

# FINANCIAL STATEMENTS

---

Directors' Statement	138
Independent Auditors' Report	150
Balance Sheets	158
Consolidated Income Statement	160
Consolidated Statement of Comprehensive Income	161
Consolidated Statement of Changes in Equity	162
Consolidated Statement of Cash Flows	166
Notes to the Financial Statements	169
Supplementary Information	321
EVA Statement	325
Shareholders' Information	326
Governance Disclosure Guide	328
Corporate Information	339
Notice of Annual General Meeting	340
Proxy Form	347
Financial Calendar	Inside Back Cover

# Directors' Statement

Year ended December 31, 2017

## Directors' Statement

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, 2017.

In our opinion:

- the financial statements set out on pages 158 to 320 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, 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- 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  
 Neil McGregor  
 Margaret Lui  
 Tan Sri Mohd Hassan Marican  
 Tham Kui Seng  
 Dr Teh Kok Peng  
 Ajaib Haridass  
 Nicky Tan Ng Kuang  
 Yap Chee Keong  
 Jonathan Asherson OBE (Appointed on July 17, 2017)

## 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 beginning of the year	At end of the year	At 21/01/2018	At beginning of the year	At end of the year	At 21/01/2018
<b>Ang Kong Hua</b>							
Sembcorp Industries Ltd	Ordinary shares (Note 1)	201,800	274,000	274,000	–	–	–
<b>Neil McGregor</b>							
Sembcorp Industries Ltd	Ordinary shares	20,000	33,900	33,900	–	–	–
	Conditional award of:						
	– 429,553 performance shares to be delivered after 2019 (Note 2)	–	Up to 644,330	Up to 644,330	–	–	–

## 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 beginning of the year	At end of the year	At 21/01/2018	At beginning of the year	At end of the year	At 21/01/2018
<b>Neil McGregor (cont'd)</b>							
Sembcorp Industries Ltd	Conditional award of:						
	– 416,667 restricted shares to be delivered after 2018 (Note 3)	–	Up to 625,001	Up to 625,001	–	–	–
<b>Margaret Lui</b>							
Sembcorp Industries Ltd	Ordinary shares	61,200	82,100	82,100	–	–	–
<b>Tan Sri Mohd Hassan Marican</b>							
Sembcorp Industries Ltd	Ordinary shares (Note 4)	60,200	79,400	79,400	–	–	–
Sembcorp Marine Ltd	Ordinary shares (Note 4)	192,100	296,300	296,300	–	–	–
<b>Tham Kui Seng</b>							
Sembcorp Industries Ltd	Ordinary shares	43,600	62,000	62,000	–	–	–
<b>Dr Teh Kok Peng</b>							
Sembcorp Industries Ltd	Ordinary shares	40,100	61,200	61,200	–	–	–
Sembcorp Marine Ltd	Ordinary shares	40,000	40,000	40,000	–	–	–
<b>Ajaib Haridass</b>							
Sembcorp Industries Ltd	Ordinary shares (Note 5)	24,600	44,400	44,400	–	–	–
Sembcorp Marine Ltd	Ordinary shares	805,510	854,510	854,510	–	–	–
<b>Nicky Tan Ng Kuang</b>							
Sembcorp Industries Ltd	Ordinary shares	1,800	16,500	16,500	–	–	–
<b>Yap Chee Keong</b>							
Sembcorp Industries Ltd	Ordinary shares	–	4,400	4,400	–	–	–

Note 1: Of the 274,000 Sembcorp Industries Ltd (SCI) shares, 270,500 shares are held in the name of DBS Nominees Pte Ltd.

Note 2: The actual number to be delivered will depend on the achievement of set targets over a 3-year period from 2017 to 2019. 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.

Note 3: The actual number to be delivered will depend on the achievement of set targets at the end of the 2-year performance period from 2017 to 2018. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

Note 4: The 79,400 SCI shares and 296,300 Sembcorp Marine Ltd shares are held in the name of Citibank Nominees Singapore Pte Ltd.

Note 5: Of the 44,400 SCI shares, 5,000 shares are held in the name of Bank of Singapore.

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.

# Directors' Statement

Year ended December 31, 2017

## Directors' Interests *(cont'd)*

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and January 21, 2018.

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

Except as disclosed in Notes 28(a) and 35(b) to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## Share-based Incentive Plans

The Company's Performance Share Plan (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  
Nicky Tan Ng Kuang *(appointed on April 19, 2017)*

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.

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.

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

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.
- 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 2016, 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 have expired on June 9, 2016.

# Directors' Statement

Year ended December 31, 2017

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

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

#### vi. Sembcorp Industries Ltd Share Option Plan

All options expired on June 9, 2016.

#### Sembcorp Industries Ltd Ordinary shares 2016

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2016	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2016	Options exercisable at Jan 1, 2016	Options exercisable at Dec 31, 2016
09/06/2006	S\$2.52	319,549	(169,250)	(150,299)	–	319,549	–
		<b>319,549</b>	<b>(169,250)</b>	<b>(150,299)</b>	<b>–</b>	<b>319,549</b>	<b>–</b>

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

All options granted under the Share Option Plan on ordinary shares of Sembcorp Marine Ltd expired on October 2, 2016.

#### Sembcorp Marine Ltd Ordinary shares 2016

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2016	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2016	Options exercisable at Jan 1, 2016	Options exercisable at Dec 31, 2016
02/10/2006	S\$2.38	973,312	–	(973,312)	–	973,312	–
		<b>973,312</b>	<b>–</b>	<b>(973,312)</b>	<b>–</b>	<b>973,312</b>	<b>–</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.

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 2017 to 2019 will be vested to the senior management participants only if the restricted shares for the performance period 2018 to 2019 are vested, subject to the achievement of the performance conditions for the respective performance periods.

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

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

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

#### 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 Dec 31
	At Jan 1	Conditional performance shares awarded	Conditional performance shares lapsed	Performance shares lapsed arising from targets not met	Conditional performance shares released	
<b>2017</b>						
<b>Director of the Company:</b>						
Tang Kin Fei <sup>1</sup>	1,022,000	–	(304,500)	(300,000)	–	417,500
Neil McGregor <sup>2</sup>	–	429,553	–	–	–	429,553
<b>Key executives of the Group</b>	<b>1,396,250</b>	<b>460,000</b>	<b>–</b>	<b>(300,000)</b>	<b>–</b>	<b>1,556,250</b>
	<b>2,418,250</b>	<b>889,553</b>	<b>(304,500)</b>	<b>(600,000)</b>	<b>–</b>	<b>2,403,303</b>
<b>2016</b>						
<b>Director of the Company:</b>						
Tang Kin Fei <sup>1</sup>	950,000	372,000	–	(300,000)	–	1,022,000
<b>Key executives of the Group</b>	<b>1,131,250</b>	<b>615,000</b>	<b>(25,000)</b>	<b>(325,000)</b>	<b>–</b>	<b>1,396,250</b>
	<b>2,081,250</b>	<b>987,000</b>	<b>(25,000)</b>	<b>(625,000)</b>	<b>–</b>	<b>2,418,250</b>

<sup>1</sup> Tang Kin Fei retired as Group President & CEO of SCI on March 31, 2017 and retired as Director of SCI on May 31, 2017.

<sup>2</sup> Neil McGregor was appointed as Group President & CEO of SCI on April 1, 2017.

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2014 to 2016 (2016: performance period 2013 to 2015), no performance shares were released via the issuance of treasury shares (2016: nil).

In 2017, 600,000 (2016: 625,000) performance shares were lapsed for under-achievement of the performance targets for the performance period 2014 to 2016 (2016: 2013 to 2015).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2017, was 2,403,303 (2016: 2,418,250). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,604,954 (2016: 3,627,375) performance shares.

# Directors' Statement

Year ended December 31, 2017

## 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:

	2017	2016
At January 1	4,513,000	3,200,000
Conditional performance shares awarded	1,600,000	1,918,000
Performance shares lapsed arising from targets not met	(1,380,000)	(605,000)
At December 31	4,733,000	4,513,000

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 2014 to 2016 (2016: 2013 to 2015), no performance shares were released via the issuance of treasury shares (2016: nil).

In 2017, 1,380,000 (2016: 605,000) performance shares were lapsed for under-achievement of the performance targets for the performance period 2014 to 2016 (2016: 2013 to 2015).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at December 31, 2017, was 4,733,000 (2016: 4,513,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 7,099,500 (2016: 6,769,500) performance shares.

### 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 2017.

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.

## 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 Tang Kin Fei, who was the Group President & CEO, and who did not receive any directors' fees). In 2017 and 2016, the awards granted consisted of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the Annual General Meeting ("AGM") (or, if the resolution to approve the final dividend is not approved, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. 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	At Jan 1	Movements during the year			At Dec 31
		Conditional restricted shares awarded	Additional restricted shares awarded arising from targets met	Conditional restricted shares released	
<b>2017</b>					
<b>Directors of the Company:</b>					
Ang Kong Hua	–	72,200	–	(72,200)	–
Neil McGregor <sup>1</sup>	–	430,567	–	(13,900)	416,667
Tang Kin Fei <sup>2</sup>	659,400	–	46,000	(494,400)	211,000
Bobby Chin Yoke Choong (retired on April 19, 2017)	–	–	–	–	–
Margaret Lui	–	20,900	–	(20,900)	–
Tan Sri Mohd Hassan Marican	–	19,200	–	(19,200)	–
Tham Kui Seng	–	18,400	–	(18,400)	–
Dr Teh Kok Peng	–	21,100	–	(21,100)	–
Ajaib Haridass	–	19,800	–	(19,800)	–
Nicky Tan Ng Kuang	–	14,700	–	(14,700)	–
Yap Chee Keong	–	4,400	–	(4,400)	–
Jonathan Asherson OBE (appointed on July 17, 2017)	–	–	–	–	–
<b>Other executives of the Group</b>	8,436,328	2,932,967	543,655	(2,564,724)	(247,977)
	<b>9,095,728</b>	<b>3,554,234</b>	<b>589,655</b>	<b>(3,263,724)</b>	<b>(247,977)</b>
					<b>9,727,916</b>

<sup>1</sup> Neil McGregor was appointed as Group President & CEO of SCI on April 1, 2017.

<sup>2</sup> Tang Kin Fei retired as Group President & CEO of SCI on March 31, 2017 and retired as Director of SCI on May 31, 2017.



# Directors' Statement

Year ended December 31, 2017

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

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

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

Restricted shares participants	At Jan 1	Movements during the year				At Dec 31
		Conditional restricted shares awarded	Additional restricted shares awarded arising from targets met	Conditional restricted shares released	Conditional restricted shares lapsed	
<b>2016</b>						
<b>Directors of the Company:</b>						
Ang Kong Hua	–	80,200	–	(80,200)	–	–
Tang Kin Fei <sup>1</sup>	609,800	211,000	45,000	(206,400)	–	659,400
Bobby Chin Yoke Choong <i>(retired on April 19, 2017)</i>	–	23,300	–	(23,300)	–	–
Margaret Lui	–	20,700	–	(20,700)	–	–
Tan Sri Mohd Hassan Marican	–	19,200	–	(19,200)	–	–
Tham Kui Seng	–	18,700	–	(18,700)	–	–
Dr Teh Kok Peng	–	20,700	–	(20,700)	–	–
Ajaib Haridass	–	18,800	–	(18,800)	–	–
Neil McGregor <sup>2</sup>	–	14,700	–	(14,700)	–	–
Nicky Tan Ng Kuang	–	1,800	–	(1,800)	–	–
Yap Chee Keong	–	–	–	–	–	–
<b>Other executives of the Group</b>	<b>7,219,329</b>	<b>3,551,732</b>	<b>491,350</b>	<b>(2,410,037)</b>	<b>(416,046)</b>	<b>8,436,328</b>
	<b>7,829,129</b>	<b>3,980,832</b>	<b>536,350</b>	<b>(2,834,537)</b>	<b>(416,046)</b>	<b>9,095,728</b>

<sup>1</sup> Tang Kin Fei retired as Group President & CEO of SCL on March 31, 2017 and retired as Director of SCL on May 31, 2017.

<sup>2</sup> Neil McGregor was appointed as Group President & CEO of SCL on April 1, 2017.

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2015 to 2016, a total of 1,422,285 restricted shares were released in 2017. For awards in relation to the performance period 2014 to 2015, a total of 940,410 (2016: 910,442) were released in 2017. For awards in relation to the performance period 2013 to 2014, a total of 696,429 (2016: 734,804) restricted shares were released in 2017. For awards in relation to the performance period 2012 to 2013, no restricted shares were released in 2017 (2016: 966,691). In 2017, there were 204,600 (2016: 218,100) shares released to non-executive directors. In 2016, there were additional 4,500 shares released to employees due to sale of a subsidiary. Of the restricted shares released, 36,513 (2016: 32,572) restricted shares were cash-settled. The remaining restricted shares were released via the issuance of treasury shares.

In 2017, additional 589,655 (2016: 536,350) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2015 to 2016 (2016: performance period 2014 to 2015).

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2017, was 9,727,916 (2016: 9,095,728). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 6,947,566 (2016: 6,686,507). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 10,421,349 (2016: 10,029,760) restricted shares.

## 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 2015 to 2016 (2016: performance period 2014 to 2015), a total of S\$1,609,946, equivalent to 438,253 (2016: S\$1,239,046, equivalent to 401,914) notional restricted shares, were paid. A total of 660,000 (2016: 566,000) notional restricted shares of Sembcorp Industries Ltd's shares were awarded in 2017 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 2017, was 1,226,000 (2016: 1,002,012). 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 1,839,000 (2016: 1,503,018).

#### 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:

Restricted shares participants	At Jan 1	Movements during the year				At Dec 31
		Conditional restricted shares awarded	Restricted shares lapsed arising from targets not met	Conditional restricted shares released	Conditional restricted shares lapsed	
<b>2017</b>						
<b>Directors of the Company:</b>						
Tang Kin Fei <sup>1</sup>	–	44,300	–	(44,300)	–	–
Tan Sri Mohd Hassan Marican	–	104,200	–	(104,200)	–	–
Ajaib Haridass	–	49,000	–	(49,000)	–	–
<b>Other participants</b>	<b>13,716,142</b>	<b>7,978,950</b>	<b>(3,923,317)</b>	<b>(1,589,442)</b>	<b>(798,920)</b>	<b>15,383,413</b>
	<b>13,716,142</b>	<b>8,176,450</b>	<b>(3,923,317)</b>	<b>(1,786,942)</b>	<b>(798,920)</b>	<b>15,383,413</b>

#### 2016

##### Directors of the Company:

Tang Kin Fei <sup>1</sup>	–	54,600	–	(54,600)	–	–
Tan Sri Mohd Hassan Marican	–	111,800	–	(111,800)	–	–
Ajaib Haridass	–	65,700	–	(65,700)	–	–
<b>Other participants</b>	<b>10,101,585</b>	<b>8,000,600</b>	<b>(1,471,967)</b>	<b>(2,439,698)</b>	<b>(474,378)</b>	<b>13,716,142</b>
	<b>10,101,585</b>	<b>8,232,700</b>	<b>(1,471,967)</b>	<b>(2,671,798)</b>	<b>(474,378)</b>	<b>13,716,142</b>

<sup>1</sup> Tang Kin Fei retired as Director of SCL on May 31, 2017 and retired as Director of Sembcorp Marine Ltd on April 18, 2017.

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2015 to 2016, a total of 266,891 restricted shares were released in 2017. For awards in relation to the performance period 2014 to 2015, a total of 386,942 (2016: 461,541) restricted shares were released in 2017. For awards in relation to the performance period 2013 to 2014, a total of 733,009 (2016: 848,667) restricted shares were released in 2017. For awards in relation to the performance period 2012 to 2013, no restricted shares were released in 2017 (2016: 848,667). In 2017, there were 400,100 (2016: 516,300) restricted shares released to non-executive directors. The restricted shares were released via the issuance of treasury shares.

