,650	156,030	160,187
<b>Financial liabilities</b>						
Trade and other payables	157,324	917,885	107,485	81,905	51,284	94,673
Interest-bearing borrowings	–	1,387,029	–	–	–	14,037
	157,324	2,304,914	107,485	81,905	51,284	108,710
Net financial (liabilities) / assets	(108,960)	1,399,515	(53,924)	99,745	104,746	51,477
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(24,451)	(94,066)	(111,507)	213,944	(26,897)	(87,745)
Less: Foreign exchange forward contracts	23,209	(232,056)	117,000	(297,127)	–	46,086
Net currency exposure	(110,202)	1,073,393	(48,431)	16,562	77,849	9,818
<b>2014</b>						
<b>Financial assets</b>						
Cash and cash equivalents	58,976	304,256	47,349	12,860	–	23,721
Trade and other receivables	15,260	1,218,824	23,367	95,539	38,436	67,858
Due from customers on						
construction contracts	1,024	1,380,402	–	–	–	–
Other financial assets	–	29,059	–	–	–	14,876
	75,260	2,932,541	70,716	108,399	38,436	106,455
<b>Financial liabilities</b>						
Trade and other payables	133,852	948,196	113,736	73,640	45,004	151,675
Interest-bearing borrowings	–	945,574	–	–	–	7,260
	133,852	1,893,770	113,736	73,640	45,004	158,935
Net financial (liabilities) / assets	(58,592)	1,038,771	(43,020)	34,759	(6,568)	(52,480)
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(49,326)	1,272,537	(71,956)	17,254	–	(55,315)
Less: Foreign exchange forward contracts	77,425	(1,467,480)	46,743	16,824	–	194,316
Net currency exposure	(30,493)	843,828	(68,233)	68,837	(6,568)	86,521

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 36. Financial Instruments (cont'd)

#### a. Market risk (cont'd)

##### ii. Foreign currency risk (cont'd)

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

	USD	EURO	GBP	Others
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
<b>Company</b>				
<b>2015</b>				
<b>Financial assets</b>				
Cash and cash equivalents	19,350	–	20	–
Trade and other receivables	72,384	30	31	–
Long-term trade receivables	2,484	–	–	–
	94,218	30	51	–
<b>Financial liabilities</b>				
Trade and other payables	17,848	110	155	913
Net financial assets / (liabilities)	76,370	(80)	(104)	(913)
Net currency exposure	76,370	(80)	(104)	(913)
<b>2014</b>				
<b>Financial assets</b>				
Cash and cash equivalents	11,134	–	–	–
Trade and other receivables	89,088	136	–	–
Long-term trade receivables	7,543	–	–	–
	107,765	136	–	–
<b>Financial liabilities</b>				
Trade and other payables	30,091	226	1	517
Net financial assets / (liabilities)	77,674	(90)	(1)	(517)
Less: Foreign exchange forward contracts	(25,329)	–	–	–
Net currency exposure	52,345	(90)	(1)	(517)

### 36. 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 and highly probable forecast transactions in foreign currencies. The analysis is performed on the same basis for 2014.

	Group		Company	
	Equity	Profit before tax	Equity	Profit before tax
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
<b>2015</b>				
SGD	1,512	(10,422)	–	–
USD	(25,620)	126,921	–	7,637
EURO	27,106	(5,391)	–	(8)
GBP	(19,591)	4,984	–	(10)
BRL	–	10,475	–	–
Others	9,361	1,223	–	(91)
<b>2014</b>				
SGD	3,234	(2,090)	–	–
USD	(81,314)	63,890	(4,828)	7,768
EURO	522	(355)	–	(9)
GBP	(119)	1,928	–	–
BRL	–	(657)	–	–
Others	13,665	726	–	(51)

A 10% weakening of the above currencies against the functional currencies of the Company and its subsidiaries at the balance sheet date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 36. Financial Instruments (cont'd)

#### a. Market risk (cont'd)

##### iii. Price risk

##### Unit trust and funds, and equity securities price risk

The Group is exposed to unit trust and funds, and equity securities price risk because of the investments held by the Group which are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss.

##### Sensitivity analysis

If prices for unit trust and funds, and equity securities increase by 10% with all other variables held constant, the increase in equity and profit before tax will be:

	Group	
	2015	2014
	S\$'000	S\$'000
Equity	27,450	24,715
Profit before tax	5,103	5,439

A 10% decrease in the underlying unit trust and funds, and equity securities would have had the equal but opposite effect to the amounts shown above. The analysis is performed on the same basis for 2014 and assumes that all other variables remain constant.

##### Commodity risk

The Group hedges against fluctuations in commodity prices that affect revenue and cost. Exposures are managed via swaps, options, contracts for differences, fixed price and forward contracts.

Contracts for differences are entered into with a counterparty at a strike price, with or without fixing the quantity upfront, to hedge against adverse price movements on the sale of electricity. Exposure to price fluctuations arising on the purchase of fuel is managed via fuel oil swaps where the price of fuel is indexed to a benchmark fuel price index, for example Singapore High Sulphur Fuel Oil 180 CST fuel oil and Dated Brent.

##### Sensitivity analysis

If prices for commodities increase by 10% with all other variables held constant, the increase in equity as a result of fair value changes on cash flow hedges will be:

	Group	
	2015	2014
	S\$'000	S\$'000
Equity	8,426	17,270

A 10% decrease in the prices for commodities would have had the equal but opposite effect to the amounts shown above. The analysis is performed on the same basis for 2014 and assumes that all other variables remain constant.

### 36. Financial Instruments (cont'd)

#### a. Market risk (cont'd)

##### iii. Price risk (cont'd)

##### Notional amount

At the balance sheet date, the Group had financial instruments with the following notional contract amounts:

	Group	
	2015	2014
	Notional amount	Notional amount
	S\$'000	S\$'000
Fuel oil swap agreements	188,038	338,233

Fuel oil swap agreements with notional amounts of S\$331,000 (2014: S\$2,136,000) are taken with a related corporation.

#### 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. One of the financial institutions has become a related corporation in 2014.

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

The Group's and the Company's maximum exposure to credit risk for loans and receivables at the balance sheet date is as follows:

	Note	Group		Company	
		2015	2014	2015	2014
		S\$'000	S\$'000	S\$'000	S\$'000
<b>By business activity</b>					
Utilities		1,068,235	1,035,103	271,658	160,564
Marine		3,898,236	3,174,346	–	–
Urban Development		21,795	5,553	–	–
Others		99,439	21,477	–	–
		5,087,705	4,236,479	271,658	160,564
<b>Loans and receivables</b>					
Non-current*		385,771	405,289	137,484	7,543
Current		4,701,934	3,831,190	134,174	153,021
	8, 12	5,087,705	4,236,479	271,658	160,564

\* Not past due.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 36. Financial Instruments (cont'd)

#### b. Credit risk (cont'd)

The age analysis of current loans and receivables is as follows:

	Gross	Impairment	Gross	Impairment
	2015	2015	2014	2014
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>				
Not past due	4,410,901	9,161	3,613,788	913
Past due 0 to 3 months	214,861	363	179,661	2,245
Past due 3 to 6 months	42,648	161	20,524	1,886
Past due 6 to 12 months	142,448	103,729	14,833	5,852
More than 1 year	99,112	94,622	37,670	24,390
	4,909,970	208,036	3,866,476	35,286
<b>Company</b>				
Not past due	67,718	–	125,064	350
Past due 0 to 3 months	19,755	–	26,791	723
Past due 3 to 6 months	13,157	–	1,339	433
Past due 6 to 12 months	52,032	19,519	1,046	15
More than 1 year	2,198	1,167	384	82
	154,860	20,686	154,624	1,603

Movements in the allowance for impairment of current and non-current loans and receivables are as follows:

	Note	Group		Company	
		2015	2014	2015	2014
		S\$'000	S\$'000	S\$'000	S\$'000
Balance at January 1		36,423	38,158	1,603	250
Currency translation difference		3,249	(26)	–	–
Allowance made		205,128	4,310	19,172	1,353
Allowance utilised		(9,310)	(193)	(10)	–
Allowance written back		(6,905)	(5,826)	(79)	–
Acquisition of subsidiary		1,036	–	–	–
Disposal of subsidiary		(2,748)	–	–	–
Balance at December 31	8	226,873	36,423	20,686	1,603

During the year, impairment losses of S\$173,156,000 (2014: S\$nil) were related to two customers currently undergoing financial restructuring. In addition, impairment losses of S\$24,969,000 (2014: S\$nil) was related to a receivable that is not past due but made after assessing the customers' credit worthiness.

The total net impairment losses of S\$198,223,000 (2014: net write back of S\$1,516,000) have been recognised in the general and administrative expenses.

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 against the carrying amount of the impaired financial asset. Apart from the above, no impairment allowance is necessary in respect of outstanding trade receivables.

### 36. Financial Instruments (cont'd)

#### c. Liquidity risk

The Group manages its liquidity risk with the view to maintaining a healthy level of cash and cash equivalents appropriate to the operating environment and expected cash flows of the Group. Liquidity requirements are maintained within the credit facilities established and are adequate and available to the Group to meet its obligations.

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

	Carrying amount	Cash Flows			
		Contractual cash flow	Less than 1 year	Between 1 and 5 years	Over 5 years
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>					
<b>2015</b>					
<b>Derivatives</b>					
Derivative financial liabilities	247,238				
– inflow		2,067,024	1,699,078	367,946	–
– outflow		(2,316,712)	(1,884,455)	(432,195)	(62)
Derivative financial assets	(99,984)				
– inflow		1,273,717	1,175,743	92,439	5,535
– outflow		(1,171,406)	(1,100,535)	(70,871)	–
<b>Non-derivative financial liabilities</b>					
Trade and other payables*	3,362,571	(3,362,571)	(3,340,714)	(19,696)	(2,161)
Put liability to acquire non-controlling interests	193,113	(193,113)	–	(193,113)	–
Interest-bearing borrowings	6,832,949	(8,739,384)	(2,112,435)	(3,882,096)	(2,744,853)
	10,535,887	(12,442,445)	(5,563,318)	(4,137,586)	(2,741,541)
<b>2014</b>					
<b>Derivatives</b>					
Derivative financial liabilities	272,402				
– inflow		2,743,529	1,428,992	1,314,537	–
– outflow		(3,020,465)	(1,605,442)	(1,414,856)	(167)
Derivative financial assets	(36,570)				
– inflow		1,061,332	1,002,547	58,785	–
– outflow		(1,019,963)	(970,510)	(49,453)	–
<b>Non-derivative financial liabilities</b>					
Trade and other payables*	2,690,501	(2,690,501)	(2,677,838)	(1,975)	(10,688)
Interest-bearing borrowings	4,734,581	(6,304,181)	(1,287,748)	(2,078,267)	(2,938,166)
	7,660,914	(9,230,249)	(4,109,999)	(2,171,229)	(2,949,021)

\* Excludes advance payments, deferred income, deferred grants, rental payable, Goods and Services Tax, and employee benefits.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 36. Financial Instruments (cont'd)

#### c. Liquidity risk (cont'd)

	Cash Flows				
	Carrying	Contractual	Less than	Between 1	Over
	amount	cash flow	1 year	and 5 years	5 years
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Company</b>					
<b>2015</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables*	394,922	(456,639)	(136,511)	(156,765)	(163,363)
Interest-bearing borrowings	3	(3)	(3)	-	-
	394,925	(456,642)	(136,514)	(156,765)	(163,363)
<b>2014</b>					
<b>Derivatives</b>					
Derivative financial liabilities	1,558				
- inflow		25,329	25,329	-	-
- outflow		(26,887)	(26,887)	-	-
<b>Non-derivative financial liabilities</b>					
Trade and other payables*	744,199	(880,070)	(290,666)	(88,424)	(500,980)
Interest-bearing borrowings	11	(11)	(8)	(3)	-
	745,768	(881,639)	(292,232)	(88,427)	(500,980)

\* Excludes advance payments, deferred income, deferred grants, rental payable, Goods and Services Tax, and employee benefits.

### 36. 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 the profit or loss and the fair value of the related hedging instruments.

	Cash Flows				
	Carrying	Contractual	Less than	Between 1	Over
	amount	cash flow	1 year	and 5 years	5 years
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>					
<b>2015</b>					
Derivative financial liabilities	197,768				
- inflow		1,257,454	1,227,467	29,987	-
- outflow		(1,456,871)	(1,408,648)	(48,223)	-
Derivative financial assets	(32,377)				
- inflow		554,209	467,390	86,819	-
- outflow		(520,512)	(449,641)	(70,871)	-
	165,391	(165,720)	(163,432)	(2,288)	-
<b>2014</b>					
Derivative financial liabilities	222,540				
- inflow		1,796,784	865,426	931,358	-
- outflow		(2,021,860)	(1,028,471)	(993,222)	(167)
Derivative financial assets	(21,148)				
- inflow		490,157	431,372	58,785	-
- outflow		(467,314)	(417,861)	(49,453)	-
	201,392	(202,233)	(149,534)	(52,532)	(167)
<b>Company</b>					
<b>2015</b>					
Derivative financial liabilities					
- inflow	-	-	-	-	-
- outflow	-	-	-	-	-
	-	-	-	-	-
<b>2014</b>					
Derivative financial liabilities	1,558				
- inflow		25,329	25,329	-	-
- outflow		(26,887)	(26,887)	-	-
	1,558	(1,558)	(1,558)	-	-

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 36. Financial Instruments (cont'd)

#### d. Estimation of fair values

FRS 107 establishes a fair value hierarchy that prioritises the inputs used to measure fair value. The three levels of the fair value input hierarchy defined by FRS 107 are as follows:

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

#### Securities

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

#### Derivatives

The fair value of foreign exchange contracts and foreign exchange swaps are accounted for based on the difference between the contractual price and the current market price.

The fair values of interest rate swaps and cross currency swaps are the indicative amounts that the Group is expected to receive or pay to terminate the swap with the swap counterparties at the balance sheet date.

The fair value of fuel oil swaps contracts is accounted for based on the difference between the contractual strike price with the counterparty and the current market price.