# Directors' Statement

Year ended December 31, 2017

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

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

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

In 2017, 3,923,317 (2016: 1,471,967) Sembcorp Marine Ltd's restricted shares were lapsed for under-achievement of the performance targets for the performance period 2015 to 2016 (2016: 2014 to 2015).

The total number of Sembcorp Marine Ltd's restricted shares outstanding, including awards achieved but not released, as at December 31, 2017, was 15,383,413 (2016: 13,716,142). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 14,674,000 (2016: 12,239,840). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 22,011,000 (2016: 18,359,760) restricted shares.

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2015 to 2016 (2016: performance period 2014 to 2015), a total of S\$454,284 (2016: S\$766,416), equivalent to 248,950 (2016: 456,064) notional restricted shares, were paid.

A total of 3,074,000 (2016: 3,387,850) notional restricted shares were awarded on May 26, 2017 (2016: May 27, 2016) for the Sembcorp Marine Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Marine Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at December 31, 2017, was 5,230,850 (2016: 4,827,393). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 7,846,275 (2016: 7,241,090).

### d. Maximum Number of Shares Issuable

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

## Audit Committee

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

Yap Chee Keong (Chairman) *(Appointed on April 19, 2017)*  
Bobby Chin Yoke Choong (Chairman) *(Retired on April 19, 2017)*  
Tham Kui Seng  
Dr Teh Kok Peng  
Ajaib Haridass

The Audit Committee held five 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.

## Audit Committee *(cont'd)*

The Audit Committee also reviewed the following:

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

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



**Neil McGregor**  
Director

**Singapore**  
February 28, 2018

# Independent Auditors' Report

Year ended December 31, 2017

**Members of the Company**  
**Sembcorp Industries Ltd**

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Sembcorp Industries Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheets of the Group and the balance sheets of the Company as at December 31, 2017, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 158 to 320.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheets of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for opinion

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

### Key audit matters

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

## Report on the audit of the financial statements *(cont'd)*

### **Impairment assessment of property, plant and equipment**

*(Refer to Notes 3 and 40 to the financial statements: S\$11,157,683,000)*

#### *Risk:*

The Group's shipyard assets were subject to impairment test assessments, owing to the continuing difficult market conditions impacting the Group's offshore and marine sector.

The Group's largest yard assets and facilities are (i) the integrated yards, which include the individual yard locations in Singapore, the sub-contracting yards in Indonesia and the United Kingdom (the Singapore cash generating unit ("CGU")) and (ii) the yard in Brazil (Brazil CGU). Such shipyard assets are measured at cost less accumulated depreciation and impairment loss. An impairment loss exists when the net carrying amount of the shipyard assets is in excess of the fair value or recoverable amount. As the fair values of these shipyard assets are not readily determinable, the Group measures the recoverable amount using the discounted cash flow technique.

The determination of the recoverable amounts of these CGUs involves a high degree of judgement and is subject to significant estimation uncertainties, principally, the forecast order book. The forecast order book includes a diversified portfolio of long-term contracts whose initial contract pricing takes into account prevailing market conditions and the outlook of the oil and gas industry, which are inherently subject to estimation uncertainties.

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

The outcome of the shipyard assets impairment tests for the Singapore CGU and Brazil CGU reveals that the recoverable amounts are in excess of the net carrying amounts attributable to these CGUs.

#### *Our response:*

We assessed the Group's process for identifying and reviewing the CGUs subject to impairment testing.

We reviewed the key assumptions supporting the value-in-use calculations to arrive at the recoverable amounts of these CGUs. We compared the forecast order book to firm commitments secured from customers, management approved budgets built from the Group's past and actual experiences, prevailing industry trends, and industry analysts' reports. We compared the discount rates to market observable data including market and country risk premiums and any asset-specific risk premium.

We also reviewed available qualitative information from industry analysts, projected capital expenditure by oil majors supporting the projection of orders, and regulations on local content requirements. We assessed the related disclosures on key assumptions applied in determining the recoverable amounts of the CGUs.

#### *Our findings:*

The Group has a process for identifying and reviewing the CGUs for impairment testing. The impairment test assessments incorporated the relevant considerations. The disclosures describing the inherent degree of estimation uncertainty and the sensitivity of the assumptions applied are appropriate.



# Independent Auditors' Report

Year ended December 31, 2017

## Report on the audit of the financial statements *(cont'd)*

### Recognition of revenue and recoverability of contract work-in-progress

*(Refer to Notes 13, 25 and 40 to the financial statements: Contract work-in-progress of S\$1,841,647,000 and revenue of S\$8,345,605,000)*

#### Risk:

One of the Group's significant revenue streams is derived from long-term construction contracts, in relation to ship building and conversion as well as infrastructure construction activities. The accounting for long-term construction contracts and the determination of percentage of completion is complex. Revenue is recognised based upon management's estimation of the value of the project activities completed. There are also estimation uncertainties associated with the costs to complete the projects. During the year, several contracts previously concluded with the original customers under modified terms (the "original contracts") were terminated, and re-sold to another customer (the "new contracts"), with relevant adjustments recorded. Such adjustments took into account the terms and conditions, including the contract prices and payment terms and delivery dates, stipulated in these new contracts.

As at the reporting date, there were also certain contracts subject to deferral in delivery or scope variations (the "contract modifications"). The contract provisions required involve management judgement.

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

The recoverability of amounts receivable from customers, contract work-in-progress on construction contracts, together with the corresponding contract revenues and costs recognised are therefore based on management's evaluation and best estimate of the ultimate realisation of these balances.

#### Our response:

- We reviewed the Group's estimation process (including the approval of project budget, monitoring of project costs and activities, and management's review and customer's approval of project's stage of completion and milestones achieved) used in determining the amounts of revenue and costs recognised in the Group's financial statements.
- We reviewed the original contracts and the reversal adjustments on revenue and cost of sales recorded on contract terminations.
- We reviewed the terms and conditions of new contracts, and the contract modifications to identify the relevant adjustments on revenue recognition and contract provisions.
- We reviewed the contractual terms and work status of the customer contracts, along with discussions with management and checked that contract revenue was recognised according to the percentage of completion of each project measured by the stage of completion of physical activities or by reference to the ratio of costs incurred to date to the estimated costs for each contract.
- We reviewed the re-forecast of each contract subject to any modifications and analysed current on-going negotiations and settlements that may impair the profitability of such contracts as well as the collectability of significant contracts by reference to the recent credit review assessment of each customer prepared by management.
- We assessed the adequacy of disclosures in describing the areas of judgement and estimation uncertainties involving revenue recognition and contract work-in-progress.

## Report on the audit of the financial statements *(cont'd)*

### Recognition of revenue and recoverability of contract work-in-progress *(cont'd)*

#### Our findings:

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

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

The reversal adjustments on revenue and cost of sales on those terminated contracts were according to the terms of the original contracts.

The relevant adjustments on revenue and contract provisions for the new contracts and contracts with modifications were appropriately considered.

The judgements applied on those contracts belonging to customers undergoing financial restructuring were within an acceptable range of considerations, taking into account the facts and circumstances currently made available to the Group.

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

### Valuation of goodwill

*(Refer to Note 11 and 40 to the financial statements: S\$197,194,000)*

#### Risk:

At 31 December 2017, the Group's balance sheet includes goodwill amounting to S\$197 million, predominantly allocated to six cash generating units (CGUs). The determination of the recoverable value of goodwill involves significant estimation uncertainties in relation to the cash flows from the respective CGUs and the underlying assumptions to be applied. The cash flows are sensitive to key assumptions relating to discount rates, long-term growth rates as well as profitability of the CGUs based on existing market conditions.

#### Our response:

We reviewed the key assumptions relating to the estimated future cash flows of each CGU by considering historical performance against budgets, discussions with management and our understanding of future conditions. We also compared the long-term growth rates and discount rates for each CGU to available industry data. We also considered the disclosures in describing the inherent degree of estimation uncertainty and key assumptions applied.

#### Our findings:

We found the key assumptions to be supported by market data and management's expectations of future conditions and the disclosures to be appropriate in describing the inherent degree of estimation uncertainty and key assumptions applied.

# Independent Auditors' Report

Year ended December 31, 2017

## Report on the audit of the financial statements *(cont'd)*

### **Litigation, claims and other contingencies**

*(Refer to Note 37 to the financial statements)*

#### *Risk:*

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

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

#### *Our response:*

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

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

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

#### *Our findings:*

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

## Report on the audit of the financial statements *(cont'd)*

### **Other Information**

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

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

- Group FY2017 Highlights
- Chairman and CEO's Statement
- Our Group Strategy
- Our Utilities Strategy
- CEO Interview
- Group Financial Review
- Utilities Review
- Marine Review
- Urban Development Review
- Directors' Statement

The following items (the "Reports") are expected to be made available to us after that date:

- Sembcorp at a Glance
- Our Leadership
- Environmental, Social and Governance Review
- Supplementary Information
- EVA Statement
- Shareholders' Information
- Governance Disclosure Guide
- Corporate Information
- Financial Calendar

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

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

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

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

# Independent Auditors' Report

Year ended December 31, 2017

## Report on the audit of the financial statements *(cont'd)*

### Responsibilities of management and directors for the financial statements

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

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

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

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## Report on the audit of the financial statements *(cont'd)*

### Auditors' responsibilities for the audit of the financial statements *(cont'd)*

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

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

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

### Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditors' report is Ling Su Min.



**KPMG LLP**  
Public Accountants  
and Chartered Accountants

**Singapore**  
February 28, 2018

# Balance Sheets

As at December 31, 2017

	Note	Group		Company	
		2017	2016	2017	2016
		S\$'000	S\$'000	S\$'000	S\$'000
<b>Non-current assets</b>					
Property, plant and equipment	3	11,157,683	11,225,917	347,095	498,385
Investment properties	4	90,918	61,264	–	–
Investments in subsidiaries	5	–	–	2,648,929	2,444,010
Interests in associates and joint ventures	6	1,765,420	1,745,749	–	–
Other financial assets	7	175,380	200,905	–	–
Trade and other receivables	8	1,184,276	734,123	226,386	205,843
Tax recoverable		7,148	9,529	–	–
Assets held for sale	10	99,730	–	99,730	–
Intangible assets	11	580,787	636,997	24,566	23,103
Deferred tax assets	12	55,972	51,520	–	–
		15,117,314	14,666,004	3,346,706	3,171,341
<b>Current assets</b>					
Inventories and work-in-progress	13	3,214,296	3,466,280	8,616	10,615
Trade and other receivables	8	2,031,555	1,958,030	141,432	171,028
Tax recoverable		21,305	15,703	–	–
Assets held for sale	10	–	182,215	–	–
Other financial assets	7	142,050	119,456	141	–
Cash and cash equivalents	14	2,686,658	1,882,547	720,138	389,905
		8,095,864	7,624,231	870,327	571,548
<b>Total assets</b>		<b>23,213,178</b>	<b>22,290,235</b>	<b>4,217,033</b>	<b>3,742,889</b>
<b>Current liabilities</b>					
Trade and other payables	15	3,818,766	3,398,015	136,886	138,057
Excess of progress billings over work-in-progress	13	180,894	223,073	–	–
Provisions	17	92,217	42,419	16,695	14,874
Other financial liabilities	18	13,105	36,976	–	326
Current tax payable		159,046	189,471	49,746	47,938
Interest-bearing borrowings	20	1,572,451	2,125,587	–	–
		5,836,479	6,015,541	203,327	201,195
<b>Net current assets</b>		<b>2,259,385</b>	<b>1,608,690</b>	<b>667,000</b>	<b>370,353</b>

	Note	Group		Company	
		2017	2016	2017	2016
		S\$'000	S\$'000	S\$'000	S\$'000
<b>Non-current liabilities</b>					
Deferred tax liabilities	12	428,340	402,431	52,686	60,501
Provisions	17	105,071	92,547	16,018	10,661
Other financial liabilities	18	54,060	256,654	–	–
Retirement benefit obligations	19	3,810	6,565	–	–
Interest-bearing borrowings	20	8,275,153	7,095,717	–	–
Other long-term payables	15	294,511	258,066	286,199	281,910
		9,160,945	8,111,980	354,903	353,072
<b>Total liabilities</b>		<b>14,997,424</b>	<b>14,127,521</b>	<b>558,230</b>	<b>554,267</b>
<b>Net assets</b>		<b>8,215,754</b>	<b>8,162,714</b>	<b>3,658,803</b>	<b>3,188,622</b>
<b>Equity attributable to owners of the Company:</b>					
Share capital	21	565,572	565,572	565,572	565,572
Other reserves	22	(82,676)	(52,147)	2,117	(6,721)
Revenue reserve		5,483,190	5,384,897	2,087,875	1,826,675
		5,966,086	5,898,322	2,655,564	2,385,526
Perpetual securities	23	1,003,239	803,096	1,003,239	803,096
		6,969,325	6,701,418	3,658,803	3,188,622
<b>Non-controlling interests</b>	29	1,246,429	1,461,296	–	–
<b>Total equity</b>		<b>8,215,754</b>	<b>8,162,714</b>	<b>3,658,803</b>	<b>3,188,622</b>

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

# Consolidated Income Statement

Year ended December 31, 2017

	Note	Group	
		2017	2016
		S\$'000	S\$'000
<b>Turnover</b>	25	<b>8,345,605</b>	7,907,048
Cost of sales		<b>(7,399,538)</b>	(6,801,916)
<b>Gross profit</b>		<b>946,067</b>	1,105,132
General and administrative expenses		<b>(420,089)</b>	(359,841)
Other operating income		<b>75,550</b>	66,300
Non-operating income		<b>73,640</b>	44,507
Non-operating expenses		<b>(43,937)</b>	(72,190)
Finance income	26	<b>42,596</b>	30,418
Finance costs	26	<b>(525,782)</b>	(402,009)
Share of results of associates and joint ventures, net of tax		<b>164,058</b>	125,121
<b>Profit before tax</b>		<b>312,103</b>	537,438
Tax expense	27	<b>(67,391)</b>	(100,284)
<b>Profit for the year</b>	28	<b>244,712</b>	437,154
<b>Profit attributable to:</b>			
Owners of the Company		<b>230,772</b>	394,889
Non-controlling interests		<b>13,940</b>	42,265
Profit for the year		<b>244,712</b>	437,154
Earnings per share (cents):	30		
Basic		<b>10.51</b>	19.92
Diluted		<b>10.42</b>	19.75

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

# Consolidated Statement of Comprehensive Income

Year ended December 31, 2017

	Note	Group	
		2017	2016
		S\$'000	S\$'000
<b>Profit for the year</b>		<b>244,712</b>	437,154
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences for foreign operations		<b>(151,000)</b>	(41,597)
Exchange differences on monetary items forming part of net investment in foreign operation		<b>(6,336)</b>	9,893
Net change in fair value of cash flow hedges		<b>44,712</b>	85,901
Net change in fair value of cash flow hedges reclassified to profit or loss		<b>(17,598)</b>	42,091
Net change in fair value of available-for-sale financial assets		<b>37,484</b>	(19,328)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		<b>(32,658)</b>	8,337
Realisation of reserve upon liquidation / disposal of subsidiaries		<b>(15,646)</b>	(6,259)
Realisation of reserve upon disposal of assets held for sale		<b>(20,484)</b>	–
Realisation of reserve upon disposal of a joint venture		–	(3,530)
Realisation of reserve when a joint venture became a subsidiary		–	2,390
Share of other comprehensive income of associates and joint ventures		<b>55,444</b>	18,376
		<b>(106,082)</b>	96,274
<b>Items that may not be reclassified subsequently to profit or loss:</b>			
Defined benefit plan actuarial gains and losses		<b>2,742</b>	(199)
Other comprehensive income for the year, net of tax	24	<b>(103,340)</b>	96,075
<b>Total comprehensive income for the year</b>		<b>141,372</b>	533,229
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>160,025</b>	482,959
Non-controlling interests		<b>(18,653)</b>	50,270
Total comprehensive income for the year		<b>141,372</b>	533,229

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



# Consolidated Statement of Changes in Equity

Year ended December 31, 2017

Group	Attributable to owners of the Company										Perpetual securities	Total	Non-controlling interests	Total equity	
	Share capital	Reserve for own shares	Currency translation reserve	Capital reserve	Merger reserve	Share-based payments reserve	Fair value reserve	Hedging reserve	Revenue reserve	Total					
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>At January 1, 2017</b>	565,572	(5,490)	(113,534)	109,103	29,201	(13,712)	20,773	(78,488)	5,384,897	5,898,322	803,096	6,701,418	1,461,296	8,162,714	
<b>Total comprehensive income for the year</b>															
Profit for the year	-	-	-	-	-	-	-	-	230,772	230,772	-	230,772	13,940	244,712	
<b>Other comprehensive income</b>															
Foreign currency translation differences for foreign operations	-	-	(125,808)	-	-	-	-	-	-	(125,808)	-	(125,808)	(25,192)	(151,000)	
Exchange differences on monetary items forming part of net investment in foreign operation	-	-	(6,336)	-	-	-	-	-	-	(6,336)	-	(6,336)	-	(6,336)	
Net change in fair value of cash flow hedges	-	-	-	-	-	-	32,291	-	-	32,291	-	32,291	12,421	44,712	
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	-	-	-	(18,507)	-	-	(18,507)	-	(18,507)	909	(17,598)	
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	25,485	-	-	25,485	-	25,485	11,999	37,484	
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	-	-	-	-	(20,071)	-	-	(20,071)	-	(20,071)	(12,587)	(32,658)	
Realisation of reserve upon disposal / liquidation of subsidiaries	-	-	(3,898)	-	-	-	-	-	1	(3,897)	-	(3,897)	(11,749)	(15,646)	
Realisation of reserve upon disposal of assets held for sale	-	-	(12,502)	-	-	-	(10)	-	10	(12,502)	-	(12,502)	(7,982)	(20,484)	
Defined benefit plan actuarial gains and losses	-	-	-	-	-	-	-	-	2,790	2,790	-	2,790	(48)	2,742	
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	38,049	17,759	55,808	-	55,808	(364)	55,444	
<b>Total other comprehensive income for the year</b>	-	-	(148,544)	-	-	-	5,404	51,833	20,560	(70,747)	-	(70,747)	(32,593)	(103,340)	
<b>Total comprehensive income for the year</b>	-	-	(148,544)	-	-	-	5,404	51,833	251,332	160,025	-	160,025	(18,653)	141,372	
<b>Transactions with owners of the Company, recognised directly in equity</b>															
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	271	271	
Issue of perpetual bonds	-	-	-	-	-	-	-	-	-	-	199,467	199,467	-	199,467	
Share-based payments	-	-	-	-	-	15,985	-	-	-	15,985	-	15,985	1,800	17,785	
Purchase of treasury shares	-	(4,057)	-	-	-	-	-	-	-	(4,057)	-	(4,057)	-	(4,057)	
Treasury shares transferred to employees	-	9,422	-	-	-	(9,422)	-	-	-	-	-	-	-	-	
Treasury shares of a subsidiary	-	-	-	(1,760)	-	(1,446)	-	-	-	(3,206)	-	(3,206)	(2,049)	(5,255)	
Acquisition of non-controlling interests	-	-	-	(148,871)	-	-	-	-	-	(148,871)	-	(148,871)	(159,126)	(307,997)	
Extinguishment of put liability to acquire non-controlling interests (Note 18)	-	-	-	215,885	-	-	-	-	-	215,885	-	215,885	-	215,885	
Transfer of reserve	-	-	-	(14,958)	-	-	-	-	14,958	-	-	-	-	-	
Perpetual securities distribution paid	-	-	-	-	-	-	-	-	-	-	(42,210)	(42,210)	-	(42,210)	
Accrued perpetual securities distribution (Note 23)	-	-	-	-	-	-	-	-	(42,886)	(42,886)	42,886	-	-	-	
Dividend paid to owners (Note 31)	-	-	-	-	-	-	-	-	(125,117)	(125,117)	-	(125,117)	-	(125,117)	
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(37,110)	(37,110)	
Unclaimed dividends	-	-	-	-	-	-	-	-	6	6	-	6	-	6	
<b>Total transactions with owners</b>	-	5,365	-	50,296	-	5,117	-	-	(153,039)	(92,261)	200,143	107,882	(196,214)	(88,332)	
<b>At December 31, 2017</b>	565,572	(125)	(262,078)	159,399	29,201	(8,595)	26,177	(26,655)	5,483,190	5,966,086	1,003,239	6,969,325	1,246,429	8,215,754	

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

# Consolidated Statement of Changes in Equity

Year ended December 31, 2017

Group	Attributable to owners of the Company										Perpetual securities	Total	Non-controlling interests	Total equity	
	Share capital	Reserve for own shares	Currency translation reserve	Capital reserve	Merger reserve	Share-based payments reserve	Fair value reserve	Hedging reserve	Revenue reserve	Total					
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>At January 1, 2016</b>	565,572	(8,645)	(84,321)	114,766	29,201	(18,050)	27,398	(203,287)	5,207,742	5,630,376	802,688	6,433,064	1,610,430	8,043,494	
<b>Total comprehensive income for the year</b>															
Profit for the year	-	-	-	-	-	-	-	-	394,889	394,889	-	394,889	42,265	437,154	
<b>Other comprehensive income</b>															
Foreign currency translation differences for foreign operations	-	-	(38,732)	-	-	-	-	-	-	(38,732)	-	(38,732)	(2,865)	(41,597)	
Exchange differences on monetary items forming part of net investment in foreign operation	-	-	9,893	-	-	-	-	-	-	9,893	-	9,893	-	9,893	
Net change in fair value of cash flow hedges	-	-	-	-	-	-	66,513	-	66,513	66,513	-	66,513	19,388	85,901	
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	-	-	-	39,911	-	39,911	39,911	-	39,911	2,180	42,091	
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	(11,660)	-	(11,660)	(11,660)	-	(11,660)	(7,668)	(19,328)	
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	-	-	-	-	5,035	-	5,035	5,035	-	5,035	3,302	8,337	
Realisation of reserve upon disposal / liquidation of subsidiaries	-	-	-	12	-	(25)	-	-	-	(13)	-	(13)	(6,246)	(6,259)	
Realisation of reserve when a joint venture became a subsidiary (Note 34)	-	-	2,390	-	-	-	-	-	-	2,390	-	2,390	-	2,390	
Realisation of reserve upon disposal of a joint venture	-	-	(3,229)	(301)	-	-	-	-	-	(3,530)	-	(3,530)	-	(3,530)	
Defined benefit plan actuarial gains and losses	-	-	-	-	-	-	-	-	(113)	(113)	-	(113)	(86)	(199)	
Share of other comprehensive income of associates and joint ventures	-	-	-	1	-	-	18,375	-	18,376	18,376	-	18,376	-	18,376	
Total other comprehensive income for the year	-	-	(29,678)	(288)	-	(25)	(6,625)	124,799	(113)	88,070	-	88,070	8,005	96,075	
Total comprehensive income for the year	-	-	(29,678)	(288)	-	(25)	(6,625)	124,799	394,776	482,959	-	482,959	50,270	533,229	
<b>Transactions with owners of the Company, recognised directly in equity</b>															
Redemption of preference shares for non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(7,380)	(7,380)	
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	4,397	4,397	
Share-based payments	-	-	-	-	-	17,049	-	-	-	17,049	-	17,049	1,758	18,807	
Purchase of treasury shares	-	(7,065)	-	-	-	-	-	-	-	(7,065)	-	(7,065)	-	(7,065)	
Treasury shares transferred to employees	-	10,220	-	-	-	(9,794)	-	-	-	426	-	426	-	426	
Treasury shares of a subsidiary	-	-	-	1,576	-	(2,892)	-	-	-	(1,316)	-	(1,316)	(841)	(2,157)	
Non-controlling interests of subsidiary acquired (Note 34(b))	-	-	-	-	-	-	-	-	-	-	-	-	147,637	147,637	
Acquisition of non-controlling interests	-	-	465	7,169	-	-	-	-	-	7,634	-	7,634	(298,866)	(291,232)	
Put liability to acquire non-controlling interests	-	-	-	(22,772)	-	-	-	-	-	(22,772)	-	(22,772)	-	(22,772)	
Call option issued to non-controlling interests of subsidiaries	-	-	-	8,652	-	-	-	-	-	8,652	-	8,652	-	8,652	
Perpetual securities distribution paid	-	-	-	-	-	-	-	-	-	-	(38,605)	(38,605)	-	(38,605)	
Accrued perpetual securities distribution (Note 23)	-	-	-	-	-	-	-	-	(39,013)	(39,013)	39,013	-	-	-	
Dividend paid to owners (Note 31)	-	-	-	-	-	-	-	-	(178,724)	(178,724)	-	(178,724)	-	(178,724)	
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(46,109)	(46,109)	
Unclaimed dividends	-	-	-	-	-	-	-	-	116	116	-	116	-	116	
Total transactions with owners	-	3,155	465	(5,375)	-	4,363	-	-	(217,621)	(215,013)	408	(214,605)	(199,404)	(414,009)	
<b>At December 31, 2016</b>	565,572	(5,490)	(113,534)	109,103	29,201	(13,712)	20,773	(78,488)	5,384,897	5,898,322	803,096	6,701,418	1,461,296	8,162,714	

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

# Consolidated Statement of Cash Flows

Year ended December 31, 2017

	Group	
	2017	2016
	S\$'000	S\$'000
<b>Cash flows from operating activities</b>		
Profit for the year	244,712	437,154
Adjustments for:		
Dividend	(417)	(275)
Finance income	(42,596)	(30,418)
Finance costs	525,782	402,009
Depreciation and amortisation	571,328	453,713
Share of results of associates and joint ventures, net of tax	(164,058)	(125,121)
Gain on disposal of property, plant and equipment and other financial assets	(19,917)	(2,869)
Loss / (gain) on disposal of intangible assets	22	(1)
Gain on disposal of investment in joint venture and associate	–	(34,758)
Gain on disposal of assets / investments held for sale	(46,816)	(3,820)
Gain on disposal / liquidation of investments in subsidiaries	(4,613)	–
Fair value gain on re-measurement of pre-existing equity investments in joint venture and available-for-sale financial asset, which became subsidiaries	–	(7,734)
Changes in fair value of financial instruments	5,407	31,070
Equity settled share-based compensation expenses	17,785	18,807
Allowance made for impairment loss in value of assets and assets written off (net)	31,250	82,921
Negative goodwill	(169)	(2,858)
(Write-back) / allowance of doubtful debts and bad debts (net)	(15,579)	4,671
Provision for fines	25,390	–
Assumption of liabilities on behalf of a joint venture	11,000	–
Impairment of goodwill	26,378	–
Impairment of investment in associates	4,163	2,120
Reversal of contracts costs (net) on termination, net of write-down of inventories and foreseeable loss on contract work-in-progress	(9,677)	3,080
Tax expense (Note 27)	67,391	100,284
Operating profit before working capital changes	1,226,766	1,327,975
Changes in working capital:		
Inventories and work-in-progress	235,009	659,104
Receivables (Note (c))	(821,443)	(618,624)
Payables	79,937	(410,568)
	720,269	957,887
Tax paid	(69,933)	(85,813)
<b>Net cash from operating activities</b>	<b>650,336</b>	<b>872,074</b>

	Group	
	2017	2016
	S\$'000	S\$'000
<b>Cash flows from investing activities</b>		
Dividend received	265,615	94,239
Interest received	41,235	27,912
Proceeds from disposal of interests in subsidiaries, net of cash disposed of	50	–
Proceeds from sale of assets held for sale, net of cash disposed of	205,690	22,894
Proceeds from disposal of interests in joint ventures and associate	–	584
Proceeds from sale of property, plant and equipment	17,885	11,567
Proceeds from sale of intangible assets	337	54
Proceeds from disposal of other financial assets	194,683	223,117
Proceeds from call option premium	–	4,330
Proceeds from prior year's disposal of joint ventures	53,081	–
Loan repayment from related parties	75,744	15,784
Loan to related parties	(213)	(4,464)
Non-trade balances with related corporations, net of repayment	(15,223)	(1,622)
Acquisition of subsidiaries, net of cash acquired (Note 34)	(3,287)	(71,520)
Acquisition of additional investments in joint ventures and associates	(15,280)	(60,886)
Acquisition of other financial assets	(165,951)	(226,644)
Purchase of property, plant and equipment and investment properties (Note (a))	(736,048)	(821,880)
Purchase of intangible assets (Note (b))	(10,564)	(14,095)
<b>Net cash used in investing activities</b>	<b>(92,246)</b>	<b>(800,630)</b>

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

# Consolidated Statement of Cash Flows

Year ended December 31, 2017

	Group	
	2017	2016
	S\$'000	S\$'000
<b>Cash flows from financing activities</b>		
Proceeds from share issued to non-controlling interests of subsidiaries	271	4,397
Proceeds from share options exercised with issue of treasury shares	–	426
Proceeds from share options exercised with issue of treasury shares of a subsidiary	687	–
Purchase of treasury shares	(4,057)	(7,065)
Purchase of treasury shares by a subsidiary	(5,942)	(2,990)
Proceeds from issue of perpetual securities, net of transaction costs	199,467	–
Proceeds from borrowings	3,206,073	3,689,220
Repayment of borrowings	(2,426,971)	(2,581,974)
Payment on finance leases	(1,034)	(449)
Acquisition of non-controlling interests	(9,659)	(218,460)
Dividends paid to owners of the Company	(125,117)	(178,724)
Dividends paid to non-controlling interests of subsidiaries	(37,110)	(46,109)
Receipt in restricted cash held as collateral	6,059	–
Perpetual securities distribution paid	(42,210)	(38,605)
Unclaimed dividends	6	116
Interest paid	(484,220)	(406,013)
<b>Net cash from financing activities</b>	<b>276,243</b>	<b>213,770</b>
<b>Net increase in cash and cash equivalents</b>	<b>834,333</b>	<b>285,214</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>1,854,713</b>	<b>1,604,465</b>
Effect of exchange rate changes on balances held in foreign currency	(7,575)	(34,966)
<b>Cash and cash equivalents at end of the year (Note 14)</b>	<b>2,681,471</b>	<b>1,854,713</b>

- a. During the year, the Group acquired property, plant and equipment with an aggregate cost of S\$676,194,000 (2016: S\$1,008,230,000) of which S\$83,000 (2016: S\$856,000) was acquired by means of finance lease, S\$594,000 (2016: S\$1,016,000) relates to non-cash expenditures which have been capitalised during the year and S\$21,423,000 (2016: S\$13,568,000) relates to provision for restoration costs as disclosed in Note 17. Included in the Group's trade and other payables is an amount of S\$248,488,000 (2016: S\$302,461,000) relating to accrued capital expenditure.
- b. During the year, the Group acquired intangible assets with an aggregate cost of S\$12,892,000 (2016: S\$15,519,000) of which S\$2,328,000 (2016: S\$1,424,000) was acquired by means of finance lease.
- c. The increase in receivables included an amount of S\$430.8 million (2016: S\$239.4 million) of service concession receivables from the Myingyan and Sirajanj Unit 4 power projects which was recognised in accordance with INT FRS 112 accounting guidelines. The receivables will be collected over the period of the concession contracts from the time the power plants commence commercial operations.

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

# Notes to the Financial Statements

Year ended December 31, 2017

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on February 28, 2018.

## 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.

The Company's immediate and ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in the Republic of Singapore.

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:

- a. investment holding, as well as the corporate headquarter which gives strategic direction and provides management services to its subsidiaries; and
- b. 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 and water to industrial, commercial and municipal customers. Key activities in the energy sector include power generation, process steam production, as well as natural gas importation. In the water sector, the business offers wastewater treatment as well as the production of reclaimed, desalinated and potable water and water for industrial use. In addition, the business also provides on-site logistics, solid waste management and specialised project management, engineering, and procurement services;

### ii. Marine

The Marine segment focuses principally on providing integrated solutions for the offshore and marine 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

The 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, 2017

## 2. Summary of Significant Accounting Policies

### a. Basis of Preparation

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

The financial statements are presented in Singapore dollar which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand (\$'000), unless otherwise stated. The financial statements have been prepared on the historical cost basis except as otherwise described in the accounting policies below.