Contracts for differences (CFDs) are accounted for based on the difference between the contracted price entered into with the counterparty and the reference price. The electricity futures market was launched on April 1, 2015. There have been minimal trades made and the fair values of the electricity futures would need to be adjusted to reflect the illiquidity. The utilisation of valuation techniques involving prices from the electricity future market to compute the fair values of the CFDs will result in a wide range of estimated fair values. As such, it is determined that the fair value of the CFDs cannot be measured reliably. The CFDs are measured at cost at the measurement date. Upon settlement, the gains and losses for CFDs are taken to profit or loss.

#### 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.

Fair value determined for the put liability is calculated based on the present value of the obligation computed based on the expected exercise price.

For finance leases, the market rate of interest is determined by reference to similar lease agreements.

### 36. Financial Instruments (cont'd)

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

##### 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.

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 purposes. Other techniques, such as estimated discounted cash flows, are used to determine 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.

#### e. 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 December 31, 2015. These financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgement, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

##### Financial assets and liabilities carried at fair value

	Fair value measurement using:			
	Level 1	Level 2	Level 3	Total
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>				
<b>At December 31, 2015</b>				
Available-for-sale financial assets	239,524	500	34,477	274,501
Financial assets at fair value through profit or loss	–	–	51,033	51,033
Derivative financial assets	–	99,984	–	99,984
	239,524	100,484	85,510	425,518
Put liability	–	–	(193,113)	(193,113)
Derivative financial liabilities	–	(247,238)	–	(247,238)
	239,524	(146,754)	(107,603)	(14,833)
<b>At December 31, 2014</b>				
Available-for-sale financial assets	218,638	449	28,068	247,155
Financial assets at fair value through profit or loss	1	1,957	52,431	54,389
Derivative financial assets	–	36,570	–	36,570
	218,639	38,976	80,499	338,114
Put liability	–	–	–	–
Derivative financial liabilities	–	(272,402)	–	(272,402)
	218,639	(233,426)	80,499	65,712



## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 36. Financial Instruments (cont'd)

#### e. Fair value hierarchy (cont'd)

##### Financial assets and liabilities carried at fair value (cont'd)

	Fair value measurement using:			
	Level 1	Level 2	Level 3	Total
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Company</b>				
<b>At December 31, 2015</b>				
Derivative financial liabilities	-	-	-	-
	-	-	-	-
<b>At December 31, 2014</b>				
Derivative financial liabilities	-	(1,558)	-	(1,558)
	-	(1,558)	-	(1,558)

In 2015 and 2014, there have been no transfers between the different levels of the fair value hierarchy.

#### Level 3 fair values

##### i. Available-for-sale financial assets

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements of available-for-sale financial assets in Level 3 of the fair value hierarchy:

	Available-for-sale S\$'000
<b>Group</b>	
<b>At January 1, 2015</b>	28,068
Additions	1,652
Net change in fair value recognised in other comprehensive income	4,757
<b>At December 31, 2015</b>	34,477
<b>At January 1, 2014</b>	23,264
Additions	1,924
Net change in fair value recognised in other comprehensive income	2,880
<b>At December 31, 2014</b>	28,068

Available-for-sale financial assets in Level 3 of the fair value hierarchy include unquoted equity shares, venture capital funds and unquoted funds.

The fair value of the unquoted equity shares and venture capital funds are determined by reference to the investment's net asset values as stated in the unaudited financial statements and audited fund valuation report respectively.

The fair value of the unquoted funds is based on the latest available unaudited net asset values of the underlying funds provided by the administrator of those funds on the basis that their net asset values approximate their fair value at reporting date. The key unobservable inputs include net asset value for fund investment and / or recent transaction price among investors.

The estimated fair value would increase / (decrease) if the net asset values for unquoted equity shares and fund investments were higher / (lower), or if the recent transaction prices were higher / (lower).

### 36. Financial Instruments (cont'd)

#### e. Fair value hierarchy (cont'd)

##### Level 3 fair values (cont'd)

##### ii. Fair value through profit or loss financial assets

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements of financial assets at fair value through profit or loss in Level 3 of the fair value hierarchy:

	Fair value through profit or loss S\$'000
<b>Group</b>	
<b>At January 1, 2015</b>	52,431
Currency translation adjustments	1,424
Total loss recognised in profit or loss	(2,822)
<b>At December 31, 2015</b>	51,033
<b>At January 1, 2014</b>	56,385
Currency translation adjustments	3,147
Total loss recognised in profit or loss	(7,101)
<b>At December 31, 2014</b>	52,431

See Note 7 for details on the investment in equity shares designated at fair value through profit or loss.

Although the Group believes that its estimates of fair value are appropriate, the use of different assumptions could lead to different measurement of fair value.

The fair value of the investment in equity shares is calculated by using expected cash flows and risk-adjusted discount rate of the Group. Key input and assumption used in the model at December 31, 2015 included the following:

- Forecast coal prices growth at 10.0%; and
- Risk-adjusted discount rate at 22%.

#### Sensitivity analysis

If the coal price increases or decreases by 10% with all other assumptions held constant, the favourable / (unfavourable) impact to the profit or loss is as follows:

	Profit or loss	
	Favourable S\$'000	(Unfavourable) S\$'000
<b>Group</b>		
<b>December 31, 2015</b>		
Fair value through profit or loss	13,347	-
<b>December 31, 2014</b>		
Fair value through profit or loss	4,392	(4,614)

The favourable and unfavourable effect of using reasonably possible alternative assumption has been calculated by recalibrating the model using alternative estimates of expected cash flows that might reasonably have been considered by a market participant for the purpose of pricing the instruments at the reporting date.

In 2015, there is no unfavourable effect as there is a minimum return guaranteed to be received in 2016, when this investment expires.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 36. Financial Instruments (cont'd)

#### e. Fair value hierarchy (cont'd)

Level 3 fair values (cont'd)

##### iii. Put Liability

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements of put liability in Level 3 of the fair value hierarchy:

	Put Liability	
	Note	S\$'000
<b>Group</b>		
<b>At January 1, 2015</b>		–
Additions at acquisition of subsidiary	18(a)	186,968
Net changes in present value recognised		6,145
<b>At December 31, 2015</b>		<u>193,113</u>

Both additions and changes are recognised in Capital Reserves (Note 22(c)).

The valuation model considers the present value of the expected payment, discounted using the Company's cost of debt. Key inputs and assumptions used in the model at December 31, 2015 include the Company's cost of debt with tenure of 2 to 3 years at 8.5%. The expected payment is determined by considering the exercise price on July 31, 2018.

##### Sensitivity analysis

If the cost of debt increases or decreases by 10% with all other assumptions held constant, the favourable / (unfavourable) impact to the equity statement is as follows:

	Equity	
	Favourable	(Unfavourable)
	S\$'000	S\$'000
<b>Group</b>		
<b>December 31, 2015</b>		
Capital reserve	3,854	(3,964)

The estimated present value of put liability to acquire non-controlling interests would increase / (decrease) if the cost of debt decreases / (increases).

### 36. Financial Instruments (cont'd)

#### e. Fair value hierarchy (cont'd)

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

	Fair value measurement using:			
	Level 1	Level 2	Level 3	Total
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>				
<b>At December 31, 2015</b>				
Investment properties	–	21,600	37,083	58,683
Interests in an associate	341,030	–	–	341,030
Long-term service concession receivables	–	232,620	–	232,620
Long-term trade receivables	–	2,305	–	2,305
Amounts due from related parties	–	21,569	–	21,569
Due from customers on construction contracts	–	3,320,849	–	3,320,849
Long-term interest-bearing borrowings	–	(4,995,230)	–	(4,995,230)
<b>At December 31, 2014</b>				
Investment properties	–	–	62,349	62,349
Interests in an associate	289,839	–	–	289,839
Long-term service concession receivables	–	239,563	–	239,563
Long-term trade receivables	–	7,253	–	7,253
Amounts due from related parties	–	25,270	–	25,270
Due from customers on construction contracts	–	2,693,302	–	2,693,302
Long-term interest-bearing borrowings	–	(3,752,761)	–	(3,752,761)
<b>Company</b>				
<b>At December 31, 2015</b>				
Interest in a subsidiary	2,229,974	–	–	2,229,974
Long-term trade receivables	–	2,305	–	2,305
Amounts due from related parties	–	135,879	–	135,879
<b>At December 31, 2014</b>				
Interest in a subsidiary	4,154,122	–	–	4,154,122
Long-term trade receivables	–	7,253	–	7,253

\* Excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature, frequent pricing and where the effect of discounting is immaterial.

In 2015, there was a transfer of S\$21,600,000 pertaining to an investment property from level 3 to level 2 due to a change in the fair value of the investment property from a combination of direct comparison method and investment income method to direct comparison method.

The fair value of the investment properties (Level 3) is calculated based on a combination of direct comparison method and investment income method. The direct comparison method looks at researching recent sales of similar properties and comparing those properties with the subject property. Key inputs correspond to prices per square meter for comparable buildings. The latter method involves applying an investment yield to the property to work out rental income which is then discounted to determine market value. Key inputs correspond to market rents for comparable buildings.

Key unobservable inputs in relation to the investment income method correspond to:

- Investment property yields derived from specialised publications from the related markets and comparable transactions.
- Discount rate, based on the risk-free rate in the relevant market, adjusted for a risk premium to reflect both the increased risk of investing in the asset class.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 36. Financial Instruments (cont'd)

#### f. Fair value versus carrying amounts

	Note	Fair value				Other financial	Other financial	Total	Fair value
		Designated at fair value	– hedging instruments	Available- for-sale	Loans and receivables	liabilities	liabilities		
						within the scope of FRS 39	outside the scope of FRS 39		
SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	amount	SS'000		
<b>Group</b>									
<b>December 31, 2015</b>									
Cash and cash equivalents	14	–	–	–	1,606,488	–	–	1,606,488	1,606,488
Trade receivables	8	–	–	–	850,633	–	–	850,633	850,454
Service concession receivables	8	–	–	–	240,035	–	–	240,035	244,384
Amounts due from non-controlling interests	8	–	–	–	75,414	–	–	75,414	75,414
Other loans and receivables*	8	–	–	–	365,877	–	–	365,877	365,877
Amounts due from related parties	9	–	–	–	183,359	–	–	183,359	181,590
Due from customers on construction contracts	12	–	–	–	3,325,798	–	–	3,325,798	3,320,849
Available-for-sale financial assets:									
– Equity shares	7	–	–	244,155	–	–	–	244,155	236,509
– Unit trusts and funds	7	–	–	37,992	–	–	–	37,992	37,992
Financial assets at fair value through profit or loss, on initial recognition:									
– Equity shares	7	51,033	–	–	–	–	–	51,033	51,033
– Forward foreign exchange contracts	7	56,253	–	–	–	–	–	56,253	56,253
– Foreign exchange swap contracts	7	77	–	–	–	–	–	77	77
– Cross currency swaps	7	11,155	–	–	–	–	–	11,155	11,155
Hedge of net investment in foreign operations:									
– Forward foreign exchange contracts	7	–	122	–	–	–	–	122	122
Cash flow hedges:									
– Forward foreign exchange contracts	7	–	19,406	–	–	–	–	19,406	19,406
– Fuel oil swaps	7	–	132	–	–	–	–	132	132
– Interest rate swaps	7	–	12,839	–	–	–	–	12,839	12,839
		118,518	32,499	282,147	6,647,604	–	–	7,080,768	7,070,574

\* Excludes Goods and Services Tax.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 36. Financial Instruments (cont'd)

#### f. Fair value versus carrying amounts (cont'd)

	Note	Fair value		Available- for-sale	Loans and receivables	Other financial	Other financial	Total carrying amount	Fair value
		Designated at fair value	- hedging instruments			liabilities within the scope of	liabilities outside the scope of		
		SS'000	SS'000			FRS 39 SS'000	FRS 39 SS'000		
<b>Group</b>									
<b>December 31, 2015</b>									
Trade payables	15	-	-	-	-	2,668,166	-	2,668,166	2,668,166
Amounts due to non-controlling interests**	15	-	-	-	-	989	-	989	989
Other payables**	15	-	-	-	-	666,894	-	666,894	666,894
Other long-term payables**	15	-	-	-	-	21,857	-	21,857	18,810
Amounts due to related parties**	16	-	-	-	-	4,665	-	4,665	4,665
Financial liabilities at fair value through profit or loss, on initial recognition:									
- Forward foreign exchange contracts	18	873	-	-	-	-	-	873	873
- Foreign exchange swap contracts	18	1,318	-	-	-	-	-	1,318	1,318
- Interest rate swaps	18	157	-	-	-	-	-	157	157
Hedge of net investment in foreign operations:									
- Foreign exchange swap contracts	18	-	596	-	-	-	-	596	596
- Cross currency swaps	18	-	46,526	-	-	-	-	46,526	46,526
Cash flow hedges:									
- Forward foreign exchange contracts	18	-	108,439	-	-	-	-	108,439	108,439
- Interest rate swaps	18	-	2,675	-	-	-	-	2,675	2,675
- Fuel oil swaps	18	-	86,654	-	-	-	-	86,654	86,654
Put liability to acquire non-controlling interests	18	-	-	-	-	193,113	-	193,113	193,113
Interest-bearing borrowings:									
- Short-term borrowings	20	-	-	-	-	1,800,320	-	1,800,320	1,800,320
- Long-term borrowings	20	-	-	-	-	5,031,866	-	5,031,866	4,995,230
- Finance lease liabilities	20	-	-	-	-	-	763	763	763
		2,348	244,890	-	-	10,387,870	763	10,635,871	10,596,188

\*\* Excludes advance payments, deferred income, deferred grants, rental payable, Goods and Services Tax, and employee benefits.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 36. Financial Instruments (cont'd)