One of the Group's key subsidiary has changed its functional currency from Brazilian Real to United States Dollar during current financial year, in order to reflect the primary economic environment that the subsidiary currently operates in.

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.

The Group has applied the following amendments for the first time for the annual period beginning on January 1, 2017:

- *Disclosure Initiative* (Amendments to FRS 7);
- *Recognition of Deferred Tax Assets for Unrealised Losses* (Amendments to FRS 12); and
- *Clarification of the scope of FRS 112* (Improvements to FRSs 2016).

From January 1, 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended December 31, 2017. Comparative information has not been presented (see Note 20).

Other than the amendments to FRS 7, the adoption of these amendments did not have any significant impact on the current or prior period and is not likely to affect future periods.

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.

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

### b. Consolidation (cont'd)

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

##### **Acquisitions on or after January 1, 2010 (cont'd)**

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, other contingent consideration is re-measured at fair value at each reporting date. Subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

##### **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 equity 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 the acquisition accounting will be applied.

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



# Notes to the Financial Statements

Year ended December 31, 2017

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

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

#### 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.

#### 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.

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

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

#### 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.

#### 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.

# Notes to the Financial Statements

Year ended December 31, 2017

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

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

#### 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.

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.

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

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

#### 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 is translated at foreign exchange rates ruling at the dates of the transactions.

On disposal, accumulated foreign currency translation differences are recognised in the consolidated income statement as part of the gain or loss on disposal.

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.

#### 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.

# Notes to the Financial Statements

Year ended December 31, 2017

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

### 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 assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the 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 capitalised 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.

#### 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 or the lease term.

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

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

#### 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 residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal.

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	3 to 50 years
Improvements to premises	3 to 30 years
Quays and dry docks	6 to 60 years
Infrastructure	8 to 60 years
Plant and machinery	3 to 30 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.

# Notes to the Financial Statements

Year ended December 31, 2017

## 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 60 years or the lease period of 15 to 16 years. The assets' depreciation methods, useful lives and residual values are reviewed, if not insignificant, annually, and adjusted if appropriate. No depreciation is provided on the freehold land.

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

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 investment properties, 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 negative goodwill is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses.

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

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

Goodwill is tested for impairment on an annual basis in accordance with Note 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 and its costs can be measured reliably. All other expenditures are 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.



# Notes to the Financial Statements

Year ended December 31, 2017

## 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, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. 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, directly 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 which takes into account any dividend income 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 arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. 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 less any impairment losses. 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 arrangements**

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 (including quoted mutual funds).

#### v. 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.

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



# Notes to the Financial Statements

Year ended December 31, 2017

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

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

#### v. 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. A derivative is classified as an equity instrument if it can be settled only by the Group or Group entities receiving or delivering a fixed number of its own equity instruments for a fixed amount of cash or another financial asset, with no subsequent re-measurement. 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

At inception or upon reassessment of the arrangement, the Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, together with the methods that will be used to assess the effectiveness of the hedge relationship as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, 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 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.

# Notes to the Financial Statements

Year ended December 31, 2017

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

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

#### ii. Cash Flow Hedges *(cont'd)*

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.

#### 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.

### 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.

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

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

## 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 and infrastructure construction contracts. 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.

# Notes to the Financial Statements

Year ended December 31, 2017

## 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 less 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 and 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.

# Notes to the Financial Statements

Year ended December 31, 2017

## 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.

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

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

#### 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. Long-term employee benefits are reported in other long-term payables.

#### 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.



# Notes to the Financial Statements

Year ended December 31, 2017

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

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

#### vi. Equity and Equity-related Compensation Benefits *(cont'd)* **Performance Share Plan**

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

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

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

#### **Restricted Share Plan**

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

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

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

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

#### 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.

### 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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, 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.



# Notes to the Financial Statements

Year ended December 31, 2017

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

### 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.

### 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 preference share capital classified as equity are accounted for as movements in revenue reserve.

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

### 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 method. 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.

#### 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.

# Notes to the Financial Statements

Year ended December 31, 2017

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

### 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

The Group determines whether an arrangement is or contains a lease at inception.

At the inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

#### i. Operating Lease

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

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

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

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

#### ii. Finance Lease

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

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

### 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's President & CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

#### 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 Group and 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, 2017

## 3. Property, Plant and Equipment

Group	Note	Leasehold and freehold land, wet berthing and buildings S\$'000	Improvements to premises S\$'000	Quays and dry docks S\$'000	Infrastructure S\$'000	Plant and machinery S\$'000	Marine vessels S\$'000	Tools and workshop equipment S\$'000	Furniture, fittings and office equipment S\$'000	Motor vehicles S\$'000	Capital work-in-progress S\$'000	Total S\$'000
<b>Cost / Valuation</b>												
Balance at January 1, 2017		1,599,679	58,215	1,228,788	166,874	8,359,928	293,293	60,421	195,944	88,658	2,520,338	14,572,138
Translation adjustments		(11,889)	(182)	3,011	(6,242)	(62,775)	(14,364)	(46)	(1,229)	(302)	(2,247)	(96,265)
Additions		21,253	2,058	–	19,249	25,601	29	2,609	8,468	6,142	590,785	676,194
Reclassification		171,534	7,408	283,777	3,697	1,384,038	8	626	5,138	(72)	(1,856,154)	–
Transfer to intangible assets	11	–	–	–	–	–	–	–	–	–	(808)	(808)
Transfer to investment properties	4	(3,941)	–	–	–	–	–	–	–	–	–	(3,941)
Disposals / Write-offs		(2,198)	(109)	(2,302)	(29)	(12,262)	–	(31)	(6,259)	(1,600)	(232)	(25,022)
Transfer to assets held for sale	10	–	–	–	–	(121,234)	–	–	–	–	–	(121,234)
Acquisition of a subsidiary	(v)	–	–	–	–	3,550	–	–	–	–	–	3,550
Disposal of subsidiaries		(3,023)	–	–	–	(2,264)	–	–	(233)	–	–	(5,520)
Balance at December 31, 2017		1,771,415	67,390	1,513,274	183,549	9,574,582	278,966	63,579	201,829	92,826	1,251,682	14,999,092
<b>Accumulated Depreciation and Impairment Losses</b>												
Balance at January 1, 2017		463,971	45,579	254,693	27,331	2,275,005	50,892	52,072	132,438	44,240	–	3,346,221
Translation adjustments		(4,122)	(54)	(71)	(1,231)	(7,801)	(1,996)	(42)	(954)	(282)	–	(16,553)
Depreciation for the year	(iv), 28(a)	55,968	5,436	38,797	12,503	373,095	11,388	4,500	20,125	8,194	–	530,006
Reclassification		(170)	–	–	(35)	458	(205)	–	146	(194)	–	–
Transfer to investment properties	4	(228)	–	–	–	–	–	–	–	–	–	(228)
Disposals / Write-offs		(1,072)	(109)	(476)	(6)	(9,214)	–	(12)	(6,159)	(1,279)	–	(18,327)
Transfer to assets held for sale	10	–	–	–	–	(21,504)	–	–	–	–	–	(21,504)
Impairment losses	(vii), 28(a)	27	–	–	2,400	23,351	–	–	–	–	–	25,778
Disposal of subsidiaries		(1,848)	–	–	–	(1,948)	–	–	(188)	–	–	(3,984)
Balance at December 31, 2017		512,526	50,852	292,943	40,962	2,631,442	60,079	56,518	145,408	50,679	–	3,841,409
<b>Carrying Amounts</b>												
At January 1, 2017		1,135,708	12,636	974,095	139,543	6,084,923	242,401	8,349	63,506	44,418	2,520,338	11,225,917
At December 31, 2017		1,258,889	16,538	1,220,331	142,587	6,943,140	218,887	7,061	56,421	42,147	1,251,682	11,157,683

# Notes to the Financial Statements

Year ended December 31, 2017

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

Group	Note	Leasehold and freehold land, wet berthing and buildings S\$'000	Improvements to premises S\$'000	Quays and dry docks S\$'000	Infrastructure S\$'000	Plant and machinery S\$'000	Marine vessels S\$'000	Tools and workshop equipment S\$'000	Furniture, fittings and office equipment S\$'000	Motor vehicles S\$'000	Capital work-in-progress S\$'000	Total S\$'000
<b>Cost / Valuation</b>												
Balance at January 1, 2016		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
Translation adjustments		30,868	162	22,063	9,196	(25,273)	4,924	24	742	492	103,281	146,479
Additions		40,173	770	4,317	30,608	42,597	336	1,257	9,105	7,174	871,893	1,008,230
Reclassification		(219,952)	1,890	316,217	34,588	1,325,517	1,035	1,710	29,632	6,607	(1,497,244)	–
Transfer (to) / from intangible assets	11	–	–	–	–	(3,007)	–	–	–	–	3,740	733
Disposals		(285)	(102)	(21)	(554)	(16,196)	(171)	(2,127)	(1,654)	(3,314)	(115)	(24,539)
Acquisition of subsidiaries	(v), 34	31,758	15	–	–	31,119	–	–	1,059	198	1,672,784	1,736,933
Balance at December 31, 2016		1,599,679	58,215	1,228,788	166,874	8,359,928	293,293	60,421	195,944	88,658	2,520,338	14,572,138
<b>Accumulated Depreciation and Impairment Losses</b>												
Balance at January 1, 2016		423,743	40,766	221,045	15,972	2,074,626	38,682	49,871	118,613	35,802	–	3,019,120
Translation adjustments		621	(52)	692	1,589	(65,126)	744	12	307	238	–	(60,975)
Depreciation for the year	(iv), 28(a)	51,211	4,556	23,385	8,182	288,858	11,628	4,699	15,455	7,223	–	415,197
Reclassification		(11,486)	383	9,573	1,609	(2,879)	–	(387)	(927)	4,114	–	–
Disposals		(118)	(74)	(2)	(21)	(13,767)	(162)	(2,123)	(1,010)	(3,137)	–	(20,414)
Reversal of impairment	(viii), 28(a)	–	–	–	–	(6,707)	–	–	–	–	–	(6,707)
Balance at December 31, 2016		463,971	45,579	254,693	27,331	2,275,005	50,892	52,072	132,438	44,240	–	3,346,221
<b>Carrying Amounts</b>												
At January 1, 2016		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
At December 31, 2016		1,135,708	12,636	974,095	139,543	6,084,923	242,401	8,349	63,506	44,418	2,520,338	11,225,917

# Notes to the Financial Statements

Year ended December 31, 2017

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

Company	Note	Leasehold and freehold land, wet berthage and buildings S\$'000	Improvements to premises S\$'000	Quays and dry docks S\$'000	Plant and machinery S\$'000	Furniture, fittings and office equipment S\$'000	Motor vehicles S\$'000	Capital work-in-progress S\$'000	Total S\$'000
<b>Cost</b>									
Balance at January 1, 2017		19,620	8,521	8,226	819,035	18,599	1,950	2,533	878,484
Additions		–	64	–	10,663	798	–	4,223	15,748
Reclassification		–	–	–	1,853	192	–	(2,045)	–
Transfer to intangible assets	11	–	–	–	–	–	–	(305)	(305)
Disposals		(20)	(10)	–	(2,430)	(3,523)	–	–	(5,983)
Transfer to assets held for sale	10	–	–	–	(121,234)	–	–	–	(121,234)
Balance at December 31, 2017		19,600	8,575	8,226	707,887	16,066	1,950	4,406	766,710
<b>Accumulated Depreciation and Impairment Losses</b>									
Balance at January 1, 2017		8,763	7,008	3,642	343,372	15,995	1,319	–	380,099
Depreciation for the year		918	905	405	38,511	1,788	101	–	42,628
Transfer to assets held for sale	10	–	–	–	(21,504)	–	–	–	(21,504)
Disposals		(6)	(10)	–	(1,454)	(3,516)	–	–	(4,986)
Impairment losses	(i)	27	–	–	23,351	–	–	–	23,378
Balance at December 31, 2017		9,702	7,903	4,047	382,276	14,267	1,420	–	419,615
<b>Carrying Amounts</b>									
At January 1, 2017		10,857	1,513	4,584	475,663	2,604	631	2,533	498,385
At December 31, 2017		9,898	672	4,179	325,611	1,799	530	4,406	347,095



# Notes to the Financial Statements

Year ended December 31, 2017

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

Company	Note	Leasehold and freehold land, wet berthage and buildings S\$'000	Improvements to premises S\$'000	Quays and dry docks S\$'000	Plant and machinery S\$'000	Furniture, fittings and office equipment S\$'000	Motor vehicles S\$'000	Capital work-in-progress S\$'000	Total S\$'000
<b>Cost</b>									
Balance at January 1, 2016		19,557	8,477	8,226	802,310	17,661	1,923	4,046	862,200
Additions		89	106	–	15,145	463	351	2,460	18,614
Reclassification		–	–	–	3,069	614	–	(3,683)	–
Transfer from / (to) intangible assets	11	–	–	–	–	122	–	(290)	(168)
Disposals		(26)	(62)	–	(1,489)	(261)	(324)	–	(2,162)
Balance at December 31, 2016		19,620	8,521	8,226	819,035	18,599	1,950	2,533	878,484
<b>Accumulated Depreciation and Impairment Losses</b>									
Balance at January 1, 2016		7,726	6,035	3,238	299,940	14,129	1,441	–	332,509
Depreciation for the year		1,053	1,035	404	44,538	2,111	202	–	49,343
Disposals		(16)	(62)	–	(1,106)	(245)	(324)	–	(1,753)
Balance at December 31, 2016		8,763	7,008	3,642	343,372	15,995	1,319	–	380,099
<b>Carrying Amounts</b>									
At January 1, 2016		11,831	2,442	4,988	502,370	3,532	482	4,046	529,691
At December 31, 2016		10,857	1,513	4,584	475,663	2,604	631	2,533	498,385

# Notes to the Financial Statements

Year ended December 31, 2017

## 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:

	2017	2016
Note	S\$'000	S\$'000
Freehold land and buildings	109,549	88,457
Leasehold land and buildings	40,043	41,416
Plant and machinery	4,674,054	3,908,631
Capital work-in-progress	104,551	879,950
Other assets	54,147	54,030
20(b)	<b>4,982,344</b>	4,972,484

- ii. Assets with net book value of S\$672,000 (2016: S\$828,000) were acquired under finance lease.
- iii. During the year, interest and direct staff costs amounting to S\$66,238,000 (2016: S\$248,327,000) and S\$12,967,000 (2016: S\$26,459,000), respectively were capitalised as capital work-in-progress. Included in these amount are capitalised interest costs calculated using a capitalisation rate from 1.20% to 6.50% (2016: 1.20% to 13.80%).
- iv. During the year, depreciation amounting to S\$109,000 and nil amortisation (2016: S\$285,000 and S\$102,000 amortisation) of intangible assets were capitalised as capital work-in-progress.
- v. Property, plant and equipment arising from the acquisition of subsidiary was at fair value at the acquisition date.
- vi. The existing 5-year time charter contract of the Group's marine accommodation vessel expires within the next 12 months. As the Group expects to recover the value of the accommodation vessel through continuing use on a charter basis, the Group used the discounted cash flow projections to determine the recoverable amount. The cash flows projection took into account: (i) the existing charter rates over the remaining contractual period through 2018; and (ii) the expected renewal rates based on on-going discussions with existing charterer and prevailing market conditions. The renewal rates have been adjusted assuming a certain level of discount from the current contractual rates but factored another 2% inflationary adjustment till the end of the economic useful life of the vessel. The assumed operating cost is based on approved budget and adjusted for inflation at 2% per annum throughout the cash flow periods. The utilisation rate is assumed to be at 95% throughout the cash flow periods; and the terminal value is based on expected scrap value at the end of the economic useful life of the vessel. These cash flows are then discounted using the weighted average cost of capital determined to be at 9.55% (2016: 9.55%). Based on the Group's assessment of the recoverable amount of the marine accommodation vessel, no impairment loss (2016: nil) was recognised in the current year's profit or loss.

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

- vii. In 2017, due to the Group's optimisation of its steam production plant in the Utilities business segment in Singapore, management has decided to retire certain aged steam package boilers, and therefore the value-in-use of the equipment is estimated to be nil as at December 31, 2017. Accordingly, an impairment loss in relation to these boilers amounting to S\$23,351,000 was recognised in the current year's cost of sales.

In 2017, due to weakened margin from a plant in the Utilities business segment in America, the Group tested the related asset for impairment and recognised an impairment loss of S\$2,400,000 with respect to plant and equipment. The recoverable amount of the plant of S\$26,408,000 was estimated based on its value-in-use calculation using a pre-tax discount rate of 8.8% and 5 years cash flow projections with 4.5% growth rate. The impairment loss was recognised in the current year's cost of sales.

- viii. In 2016, a reversal of impairment was made to certain plant and machinery of a subsidiary in the UK due to the extension of certain customers' significant contracts. The estimated recoverable amount of S\$38,000,000 was determined based on value-in-use (VIU) calculations. A pre-tax discount rate of 5.4% was used. A reversal of impairment of S\$6,707,000 has been recognised in the cost of sales.
- ix. During the year, property, plant and equipment included additional provision for restoration costs amounting to S\$21,423,000 (2016: S\$13,568,000) (Note 17).
- 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, 2017, 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 as at December 31, 2017, as the alienation of this leasehold land is in progress (approved by the Chief Minister and awaiting final approval of the Group of Ministers).
- xi. In August 2014, Sembcorp Lianyungang (SLYG) purchased assets from Lianyungang Shenghai (a state owned enterprise) to develop the wastewater treatment project in Lianyungang, Jiangsu. As at December 31, 2016 and December 31, 2017, the requisite land title has not been transferred to SLYG. No impairment, revision of useful life or provision for restoration cost has been recorded.

### Company

- i. In 2017, due to the Group's optimisation of its steam production plant in Singapore, management has decided to retire certain aged steam package boilers, and therefore the value-in-use of the equipment is estimated to be nil as at December 31, 2017. Accordingly, an impairment loss in relation to these boilers amounting to S\$23,351,000 was recognised in the current year's cost of sales.
- ii. During the year, property, plant and equipment included additional provision for restoration costs amounting to S\$2,007,000 (2016: S\$5,396,000) (Note 17).

# Notes to the Financial Statements

Year ended December 31, 2017

## 4. Investment Properties

		Investment properties	Group Investment properties work-in-progress	Total
	Note	S\$'000	S\$'000	S\$'000
<b>Cost</b>				
Balance at January 1, 2017		37,028	40,684	77,712
Translation adjustments		(406)	(561)	(967)
Additions		1,703	26,278	27,981
Transfer from property, plant and equipment	3	3,941	–	3,941
Reclassification		2,980	(2,980)	–
Balance at December 31, 2017		45,246	63,421	108,667
<b>Accumulated Depreciation and Impairment Losses</b>				
Balance at January 1, 2017		16,448	–	16,448
Translation adjustments		(28)	–	(28)
Depreciation for the year	28(a)	1,101	–	1,101
Transfer from property, plant and equipment	3	228	–	228
Balance at December 31, 2017		17,749	–	17,749
<b>Carrying Amounts</b>				
At January 1, 2017		20,580	40,684	61,264
At December 31, 2017		27,497	63,421	90,918
<b>Cost</b>				
Balance at January 1, 2016		36,393	–	36,393
Translation adjustments		(1,187)	(139)	(1,326)
Additions		1,822	40,823	42,645
Balance at December 31, 2016		37,028	40,684	77,712
<b>Accumulated Depreciation and Impairment Losses</b>				
Balance at January 1, 2016		15,312	–	15,312
Translation adjustments		9	–	9
Depreciation for the year	28(a)	1,127	–	1,127
Balance at December 31, 2016		16,448	–	16,448
<b>Carrying Amounts</b>				
At January 1, 2016		21,081	–	21,081
At December 31, 2016		20,580	40,684	61,264

## 4. Investment Properties (cont'd)

The following amounts are recognised in profit or loss:

	Group	
	2017	2016
	S\$'000	S\$'000
Rental income	7,084	6,081
Operating expenses arising from rental of investment properties	5,048	4,647

The fair value of the investment properties as at the balance sheet date is S\$152,696,000 (2016: S\$90,793,000). 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.

Investment properties of S\$39,332,000 (2016: S\$39,871,000) have been pledged to secure loan facilities.

## 5. Investment in Subsidiaries

	Company	
	2017	2016
	S\$'000	S\$'000
<b>At cost and carrying value:</b>		
Quoted equity shares	739,225	739,225
Unquoted equity shares	1,616,682	1,413,780
Preference shares	287,500	287,500
Share-based payments reserve	5,522	3,505
	2,648,929	2,444,010

The fair value of the equity interest of the listed subsidiary with carrying amount of S\$739,225,000 (2016: S\$739,225,000), amounts to S\$2,344,658,000 (2016: S\$1,758,494,000) based on the last transacted market price on the last transaction day of the year.

Details of key subsidiaries are set out in Note 41.

# Notes to the Financial Statements

Year ended December 31, 2017

## 6. Interests in Associates and Joint Ventures

	Note	Group	
		2017	2016
		S\$'000	S\$'000
Interests in associates and joint ventures		1,711,110	1,697,530
Quasi-equity loan to an associate	(a)	54,310	48,219
		<b>1,765,420</b>	<b>1,745,749</b>

In 2017, the Group received dividends of S\$155,114,000 (2016: S\$93,964,000) from its investments in associates and joint ventures.

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

	Group	
	2017	2016
	S\$'000	S\$'000
Balance at January 1	1,881	9,292
Translation during the year	–	(199)
Goodwill derecognised on deemed disposal of a joint venture	–	(8,735)
Goodwill on acquisition	–	1,523
Balance at December 31	<b>1,881</b>	<b>1,881</b>

- a. The quasi-equity loan to an associate is unsecured, bears interest at 11.5% (2016: 11.5%) per annum and the settlement of the amount is neither planned nor likely to occur in the foreseeable future.

### Associates

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

	Group	
	2017	2016
	S\$'000	S\$'000
Carrying amount	503,449	471,166
Profit / (Loss) for the year	35,289	(7,106)
Other comprehensive income	31,075	(3,549)
Total comprehensive income	<b>66,364</b>	<b>(10,655)</b>

The fair value of the equity interest of a listed associate amounts to S\$308,466,000 (2016: S\$327,633,000) based on the last transacted market price on the last transaction day of the year.

In 2017, the Group has recognised an impairment loss of S\$4,163,000 representing the entire carrying amount of one of the Group's associates as management has assessed that the commercial viability of the business is highly unlikely in the foreseeable future and the value-in-use of its assets is estimated to be nil as at December 31, 2017.

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

### Associates (cont'd)

In 2016, the Group recorded an allowance of impairment loss of S\$1,778,000 on another associate. The recoverable amount was estimated based on its value-in-use calculation. The Group applied the relief from royalty method to value the existing intellectual properties owned by the associate, and discounted the related cash flows at pre-tax discount rates of 20% to 22%, depending on the life cycle of each intellectual property. These cash flows cover the projection periods ranging from 12 to 16 years, based on the remaining estimated useful life of the intellectual properties.

The impairment losses on associates were recorded in non-operating expenses.

### 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	
	2017	2016
	S\$'000	S\$'000
Carrying amount	1,261,971	1,274,583
Profit for the year	128,769	132,227
Other comprehensive income	24,369	21,925
Total comprehensive income	<b>153,138</b>	<b>154,152</b>

The Group's share of the capital commitments of the joint ventures at the balance sheet date amounted to S\$492,652,000 (2016: S\$271,098,000).

The Group's interest in joint ventures with total carrying amount of S\$86,265,000 (2016: S\$55,386,000) as at balance sheet date has been pledged to banks to secure credit facilities granted to the joint venture entities.

### 2016

On June 28, 2016, Sembcorp Marine's wholly-owned subsidiary, Sembcorp Marine Integrated Yard (SMIY) acquired 50% of the issued and fully paid-up share capital of Aragon AS (formerly known as KANFA Aragon AS) for a cash consideration of NOK20,000,000 (equivalent to S\$3,258,000). Following the acquisition, Aragon AS became a joint venture of the Group. At the acquisition date, based on the fair values of the identifiable assets acquired and liabilities assumed of Aragon AS, a goodwill of NOK9,347,000 (equivalent to S\$1,523,000) was recognised.

In March 2016, the Group increased its stake in Sembcorp Gayatri Power Limited (SGPL) (formerly known as NCC Power Projects Limited) from 49% to 65% and it became a subsidiary of the Group (Note 34). Subsequently, the Group increased its stake in SGPL further to 88%.

# Notes to the Financial Statements

Year ended December 31, 2017

## 7. Other Financial Assets

	Note	Group	
		2017 S\$'000	2016 S\$'000
<b>Non-current Assets</b>			
Available-for-sale financial assets:			
– Equity shares	(a)	<b>122,047</b>	151,151
– Unit trusts and funds	(b)	<b>11,005</b>	10,319
		<b>133,052</b>	161,470
Financial assets at fair value through profit or loss, on initial recognition:			
– Cross currency swaps		<b>5,811</b>	10,533
– Interest rate swaps		<b>73</b>	52
– Foreign exchange option contracts		<b>77</b>	–
		<b>5,961</b>	10,585
Hedge of net investment in foreign operations:			
– Cross currency swaps		–	13,284
Cash flow hedges:			
– Forward foreign exchange contracts		<b>24,614</b>	12,994
– Fuel oil swaps		<b>7,618</b>	1,693
– Interest rate swaps		<b>69</b>	879
– Cross currency swaps		<b>4,066</b>	–
		<b>36,367</b>	15,566
		<b>175,380</b>	200,905

## 7. Other Financial Assets (cont'd)

	Note	Group		Company	
		2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
<b>Current Assets</b>					
Available-for-sale financial assets:					
– Unit trusts and funds	(b)	<b>56,236</b>	32,338	–	–
Financial assets at fair value through profit or loss, on initial recognition:					
– Forward foreign exchange contracts		<b>218</b>	18,829	<b>141</b>	–
– Foreign exchange swap contracts		<b>1,291</b>	228	–	–
– Electricity futures market contract		–	40	–	–
– Commodity swap		<b>2,078</b>	–	–	–
		<b>3,587</b>	19,097	<b>141</b>	–
Hedge of net investment in foreign operations:					
– Cross currency swaps		<b>13,469</b>	–	–	–
Cash flow hedges:					
– Forward foreign exchange contracts		<b>33,001</b>	34,037	–	–
– Fuel oil swaps		<b>34,609</b>	28,236	–	–
– Interest rate swaps		<b>456</b>	1,602	–	–
		<b>68,066</b>	63,875	–	–
Fair value hedges:					
– Forward foreign exchange contracts		<b>692</b>	4,146	–	–
		<b>142,050</b>	119,456	<b>141</b>	–

- a. During the year, impairment losses on available-for-sale financial assets amounting to S\$2,275,000 (2016: S\$78,938,000) were recognised in profit or loss through reclassifying the losses accumulated in the fair value reserve in equity and costs in available-for-sale financial assets.
- b. Included in unit trusts and funds are amounts of S\$53,769,000 (2016: S\$32,348,000) pledged to secure loan facilities.



# Notes to the Financial Statements

Year ended December 31, 2017

## 8. Trade and Other Receivables

	Note	Group						Company					
		2017			2016			2017			2016		
		Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Trade receivables		112,724	1,275,649	1,388,373	2,922	1,153,122	1,156,044	-	42,292	42,292	-	98,430	98,430
Service concession receivables	(a)	880,863	11,934	892,797	460,646	12,268	472,914	-	-	-	-	-	-
Amounts due from related parties	9	61,914	53,285	115,199	141,956	46,105	188,061	221,000	8,528	229,528	200,000	5,355	205,355
Staff loans		-	459	459	-	338	338	-	1	1	-	1	1
Deposits		39,281	49,363	88,644	59,381	16,492	75,873	-	1,758	1,758	-	1,609	1,609
Sundry receivables	(b)	-	103,336	103,336	8,110	142,381	150,491	-	453	453	-	262	262
Unbilled receivables	(c)	-	426,106	426,106	-	381,384	381,384	-	80,308	80,308	-	80,525	80,525
Loan receivables		-	3,763	3,763	-	3,781	3,781	-	-	-	-	-	-
Recoverables		-	26,438	26,438	1,039	29,524	30,563	-	5,138	5,138	-	1,353	1,353
Interest receivables		-	5,486	5,486	-	8,134	8,134	-	1	1	-	122	122
Dividend receivables	(d)	-	38	38	-	110,084	110,084	-	-	-	-	-	-
		1,094,782	1,955,857	3,050,639	674,054	1,903,613	2,577,667	221,000	138,479	359,479	200,000	187,657	387,657
Allowance for doubtful trade and other receivables		(1,183)	(204,786)	(205,969)	(9,358)	(226,057)	(235,415)	-	(1,510)	(1,510)	-	(20,686)	(20,686)
Loan and receivables	36(b)	1,093,599	1,751,071	2,844,670	664,696	1,677,556	2,342,252	221,000	136,969	357,969	200,000	166,971	366,971
Prepayments	(f)	87,775	73,098	160,873	69,427	76,687	146,114	5,386	2,232	7,618	5,843	3,813	9,656
Employee defined benefit asset	19	2,902	-	2,902	-	-	-	-	-	-	-	-	-
Advance to suppliers		-	207,386	207,386	-	203,787	203,787	-	2,231	2,231	-	244	244
		1,184,276	2,031,555	3,215,831	734,123	1,958,030	2,692,153	226,386	141,432	367,818	205,843	171,028	376,871

# Notes to the Financial Statements

Year ended December 31, 2017

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

### a. Service concession receivables

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. The subsidiary in Myanmar and Bangladesh have entered into service concession arrangements with the local governments to construct the power plants (currently ongoing) as well as supply electricity to the local governments for a period of 22 years. During the year, the Group recorded construction revenue and profit of S\$452,963,000 and S\$53,668,000 (2016: S\$231,302,000 and S\$22,793,000) accordingly for the service concession arrangement in Myanmar and Bangladesh (2016: Myanmar). All of these arrangements fall within the scope of INT FRS 112.

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

- 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, representing the present value of the guaranteed annual payments to be received from the grantor, discounted at interest rates ranging from 3.62% to 17.0%;
- Under the arrangements, the operator is required to design, construct, operate, manage and maintain the assets; and
- Upon expiry of the concession arrangements, the assets are to be transferred to the local governments between 2024 to 2041. Any extension will be based on mutual agreement.

As at December 31, 2017, the land title is in the process of being transferred to the subsidiary in Myanmar and the transfer is expected to be completed by end of 2018. Until the transfer is completed, this may potentially affect the impairment assessment of the service concession receivables. Management is of the view that the subsidiary is able to continue operating the gas-fired power plant despite the non-transfer of the land.

### b. Sundry receivables

Sundry receivables represent mainly other receivables, GST receivables and sales consideration receivable from the divestment of a joint venture (Note 33(i)). The sales consideration receivables from the divestment of a joint venture were received in 2017.

### 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\$44,700,000 (2016: S\$44,600,000) due from related companies.

### d. Dividend receivables

In 2016, dividend receivables amounting to S\$110,084,000 represent the dividends declared to the Group from an investment in equity shares of a company in the People's Republic of China. The dividends were received in 2017.

### e. Trade and other receivables

Trade and other receivables of S\$1,080,254,000 (2016: S\$721,388,000) have been pledged to secure loan facilities. Included in the pledged amount is S\$215,705,000 (2016: nil) that relates to the underlying assets of the service concession arrangements.

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

### f. Prepayments

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

#### Group

- 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\$28,249,000 (2016: S\$30,229,000);
- Service fees prepaid under the Gasoil Supply and Storage Agreement for the usage of the tank; and
- Capacity charges prepaid for the use of gas delivery pipelines, prepaid insurance premium, transport tariff recoverable and maintenance of plant.