#### f. Fair value versus carrying amounts (cont'd)

	Note	Fair value				Other financial	Other financial	Total	Fair value
		Designated at fair value	– hedging instruments	Available- for-sale	Loans and receivables	liabilities	liabilities		
						within the scope of FRS 39	outside the scope of FRS 39		
SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	amount SS'000	SS'000		
<b>Group</b>									
<b>December 31, 2014</b>									
Cash and cash equivalents	14	–	–	–	1,661,427	–	–	1,661,427	1,661,427
Trade receivables	8	–	–	–	603,747	–	–	603,747	603,457
Service concession receivables	8	–	–	–	246,070	–	–	246,070	250,784
Amounts due from non-controlling interests	8	–	–	–	56,291	–	–	56,291	56,291
Other loans and receivables*	8	–	–	–	382,933	–	–	382,933	382,933
Amounts due from related parties	9	–	–	–	196,776	–	–	196,776	196,628
Due from customers on construction contracts	12	–	–	–	2,705,106	–	–	2,705,106	2,693,302
Available-for-sale financial assets:									
– Equity shares	7	–	–	242,199	–	–	–	242,199	242,199
– Unit trusts and funds	7	–	–	12,600	–	–	–	12,600	12,600
Financial assets at fair value through profit or loss, on initial recognition:									
– Equity shares	7	52,432	–	–	–	–	–	52,432	52,432
– Unit trusts and funds	7	1,957	–	–	–	–	–	1,957	1,957
– Forward foreign exchange contracts	7	15,180	–	–	–	–	–	15,180	15,180
– Foreign exchange swap contracts	7	120	–	–	–	–	–	120	120
Hedge of net investment in foreign operations:									
– Forward foreign exchange contracts	7	–	122	–	–	–	–	122	122
Cash flow hedges:									
– Forward foreign exchange contracts	7	–	17,208	–	–	–	–	17,208	17,208
– Fuel oil swaps	7	–	817	–	–	–	–	817	817
– Interest rate swaps	7	–	3,123	–	–	–	–	3,123	3,123
		69,689	21,270	254,799	5,852,350	–	–	6,198,108	6,190,580

\* Excludes Goods and Services Tax.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 36. Financial Instruments (cont'd)

#### f. Fair value versus carrying amounts (cont'd)

	Note	Fair value				Other financial	Other financial	Total	Fair value
		Designated at fair value	– hedging instruments	Available- for-sale	Loans and receivables	liabilities	liabilities		
						within the scope of FRS 39	outside the scope of FRS 39		
SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000		
<b>Group</b>									
<b>December 31, 2014</b>									
Trade payables	15	–	–	–	–	1,873,742	–	1,873,742	1,873,742
Amounts due to non-controlling interests**	15	–	–	–	–	11,246	–	11,246	11,246
Other payables**	15	–	–	–	–	798,331	–	798,331	798,331
Other long-term payables**	15	–	–	–	–	4,301	–	4,301	4,301
Amounts due to related parties**	16	–	–	–	–	2,881	–	2,881	2,881
Financial liabilities at fair value through profit or loss, on initial recognition:									
– Forward foreign exchange contracts	18	3,254	–	–	–	–	–	3,254	3,254
– Foreign exchange swap contracts	18	4,536	–	–	–	–	–	4,536	4,536
Hedge of net investment in foreign operations:									
– Forward foreign exchange contracts	18	–	–	–	–	–	–	–	–
– Cross currency swaps	18	–	42,072	–	–	–	–	42,072	42,072
Cash flow hedges:									
– Forward foreign exchange contracts	18	–	83,006	–	–	–	–	83,006	83,006
– Interest rate swaps	18	–	8,543	–	–	–	–	8,543	8,543
– Fuel oil swaps	18	–	130,991	–	–	–	–	130,991	130,991
Put liability to acquire non-controlling interests	18	–	–	–	–	–	–	–	–
Interest-bearing borrowings:									
– Short-term borrowings	20	–	–	–	–	1,082,359	–	1,082,359	1,082,359
– Long-term borrowings	20	–	–	–	–	3,636,380	–	3,636,380	3,752,761
– Finance lease liabilities	20	–	–	–	–	–	15,842	15,842	15,842
		7,790	264,612	–	–	7,409,240	15,842	7,697,484	7,813,865

\*\* Excludes advance payments, deferred income, deferred grants, rental payable, Goods and Services Tax, and employee benefits.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 36. Financial Instruments (cont'd)

#### f. Fair value versus carrying amounts (cont'd)

	Note	Fair value		Other financial	Other financial	Total	Fair value
		- hedging instruments	Loans and receivables	liabilities within the scope of FRS 39	liabilities outside the scope of FRS 39		
		SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
<b>Company</b>							
<b>December 31, 2015</b>							
Cash and cash equivalents	14	-	325,831	-	-	325,831	325,831
Trade receivables	8	-	81,003	-	-	81,003	80,824
Other loans and receivables*	8	-	41,914	-	-	41,914	41,914
Amounts due from related parties	9	-	148,741	-	-	148,741	149,620
		-	597,489	-	-	597,489	598,189
Trade payables	15	-	-	4,318	-	4,318	4,318
Other payables**	15	-	-	98,106	-	98,106	98,106
Amounts due to related parties	16	-	-	270,854	-	270,854	269,143
Cash flow hedges:							
- Forward foreign exchange contracts	18	-	-	-	-	-	-
Interest-bearing borrowings:							
- Finance lease liabilities	20	-	-	-	3	3	3
		-	-	373,278	3	373,281	371,570
<b>December 31, 2014</b>							
Cash and cash equivalents	14	-	198,395	-	-	198,395	198,395
Trade receivables	8	-	91,914	-	-	91,914	91,624
Other loans and receivables*	8	-	57,228	-	-	57,228	57,228
Amounts due from related parties	9	-	11,422	-	-	11,422	11,422
		-	358,959	-	-	358,959	358,669
Trade payables	15	-	-	10,329	-	10,329	10,329
Other payables**	15	-	-	124,996	-	124,996	124,996
Amounts due to related parties	16	-	-	567,828	-	567,828	575,022
Cash flow hedges:							
- Forward foreign exchange contracts	18	1,558	-	-	-	1,558	1,558
Interest-bearing borrowings:							
- Finance lease liabilities	20	-	-	-	11	11	11
		1,558	-	703,153	11	704,722	711,916

\* Excludes Goods and Services Tax.

\*\* Excludes advance payments, deferred income, deferred grants, Goods and Services Tax and employee benefits.

### 36. Financial Instruments (cont'd)

#### g. 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 was as follows:

	Group	
	2015 SS'000	2014 SS'000
Debt	6,832,949	4,742,943
Total equity	8,043,494	7,232,274
Total debt and equity	14,876,443	11,975,217
Debt-to-capitalisation ratio	0.46	0.40

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

### 37. Contingent Assets / Liabilities (Unsecured)

The principal risk to which the Group and 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 Group's and Company's future cash flows.

Estimates of the Group's and 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.

#### Contingent Assets

##### Group

Two of the Group's entities in India suffered asset damage and coal loss as a result of the cyclone that occurred in November 2015. As at December 31, 2015, these entities have reported losses to be claimed from the respective insurers.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 37. Contingent Assets / Liabilities (Unsecured) (cont'd)

#### Contingent Liabilities

##### Group

The Group has provided guarantees to banks to secure banking facilities provided to joint ventures. These financial guarantee contracts are accounted for as insurance contracts. As at the balance sheet date, the Group had the following contingent liabilities:

	Group	
	2015	2014
	S\$'000	S\$'000
Guarantees given to banks to secure banking facilities provided to:		
– Joint ventures	1,135,887	903,388
– Others	3,154	5,114
Performance guarantees to external parties	234,492	246,010

The periods in which the financial guarantees expire are as follows:

	Group	
	2015	2014
	S\$'000	S\$'000
Less than 1 year	577,595	32,942
Between 1 to 5 years	264,708	738,815
More than 5 years	296,738	136,745
	1,139,041	908,502

- A Wayleave Agreement was entered into between Sembcorp Gas Pte Ltd (SembGas) and the Government of Singapore with respect to certain pipelines where SembGas would indemnify the Government of Singapore against all claims, actions, demands, proceedings, liabilities, damages, costs and expenses arising out of or in connection with any occurrence during the use, maintenance or operations of these pipelines. No such claim has arisen to date.
- Thermal Powertech Corporation India Limited (TPCIL) had received the provisional Mega Power Project status on September 26, 2011. With the status, TPCIL is exempted from payment of customs duty on import of plant and equipment. TPCIL is required to fulfil conditions stipulated for the Mega Power Project within 5 years from the date of import for provisional mega power projects. If the conditions are not fulfilled, TPCIL is required to make payment of the benefits availed, including interest (note 3(x)). The management is of the view that no provision is required at the year end as the status will be fulfilled in 2016. In February 2016, TPCIL has secured the letter of award for a second long-term power purchase agreement and is eligible for mega power status.
- Certain of the Group's subsidiaries are involved in litigations and land disputes in India as at the year end. Due to the nature of these disputes and also in view of the uncertainty of the outcome, the Group believes that the amount of exposure cannot currently be determinable.

### 37. Contingent Assets / Liabilities (Unsecured) (cont'd)

#### Contingent Liabilities (cont'd)

##### Group (cont'd)

- During the year, a customer, Marco Polo Drilling (I) Pte. Ltd. (MPD), alleged that a subsidiary of Sembcorp Marine Ltd (SCM) has not complied with certain of its material contractual obligations and purported to terminate the contract and consequently sought refund of 50% of the initial instalment being the sum of S\$30,094,000 (US\$21,430,000) from the subsidiary and related interest charges. The subsidiary disagrees with MPD's allegations and right to terminate the contract, and has not recognised a provision for refund, as claimed by MPD. The subsidiary strongly believes that it has the contractual entitlement to retain the 50% of the initial instalment.

Subsequently, the subsidiary terminated the contract after MPD failed to make payment of the balance 50% of the initial instalment being the sum of S\$30,094,000 (US\$21,430,000) which was due since February 2014. Accordingly, the contract revenue and related cost of sales, previously recognised according to the stage of completion, were reversed up to the cash collected upon termination of the contract.

The subsidiary continues to seek payment of S\$30,094,000 (US\$21,430,000) from MPD since the subsidiary's contractual right of payment extends to the full initial instalment received and receivable from MPD. Based on the prevailing facts and circumstances surrounding the contract termination with MPD, the contingent asset of S\$30,094,000 (US\$21,430,000) has not been recognised as at the balance sheet date.

The disputes with MPD may in due course be referred to arbitration. The subsidiary has also commenced an action against MPD's parent company in the Singapore High Court on December 1, 2015 to recover among others, the balance 50% of the initial instalment.

##### Company

- The Company has provided guarantees to banks to secure banking facilities provided to a wholly-owned subsidiary, Sembcorp Financial Services Pte Ltd. These financial guarantee contracts are accounted for as insurance contracts.

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to S\$3,618 million (2014: S\$3,460 million), which include S\$1,190 million (2014: S\$1,292 million) drawn down as at balance sheet date. The periods in which the financial guarantees expire are as follows:

	Company	
	2015	2014
	S\$'000	S\$'000
Less than 1 year	91,494	101,660
Between 1 to 5 years	548,580	321,326
More than 5 years	550,000	868,748
	1,190,074	1,291,734



## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 37. Contingent Assets / Liabilities (Unsecured) (cont'd)

#### Contingent Liabilities (cont'd)

##### Company (cont'd)

b. The Company has provided corporate guarantees of S\$81.2 million (2014: S\$104.9 million) to a subsidiary, Sembcorp Cogen Pte Ltd (SembCogen) for the following:

- i. long-term contract (End User Agreement) dated January 15, 1999 with a fellow subsidiary, SembGas to purchase natural gas over the period of 22 years.

Under the End User Guarantee Agreement, the Company and one of its subsidiaries, Sembcorp Utilities Pte Ltd, issued corporate guarantees in favour of SembGas for 70% and 30% respectively of SembCogen's obligations under the End User Agreement.

- ii. two long-term agreements entered in 2010 for the purchase of a total 42 BBtud (Billion British thermal units per day) of liquefied natural gas (LNG) from BG Singapore Gas Marketing Pte Ltd (BG). The agreements have a term of 10 years and SembCogen has an option to extend the term by 2 successive periods of 5 years each subject to fulfilment of conditions set in the agreements. The obligations of SembCogen under the LNG purchase agreements are currently secured by corporate guarantees issued by the Company in favour of BG.

### 38. Commitments

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

	Group	
	2015	2014
	S\$'000	S\$'000
- Commitments in respect of contracts placed	672,949	849,232
- Uncalled capital and commitments to subscribe for additional shares in joint ventures and other investments	182,362	378,761
	<b>855,311</b>	<b>1,227,993</b>

At the balance sheet date, commitments in respect of payments for non-cancellable operating leases mainly for land and buildings with a term of more than one year are as follows:

	Group		Company	
	2015	2014	2015	2014
	S\$'000	S\$'000	S\$'000	S\$'000
Lease payments due:				
Within 1 year	38,613	37,740	9,885	9,638
Between 1 and 5 years	117,824	123,667	23,912	26,842
After 5 years	478,180	511,598	56,446	60,517
	<b>634,617</b>	<b>673,005</b>	<b>90,243</b>	<b>96,997</b>

On January 15, 1999, Sembcorp Gas Pte Ltd (SembGas) entered into a long-term Gas Sales Agreement to purchase 2,625,000 BBtu (Billion British thermal units) of natural gas over a period of 22 years. SembGas also entered into agreements with certain customers for the on-sale of this gas, which agreements incorporated provisions, which specifically deal with, *inter alia*, SembGas' liability for shortfalls in deliveries of gas and relief from such liability in certain circumstances.

On April 15, 2008, SembGas entered into another agreement to import an additional tranche of 90 BBtu per day of natural gas over a period of 15 years, with first delivery of gas taken place in 2011.

### 38. Commitments (cont'd)

In 2010, Sembcorp Cogen Pte Ltd entered into two long-term agreements to purchase liquefied natural gas (LNG), usage of LNG Terminal and other charges over a period of 10 years and has the option to extend the term by two successive periods of 5 years.

In 2012, Thermal Powertech Corporation India Limited (TPCIL) had entered into a 10-year agreement with PT. Bayan Resources TBK, to purchase a total of 10 million metric tonnes of coal. The coal price shall be based on Global Coal Index at the time of delivery. In 2013, TPCIL entered into a 20-year agreement with Mahanadi Coalfields Limited, to purchase a 2.54 million metric tonnes at the price governed by local government authority.