#### Company

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

The impairment losses on loans and receivables are as follow:

		Gross	Impairment	Net	Gross	Impairment	Net
		2017	2017	2017	2016	2016	2016
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>							
Trade receivables		<b>1,388,373</b>	(189,141)	<b>1,199,232</b>	1,156,044	<b>(204,844)</b>	951,200
Amounts due from related parties	9	<b>115,199</b>	(6,359)	<b>108,840</b>	188,061	<b>(6,280)</b>	181,781
Other receivables		<b>1,547,067</b>	(10,469)	<b>1,536,598</b>	1,233,562	<b>(24,291)</b>	1,209,271
	36(b)	<b>3,050,639</b>	(205,969)	<b>2,844,670</b>	2,577,667	<b>(235,415)</b>	2,342,252
<b>Company</b>							
Trade receivables		<b>42,292</b>	(1,510)	<b>40,782</b>	98,430	<b>(20,686)</b>	77,744
Amounts due from related parties	9	<b>229,528</b>	–	<b>229,528</b>	205,355	–	205,355
Other receivables		<b>87,659</b>	–	<b>87,659</b>	83,872	–	83,872
	36(b)	<b>359,479</b>	(1,510)	<b>357,969</b>	387,657	<b>(20,686)</b>	366,971

# Notes to the Financial Statements

Year ended December 31, 2017

## 9. Amounts Due from Related Parties

	Note	Associates		Joint ventures		Related companies		Total	
		2017	2016	2017	2016	2017	2016	2017	2016
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>									
Amounts due from:									
Trade		<b>6,806</b>	3,416	<b>12,559</b>	10,610	<b>9,086</b>	6,569	<b>28,451</b>	20,595
Non-trade		<b>2,521</b>	3,145	<b>18,786</b>	7,106	–	–	<b>21,307</b>	10,251
Loans		–	–	<b>65,441</b>	145,440	–	11,775	<b>65,441</b>	157,215
	8	<b>9,327</b>	6,561	<b>96,786</b>	163,156	<b>9,086</b>	18,344	<b>115,199</b>	188,061
Allowance for doubtful receivables		<b>(1,534)</b>	(578)	<b>(4,825)</b>	(5,702)	–	–	<b>(6,359)</b>	(6,280)
		<b>7,793</b>	5,983	<b>91,961</b>	157,454	<b>9,086</b>	18,344	<b>108,840</b>	181,781
Amount due within 1 year		<b>(7,793)</b>	(5,983)	<b>(31,230)</b>	(16,746)	<b>(9,086)</b>	(18,344)	<b>(48,109)</b>	(41,073)
		–	–	<b>60,731</b>	140,708	–	–	<b>60,731</b>	140,708

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

The loans to joint ventures of S\$60,731,000 (2016: S\$140,708,000) are unsecured, not expected to be repaid in the next 12 months and bear interest rates ranging from 0.75% to 3.36% (2016: 0.67% to 2.99%) per annum. The remaining balance is repayable in the next 12 months.

	Note	Subsidiaries		Associates		Joint ventures		Related companies		Total	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
		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	<b>228,766</b>	205,238	<b>66</b>	50	–	–	<b>696</b>	67	<b>229,528</b>	205,355
Amount due within 1 year	8	<b>(7,766)</b>	(5,238)	<b>(66)</b>	(50)	–	–	<b>(696)</b>	(67)	<b>(8,528)</b>	(5,355)
	8	<b>221,000</b>	200,000	–	–	–	–	–	–	<b>221,000</b>	200,000

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

The loans to related parties of S\$221,000,000 (2016: S\$200,000,000) are unsecured, not expected to be repaid in the next 12 months and bear interest rates ranging from 3.70% to 4.75% (2016: 4.75%) per annum.

# Notes to the Financial Statements

Year ended December 31, 2017

## 10. Assets Held for Sale

	Note	Group	
		2017 S\$'000	2016 S\$'000
<b>Group</b>			
Property, plant and equipment	3	99,730	–
Interest in associate	6	–	182,215
		99,730	182,215
<b>Company</b>			
Property, plant and equipment	3	99,730	–

### 2017

On August 25, 2017, the Company entered into a sale and purchase agreement to sell certain utilities assets to a customer for a consideration of US\$113 million (approximately S\$152 million). The assets were classified as asset held for sale as the assets are available for immediate sale in their present condition and measured at its carrying amount as at December 31, 2017. The sale is contractually agreed to be completed between the second half of 2019 and the first half of 2020.

### 2016

On November 15, 2016, the Group's subsidiary, Sembcorp Marine Ltd, entered into a sale and purchase agreement with China Ocean Shipping (Group) Company to dispose of its 30% equity interest (effective equity held by the Group 18.3%) in Cosco Shipyard Group Co., Ltd (CSG), which was previously accounted for as an investment in associate. The interest in CSG was classified as asset held for sale and measured at its carrying amount as at December 31, 2016. The sale was completed in January 2017.

The Group's share of the cumulative translation reserve of approximately S\$12.3 million relating to CSG was recognised in other comprehensive income.

## 11. Intangible Assets

	Note	Goodwill S\$'000	Service concession arrangements S\$'000	Long-term revenue contract S\$'000	Intellectual property rights S\$'000	Water rights S\$'000	Others S\$'000	Total S\$'000
<b>Group</b>								
<b>Cost</b>								
Balance at January 1, 2017		224,732	152,258	95,088	228,725	10,788	30,999	742,590
Translation adjustments		(1,160)	293	(1,031)	(1)	(636)	(76)	(2,611)
Additions		–	2,692	–	–	29	10,171	12,892
Transfer from property, plant and equipment	3	–	–	–	–	–	808	808
Disposals		–	(80)	–	–	–	(614)	(694)
Write off	28(a)	–	(567)	–	–	–	–	(567)
Balance at December 31, 2017		223,572	154,596	94,057	228,724	10,181	41,288	752,418
<b>Accumulated Amortisation and Impairment Losses</b>								
Balance at January 1, 2017		–	45,663	7,198	36,862	9	15,861	105,593
Translation adjustments		–	300	(124)	–	(2)	(89)	85
Amortisation charge for the year	28(a)	–	8,276	4,096	19,460	31	8,467	40,330
Disposals		–	(71)	–	–	–	(264)	(335)
Impairment losses	28(c)	26,378	–	–	–	–	–	26,378
Write off	28(a)	–	(420)	–	–	–	–	(420)
Balance at December 31, 2017		26,378	53,748	11,170	56,322	38	23,975	171,631
<b>Carrying Amounts</b>								
At January 1, 2017		224,732	106,595	87,890	191,863	10,779	15,138	636,997
At December 31, 2017		197,194	100,848	82,887	172,402	10,143	17,313	580,787

# Notes to the Financial Statements

Year ended December 31, 2017

## 11. Intangible Assets (cont'd)

		Goodwill	Service concession arrangements	Long-term revenue contract	Intellectual property rights	Water rights	Others	Total
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>								
<b>Cost</b>								
Balance at January 1, 2016		173,207	134,554	93,605	60,072	9,677	37,812	508,927
Translation adjustments		2,233	5,282	836	1	968	(556)	8,764
Additions		–	7,262	–	–	143	8,114	15,519
Acquisition of subsidiaries	34	49,292	–	647	168,652	–	106	218,697
Transfer from / (to) property, plant and equipment	3	–	5,361	–	–	–	(6,094)	(733)
Disposals		–	(11)	–	–	–	(80)	(91)
Write-offs	28(a)	–	(190)	–	–	–	(8,303)	(8,493)
Balance at December 31, 2016		224,732	152,258	95,088	228,725	10,788	30,999	742,590
<b>Accumulated Amortisation and Impairment Losses</b>								
Balance at January 1, 2016		–	32,291	3,198	19,644	–	10,838	65,971
Translation adjustments		–	1,896	150	–	–	(4)	2,042
Amortisation charge for the year	28(a)	–	11,647	3,850	17,218	9	5,052	37,776
Disposals		–	(10)	–	–	–	(28)	(38)
Write-offs	28(a)	–	(161)	–	–	–	3	(158)
Balance at December 31, 2016		–	45,663	7,198	36,862	9	15,861	105,593
<b>Carrying Amounts</b>								
At January 1, 2016		173,207	102,263	90,407	40,428	9,677	26,974	442,956
At December 31, 2016		224,732	106,595	87,890	191,863	10,779	15,138	636,997

Intangible assets of S\$872,000 (2016: S\$1,468,000) have been pledged to secure loan facilities.

## 11. Intangible Assets (cont'd)

	Note	Goodwill S\$'000	Others S\$'000	Total S\$'000
<b>Company</b>				
<b>Cost</b>				
Balance at January 1, 2017		18,946	11,541	30,487
Additions		–	3,772	3,772
Disposals		–	(211)	(211)
Transfer from property, plant and equipment	3	–	305	305
Balance at December 31, 2017		18,946	15,407	34,353
<b>Accumulated Amortisation and Impairment Losses</b>				
Balance at January 1, 2017		–	7,384	7,384
Amortisation charge for the year		–	2,445	2,445
Disposals		–	(42)	(42)
Balance at December 31, 2017		–	9,787	9,787
<b>Carrying Amounts</b>				
At January 1, 2017		18,946	4,157	23,103
At December 31, 2017		18,946	5,620	24,566
<b>Cost</b>				
Balance at January 1, 2016		18,946	8,373	27,319
Additions		–	3,046	3,046
Disposals		–	(46)	(46)
Transfer from property, plant and equipment	3	–	168	168
Balance at December 31, 2016		18,946	11,541	30,487
<b>Accumulated Amortisation and Impairment Losses</b>				
Balance at January 1, 2016		–	5,095	5,095
Amortisation charge for the year		–	2,299	2,299
Disposals		–	(10)	(10)
Balance at December 31, 2016		–	7,384	7,384
<b>Carrying Amounts</b>				
At January 1, 2016		18,946	3,278	22,224
At December 31, 2016		18,946	4,157	23,103



# Notes to the Financial Statements

Year ended December 31, 2017

## 11. Intangible Assets (cont'd)

### Amortisation

The amortisation of intangible assets is analysed as follows:

	Group	
	2017	2016
	S\$'000	S\$'000
Cost of sales	36,084	34,416
Administrative expenses	4,246	3,258
Capitalised as capital work-in-progress	–	102
<b>Total</b>	<b>40,330</b>	<b>37,776</b>

### 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. Any extension will be based on mutual agreement.
- 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.

## 11. Intangible Assets (cont'd)

### Long-term revenue contract

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

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.
- The 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 for the Jurong Espadon Drillship, Satellite Services Platform offshore designs and re-deployable modularised LNG and LPG solutions.

### Water rights

The water rights mainly 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.

In 2016, water rights were acquired by a subsidiary in China to extract and supply water to end customers for a period of 5 years.

### Other intangible assets

Other intangible assets comprise carbon allowances, software, development rights and golf club membership.

### 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	
		2017	2016
		S\$'000	S\$'000
<b>Cash-generating Unit (CGU)</b>			
SUT Division	(a)	18,946	18,946
Sembcorp Cogen Pte Ltd	(b)	–	26,378
Sembcorp Gas Pte Ltd	(c)	41,986	41,986
Sembcorp Energy India Ltd (formerly known as Thermal Powertech Corporation India Limited)	(d)	26,523	26,813
Sembcorp Green Infra Limited and its subsidiaries	(e)	41,342	41,795
Sembcorp Gayatri Power Limited	(f)	44,895	45,387
Multiple units with insignificant goodwill		23,502	23,427
		<b>197,194</b>	<b>224,732</b>

# Notes to the Financial Statements

Year ended December 31, 2017

## 11. 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, Sembcorp Energy India Ltd (formerly known as Thermal Powertech Corporation India Limited), Sembcorp Green Infra Limited and its subsidiaries, and Sembcorp Gayatri Power Limited 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 5.3% to 11.1% (2016: 4.7% to 12.0%) had been used.

At the balance sheet date, based on the following key assumptions, with the exception of Sembcorp Cogen Pte Ltd, the recoverable amounts of the CGU exceeded their carrying amounts.

#### a. SUT Division

- i. Use cash flow projections over the remaining useful life of the plants of up to 21 years (2016: 22 years). No terminal value is considered;
- ii. Revenue and margins are projected based on contracts secured with customers along with likely contract renewals and forecasted demand for industrial utilities and services as well as forecasted margins;
- iii. Expected capital expenditure for replenishment of parts and scheduled maintenance related costs have been included in the projections in accordance with plant maintenance programme; and
- iv. Inflation rate of 1.4% to 1.9% (2016: 0.2% to 1.9%) has been used to project overheads and other general expenses.

#### b. Sembcorp Cogen Pte Ltd

- i. Use cash flow projections over the remaining useful life of the plants of up to 26 years (2016: 24 years). No terminal value is considered;
- ii. Revenue and margins are projected based on the estimated electricity and steam demand at forecasted margins which are based on market supply and demand forecast;
- iii. Expected capital expenditure for replenishment of parts and scheduled maintenance related costs have been included in the projections in accordance with plant maintenance programme; and
- iv. Inflation rate assumption ranging from 1.4% to 1.9% (2016: 0.2% to 1.9%) has been used to project overheads and other general expenses.

In 2017, the Group recognised impairment on the entire amount of goodwill allocated to Sembcorp Cogen Pte Ltd amounting to S\$26,378,000 in light of the challenging operating environment for its power business and the earnings of Sembcorp Cogen Pte Ltd is subject to high volatility in a merchant market environment.

The impairment of goodwill was recorded in non-operating expenses in the current year profit or loss and the CGU is allocated to utilities segment.

## 11. Intangible Assets (cont'd)

Goodwill (cont'd)

Group (cont'd)

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

#### c. Sembcorp Gas Pte Ltd

- i. Use cash flow projections based on estimation of sales and purchases of gas quantities derived from the contractual period of existing contracts. No terminal value is considered;
- ii. Revenue is projected based on estimated sales and purchases of gas quantities derived from the contractual period of existing contracts;
- iii. Forward USD / SGD exchange rate and High Sulphur Fuel Oil (HSFO) prices with reference to forward quotes were assumed in the forecast performance;
- iv. Expected capital expenditure to service the pipelines has been included in the projections in accordance with plant maintenance programme; and
- v. Inflation rate assumption ranging from 1.4% to 1.9% (2016: 0.2% to 1.9%) has been used to project overheads and other general expenses.

#### d. Sembcorp Energy India Ltd (formerly known as Thermal Powertech Corporation India Limited)

- i. Use of cash flow projections over the remaining useful life of the plant of 22 years (2016: 23 years). No terminal value is considered (2016: with residual value of 5% of asset value);
- ii. Revenue is projected primarily based on combination of long-term and short-term contracts secured with customers at contracted tariffs as well as electricity spot prices. Contract renewals are assumed based on estimated demand and supply as well as margin;
- iii. Expected capital expenditure for replenishment of parts and scheduled maintenance related costs have been included in the projections in accordance with plant maintenance programme;
- iv. Inflation rate of 4% (2016: 5%) has been used to project overheads and other general expenses; and
- v. Cash flows are estimated based 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)).

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

- i. Use of cash flow projections over the remaining useful lives of individual plants of up to 29 years (2016: 30 years). No terminal value is considered;
- ii. Revenue is projected based on long-term contracts secured with customers at contracted tariffs. New contracts and contract renewals are assumed based on estimated demand and supply as well as margin;
- iii. Expected capital expenditure for replenishment of parts and scheduled maintenance related costs have been included in the projections in accordance with plant maintenance programme; and
- iv. Inflation rate of 5% (2016: 5%) has been used to project overheads and other general expenses.

# Notes to the Financial Statements

Year ended December 31, 2017

## 11. Intangible Assets (cont'd)

Goodwill (cont'd)

Group (cont'd)

Impairment Testing for Goodwill (cont'd)

### f. Sembcorp Gayatri Power Limited

- i. Use of cash flow projections over the remaining useful life of the plant of 24 years (2016: 25 years), with no terminal value considered;
- ii. Revenue is projected primarily based on the forecasted combination of long-term and short-term contracts and electricity spot prices with reference to estimated demand and supply of electricity as well as estimated margin;
- iii. Expected capital expenditure for replenishment of parts and scheduled maintenance related costs have been included in the projections in accordance with plant maintenance programme; and
- iv. Inflation rate of 4% (2016: 5%) has been used to project overheads and other general expenses.

### Company

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

## 12. Deferred Tax Assets and Liabilities

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

	At Jan 1	Recognised in profit or loss (Note 27)	Recognised in equity (Note 24)	Acquisition of subsidiary (Note 34)	Translation adjustments	At Dec 31
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>						
<b>2017</b>						
<b>Deferred tax liabilities</b>						
Property, plant and equipment	472,096	21,591	–	–	(1,887)	491,800
Interests in associates	174	(174)	–	–	–	–
Other financial assets	35,139	1,604	2,038	–	30	38,811
Trade and other receivables	13,709	11,044	–	–	–	24,753
Intangible assets	69,987	(5,570)	–	–	(524)	63,893
Other items	8,875	7,146	–	–	18	16,039
Total	599,980	35,641	2,038	–	(2,363)	635,296
<b>Deferred tax assets</b>						
Property, plant and equipment	(98,574)	(72,870)	–	–	160	(171,284)
Inventories	(730)	(3,040)	–	–	–	(3,770)
Trade receivables	(431)	(2,477)	–	–	8	(2,900)
Trade and other payables	(17,761)	(2,213)	–	–	105	(19,869)
Tax losses	(79,220)	65,068	–	–	1,154	(12,998)
Provisions	(24,505)	(4,569)	–	–	68	(29,006)
Other financial liabilities	(25,658)	(1,339)	5,335	–	27	(21,635)
Retirement benefit obligations	(730)	277	658	–	(1)	204
Other items	(1,460)	(321)	–	–	111	(1,670)
Total	(249,069)	(21,484)	5,993	–	1,632	(262,928)

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

	At Jan 1	Recognised in profit or loss (Note 27)	Recognised in equity (Note 24)	Acquisition of subsidiary (Note 34)	Translation adjustments	At Dec 31
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>						
<b>2016</b>						
<b>Deferred tax liabilities</b>						
Property, plant and equipment	448,303	24,708	–	136	(1,051)	472,096
Interests in associates	1,708	(1,534)	–	–	–	174
Other financial assets	26,213	(1,684)	10,646	–	(36)	35,139
Trade and other receivables	9,874	3,814	–	–	21	13,709
Intangible assets	29,902	(2,233)	–	42,152	166	69,987
Other items	9,394	731	–	–	(1,250)	8,875
Total	525,394	23,802	10,646	42,288	(2,150)	599,980

### Deferred tax assets

Property, plant and equipment	(79,838)	(18,434)	–	(69)	(233)	(98,574)
Inventories	(875)	145	–	–	–	(730)
Trade receivables	(127)	(304)	–	–	–	(431)
Trade and other payables	(14,223)	(3,382)	–	–	(156)	(17,761)
Tax losses	(111,567)	33,850	–	–	(1,503)	(79,220)
Provisions	(18,884)	(5,450)	–	–	(171)	(24,505)
Other financial liabilities	(42,920)	108	17,163	–	(9)	(25,658)
Retirement benefit obligations	(3,163)	876	97	–	1,460	(730)
Other items	(2,475)	851	–	–	164	(1,460)
Total	(274,072)	8,260	17,260	(69)	(448)	(249,069)

	At Jan 1, 2016	Recognised in profit or loss	Recognised in equity	At Dec 31, 2016	Recognised in profit or loss	Recognised in equity	At Dec 31, 2017
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000

### Company

#### Deferred tax liabilities

Property, plant and equipment	53,987	11,814	–	65,801	(7,162)	–	58,639
Total	53,987	11,814	–	65,801	(7,162)	–	58,639

#### Deferred tax assets

Provisions	–	(5,245)	–	(5,245)	(708)	–	(5,953)
Derivative liabilities	–	–	(55)	(55)	55	–	–
Total	–	(5,245)	(55)	(5,300)	(653)	–	(5,953)

# Notes to the Financial Statements

Year ended December 31, 2017

## 12. 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	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Deferred tax liabilities	<b>428,340</b>	402,431	<b>52,686</b>	60,501
Deferred tax assets	<b>(55,972)</b>	(51,520)	–	–
	<b>372,368</b>	350,911	<b>52,686</b>	60,501

As at December 31, a deferred tax liability of S\$23,045,000 (2016: S\$23,652,000) 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, which are available to set off against future taxable income subject to the tax provisions and agreement by the relevant tax authorities of the various jurisdictions:

	Group	
	2017	2016
	S\$'000	S\$'000
Deductible temporary differences	<b>18,000</b>	19,973
Tax losses	<b>525,890</b>	459,434
Capital allowances	<b>452,089</b>	309,735
	<b>995,979</b>	789,142

Tax losses of the Group amounting to S\$121,313,000 (2016: S\$119,843,000) will expire between 2018 and 2026 (2016: 2017 and 2024). 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; or
- Where it is uncertain that future taxable profit will be available against which certain subsidiaries of the Group can utilise the benefits.

## 13. Inventories and Work-In-Progress

	Note	Group		Company	
		2017	2016	2017	2016
		S\$'000	S\$'000	S\$'000	S\$'000
Raw materials and consumables		<b>339,528</b>	307,573	<b>2,616</b>	3,062
Finished goods		<b>1,036,869</b>	13,899	<b>9,026</b>	8,903
		<b>1,376,397</b>	321,472	<b>11,642</b>	11,965
Allowance for inventory obsolescence		<b>(102,500)</b>	(26,065)	<b>(3,094)</b>	(2,789)
		<b>1,273,897</b>	295,407	<b>8,548</b>	9,176
Work-in-progress	(a)	<b>1,841,647</b>	3,080,548	<b>68</b>	1,439
Properties under development		<b>98,752</b>	90,325	–	–
		<b>3,214,296</b>	3,466,280	<b>8,616</b>	10,615

In 2017, raw materials and changes in finished goods included as cost of sales amounted to S\$616,281,000 (2016: S\$467,702,000).

During the year, the Group conducted a review of all inventories and work-in-progress, and considered a need to adjust the carrying value to reflect lower expected net realisable value. This resulted in a net write-down of S\$20,606,000 (2016: S\$3,080,000). Utilisation during the year on sale of goods was S\$11,251,000 (2016: nil).

Inventories of S\$127,866,000 (2016: S\$88,543,000) and properties under development of S\$65,931,000 (2016: S\$66,834,000) have been pledged to secure loan facilities.

	Note	Group		Company	
		2017	2016	2017	2016
		S\$'000	S\$'000	S\$'000	S\$'000
a. Work-in-progress:					
Costs and attributable profits less allowance for foreseeable losses		<b>10,419,414</b>	9,665,706	<b>68</b>	1,439
Progress billings		<b>(8,758,661)</b>	(6,808,231)	–	–
		<b>1,660,753</b>	2,857,475	<b>68</b>	1,439
Comprising:					
Due from customers on construction contracts	36	<b>1,654,771</b>	2,242,882	–	–
Work-in-progress		<b>186,876</b>	837,666	<b>68</b>	1,439
		<b>1,841,647</b>	3,080,548	<b>68</b>	1,439
Excess of progress billings over work-in-progress		<b>(180,894)</b>	(223,073)	–	–
		<b>1,660,753</b>	2,857,475	<b>68</b>	1,439

# Notes to the Financial Statements

Year ended December 31, 2017

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

During the year, certain construction contracts were terminated, and the relevant contract revenue and related costs of sales, including contract price adjustments from contract modifications, previously recognised according to the stage of completion, were reversed through profit or loss. The amount of payment received to date on these contracts, which the Group is contractually entitled to, however continues to be recognised in revenue and is not reversed. The effect of these contracts reversals of S\$63,524,000 is recognised through current year's profit or loss. Work-in-progress related to these contracts has been transferred to finished goods on termination of the construction contracts.

The Group conducted a review of all its long-term construction contracts. The Group concluded that certain contracts with a few customers were loss-making, resulting in an allowance as at reporting date of S\$200,697,000 (2016: S\$189,806,000). Such losses took into account of the expected contract price adjustments from modifications to the original contract terms and deterioration in credit risk assessments on these customers, as well as the total costs to complete these construction contracts where the costs are expected to exceed the revised contract revenue.

## 14. Cash and Cash Equivalents

	Note	Group		Company	
		2017	2016	2017	2016
		S\$'000	S\$'000	S\$'000	S\$'000
Fixed deposits with banks		672,172	487,377	–	–
Cash and bank balances		2,014,486	1,395,170	720,138	389,905
Cash and cash equivalents in the balance sheets		2,686,658	1,882,547	720,138	389,905
Restricted bank balances		(4,990)	(11,049)	–	–
Bank overdrafts	20	(197)	(16,785)	–	–
Cash and cash equivalents in the consolidated statement of cash flows		2,681,471	1,854,713	720,138	389,905

Fixed deposits with banks of the Group earn interest at rates ranging from 0.01% to 13.36% (2016: 0.01% to 14.14%) per annum.

Included in the cash and bank balances are amounts of S\$548,639,000 (2016: S\$601,444,000) placed with a related corporation.

Included in the Group's cash and cash equivalents in the balance sheet is an amount of S\$282,103,000 (2016: S\$216,942,000) which banks have a first charge in the event that the subsidiaries do not meet the debt servicing requirement. Included in this balance is restricted cash of S\$4,990,000 (2016: S\$11,049,000).

Included in the Company's cash and cash equivalents at the balance sheet date are amounts of S\$713.8 million (2016: S\$385.0 million) placed with a subsidiary and amounts of S\$6.3 million (2016: S\$4.9 million) placed with a related corporation.

## 15. Trade and Other Payables

	Note	Group		Company	
		2017	2016	2017	2016
		S\$'000	S\$'000	S\$'000	S\$'000
<b>Current liabilities</b>					
Trade payables		2,036,217	2,305,645	7,383	8,790
Advance payments from customers		443,544	42,056	1,583	1,605
Amounts due to related parties	16	8,516	12,436	11,715	4,319
Amounts due to non-controlling interests		284	279	–	–
Accrued capital and operating expenditure	(a)	753,122	855,800	109,367	116,845
Deposits		32,008	29,637	342	446
Accrued interest payable		43,207	44,834	–	–
Retirement benefit obligations	19	187	330	–	–
Other creditors	(b)	501,681	106,998	6,496	6,052
		3,818,766	3,398,015	136,886	138,057
<b>Non-current liabilities</b>					
Deferred income	(c)	110,296	106,749	12,545	14,133
Deferred grants	(d)	3,161	1,987	277	–
Amounts due to related parties	16	–	–	245,000	245,000
Other long-term payables	(e)	181,054	149,330	28,377	22,777
		294,511	258,066	286,199	281,910

- Included in the Company's accrued operating expenses are amounts of S\$34.5 million (2016: S\$40.8 million) due to related companies.
- In 2017, the Group's other creditors is predominantly attributable to a consideration payable for the acquisition of the non-controlling interests in Sembcorp Green Infra. In 2016, included in the Group's other creditors are payables arising from the acquisitions of subsidiaries amounting to S\$7,977,000 (Note 34(i)).
- 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 values of the construction services provided pursuant to service concession arrangements and the fair value of the financial asset receivable.
- Deferred grants relate to government grants for capital assets.
- 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, 2017

## 16. Amounts Due to Related Parties

	Note	Associates		Joint ventures		Related companies		Total	
		2017	2016	2017	2016	2017	2016	2017	2016
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>									
Amounts due to:									
Trade		2,144	1,623	3,266	3,872	268	3,923	5,678	9,418
Non-trade		363	357	4	44	–	1	367	402
Advance payment – trade		–	–	2,471	2,616	–	–	2,471	2,616
	15	2,507	1,980	5,741	6,532	268	3,924	8,516	12,436

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

	Note	Subsidiaries		Joint ventures		Related companies		Total	
		2017	2016	2017	2016	2017	2016	2017	2016
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Company</b>									
Amounts due to:									
Trade	(i)	10,040	2,730	5	2	67	6	10,112	2,738
Non-trade		1,603	1,581	–	–	–	–	1,603	1,581
Loans from a related party	(ii)	245,000	245,000	–	–	–	–	245,000	245,000
		256,643	249,311	5	2	67	6	256,715	249,319
Amounts due after 1 year		(245,000)	(245,000)	–	–	–	–	(245,000)	(245,000)
	15	11,643	4,311	5	2	67	6	11,715	4,319

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

ii. The loans from a related party of S\$245,000,000 (2016: S\$245,000,000) bear interest rates ranging from 3.72% to 3.82% (2016: 3.72% to 3.82%) per annum and are unsecured.

# Notes to the Financial Statements

Year ended December 31, 2017

## 17. Provisions

	Note	Claims S\$'000	Restoration costs S\$'000	Warranty S\$'000	Fines S\$'000	Others S\$'000	Total S\$'000
<b>Group</b>							
<b>2017</b>							
Balance at January 1		23,167	86,501	18,384	–	6,914	134,966
Translation adjustments		(244)	(3,289)	(24)	–	(204)	(3,761)
Provisions made during the year		12,195	21,423	10,795	25,390	12,312	82,115
Provisions reversed during the year		(4,344)	–	(8,302)	–	–	(12,646)
Provisions utilised during the year		(6,209)	(668)	–	–	(976)	(7,853)
Disposal of subsidiaries		–	(280)	–	–	–	(280)
Unwind of discount on restoration costs	26	–	4,747	–	–	–	4,747
Balance at December 31		24,565	108,434	20,853	25,390	18,046	197,288
Provisions due:							
– within 1 year		24,425	7,140	20,853	25,390	14,409	92,217
– after 1 year but within 5 years		–	26,096	–	–	1,502	27,598
– after 5 years		140	75,198	–	–	2,135	77,473
		24,565	108,434	20,853	25,390	18,046	197,288
<b>2016</b>							
Balance at January 1		28,966	65,289	17,257	–	5,894	117,406
Translation adjustments		(447)	122	(106)	–	77	(354)
Provisions made during the year		4,045	14,118	27,354	–	1,810	47,327
Provisions reversed during the year		(8,881)	–	(16,505)	–	–	(25,386)
Provisions utilised during the year		(516)	(5)	(9,700)	–	(867)	(11,088)
Acquisition of subsidiaries		–	–	84	–	–	84
Unwind of discount on restoration costs	26	–	6,977	–	–	–	6,977
Balance at December 31		23,167	86,501	18,384	–	6,914	134,966
Provisions due:							
– within 1 year		23,027	7,837	8,384	–	3,171	42,419
– after 1 year but within 5 years		140	10,730	–	–	1,588	12,458
– after 5 years		–	67,934	10,000	–	2,155	80,089
		23,167	86,501	18,384	–	6,914	134,966

## 17. Provisions (cont'd)

	Claims S\$'000	Restoration costs S\$'000	Total S\$'000
<b>Company</b>			
<b>2017</b>			
Balance at January 1	14,874	10,661	25,535
Provisions made during the year, net	4,396	2,007	6,403
Provisions utilised during the year	(2,575)	–	(2,575)
Unwind of discount on restoration costs	–	3,350	3,350
Balance at December 31	16,695	16,018	32,713
Provisions due:			
– within 1 year	16,695	–	16,695
– after 5 years	–	16,018	16,018
	16,695	16,018	32,713
<b>2016</b>			
Balance at January 1	22,486	593	23,079
(Written back) / provisions made during the year, net	(7,092)	5,396	(1,696)
Provisions utilised during the year	(520)	–	(520)
Unwind of discount on restoration costs	–	4,672	4,672
Balance at December 31	14,874	10,661	25,535
Provisions due:			
– within 1 year	14,874	–	14,874
– after 5 years	–	10,661	10,661
	14,874	10,661	25,535

### 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.

### Restoration Costs

Restoration costs relate to cost of dismantling and removing assets and restoring the premises to its original condition as stipulated in the agreements. The liability is expected to be incurred upon fulfilment of restoration obligation or 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.