The Group leases out its investment properties and marine vessel. Non-cancellable operating lease rentals are receivable as follows:

	Group	
	2015	2014
	S\$'000	S\$'000
Lease receivable:		
Within 1 year	72,231	64,726
Between 1 and 5 years	112,104	168,092
More than 5 years	1,235	-
	<b>185,570</b>	<b>232,818</b>

### 39. Segment Reporting

#### a. Operating Segments

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

- i. The Utilities segment's principal activities are in the provision of energy, water, on-site logistics and solid waste management to industrial and municipal customers. Key activities in the energy sector include power generation and retail, process steam production and supply, as well as natural gas import, supply and retail. In the water sector, the business offers wastewater treatment as well as the production and supply of reclaimed, desalinated and potable water and water for industrial use.
- ii. The Marine segment focuses principally on providing integrated solutions for the marine and offshore industry. Key capabilities include rigs & floaters; repairs & upgrades; offshore platforms and specialised shipbuilding.
- iii. The Urban Development segment owns, develops, markets and manages integrated urban developments comprising industrial parks as well as business, commercial and residential space in Asia.
- iv. Others / Corporate segment comprises businesses mainly relating to minting, design and construction activities, offshore engineering and others.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 39. Segment Reporting (cont'd)

#### a. Operating Segments (cont'd)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Information regarding the results of each reportable segment is included below:

	Utilities	Marine	Urban	Others /	Elimination	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>2015</b>						
<b>Turnover</b>						
External sales	4,227,353	4,967,438	7,949	341,881	–	9,544,621
Inter-segment sales	31,098	694	4,224	2,057	(38,073)	–
<b>Total</b>	<b>4,258,451</b>	<b>4,968,132</b>	<b>12,173</b>	<b>343,938</b>	<b>(38,073)</b>	<b>9,544,621</b>
<b>Results</b>						
Segment results	825,849	(168,569)	(6,999)	(25,002)	–	625,279
Finance income	21,953	10,813	236	51,942	(52,088)	32,856
Finance costs	(194,555)	(46,775)	(2,631)	(46,111)	52,088	(237,984)
Share of results of associates and joint ventures, net of tax	653,247	(204,531)	(9,394)	(19,171)	–	420,151
Tax (expense) / credit	121,657	(173,499)	45,517	12,524	–	6,199
Non-controlling interests	774,904	(378,030)	36,123	(6,647)	–	426,350
<b>Net profit / (loss) for the year</b>	<b>(43,596)</b>	<b>77,860</b>	<b>(1,381)</b>	<b>(4,831)</b>	<b>–</b>	<b>28,052</b>
<b>Assets</b>						
Segment assets	8,386,532	8,862,186	409,377	1,687,124	(1,863,931)	17,481,288
Interests in associates and joint ventures	1,287,580	328,030	632,810	100,837	–	2,349,257
Tax assets	57,271	27,392	–	284	–	84,947
<b>Total assets</b>	<b>9,731,383</b>	<b>9,217,608</b>	<b>1,042,187</b>	<b>1,788,245</b>	<b>(1,863,931)</b>	<b>19,915,492</b>
<b>Liabilities</b>						
Segment liabilities	5,074,185	6,442,885	226,872	1,480,597	(1,863,931)	11,360,608
Tax liabilities	403,109	91,594	1,951	14,736	–	511,390
<b>Total liabilities</b>	<b>5,477,294</b>	<b>6,534,479</b>	<b>228,823</b>	<b>1,495,333</b>	<b>(1,863,931)</b>	<b>11,871,998</b>
<b>Capital expenditure</b>	<b>535,693</b>	<b>904,891</b>	<b>682</b>	<b>7,011</b>	<b>–</b>	<b>1,448,277</b>
<b>Significant non-cash items</b>						
Depreciation and amortisation	261,731	132,165	1,711	9,354	–	404,961
Allowance made for impairment in value of assets and assets written off (net)	70,685	20,122	19	34,538	–	125,364
Allowance made / (Written back) for doubtful debts and bad debts	47,589	153,894	37	(50)	–	201,470
Work-in-progress written down	–	85,518	–	–	–	85,518
Provision for foreseeable losses on construction work-in-progress	–	277,961	–	–	–	277,961

### 39. Segment Reporting (cont'd)

#### a. Operating Segments (cont'd)

	Utilities	Marine	Urban	Others /	Elimination	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>2014</b>						
<b>Turnover</b>						
External sales	4,849,816	5,830,739	6,539	207,566	–	10,894,660
Inter-segment sales	41,078	1,856	4,198	10,871	(58,003)	–
<b>Total</b>	<b>4,890,894</b>	<b>5,832,595</b>	<b>10,737</b>	<b>218,437</b>	<b>(58,003)</b>	<b>10,894,660</b>
<b>Results</b>						
Segment results	432,846	707,966	(295)	(1,639)	–	1,138,878
Finance income	13,492	9,711	69	46,612	(50,453)	19,431
Finance costs	(52,634)	(20,960)	(1,746)	(45,245)	50,453	(70,132)
Share of results of associates and joint ventures, net of tax	393,704	696,717	(1,972)	(272)	–	1,088,177
Tax (expense) / credit	89,026	9,859	47,800	11,576	–	158,261
Non-controlling interests	482,730	706,576	45,828	11,304	–	1,246,438
<b>Net profit for the year</b>	<b>(53,326)</b>	<b>(105,506)</b>	<b>319</b>	<b>(3,643)</b>	<b>–</b>	<b>(162,156)</b>
<b>Assets</b>						
Segment assets	7,153,442	7,760,835	347,755	1,754,605	(1,972,859)	15,043,778
Interests in associates and joint ventures	933,693	486,251	565,438	89,012	–	2,074,394
Tax assets	49,669	8,247	214	90	–	58,220
<b>Total assets</b>	<b>8,136,804</b>	<b>8,255,333</b>	<b>913,407</b>	<b>1,843,707</b>	<b>(1,972,859)</b>	<b>17,176,392</b>
<b>Liabilities</b>						
Segment liabilities	4,356,366	4,850,190	169,530	1,869,385	(1,972,859)	9,272,612
Tax liabilities	401,793	254,062	1,375	14,276	–	671,506
<b>Total liabilities</b>	<b>4,758,159</b>	<b>5,104,252</b>	<b>170,905</b>	<b>1,883,661</b>	<b>(1,972,859)</b>	<b>9,944,118</b>
<b>Capital expenditure</b>	<b>503,595</b>	<b>798,499</b>	<b>3,336</b>	<b>2,411</b>	<b>–</b>	<b>1,307,841</b>
<b>Significant non-cash items</b>						
Depreciation and amortisation	189,608	115,561	1,441	8,224	–	314,834
Allowance for / (Write-back of) impairment in value of assets and assets written off (net)	10,541	232	(3,749)	–	–	7,024
(Written back) / Allowance made for doubtful debts and bad debts	(1,524)	489	(120)	389	–	(766)

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 39. Segment Reporting (cont'd)

#### b. Geographical Segments

The Group operates in ten principal geographical areas: Singapore, Rest of ASEAN & Australia, China, India, Middle East & Africa, UK, Rest of Europe, Brazil, U.S.A and Other Countries. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and total assets are based on the geographical location of the assets.

	Rest of ASEAN		Middle East			Rest of				Other	
	Singapore	& Australia	China	India	& Africa	UK	Europe	Brazil	U.S.A	Countries	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>2015</b>											
Revenue from external customers	3,727,411	394,983	165,952	456,871	105,884	465,764	2,658,376	89,466	1,403,199	76,715	9,544,621
Total assets	10,515,550	1,022,301	1,935,721	4,140,771	451,242	334,314	261,054	1,083,112	7,182	164,245	19,915,492
Non-current assets	4,533,966	762,070	1,534,751	3,487,111	392,469	201,197	238,003	1,011,258	5,089	141,889	12,307,803
Capital expenditure	559,864	15,442	79,954	308,814	5,229	18,122	–	449,692	112	11,048	1,448,277
<b>2014</b>											
Revenue from external customers	5,074,017	698,344	162,123	22,510	123,201	550,908	2,084,138	127,511	1,327,512	724,396	10,894,660
Total assets	9,628,618	875,032	1,746,961	2,389,553	446,370	792,988	248,466	883,696	6,924	157,784	17,176,392
Non-current assets	4,197,697	844,871	1,503,947	2,267,496	348,903	665,287	233,144	841,018	4,675	138,903	11,045,941
Capital expenditure	402,810	20,303	70,617	256,060	4,733	29,165	–	514,785	29	9,339	1,307,841

### 40. 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 non-financial assets

The Group assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other intangible assets are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

This requires an estimation of the value in use of the cash-generating units to which the non-financial assets are 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 non-financial assets are disclosed in Notes 3 and 10.

### 40. Significant Accounting Estimates and Judgements *(cont'd)*

#### **Key sources of estimation uncertainty** *(cont'd)*

##### **b. Taxes**

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 tax, 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 27.

##### **c. Pension assumptions**

The Group has decided on certain principal actuarial assumptions, as detailed in Note 19, in estimating its pension liability as at the balance sheet date. If there were adverse changes to these actuarial assumptions, then the Group's re-measurements from defined benefit plans would increase.

##### **d. 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 80 years. The carrying amount of the Group's property, plant and equipment are set out in Note 3. 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.

##### **e. Provision for restoration costs**

The provision recognised represents management's best estimate of the present value of the future costs required. Significant estimates and assumptions are made in determining the amount of restoration provisions. Those estimates and assumptions deal with uncertainties such as: changes to the relevant legal and regulatory framework; the timing, extent and costs required. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provisions recognised are periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the balance sheet by adjusting both the asset and provision. Such changes give rise to a change in future depreciation and interest charges.

##### **f. Fair value measurement**

The Group has made certain assumptions in estimating fair values which are defined in Note 2(ac) and included in Note 18 – Put liability to acquire non-controlling interests.

### 40. Significant Accounting Estimates and Judgements *(cont'd)*

#### **Key sources of estimation uncertainty** *(cont'd)*

##### **g. Provisions and contingent liabilities**

Estimates of the Group's obligations arising from contracts or regulations 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.

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. Movements in provisions and disclosure of contingent liabilities are detailed in Note 17 and Note 37 respectively.

##### **h. Determination of net realisable value of inventories**

The net realisable value of certain inventories of the offshore marine sector is estimated by reference to latest quotations and independent brokers' valuation. However, such net realisable value estimated where a reasonably possible range is provided by the independent brokers, may not be the actual realisable value. Such uncertainties may significantly affect the net 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**

The Group has recognised revenue on construction contract, rigs & floaters, repairs & upgrades and offshore platforms based on the percentage of completion method in proportion to the stage of completion. The percentage of completion is assessed by reference to surveys of work performed. Significant judgement is required in determining the appropriate stage of completion and estimating a reasonable contribution margin for revenue and costs recognition. Revenue from construction contract, ship and rig repair, building and conversion is disclosed in Note 25.

Significant judgement is also 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.

##### **b. Assessment of risk of foreseeable losses and cost allocation method on long-term land development and construction contracts**

The Group conducts critical review of all its long-term land development and construction contracts regularly. Allowance is made where necessary to account for foreseeable losses where total costs to complete the contracts exceed the contract revenue. To determine the total costs, the Group monitors and reviews constantly the progress of all long-term land development and construction contracts taking into consideration all inputs from both internal project managers and external customers. The review includes evaluation of any potential risks and factors which may affect the contract price and timely completion. The review also encompasses the cost analysis process whereby both actual costs incurred and future costs to complete are critically examined.

Land development costs incurred are capitalised as work-in-progress and allocated to the respective parcels of land based on the relative sales method.

**40. Significant Accounting Estimates and Judgements** *(cont'd)*

**Critical accounting judgements in applying the Group's accounting policies** *(cont'd)*

**c. Impairment of investments and financial assets**

The Group follows the guidance of FRS 39 Financial Instruments: Recognition and Measurement in determining when an investment or financial asset is other than temporarily impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment and financial asset is less than its cost; and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The carrying amounts of investments and financial assets are disclosed in the following notes:

- Note 7 – Other Financial Assets
- Note 8 – Trade and Other Receivables

In assessing whether there is any objective evidence that its investment in available-for-sale financial assets is impaired, the Group takes into consideration whether there is a significant or prolonged decline in the fair value of its investment, alongside with other considerations such as volatility of the share price relative to general stock indices, analysts' reports on outlook of the underlying security, recovery in share price shortly after the year end provided that it was not concluded that the investment was impaired in the past, and other qualitative factors such as the financial performance of the investment.

**d. Impairment assessment of property, plant and equipment**

The carrying value of property, plant and equipment is tested for impairment whenever there is any objective evidence or indication that the property, plant and equipment may be impaired. This determination requires significant judgement. This impairment takes into account the market value of the asset, changes to the technological, market, economic or legal environment in which the Group operates, market interest rates, evidence of obsolescence or physical damage to the property, plant and equipment and changes to the expected usage to the property, plant and equipment.

**40. Significant Accounting Estimates and Judgements** *(cont'd)*

**Critical accounting judgements in applying the Group's accounting policies** *(cont'd)*

**d. Impairment assessment of property, plant and equipment** *(cont'd)*

**Impairment assessment of the Group's shipyards**

Owing to the current year's losses and adverse macroeconomic conditions impacting the offshore and marine sector, there was an indication that the Group's subsidiary, Sembcorp Marine Ltd's (SCM) shipyards (the "cash generating units" (CGU)) might be impaired. Under the Group's formal impairment assessment of the individual CGUs in: (i) Singapore (together with its sub-contracting shipyards in Indonesia and the United Kingdom); and (ii) Brazil, the recoverable amounts for the Group's individual CGUs were determined using the value in use calculations.

The value in use calculation for the Group's CGUs used discounted cash flow projections which took into account management's assessment of the forecasted order book over a period of 5 years and 10 years for Singapore and Brazil (the "projection periods"), respectively, with applicable growth rates for Singapore and Brazil, respectively, beyond the projection periods. The forecasted order book and the related project margins are the key drivers supporting the recoverable amounts. The projected cash flows are supported by the Group's historical experience, market observable data surrounding the oil majors' capital commitment in oil and gas production and exploration activities, market expectations and developments for contract order prices, and other external sources. These cash flows are then discounted using the applicable discount rate based on their weighted average cost of capital for the Singapore individual CGUs and for Brazil; and the Group assessed that no impairment loss is required for all these individual CGUs.

The forecasted order book assumed in the value in use calculation is, however, subject to estimation uncertainties that may have a significant risk of resulting in a material adjustment in any future periods affected.

The estimation uncertainties of the forecasted order book of the Singapore CGU are, however, reduced by a certain level of firm committed order books already secured by the Group. Nevertheless, there are remaining estimation uncertainties surrounding the remaining uncommitted order book, and forecast project margins, that may result in significant adjustments in the future periods.

The Brazil CGU is presently undergoing yard construction in Brazil, and completion of yard facilities that is key to production is projected to be the end of 2016; and the yard will gradually ramp up to its full operational capacity. The Group has prepared a 10 year projection period and changes in the recoverable amount are sensitive to impairment losses if the forecast order book beyond the near term were to deviate significantly from the original forecast. The recoverable amount of the Brazil CGU will be subject to review at regular intervals.

**Impairment assessment of the Group's marine vessel**

In estimating the recoverable amount of the marine accommodation vessel, the Group assumed a post-contractual renewal rate, determined to be at 10% discount from the existing contractual rate and operating at 95% utilisation rate throughout the cash flow periods. The assumed renewal rates, after the contract expires in 2018, as well as the expected utilisation rate, however, continue to be subject to estimation uncertainties that may result in material adjustments on the vessel's recoverable amounts in future periods.

**e. Classification of development properties**

In assessing the classification of development properties, management considers its intention with regards to the use of the properties, i.e. held with the intention of development and sale in the ordinary course of business or for rental and capital appreciation. Where there is a change in intended use, a change in classification may be required.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 41. Subsequent Events

- On January 28, 2016, the Group's wholly-owned entity Sembcorp Utilities has completed the divestment of its entire 60% stake in Sembcorp Air Products (Hyco) Pte Ltd (SembAP) to Eastman Chemical Singapore Pte. Ltd. (Eastman) for approximately S\$4 million. This mutually-agreed cash amount is subject to final adjustment within 60 days; however such adjustments are not expected to be material to the Group. In addition, the Group has transferred its propylene purification plant on Jurong Island to Eastman for S\$5.7 million.
- On February 5, 2016, the Group's wholly-owned subsidiary China Water Company (Yancheng) Ltd has signed a conditional sale and purchase agreement to divest its entire 49% stake in Yancheng China Water Co. Ltd to Yancheng City Municipal Utilities Investment Company Ltd for RMB260 million (approximately S\$57 million). Completion of the divestment is expected in mid-2016, subject to the satisfaction of certain conditions precedent, including approval by China's relevant authorities. A net gain of approximately S\$35 million is expected to be recognized upon completion of the transaction.

### 42. New or Revised Accounting Standards and Interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these financial statements. The Group is currently assessing the potential impact of adopting these new standards and interpretations, on the financial statements of the Group and the Company.

These new standards include, among others, FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* which are mandatory for adoption by the Group on January 1, 2018.

FRS 115 *Revenue from Contracts with Customers*. It establishes a comprehensive framework for determining whether, how much and costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

FRS 109 *Financial Instruments*. It replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

Management is currently evaluating the impact of the implementation of these standards, in view of the complexities and the potential wide-ranging implications.

The Accounting Standards Council announced on May 29, 2014 that Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to the International Financial Reporting Standards (IFRS) for financial year ending December 31, 2018. Singapore-incorporated companies listed in SGX will have to assess the impact of *IFRS 1 First-time adoption of IFRS* when transitioning to the new reporting framework. The Group is currently evaluating the impact of transitioning to the new reporting framework on its financial statements.

### 43. Subsidiaries

Details of key subsidiaries are as follows:

Name of key subsidiaries	Country of incorporation	Effective equity held by the Group	
		2015 %	2014 %
<b>Utilities</b>			
Sembcorp Utilities Pte Ltd <sup>1</sup>	Singapore	100	100
Sembcorp Cogen Pte Ltd <sup>1</sup>	Singapore	100	100
Sembcorp Gas Pte Ltd <sup>1</sup>	Singapore	70.00	70.00
Sembcorp Utilities (UK) Limited <sup>2</sup>	United Kingdom	100	100
Sembcorp Utilities (Netherlands) N.V. <sup>2</sup>	The Netherlands	100	100
Sembcorp Environment Pte. Ltd. <sup>1</sup>	Singapore	100	100
SembWaste Pte Ltd <sup>1</sup>	Singapore	100	100
Sembcorp Yangcheng Power Co Pte Ltd <sup>1</sup>	Cayman Islands	100	100
Thermal Powertech Corporation India Limited <sup>2, a</sup>	India	67.40	65.00
Sembcorp Green Infra Limited <sup>2, b</sup>	India	64.06	–
<b>Marine</b>			
Sembcorp Marine Ltd <sup>1</sup>	Singapore	61.01	60.99
Jurong Shipyard Pte Ltd <sup>1</sup>	Singapore	61.01	60.99
PPL Shipyard Pte Ltd <sup>1</sup>	Singapore	51.85	51.84
Sembcorp Marine Repairs & Upgrades Pte. Ltd. <sup>1</sup> (formerly known as Sembawang Shipyard Pte Ltd)	Singapore	61.01	60.99
SMOE Pte Ltd <sup>1</sup>	Singapore	61.01	60.99
<b>Urban Development</b>			
Sembcorp Development Ltd <sup>1</sup>	Singapore	100	100
Vietnam Singapore Industrial Park Pte Ltd <sup>1</sup>	Singapore	92.88	92.88
Singapore Technologies Industrial Corp Ltd <sup>1</sup>	Singapore	100	100
Nanjing Riverside Quay Co., Ltd <sup>3</sup>	China	100	–
<b>Others</b>			
Sembcorp Design and Construction Pte Ltd <sup>1</sup>	Singapore	100	100
Singapore Precision Industries Pte Ltd <sup>1</sup>	Singapore	100	100

1. Audited by KPMG LLP, Singapore.

2. Audited by overseas affiliates of KPMG LLP.

3. Audited by BDO China Shu Lun Pan Certified Public Accountants Co., Ltd.

#### Acquisition of non-controlling interests

- In March 2015, the Group subscribed additional shares in Thermal Powertech Corporation India Limited (TPCIL) which became a subsidiary in 2014 (Note 34). The Group's stake in TPCIL has increased to 67.4%. As at December 31, 2015, the Group has fully injected its portion of capital to be subscribed into TPCIL but the non-controlling interest (NCI) had deferred its injection. This resulted in the Group's shareholding to be 83.7% based on paid up subscriptions. The Group has agreed to defer the NCI injection, not to exercise dilution rights and the subscription period remains open till March 31, 2016. With that, the Group's effective shareholding remains at 67.4%.
- In February 2015, the Group acquired a 60% stake in Sembcorp Green Infra Limited (SGI) for a consideration of S\$232,483,000 (Note 34). The Group increased its stake from 60% to 64.06% in July 2015 for a consideration amounting to S\$42,912,000.

The following summarises the effect of changes of the Group's ownership interest in TPCIL and SGI:

	2015		
	TPCIL S\$'000	SGI S\$'000	Total S\$'000
Group's ownership interest at January 1 / February 13, 2015	353,210	189,376	542,586
Effect of increase in Group's ownership interest	14,676	(1,953)	12,723
Share of comprehensive income and capital injection during the year	45,181	43,528	88,709
Group's ownership interest at December 31, 2015	413,067	230,951	644,018

## NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

### 44. Associates, Joint Ventures and Joint Operations

Details of key associates, joint ventures and joint operations are as follows:

Name of key associates	Country of incorporation	Effective equity held by the Group	
		2015 %	2014 %
<b>Utilities</b>			
* SembSita Pacific Pte Ltd <sup>1</sup>	Singapore	–	40.00
^^ Sembcorp Salalah Power and Water Company SAOG	Oman	40.00	40.00
<b>Marine</b>			
## Cosco Shipyard Group Co Ltd <sup>2</sup>	People's Republic of China	18.30	18.30
<b>Urban Development</b>			
^^ Wuxi-Singapore Industrial Park Development Co., Ltd	People's Republic of China	45.36	45.36
Name of key joint ventures	Country of incorporation	Effective equity held by the Group	
		2015 %	2014 %
<b>Utilities</b>			
^ Phu My 3 BOT Power Company Ltd. <sup>3</sup>	Vietnam	66.67	66.67
# Shanghai Cao Jing Co-generation Co. Ltd	People's Republic of China	30.00	30.00
*** Emirates Sembcorp Water & Power Company P.J.S.C	United Arab Emirates	40.00	40.00
^^^ NCC Power Projects Limited	India	49.00	49.00
<b>Urban Development</b>			
^^ Vietnam Singapore Industrial Park J.V. Co., Ltd.	Vietnam	47.37	47.37
** Sino-Singapore Nanjing Eco Hi-tech Island Development Co., Ltd	People's Republic of China	21.50	21.50
## Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	People's Republic of China	25.00	25.00
**** PT Kawansan Industri Kendal	Indonesia	49.00	49.00

### 44. Associates, Joint Ventures and Joint Operations (cont'd)

Name of key joint operations	Country of incorporation	Effective equity held by the Group	
		2015 %	2014 %
<b>Others</b>			
### Sinohydro-Sembcorp Joint Venture <sup>4</sup>	Singapore	50.00	50.00

The auditors of key associates, joint ventures and joint operations are as follows:

- \* Audited by Ernst & Young LLP.
- ^^ Audited by overseas affiliates of KPMG LLP.
- ## Audited by Zhongrui Yuehua Certified Public Accountants Co., Ltd.
- ^ Audited by Ernst & Young Vietnam Limited.
- # Audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company.
- \*\*\* Audited by Ernst & Young, Abu Dhabi.
- \*\* Audited by Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd, China.
- ^^^ Jointly audited by M Bhaskara Rao & Co., Chartered Accountants, India, and Deloitte Haskins & Sells, Chartered Accountants, India.
- #### Audited by RSM Chio Lim.
- \*\*\*\* Audited by BDO Indonesia.

1. In November 2015, the Group has completed its divestment of its 40% stake in SembSita Pacific Pte Ltd to Suez Environnement Asia.
2. The Group has significant influence in Cosco Shipyard Group through its holdings in Sembcorp Marine Ltd.
3. In September 2014, the Group has completed its acquisition of additional interest in Phu My 3 BOT Power Company (Phu My 3) on the basis that the remaining condition precedent outstanding, has been determined by management to be of an administrative procedure. As such, for accounting purposes, the Group's stake in Phu My 3 is deemed to have increased from 33.33% to 66.67%. As the venture with the other partner under the contractual agreement requires unanimous consent for all major decisions over the relevant activities, Phu My 3 remains a joint venture.
4. In July 2014, the Group entered a 50:50 project joint agreement with Sinohydro Corporation Ltd (Singapore branch).

See Note 6 for details on pledge on the Company's interests in its joint ventures.

# SUPPLEMENTARY INFORMATION

Year ended December 31, 2015

## (Under SGX-ST Listing Manual requirements)

### A. Directors' and Key Executives' Remuneration Earned for the Year

Summary compensation table for the year ended December 31, 2015

Name of Director	Fair value of share-based compensation					
	Salary <sup>1</sup> S\$'000	Bonus earned S\$'000	the year <sup>3</sup> S\$'000	Directors' fees		Brought forward bonus bank <sup>2</sup> S\$'000
				Cash-based <sup>4</sup> S\$'000	Share-based <sup>5</sup> S\$'000	
<b>Payable by Company</b>						
Ang Kong Hua	–	–	–	525	225	–
Tang Kin Fei	1,190	1,534	1,726	–	–	3,303
Goh Geok Ling (retired on April 21, 2015)	–	–	–	64	–	–
Evert Henkes (retired on April 21, 2015)	–	–	–	78	–	–
Bobby Chin Yoke Choong	–	–	–	152	65	–
Margaret Lui <sup>4</sup>	–	–	–	135	58	–
Tan Sri Mohd Hassan Marican	–	–	–	126	54	–
Tham Kui Seng	–	–	–	122	52	–
Dr Teh Kok Peng	–	–	–	136	58	–
Ajaib Haridass	–	–	–	123	53	–
Neil McGregor <sup>4</sup>	–	–	–	96	41	–
Nicky Tan (appointed on November 1, 2015)	–	–	–	12	5	–
<b>Payable by Subsidiaries</b>						
Tang Kin Fei <sup>4</sup>	–	–	–	293	88	–
Tan Sri Mohd Hassan Marican	–	–	–	420	180	–
Ajaib Haridass	–	–	–	247	106	–
Tham Kui Seng	–	–	–	35	–	–

Name of Key Executive	Fair value of share-based compensation					
	Salary <sup>1</sup> S\$'000	Bonus earned S\$'000	the year <sup>3</sup> S\$'000	Directors' fees		Brought forward bonus bank <sup>2</sup> S\$'000
				Cash-based <sup>4</sup> S\$'000	Share-based <sup>5</sup> S\$'000	
Tan Cheng Guan <sup>4</sup>	660	911	578	3	–	1,580
Koh Chiap Khiong <sup>4</sup>	586	982	578	201	71	1,533
Ng Meng Poh <sup>4</sup>	611	652	578	47	–	1,755
Wong Weng Sun	926	(2,699)	863	–	–	6,820
Kelvin Teo <sup>4</sup>	412	184	432	10	–	347

## (Under SGX-ST Listing Manual requirements)

### A. Directors' and Key Executives' Remuneration Earned for the Year (cont'd)

Notes:

- The amount shown is inclusive of basic salary, fixed allowances, AWS and other emoluments.
- The Brought Forward Bonus Bank is the outstanding balance of bonus as at December 31, 2015 (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 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 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.
- Directors' fees for Margaret Liu are payable to Azalea Asset Management Pte Ltd. Directors' fees for Neil McGregor are payable to Temasek International Pte Ltd. Directors' fees for Nicky Tan are payable to Tan Kok Wah and Tee Min Foundation Ltd. Directors' fees in cash from subsidiaries for Mr Tang Kin Fei, Mr Tan Cheng Guan, Mr Koh Chiap Khiong and Mr Ng Meng Poh are payable to SCL. Directors' fees in cash from subsidiaries for Mr Kelvin Teo are payable to Sembcorp Parks Management Pte Ltd.
- 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 Industries Restricted Share Plan 2010.

From 2011, the awards granted under the Sembcorp Industries Restricted Share Plan 2010 to all directors as part of their directors' fees (except for Mr Tang Kin Fei, who is the Group President & CEO, and who does not receive any directors' fees) will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer (currently 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 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 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. A non-executive director who steps down before the payment of the share component will receive all of his director's fees for the year (calculated on a pro-rated basis, where applicable) in cash.

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' Statement.



## SUPPLEMENTARY INFORMATION

Year ended December 31, 2015

### (Under SGX-ST Listing Manual requirements)

#### B. Interested Person Transactions

Interested person transactions carried out during the financial year which fall under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST) are as follows:

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 S\$100,000)	
	2015 S\$'000
<b>Sale of goods and services</b>	
Temasek Holdings (Private) Limited and its Associates	
– Accuron Technologies Limited and its Associates	1,424
– Mapletree Investments Pte Ltd and its Associates	3,041
– PSA International Pte Ltd and its Associates	6,328
– Singapore Power Limited and its Associates	11,671
– Singapore Technologies Telemedia Pte Ltd and its Associates	260
– Temasek Capital (Private) Limited and its Associates	9,306
– Wildlife Reserves Singapore Pte Ltd and its Associates	3,091
	35,121
Olam International Ltd and its Associates	910
Starhub Ltd and its Associates	8,769
SATS Ltd and its Associates	132
Singapore Airlines Limited and its Associates	4,944
Singapore Technologies Engineering Ltd and its Associates	18,562
STATS ChipPAC Ltd and its Associates	379
	68,817
<b>Purchase of goods and services</b>	
Temasek Holdings (Private) Limited and its Associates	
– Mapletree Investments Pte Ltd and its Associates	3,124
– Singapore Power Limited and its Associates	4,930
– Temasek Capital (Private) Limited and its Associates <sup>1</sup>	579,887
	587,941
Singapore Technologies Engineering Ltd and its Associates	441
	588,382
<b>Management and support services</b>	
Temasek Holdings (Private) Limited and its Associates	
– Temasek Capital (Private) Limited and its Associates	3,039
<b>Total interested person transactions</b>	<b>660,238</b>

Note:

- This relates mainly to the purchase of gas by Sembcorp Cogen Pte Ltd from Sembcorp Gas Pte Ltd for the generation of electricity. Sembcorp Gas Pte Ltd is 30% owned by Seletar Investments Pte Ltd, a wholly-owned subsidiary of Temasek Holdings (Private) Limited.

## EVA STATEMENT

	Note	2015 S\$'000	2014 S\$'000
<b>Net operating profit before tax expense</b>		<b>420,151</b>	1,088,177
Adjusted for:			
Share of associates' and joint ventures' profits		<b>42,415</b>	194,538
Interest expense	1	<b>240,212</b>	77,829
Others	2	<b>(6,358)</b>	(6,796)
<b>Adjusted profit before interest and tax</b>		<b>696,420</b>	1,353,748
Cash operating taxes	3	<b>(154,774)</b>	(186,171)
<b>Net operating profit after tax (NOPAT)</b>		<b>541,646</b>	1,167,577
Average capital employed	4	<b>15,101,288</b>	11,083,735
Weighted average cost of capital	5	<b>6.2%</b>	5.8%
<b>Capital charge</b>		<b>936,280</b>	642,857
<b>Economic Value Added (EVA)</b>		<b>(394,634)</b>	524,720
Non-controlling share of EVA		<b>250,728</b>	(184,792)
<b>EVA attributable to shareholders</b>		<b>(143,906)</b>	339,928
Less: Unusual items (UI) gains	6	<b>(421,023)</b>	(5,960)
<b>EVA attributable to shareholders (exclude UI)</b>		<b>(564,929)</b>	333,968
Notes:			
1. Interest expense includes imputed interest on present value of operating leases and capitalised interest charged to profit or loss upon disposal of the assets.			
2. Other adjustments include recovery of investment costs, timing difference of allowances made for / (write-back) of doubtful debts, warranty, inventory obsolescence and goodwill written off / impaired and construction-in-progress.			
3. The reported current tax is adjusted for the statutory tax impact of interest expense.			
4. Average capital employed is computed by taking monthly average total assets less non interest-bearing liabilities plus timing provision, goodwill written off / impaired and present value of operating leases.			
		<b>2015</b>	<b>2014</b>
		<b>S\$'000</b>	<b>S\$'000</b>
<b>Major Capital Components:</b>			
Property, plant and equipment		<b>8,894,600</b>	6,660,189
Investments		<b>2,711,106</b>	2,386,455
Other long-term assets		<b>873,257</b>	692,849
Net working capital and long-term liabilities		<b>2,622,325</b>	1,344,242
Average capital employed		<b>15,101,288</b>	11,083,735
5. The Weighted Average Cost of Capital is calculated in accordance with the Sembcorp Group EVA Policy as follows:			
i. Cost of Equity using Capital Asset Pricing Model with market risk premium at 5.0% (2014: 5.0%);			
ii. Risk-free rate 2.26% (2014: 2.12%) based on yield-to-maturity of Singapore Government 10-year Bonds;			
iii. Ungeared beta ranging from 0.5 to 1.0 (2014: 0.5 to 1.0) based on Sembcorp Industries' risk categorisation; and			
iv. Cost of Debt rate at 2.65% (2014: 2.47%).			
6. Unusual items (UI) refer to gain / loss on divestment of subsidiaries, associates, joint ventures, long-term investments and disposal of major property, plant and equipment.			

# SHAREHOLDERS' INFORMATION

## Statistics of Shareholders as of March 1, 2016

Issued and fully paid-up capital:	S\$565,571,683.28
Number of issued shares:	1,787,547,732
Number / percentage of treasury shares:	2,727,253 (0.15%)
Number of shareholders:	37,374
Class of shares:	Ordinary shares with equal voting rights <sup>1</sup>

## Shareholdings Held by the Public

Based on information available to the company as of March 1, 2016, 50.47%<sup>2</sup> of the issued ordinary shares of the company is held by the public and therefore, the company has complied with Rule 723 of the SGX-ST Listing Manual.

Substantial Shareholders	Direct Interest	Indirect Interest	Total	% <sup>2</sup>
Temasek Holdings (Private) Limited	871,200,328	12,718,760 <sup>3</sup>	883,919,088	49.53

## Top 20 Shareholders as of March 1, 2016

No.	Name	No. of Ordinary Shares Held	% <sup>2</sup>
1	Temasek Holdings (Private) Limited	871,200,328	48.81
2	DBS Nominees Pte Ltd	244,140,415	13.68
3	Citibank Nominees Singapore Pte Ltd	146,220,128	8.19
4	DBSN Services Pte Ltd	69,634,846	3.90
5	HSBC (Singapore) Nominees Pte Ltd	60,152,975	3.37
6	United Overseas Bank Nominees Pte Ltd	44,551,914	2.50
7	Raffles Nominees (Pte) Ltd	28,266,174	1.58
8	Startree Investments Pte Ltd	9,400,000	0.53
9	BNP Paribas Securities Services	8,962,809	0.50
10	OCBC Nominees Singapore Private Limited	8,346,478	0.47
11	Bank Of Singapore Nominees Pte Ltd	5,023,295	0.28
12	Merrill Lynch (Singapore) Pte Ltd	4,925,273	0.28
13	CIMB Securities (Singapore) Pte Ltd	4,759,917	0.27
14	OCBC Securities Private Ltd	4,517,812	0.25
15	Tang Kin Fei	3,688,006 <sup>4</sup>	0.21
16	DB Nominees (S) Pte Ltd	3,167,334	0.18
17	UOB Kay Hian Pte Ltd	2,562,480	0.14
18	Phillip Securities Pte Ltd	2,023,091	0.11
19	Low Sin Leng	1,804,437	0.10
20	DBS Vickers Securities (S) Pte Ltd	1,690,259	0.09
		1,525,037,971	85.44

<sup>1</sup> Ordinary shares purchased and held as treasury shares by the company will have no voting rights.

<sup>2</sup> The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the company as of March 1, 2016 excluding 2,727,253 ordinary shares held as treasury shares as at that date.

<sup>3</sup> Temasek is deemed to be interested in the 12,718,760 Shares in which its subsidiaries and / or associated companies have or are deemed to have an interest pursuant to Section 7 of the Companies Act.

<sup>4</sup> In addition, Tang Kin Fei has 2,000,000 shares, of which 1,000,000 shares are held in the name of DBS Nominees Pte Ltd and another 1,000,000 shares are held in the name of Citibank Nominees Singapore Pte Ltd.

## Analysis of Shareholdings as of March 1, 2016

Range of Shareholdings	No. of Ordinary Shares Held			
	No. of Ordinary Shareholders	%	(excluding treasury shares)	%
1 – 99	527	1.41	18,522	0.00
100 – 1,000	6,858	18.35	5,755,652	0.32
1,001 – 10,000	25,397	67.95	98,890,027	5.54
10,001 – 1,000,000	4,569	12.23	151,588,460	8.50
1,000,001 and above	23	0.06	1,528,567,818	85.64
	37,374	100.00	1,784,820,479	100.00

# GOVERNANCE DISCLOSURE GUIDE

Guideline	Questions	How has Sembcorp complied?
General	<p>a. Has the company complied with all the principles and guidelines of the Singapore Code of Corporate Governance 2012 (the Code)? If not, please state the specific deviations and the alternative corporate governance practices adopted by the company in lieu of the recommendations in the Code.</p> <p>b. In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p>	Sembcorp has complied in all material aspects with the principles and guidelines set out in the Code.

## BOARD RESPONSIBILITY

Guideline 1.5	What are the types of material transactions which require approval from the board?	Significant investments and transactions exceeding threshold limits are approved by the board. Transactions below the threshold limit are approved by the board's Executive Committee and management to facilitate operational efficiency, in accordance with applicable financial authority limits.
---------------	--	--

Guideline	Questions	How has Sembcorp complied?
<b>MEMBERS OF THE BOARD</b>		
Guideline 2.6	<p>a. What is the board's policy with regard to diversity in identifying director nominees?</p> <p>b. Please state whether the current composition of the board provides diversity on each of the following – skills, experience, gender and knowledge of the company, and elaborate with numerical data where appropriate.</p> <p>c. What steps has the board taken to achieve the balance and diversity necessary to maximise its effectiveness?</p>	<p>a. The board seeks to ensure that it has the required diversity, including gender diversity, as well as competencies needed, to support the company's growth. Best efforts are taken to ensure that in addition to contributing their valuable expertise and insights to board deliberations, directors also bring to the board independent and objective perspectives to allow balanced and well-considered decisions to be made.</p> <p>b. In 2015, the Nominating Committee (NC) reviewed the composition of our board to ensure that it had the diversity and necessary competencies to support the company's growth. Our current board includes business leaders and professionals with strong experience in areas relevant to the Group's businesses. This includes experience in the engineering, petrochemicals, oil and gas and real estate industries, as well as the accounting, finance and legal sectors.</p> <p>c. With reference to the Group's strategies and business plans, the NC reviews the skills mix of board members to ensure that the board has the required diversity, including gender diversity, as well as the necessary competencies to support the company's growth. When the need for a new director arises, the NC consults with management and identifies a list of potential candidates. These candidates are sourced through an extensive network of contacts and external databases where appropriate, based on the skill sets, experience, knowledge and attributes required to position the board to lead the growth of the company. Thereafter, the NC will interview the candidates and make its recommendation to the board for approval. All appointments to the board are made on merit and measured against objective criteria. Candidates must be able to discharge their responsibilities as directors while upholding the highest standards of governance practised by the Group.</p>

Guideline	Questions	How has Sembcorp complied?
<b>MEMBERS OF THE BOARD</b>		
Guideline 4.6	<p>Please describe the board nomination process for the company in the last financial year for:</p> <ul style="list-style-type: none"> <li>a. Selecting and appointing new directors and</li> <li>b. Re-electing incumbent directors</li> </ul>	<ul style="list-style-type: none"> <li>a. When the need for a new director arises, the NC consults with management and identifies a list of potential candidates. These candidates are sourced through an extensive network of contacts and external databases where appropriate, based on the skill sets, experience, knowledge and attributes required to position the board to lead the growth of the company. Thereafter, the NC will interview the candidates and make its recommendation to the board for approval.</li> <li>b. While reviewing the re-appointment and re-election of directors, the NC considers the directors' contributions, other board representations and principal commitments to ensure they have sufficient time to discharge their responsibilities adequately. The board also recognises the contributions of directors who have, over time, developed deep insight into the Group's businesses. It exercises its discretion to retain the services of such directors where appropriate, to avoid an abrupt loss of experienced directors with a valuable understanding of the Group.</li> </ul>

Guideline	Questions	How has Sembcorp complied?
<b>MEMBERS OF THE BOARD</b>		
Guideline 1.6	<ul style="list-style-type: none"> <li>a. Are new directors given formal training? If not, please explain why.</li> <li>b. What are the types of information and training provided to                             <ul style="list-style-type: none"> <li>i. new directors and</li> <li>ii. existing directors</li> </ul>                             to keep them up to date?                         </li> </ul>	<ul style="list-style-type: none"> <li>a. Yes, the company conducts comprehensive orientation programmes for new directors.</li> <li>b.                             <ul style="list-style-type: none"> <li>i. All new directors receive formal letters of appointment explaining the Group's governance policies and practices, as well as their duties and obligations as directors. New directors also receive an information pack that contains the Group's organisation structure, the contact details of members of senior management, the company's Constitution, respective committees' terms of reference, the Group's policy relating to disclosure of interests in securities and prohibition on dealings in Sembcorp securities, as well as guidelines on directors' fees. Comprehensive orientation programmes for new directors are also conducted. The programmes include briefings on board policies and processes, presentations by senior management on the Group's organisation structure and strategy, business activities in various markets and financial performance, as well as facility visits.</li> <li>ii. The company provides its directors complete, adequate and timely information on an ongoing basis to enable them to make informed decisions, discharge their duties and keep abreast of the Group's operational and financial performance, key issues, challenges and opportunities. This includes management and operation reports, financial statements and quarterly highlights of the Group's performance and key developments. The board also has ready access to the Group President &amp; CEO, senior management, the company secretary and internal and external auditors at all times, should it need additional information. Details may be found on page 106 of the Corporate Governance Statement in this annual report.</li> </ul> </li> </ul> <p>As part of training and professional development for the board, the company also ensures that directors are briefed from time to time on changes to regulations, guidelines and accounting standards, as well as other relevant trends or issues. These are done either during board meetings, at board dinners or at specially convened sessions, including training sessions and seminars conducted by external professionals. Details may be found on page 100 of the Corporate Governance Statement of this annual report.</p>

Guideline	Questions	How has Sembcorp complied?
-----------	-----------	----------------------------

**MEMBERS OF THE BOARD**

Guideline 4.4	a. What is the maximum number of listed company board representations that the company has prescribed for its directors? What are the reasons for this number?	a. The board has determined that the maximum number of listed company board representations held by any Sembcorp Industries director should not exceed six. This is based on the total time commitment required of our directors for involvement in our board and board committees. It aims to ensure that all directors have sufficient time and attention to devote to the affairs of the company and discharge their duties adequately.
	b. If a maximum number has not been determined, what are the reasons?	b. Not applicable
	c. What are the specific considerations in deciding on the capacity of directors?	c. In deciding such matters, the board considers the total time commitment required of the directors for involvement in our board and board committees, as well as for their other appointments outside our company.

**BOARD EVALUATION**

Guideline 5.1	a. What was the process upon which the board reached the conclusion on its performance for the financial year?	a. Each director is required to complete a questionnaire on the effectiveness of the board and board committees, as well as directors' contributions and performance. The evaluation and feedback are then consolidated and presented to the board for discussion.
	b. Has the board met its performance objectives?	b. Yes. The board believes that it has met its performance objectives. This is reflected in the overall long-term performance of the Group.

**INDEPENDENCE OF DIRECTORS**

Guideline 2.1	Does the company comply with the guideline on the proportion of independent directors on the board? If not, please state the reasons for the deviation and the remedial action taken by the company.	Yes. The current board comprises 10 directors, seven of whom are independent directors.
---------------	--	---

Guideline	Questions	How has Sembcorp complied?
-----------	-----------	----------------------------

**INDEPENDENCE OF DIRECTORS**

Guideline 2.3	a. Is there any director who is deemed to be independent by the board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such a relationship.	a. Yes. Tan Sri Mohd Hassan Marican and Ajaib Haridass both sit on the board of Sembcorp Marine, a listed subsidiary of Sembcorp Industries from which the company has received payment in excess of S\$200,000 in aggregate for consultancy services and provision of utilities services.  In addition, Bobby Chin is a director on the board of Temasek Holdings (Temasek), the largest shareholder of Sembcorp, and Tan Sri Mohd Hassan Marican and Tham Kui Seng respectively hold the positions of Senior International Advisor and Corporate Advisor at Temasek International Advisors, a subsidiary of Temasek.
	b. What are the board's reasons for considering him independent? Please provide a detailed explanation.	b. The board has assessed this matter and is of the view that the payment received from Sembcorp Marine for consultancy services and provision of utilities services is not significant in the context of the Group's earnings. The board believes that Tan Sri Mohd Hassan Marican and Mr Haridass' directorships in Sembcorp Marine have not and will not interfere, or be reasonably perceived to interfere, with their ability to exercise independent judgement and act in the best interest of Sembcorp Industries.  Furthermore, the board believes that Mr Chin, Tan Sri Mohd Hassan Marican and Mr Tham have consistently exercised strong independent judgement in their deliberations. They have acted and continue to act in the best interest of the company and are not accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Temasek.
Guideline 2.4	Has any independent director served on the board for more than nine years from the date of his first appointment? If so, please identify the director and set out the board's reasons for considering him independent.	No. Since the retirement of Goh Geok Ling and Evert Henkes from the board in April 2015, the company no longer has any director who has served beyond nine years from their date of first appointment to the board.  A term limit of nine years is set for independent directors of the Group. Should the board decide to retain any director beyond this nine-year term, it will rigorously review the independence of that director and determine if he / she should continue to be regarded as an independent director.

Guideline	Questions	How has Sembcorp complied?
<b>DISCLOSURE ON REMUNERATION</b>		
Guideline 9.2	Has the company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base / fixed salary, variable or performance-related income / bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes. Information on each director's and the Group President & CEO's remuneration may be found under the related item in the Supplementary Information section of the Financial Statements in this annual report.
Guideline 9.3	<p>a. Has the company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base / fixed salary, variable or performance-related income / bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</p> <p>b. Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p>	<p>a. Information on key management personnel's remuneration may be found under the related item in the Supplementary Information section of the Financial Statements in this annual report.</p> <p>b. The aggregate remuneration paid in the financial year 2015 to the top five key management personnel, excluding our Group President &amp; CEO, amounted to approximately S\$10 million, comprising salaries and bonuses.</p>

Guideline	Questions	How has Sembcorp complied?
<b>DISCLOSURE ON REMUNERATION</b>		
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	No, in 2015 the company had no employees who were immediate family members of a director or the Group President & CEO.
Guideline 9.6	<p>a. Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.</p> <p>b. What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p> <p>c. Were all of these performance conditions met? If not, what were the reasons?</p>	<p>a. With the exception of our Group President &amp; CEO, who does not receive director's fees, all our board members are non-executive directors. Remuneration for our key management personnel and executive director comprises three primary components: fixed remuneration, as well as annual variable bonuses and share-based incentives that are conditional upon meeting certain performance targets.</p> <p>Annual variable bonuses are linked to the achievement of pre-agreed financial and non-financial performance targets, as well as the creation of economic value added.</p> <p>Share-based incentives are long-term incentive schemes which use methods fairly common among major local and multinational companies to incentivise and motivate employees to achieve pre-determined targets that create and enhance economic value for shareholders.</p> <p>b. Information on the remuneration received by key management and executive director and details on share-based incentives and performance targets are available in the Directors' Statement and Note 32 in the Notes to the Financial Statements in this annual report.</p> <p>c. All the performance conditions under the Restricted Share Plan were met. As for the Performance Share Plan, all the performance conditions were not met due to adverse market conditions. Arising from the under-achievement of performance targets, 754,861 performance shares lapsed in 2015 and were not paid out.</p>

Guideline	Questions	How has Sembcorp complied?
<b>RISK MANAGEMENT AND INTERNAL CONTROLS</b>		
Guideline 6.1	What types of information does the company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the company? How frequently is the information provided?	<p>On an ongoing basis, directors are provided with complete, adequate and timely information to enable them to make informed decisions and keep abreast of the Group's operational and financial performance, key issues, challenges and opportunities. Management and operation reports as well as financial statements are presented to the board on a regular basis.</p> <p>On a quarterly basis, financial highlights of the Group's performance and key developments are presented at board meetings.</p> <p>On a regular basis, risk-related reports are submitted to the Risk Committee (RC). The RC, comprising of selected board members, assists the board in overseeing risk management for the Group. These reports include updates on the Group's risk portfolio, reports on major risk exposure and any other risk-related issues, as well as actions taken to monitor and manage exposure to such risks or issues.</p> <p>For more details on briefings, updates and information provided to our directors, please refer to pages 100 and 106 of the Corporate Governance Statement in this annual report.</p>
Guideline 13.1	Does the company have an internal audit function? If not, please explain why.	Yes. The Group Internal Audit department reports directly to the Audit Committee on audit matters and to the Group President & CEO on administrative matters.

Guideline	Questions	How has Sembcorp complied?
<b>RISK MANAGEMENT AND INTERNAL CONTROLS</b>		
Guideline 11.3	<p>a. In relation to the major risks faced by the company, including financial, operational, compliance, information technology and sustainability, please state the bases for the board's view on the adequacy and effectiveness of the company's internal controls and risk management systems.</p> <p>b. In respect of the past 12 months, has the board received assurance from the CEO and the CFO as well as the internal auditor that:</p> <p>i. the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and</p> <p>ii. the company's risk management and internal control systems are effective</p> <p>If not, how does the board assure itself of points i. and ii. above?</p>	<p>a. The Group has implemented a comprehensive enterprise risk management (ERM) framework. Supporting the ERM framework is a system of internal controls, comprising a code of business conduct, group-wide governance and internal control policies, procedures, guidelines dictating the segregation of duties, approval authorities and limits, as well as checks and balances embedded in business processes.</p> <p>The ERM framework is complemented by a governance assurance framework and a risk-based control self-assessment programme.</p> <p>During the year, the Group's risk profile was reviewed and updated and the effectiveness of our internal controls was assessed and enhanced through a combination of management control self-assessments, certifications and internal audits, as well as actions taken in follow up to these exercises.</p> <p>Furthermore, the Group Internal Audit department audited the entities that are listed in its annual internal audit plan, which has been approved by the Audit Committee. Internal audit reports were issued and reviewed by the Audit Committee, expressing its view on the adequacy and effectiveness of the company's internal controls relating to finance, operations, compliance and information technology.</p> <p>Based on the internal controls established and maintained by the Group, work performed by external and internal auditors and reviews performed by senior management, the board, with the concurrence of the Audit Committee, is of the opinion that the company's internal controls were adequate and effective as at December 31, 2015 to address the financial, operational, compliance and information technology risks of the Group.</p> <p>b. Yes. For the financial year 2015, the board has been assured by the Group President &amp; CEO and Group Chief Financial Officer that financial records have been properly maintained, that the financial statements give a true and fair view of the company's operations and finances and that the risk management and internal control systems of the Group are adequate and effective.</p>

Guideline	Questions	How has Sembcorp complied?																		
<b>RISK MANAGEMENT AND INTERNAL CONTROLS</b>																				
Guideline 12.6	<p>a. Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.</p> <p>b. If the external auditors have supplied a substantial volume of non-audit services to the company, please state the bases for the Audit Committee's view on the independence of the external auditors.</p>	<p>a. As disclosed in Note 28(a) in the Notes to the Financial Statements, the fees paid / payable to external auditors for audit and non-audit services for the financial year are:</p> <table border="1"> <tr> <td></td> <td style="text-align: right;"><b>S\$'000</b></td> </tr> <tr> <td colspan="2"><b>Audit fees paid / payable</b></td> </tr> <tr> <td>- To auditors of the company</td> <td style="text-align: right;">1,955</td> </tr> <tr> <td>- To overseas affiliates of the auditors of the company</td> <td style="text-align: right;">822</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>2,777</u></td> </tr> <tr> <td colspan="2"><b>Non-audit fees paid / payable</b></td> </tr> <tr> <td>- To auditors of the company</td> <td style="text-align: right;">826</td> </tr> <tr> <td>- To overseas affiliates of the auditors of the company</td> <td style="text-align: right;">253</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>1,079</u></td> </tr> </table> <p>b. Non-audit fees amount to only 39% of the total annual audit fees, and are not deemed substantial.</p>		<b>S\$'000</b>	<b>Audit fees paid / payable</b>		- To auditors of the company	1,955	- To overseas affiliates of the auditors of the company	822		<u>2,777</u>	<b>Non-audit fees paid / payable</b>		- To auditors of the company	826	- To overseas affiliates of the auditors of the company	253		<u>1,079</u>
	<b>S\$'000</b>																			
<b>Audit fees paid / payable</b>																				
- To auditors of the company	1,955																			
- To overseas affiliates of the auditors of the company	822																			
	<u>2,777</u>																			
<b>Non-audit fees paid / payable</b>																				
- To auditors of the company	826																			
- To overseas affiliates of the auditors of the company	253																			
	<u>1,079</u>																			

Guideline	Questions	How has Sembcorp complied?
<b>COMMUNICATION WITH SHAREHOLDERS</b>		
Guideline 15.4	<p>a. Does the company regularly communicate with shareholders and attend to their questions? How often does the company meet with institutional and retail investors?</p> <p>b. Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>c. How does the company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?</p>	<p>a. Yes, Sembcorp regularly communicates with shareholders and addresses any queries raised. Investor relations officers are also available by email or telephone to answer questions from shareholders, analysts and the media, as long as the information requested does not conflict with SGX-ST's rules of fair disclosure.</p> <p>Details of shareholder meetings, including the frequency and examples of types of meetings, are available in the Investor Relations chapter and Corporate Governance Statement of this annual report.</p> <p>b. Yes, Sembcorp has a dedicated investor relations team that communicates with investors.</p> <p>c. Sembcorp uses multiple communication channels and platforms to keep its shareholders and the investing public informed and updated in accordance with SGX-ST's rules of fair disclosure. Aside from the annual report and SGX announcements, channels utilised include results briefings, annual general meetings, investor roadshows, conferences and forums, investor and media meetings, media interviews, site visits, news releases and circulars, the corporate website, group briefings and other appropriate channels.</p>
Guideline 15.5	<p>If the company is not paying any dividends for the financial year, please explain why.</p>	<p>Not applicable.</p> <p>For 2015, a final tax exempt one-tier dividend of 6 cents per ordinary share has been proposed subject to shareholders' approval. Together with the interim dividend of 5 cents per ordinary share that has already been paid out, this would bring our total dividend for the financial year to 11 cents per ordinary share.</p>



# CORPORATE INFORMATION

## Registered Office

30 Hill Street #05-04  
Singapore 179360  
Tel: (65) 6723 3113  
Fax: (65) 6822 3254  
www.sembcorp.com

## Board of Directors

Ang Kong Hua  
*Chairman*

Tang Kin Fei  
*Group President & CEO*

Bobby Chin Yoke Choong  
Margaret Lui  
Tan Sri Mohd Hassan Marican  
Tham Kui Seng  
Dr Teh Kok Peng  
Ajaib Haridass  
Neil McGregor  
Nicky Tan Ng Kuang

## Executive Committee

Ang Kong Hua  
*Chairman*

Tang Kin Fei  
Margaret Lui  
Nicky Tan Ng Kuang

## Audit Committee

Bobby Chin Yoke Choong  
*Chairman*

Tham Kui Seng  
Dr Teh Kok Peng  
Ajaib Haridass

## Risk Committee

Ajaib Haridass  
*Chairman*

Bobby Chin Yoke Choong  
Neil McGregor  
Tham Kui Seng

## Executive Resource & Compensation Committee

Ang Kong Hua  
*Chairman*

Margaret Lui  
Tan Sri Mohd Hassan Marican  
Dr Teh Kok Peng

## Nominating Committee

Ang Kong Hua  
*Chairman*

Margaret Lui  
Tan Sri Mohd Hassan Marican  
Bobby Chin Yoke Choong

## Technology Advisory Panel

Ang Kong Hua  
*Chairman*

Tang Kin Fei  
Dr Teh Kok Peng  
Dr Josephine Kwa Lay Keng  
Dr Ng How Yong  
Prof Lui Pao Chuen

## Company Secretary

Kwong Sook May

## Registrar

M & C Services Private Limited  
112 Robinson Road #05-01  
Singapore 068902

## Principal Bankers

Australia and New Zealand Banking  
Group Limited

CIMB Bank Berhad

Citibank N.A.

DBS Bank

Mizuho Bank Ltd

Oversea-Chinese Banking  
Corporation Limited

Standard Chartered Bank

Sumitomo Mitsui Banking Corporation

The Bank of Tokyo-Mitsubishi UFJ, Ltd

The Hongkong and Shanghai  
Banking Corporation Limited

United Overseas Bank Limited

## Auditors

KPMG LLP  
Certified Public Accountants  
16 Raffles Quay #22-00  
Hong Leong Building  
Singapore 048581

Partner-in-Charge: Ling Su Min  
*(Appointed during the financial year ended  
December 31, 2014)*

# NOTICE OF ANNUAL GENERAL MEETING

## Sembcorp Industries Ltd

Co Regn No. 199802418D  
(Incorporated in the Republic of Singapore)

**Notice is hereby given** that the Eighteenth Annual General Meeting of Sembcorp Industries Ltd (the “**Company**”) will be held at The Auditorium, NTUC Centre, Level 7, One Marina Boulevard, Singapore 018989 on Tuesday, April 19, 2016 at 11.00 a.m. for the following purposes:

## Routine Business

1. To receive and adopt the Directors’ Statement and Audited Financial Statements for the year ended December 31, 2015 and the Auditors’ Report thereon. **Resolution 1**
2. To declare a final ordinary one-tier tax exempt dividend of 6 cents per share for the year ended December 31, 2015. **Resolution 2**
3. To re-elect the following directors, each of whom will retire by rotation pursuant to Article 93 of the Company’s Constitution and who, being eligible, will offer themselves for re-election:  
  - a. Tang Kin Fei **Resolution 3**
  - b. Margaret Lui **Resolution 4**
  - c. Tan Sri Mohd Hassan Marican **Resolution 5**
4. To re-elect Nicky Tan Ng Kuang, a director who will retire pursuant to Article 99 of the Company’s Constitution and who, being eligible, will offer himself for re-election. **Resolution 6**
5. To re-appoint Ang Kong Hua, a director who will retire under the resolution passed at the Annual General Meeting held on April 21, 2015 pursuant to Section 153 of the Companies Act, Chapter 50 (which was then in force), to hold office from the date of this Annual General Meeting. **Resolution 7**
6. To approve directors’ fees of up to S\$2,500,000 for the year ending December 31, 2016 (2015: up to S\$2,500,000). **Resolution 8**
7. To re-appoint KPMG LLP as Auditors of the Company and to authorise the directors to fix their remuneration. **Resolution 9**

### Special Business

To consider and, if thought fit, to pass, with or without modifications, the following resolutions, of which Resolutions 10, 11, 12 and 13 will be proposed as Ordinary Resolutions and Resolution 14 will be proposed as a Special Resolution:

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

- a. i. issue shares of the Company (“**shares**”) whether by way of rights, bonus or otherwise; and / or
- ii. make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

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

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

#### provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares excluding treasury shares (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 5% of the total number of issued shares excluding treasury shares (as calculated in accordance with paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares excluding treasury shares at the time this Resolution is passed, after adjusting for:
  - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - (ii) any subsequent bonus issue or consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

### Resolution 10

### Special Business (cont'd)

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

- a. grant awards in accordance with the provisions of the Sembcorp Industries Performance Share Plan 2010 (the “**SCI PSP 2010**”) and / or the Sembcorp Industries Restricted Share Plan 2010 (the “**SCI RSP 2010**”) (the SCI PSP 2010 and SCI RSP 2010, together the “**Share Plans**”); and
- b. allot and issue from time to time such number of fully paid-up 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) 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) from time to time.

10. That:

- a. approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual (“**Chapter 9**”) of the Singapore Exchange Securities Trading Limited, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in Appendix 1 to the Company’s Letter to Shareholders dated March 28, 2016 (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.

### Resolution 11

### Resolution 12

### Special Business (cont'd)

11. 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
  - ii. off-market purchase(s) (if effected otherwise than on the SGX-ST) 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 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 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 2% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date); and

### Resolution 13

### Special Business (cont'd)

“**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:

- (a) in the case of a market purchase of a Share, 105% of the Average Closing Price of the Shares; and
  - (b) in the case of an off-market purchase of a Share pursuant to an equal access scheme, 110% of the Average Closing Price of the Shares; and
- d. the directors and / or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and / or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and / or authorised by this Resolution.

12. That the regulations contained in the new Constitution submitted to this meeting and, for the purpose of identification, subscribed to by the Chairman thereof, be approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution.

### Resolution 14

By Order of the Board

Kwong Sook May  
Company Secretary

Singapore  
March 28, 2016

### Explanatory Notes:

Resolutions 3 to 7 – detailed information on these directors can be found under the Board of Directors and Corporate Governance Statement sections in the Annual Report 2015. These directors (save for Mr Tang who is the Group President & Chief Executive Officer of the Company and Mrs Lui who is the Chief Executive Officer and a Director of Azalea Asset Management Pte Ltd, a related company of Temasek Holdings (Private) Limited) have no relationships (including immediate family relationships) with each other or with the other directors, the Company or its 10% shareholders.

Resolution 7 – is to re-appoint the director who is over 70 years old and who is retiring under the resolution passed at the Annual General Meeting held on April 21, 2015 as pursuant to Section 153(6) of the Companies Act, Chapter 50 which was then in force, such resolution could only permit the re-appointment of the director to hold office until this Annual General Meeting. If passed, Resolution 7 will approve and authorise the continuation of the director in office from the date of this Annual General Meeting onwards without limitation in tenure, save for prevailing applicable laws, listing rules and / or regulations, including the Company's Constitution.

Resolution 8 – if passed, will facilitate the payment of directors' fees during the financial year in which the fees are incurred, that is, during the financial year ending December 31, 2016. The exact amount of directors' fees received by each director for the financial year ended December 31, 2015 is disclosed in full in the Supplementary Information section of the Annual Report 2015. Directors and their associates will abstain from voting on Resolution 8.

The amount of the directors' fees is computed based on the anticipated number of board and committee meetings for year 2016, assuming full attendance by all of the non-executive directors. The amount also caters for additional ad-hoc board and committee meetings, and includes travel allowances for overseas non-executive directors. In the event that the amount proposed is insufficient, approval will be sought at the next Annual General Meeting in year 2017 ("2017 AGM") before any payments are made to directors for the shortfall.

The current intention is that the directors' fees for the non-executive directors for year 2016 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 Industries Restricted Share Plan 2010. Any such award would typically consist of the grant of fully paid shares outright with no performance or vesting conditions attached, but with a selling moratorium. Under the Directors' Fee Framework, non-executive directors are required to hold shares (including shares obtained by other means) worth S\$75,000; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board. See the Corporate Governance Statement in the Annual Report 2015 for more details.

The cash component of the directors' fees for year 2016 is intended to be paid half-yearly in arrears. The share component of the directors' fees for year 2016 is intended to be paid after the 2017 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 2017 AGM (or, if no final dividend is proposed at the 2017 AGM, or the resolution to approve any such final dividend is not approved at the 2017 AGM, over the 14 trading days immediately following the date of the 2017 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 2016 (calculated on a pro-rated basis, where applicable) in cash.

### Explanatory Notes: (cont'd)

#### Statement pursuant to Article 55 of the Constitution of the Company:

Resolution 10 – is to empower the directors to issue shares of the Company and to make or grant Instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such Instruments, up to a number not exceeding 50% of the total number of issued shares of the Company excluding treasury shares, of which up to 5% may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of issued shares of the Company excluding treasury shares at the time that Resolution 10 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 10 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

Resolution 11 – is to empower the directors to offer and grant awards pursuant to the Sembcorp Industries Performance Share Plan 2010 and the Sembcorp Industries 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) 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 to the next Annual General Meeting shall not exceed 1% of the total number of issued ordinary shares of the Company (excluding treasury shares) from time to time. Approval for the adoption of the Share Plans was given by shareholders at an Extraordinary General Meeting of the Company held on April 22, 2010. The grant of awards under the Share Plans will be made in accordance with their respective provisions.

Resolution 12 – is to renew the mandate to enable the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual), or any of them, to enter into certain interested person transactions with specified classes of interested persons, as described in the Letter to Shareholders dated March 28, 2016 (the "Letter"). Please refer to the Letter for more details.

### Explanatory Notes: (cont'd)

Resolution 13 – 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 its internal 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 March 1, 2016 (the "**Latest Practicable Date**") and excluding any ordinary shares held in treasury, the purchase by the Company of 2% of its issued ordinary shares (and disregarding the ordinary shares held in treasury) will result in the purchase or acquisition of 35,696,409 Shares.

In the case of market purchases by the Company and assuming that the Company purchases or acquires 35,696,409 ordinary shares at the maximum price of S\$2.79 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 35,696,409 Shares is S\$99,592,981.

In the case of off-market purchases by the Company and assuming that the Company purchases or acquires 35,696,409 ordinary shares at the maximum price of S\$2.92 for one ordinary share (being the price equivalent to 110% 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 35,696,409 ordinary shares is S\$104,233,514.

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 December 31, 2015 based on these assumptions are set out in paragraph 3.7 of the Letter.

Please refer to the Letter for more details.

Resolution 14 – is to adopt a new Constitution following the wide-ranging changes to the Companies Act, Chapter 50 (the "**Companies Act**") introduced pursuant to the Companies (Amendment) Act 2014 (the "**Amendment Act**"). The new Constitution will consist of the memorandum and articles of association of the Company which were in force immediately before January 3, 2016 and incorporate amendments to (*inter alia*) take into account the changes to the Companies Act introduced pursuant to the Amendment Act. Resolution 14 will be proposed as a Special Resolution. Please refer to the Letter for more details.

### Notes:

- (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 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 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.

- A proxy need not be a member of the Company.
- The instrument appointing a proxy or proxies must be lodged at the office of the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902 not less than 48 hours before the time appointed for the Annual General Meeting.

### Personal Data Privacy

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

### Notice of Books Closure and Dividend Payment Date

**Notice is hereby given** that the Register of Members and Share Transfer Books of the Company will be closed on April 27, 2016 to determine the shareholders' entitlements to the proposed dividend. Duly completed transfers of shares received by the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902, up to 5.00 p.m. on April 26, 2016 (the "**Book Closure Date**") will be registered to determine shareholders' entitlements to the proposed dividend. Subject as aforesaid, shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares of the Company as at 5.00 p.m. on the Book Closure Date will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Annual General Meeting, will be paid on May 17, 2016.

# PROXY FORM

## Sembcorp Industries Ltd

Co Regn No. 199802418D  
(Incorporated in the Republic of Singapore)

## Eighteenth Annual General Meeting

I / We, \_\_\_\_\_ (Name), \_\_\_\_\_ (NRIC / Passport / Co Reg No.)

of \_\_\_\_\_ (Address)

being a member / members of SEMBCORP INDUSTRIES LTD ("the Company") hereby appoint:

Name	Address	NRIC / Passport No.	% of Shareholdings

and / or (delete as appropriate)

Name	Address	NRIC / Passport No.	% of Shareholdings

as my / our proxy / proxies to attend, speak and vote for me / us on my / our behalf at the 18<sup>th</sup> Annual General Meeting ("18<sup>th</sup> AGM") of the Company to be held on Tuesday, April 19, 2016 at 11.00 a.m. at The Auditorium, NTUC Centre, Level 7, One Marina Boulevard, Singapore 018989 and at any adjournment thereof.

*(Voting will be conducted by poll. Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of 18<sup>th</sup> AGM (of which Resolutions 1 to 13 will be proposed as Ordinary Resolutions and Resolution 14 will be proposed as a Special Resolution). 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 18<sup>th</sup> AGM.)*

	Resolutions	For	Against
<b>ROUTINE BUSINESS</b>			
1.	To adopt the Directors' Statement and Financial Statements		
2.	To declare a final dividend		
3.	To re-elect Tang Kin Fei		
4.	To re-elect Margaret Lui		
5.	To re-elect Tan Sri Mohd Hassan Marican		
6.	To re-elect Nicky Tan Ng Kuang		
7.	To re-appoint Ang Kong Hua		
8.	To approve directors' fees for financial year ending December 31, 2016		
9.	To re-appoint KPMG LLP as Auditors and to fix their remuneration		
<b>SPECIAL BUSINESS</b>			
10.	To approve the proposed renewal of the Share Issue Mandate		
11.	To authorise the directors to grant awards and issue shares under the Sembcorp Industries Share Plans		
12.	To approve the proposed renewal of the IPT Mandate		
13.	To approve the proposed renewal of the Share Purchase Mandate		
14.	To approve the proposed adoption of the new Constitution		

Total Number of Shares Held

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

\_\_\_\_\_  
Date

*This page is intentionally left blank.*

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 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 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 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 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 deposited at the office of the Company's Registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902 not less than 48 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 (including any related attachment) appointing a proxy or proxies. 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.

Fold here



Postage will be paid by addressee.  
For posting in Singapore only.

BUSINESS REPLY SERVICE PERMIT  
NO. 06735



The Company Secretary  
**Sembcorp Industries Ltd**  
c/o M & C Services Private Limited  
112 Robinson Road #05-01  
Singapore 068902