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

# Notes to the Financial Statements

Year ended December 31, 2017

## 17. Provisions (cont'd)

### Fines

The provisions made during the year were for potential fines and claims at an overseas water business arising from an alleged environmental offence for the discharge of off-specification wastewater. The provision amount was estimated based on available information and advice from external lawyers. Legal proceedings are ongoing. The amount of the fines and claims is subject to the outcome of these proceedings.

### 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 amount also includes provision for legal and professional fee, amongst others. These 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	
	2017	2016	2017	2016
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	3,377	17,475	-	-
- Foreign exchange swap contracts	252	5,161	-	-
- Electricity futures market contract	18	83	-	-
- Commodity swap contracts	201	-	-	-
Cash flow hedges:				
- Interest rate swaps	1,449	350	-	-
- Forward foreign exchange contracts	4,903	8,716	-	326
- Fuel oil swaps	2,905	5,148	-	-
- Electricity futures market contract	-	43	-	-
	13,105	36,976	-	326
<b>Non-current Liabilities</b>				
Financial liabilities at fair value through profit or loss, on initial recognition:				
- Interest rate swaps	213	63	-	-
- Electricity futures market contract	15	154	-	-
- Foreign exchange option contracts	64	314	-	-
- Cross currency swaps	7,097	1,044	-	-
Cash flow hedges:				
- Interest rate swaps	13,882	4,068	-	-
- Forward foreign exchange contracts	1,624	23,310	-	-
- Fuel oil swaps	496	3,599	-	-
- Cross currency swaps	30,669	8,217	-	-
- Put liability to acquire non-controlling interests (a)	-	215,885	-	-
	54,060	256,654	-	-

## 18. Other Financial Liabilities (cont'd)

- a. The 2016 amount 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 shareholders of SGI (i.e. non-controlling shareholders upon the Group's acquisition of 60% in SGI in 2015).

During the year, the Group acquired the remaining interest in SGI (refer Note 34). Consequently, as at December 31, 2017, the Group no longer has a put liability.

## 19. Retirement Benefit Obligations

	Note	Group	
		2017	2016
		S\$'000	S\$'000
Provision for retirement gratuities	(a)	3,696	3,791
Defined benefit (assets) / obligations	(b)	(2,601)	3,104
		1,095	6,895
<b>Defined benefit obligations</b>			
- Current	15	187	330
- Non-current		3,810	6,565
<b>Defined benefit assets</b>			
- Non-current	8	(2,902)	-

### a. Provision for Retirement Gratuities

	Group	
	2017	2016
	S\$'000	S\$'000
Balance at January 1	3,791	3,284
Translation adjustments	(172)	65
Provision made during the year	705	627
Less: Amount paid	(628)	(185)
Balance at December 31	3,696	3,791

Certain subsidiaries provide end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employee's length of service and the completion of a minimum service period.

# Notes to the Financial Statements

Year ended December 31, 2017

## 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, 2017 and December 31, 2016.

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

	Group	
	2017	2016
	S\$'000	S\$'000
Present value of funded defined benefit obligations	241,908	238,826
Fair value of plan assets	(244,509)	(235,722)
(Surplus) / Deficit in scheme	(2,601)	3,104

The amounts included in the balance sheet are as follows:

	Group	
	2017	2016
	S\$'000	S\$'000
Defined benefit obligations	–	3,104
Defined benefit assets	(2,601)	–
	(2,601)	3,104

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

	Group	
	2017	2016
	S\$'000	S\$'000
Equity instruments	83,299	79,551
Debt instruments	135,771	133,941
Other assets	25,439	22,230
	244,509	235,722

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.

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

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

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

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

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability / (asset)	
	2017	2016	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>						
Balance at January 1	238,826	236,339	(235,722)	(230,473)	3,104	5,866
<b>Included in income statement</b>						
Service cost	528	172	–	–	528	172
Interest cost / (income)	6,369	7,658	(6,223)	(7,480)	146	178
	6,897	7,830	(6,223)	(7,480)	674	350
<b>Included in other comprehensive income</b>						
Re-measurements loss / (gain):						
– Actuarial loss / (gain) arising from:						
– demographic assumptions	(3,847)	–	–	–	(3,847)	–
– financial assumptions	8,297	43,120	–	–	8,297	43,120
– experience adjustment	863	(2,142)	–	–	863	(2,142)
– Return on plan assets excluding interest income	–	–	(8,759)	(40,999)	(8,759)	(40,999)
Effect of movements in exchange rates	1,910	(38,680)	(2,114)	37,495	(204)	(1,185)
	7,223	2,298	(10,873)	(3,504)	(3,650)	(1,206)
<b>Other</b>						
Contributions paid by employer	–	–	(2,630)	(2,052)	(2,630)	(2,052)
Benefits paid	(11,038)	(7,828)	10,939	7,787	(99)	(41)
Acquisition of subsidiaries	–	187	–	–	–	187
	(11,038)	(7,641)	8,309	5,735	(2,729)	(1,906)
<b>Balance at December 31</b>	<b>241,908</b>	<b>238,826</b>	<b>(244,509)</b>	<b>(235,722)</b>	<b>(2,601)</b>	<b>3,104</b>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 18 (2016: 19) years.

# Notes to the Financial Statements

Year ended December 31, 2017

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

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

#### Principal actuarial assumptions

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

	Group	
	2017	2016
	%	%
Discount rate at December 31	2.5	2.7
Future rate of pension increases	1.9 – 3.1	1.9 – 3.0

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 (2016: 21) for male and 24 (2016: 25) for female.

A 1% increase / decrease in discount rate would have decreased / increased the defined benefit obligations by 15.3% / 19.6% (2016: 16.5% / 21.4%). A 1% increase / decrease in future rate of pension increases would have increased / decreased the defined benefit obligations by 12.4% / 11.9% (2016: 15.2% / 13.6%).

## 20. Interest-bearing Borrowings

	Note	Group	
		2017	2016
		S\$'000	S\$'000
<b>Current Liabilities</b>			
Secured term loans	(b)	695,409	548,509
Unsecured term loans	(c)	875,850	1,559,793
Bank overdrafts	14	197	16,785
Finance lease liabilities	(d)	995	500
		<b>1,572,451</b>	<b>2,125,587</b>
<b>Non-current Liabilities</b>			
Non-convertible debentures	(a)	10,498	10,613
Secured term loans	(b)	3,010,419	3,209,950
Unsecured term loans	(c)	5,250,861	3,872,806
Finance lease liabilities	(d)	3,375	2,348
		<b>8,275,153</b>	<b>7,095,717</b>
		<b>9,847,604</b>	<b>9,221,304</b>

Included in interest-bearing borrowings are S\$988,085,000 (2016: S\$1,000,178,000) of loans taken with a related corporation.

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

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

	Group	
	2017	2016
	%	%
Floating rate loans	1.34 – 12.40	1.59 – 16.05
Fixed rate loans	0.77 – 12.80	1.55 – 16.09
Bonds & notes	2.94 – 4.25	2.94 – 4.25
Debentures	12.00	12.00

  

	Group	
	2017	2016
	S\$'000	S\$'000
Within 1 year	1,571,456	2,125,087
After 1 year but within 5 years	5,201,071	4,041,847
After 5 years	3,070,707	3,051,522
Total borrowings	<b>9,843,234</b>	<b>9,218,456</b>

### a. Non-convertible Debentures

In 2015, 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	
		2017	2016
		S\$'000	S\$'000
Property, plant and equipment	3(i)	4,982,344	4,972,484
Investment properties	4	39,332	39,871
Unit trusts and funds	7	53,769	32,348
Trade and other receivables	8	1,080,254	721,388
Intangible assets	11	872	1,468
Inventories	13	127,866	88,543
Properties under development	13	65,931	66,834
Cash and cash equivalents	14	282,103	216,942
Equity shares of a subsidiary		568,391	723,548



# Notes to the Financial Statements

Year ended December 31, 2017

## 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, have established a S\$2.5 billion Multicurrency Multi-Issuer Debt Issuance Programme (the "Programme"). Under the Programme, 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, 2017 and 2016, SFS has the following outstanding medium term notes issued under the Programme:

	Nominal interest rate	Year of issue	Year of maturity	Principal amount	
				2017 S\$'000	2016 S\$'000
S\$ medium term notes	6 month SOR + 0.55%	2010	2017	–	100,000
S\$ medium term notes	3.7325%	2010	2020	300,000	300,000
S\$ medium term notes	4.25%	2010	2025	100,000	100,000
S\$ medium term notes	3.64%	2013	2024	200,000	200,000
S\$ medium term notes	2.94%	2014	2021	100,000	100,000
S\$ medium term notes	3.593%	2014	2026	150,000	150,000
				850,000	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\$189,000,000 (2016: S\$165,000,000) 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 and Sembcorp Marine Offshore Platforms Pte Ltd (formerly known as SMOE Pte Ltd) (the "Issuing SCM Subsidiaries"), may from time to time issue notes (the "Notes") and / or perpetual securities (the "Perpetual Securities", and together with the Notes, the "Securities") denominated in Singapore dollars and / or any other currency as the relevant Issuer and the relevant dealer may agree. The obligations in respect of Securities issued by the Issuing Subsidiaries will be unconditionally and irrevocably guaranteed by 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.

As at December 31, 2017 and 2016, Jurong Shipyard Pte Ltd, a subsidiary of SCM, has the following outstanding 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, 2017, an amount of S\$167,500,000 (2016: S\$167,500,000) medium term notes was held by a related corporation.

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

### d. Finance Lease Liabilities

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

	2017			2016		
	Payments S\$'000	Interest S\$'000	Principal S\$'000	Payments S\$'000	Interest S\$'000	Principal S\$'000
<b>Group</b>						
Within 1 year	1,276	281	995	772	272	500
After 1 year but within 5 years	3,068	830	2,238	1,913	755	1,158
After 5 years	1,678	541	1,137	1,849	659	1,190
Total	6,022	1,652	4,370	4,534	1,686	2,848

Under the terms of the lease agreements, no contingent rents are payable. The interest rates range from 1.60% to 18.27% (2016: 1.75% to 14.70%) per annum.

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

	Accrued interest payable (Note 15) S\$'000	Interest-bearing borrowings* (Note 20) S\$'000	Finance lease liabilities (Note 20) S\$'000	Total S\$'000
<b>Balance at January 1, 2017</b>	44,834	9,201,671	2,848	9,249,353
<b>Cash flows</b>				
Cash payments	–	(2,426,971)	(1,034)	(2,428,005)
Cash proceeds	–	3,206,073	–	3,206,073
Interest paid	(484,220)	–	–	(484,220)
<b>Non-cash items</b>				
Capitalised borrowing cost	–	504	–	504
Interest expenses, including amortisation of capitalised transaction costs	482,286	13,535	–	495,821
New finance lease	–	–	2,411	2,411
Foreign exchange movement	307	(151,775)	145	(151,323)
	482,593	(137,736)	2,556	347,413
<b>Balance at December 31, 2017</b>	43,207	9,843,037	4,370	9,890,614

\* Excluding finance lease liabilities and bank overdrafts.

## 21. Share Capital

	Group and Company	
	No. of ordinary shares	
	2017	2016
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.

# Notes to the Financial Statements

Year ended December 31, 2017

## 22. Other Reserves

	Note	Group		Company	
		2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
<b>Distributable</b>					
Reserve for own shares	(a)	(125)	(5,490)	(125)	(5,490)
<b>Non-distributable</b>					
Currency translation reserve	(b)	(262,078)	(113,534)	–	–
Capital reserve	(c)	159,399	109,103	(140,925)	(131,503)
Merger reserve	(d)	29,201	29,201	–	–
Share-based payments reserve	(e)	(8,595)	(13,712)	143,167	130,479
Fair value reserve	(f)	26,177	20,773	–	–
Hedging reserve	(g)	(26,655)	(78,488)	–	(207)
		(82,676)	(52,147)	2,117	(6,721)

- a. Reserve for Own Shares  
At December 31, 2017, the Company held 42,827 (2016: 1,990,038) of its own uncanceled shares as treasury shares.
- b. Currency Translation Reserve  
The currency translation reserve comprises:
- 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;
  - Exchange differences on monetary items which form part of the Group's net investment in foreign operations; and
  - Gains or losses on instruments used to hedge the Group's net investment in foreign operations that are determined to be effective hedges.
- c. Capital reserve comprises acquisitions and disposals with non-controlling interests that do not result in a change of control, capitalisation of accumulated profits for the issue of bonus shares, capital reserve (net of goodwill) on consolidation and equity accounting, asset revaluation reserve, capital redemption reserve, convertible loan stock reserve and transfer from revenue reserve in accordance with the regulations of the foreign jurisdiction in which the Group's subsidiaries, associates and joint ventures operate, and treasury shares of a subsidiary.
- Capital reserve also comprises the recognition of call options issued to non-controlling interests of subsidiaries, as these options are regarded as equity instruments, when they are settled by the delivery of a fixed number of equity shares for a fixed amount of cash.
- d. Merger reserve represents the difference between the value of shares issued by the Company in exchange for the value of shares acquired in respect of the acquisition of subsidiaries accounted for under the pooling-of-interest method.
- e. Share-based payments reserve comprises the cumulative value of services received from employees recorded on grant of equity-settled share options, performance shares and performance based restricted shares. The expense for service received is recognised over the performance period and / or vesting period. The amount in the share-based payments reserve is retained when the options are exercised or expire.
- f. Fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised.
- g. Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

## 23. Perpetual Securities

On June 22, 2017, the Company issued subordinated perpetual securities (the "perpetual securities") with an aggregate principal amount of S\$200,000,000. Incremental costs incurred amounting to S\$533,000 was recognised in equity as a deduction from proceeds.

On May 20, 2015, the Company issued subordinated perpetual securities (the "perpetual securities") with an aggregate principal amount of S\$600,000,000. Incremental costs incurred amounting to S\$3,449,000 was recognised in equity as a deduction from proceeds.

On August 21, 2013, the Company issued subordinated perpetual securities (the "perpetual securities") with an aggregate principal amount of S\$200,000,000. Incremental costs incurred amounting to S\$1,249,000 was recognised in equity as a deduction from proceeds.

Such perpetual securities bear distributions at a rate of 3.7% to 5.0% per annum, payable semi-annually. Subject to the relevant terms and conditions in the offering memorandum, the Company may elect to defer making distributions on the perpetual securities, and is not subject to any limits as to the number of times a distribution can be deferred.

As a result, the perpetual securities do not meet the definition for classification as a financial liability under FRS 32 *Financial Instruments: Disclosure and Presentation*. The whole instrument is presented within equity, and distributions are treated as dividends.

During the financial year, distributions amounting to S\$42,886,000 (2016: S\$39,013,000) were accrued to perpetual security holders.

As at December 31, 2017, an amount of S\$24,000,000 (2016: S\$17,000,000) perpetual securities was held by a related corporation.

## 24. Other Comprehensive Income

Tax effects relating to each component of other comprehensive income:

	Group			Group		
	2017		Net of tax S\$'000	2016		Net of tax S\$'000
	Before tax S\$'000	Tax expense S\$'000		Before tax S\$'000	Tax expense S\$'000	
Foreign currency translation differences for foreign operations	(151,000)	–	(151,000)	(41,597)	–	(41,597)
Exchange differences on monetary items forming part of net investment in a foreign operation	(6,336)	–	(6,336)	9,893	–	9,893
Share of other comprehensive income of associates and joint ventures	55,444	–	55,444	18,376	–	18,376
Cash flow hedges: net movement in hedging reserves (Note (a))	34,602	(7,488)	27,114	155,893	(27,901)	127,992
Available-for-sale financial assets: net movement in fair value reserve (Note (b))	4,711	115	4,826	(11,083)	92	(10,991)
Realisation of reserve upon disposal / liquidation of subsidiaries	(15,646)	–	(15,646)	(6,259)	–	(6,259)
Realisation of reserve upon disposal of assets held for sale	(20,484)	–	(20,484)	–	–	–
Realisation of reserve upon disposal of a joint venture	–	–	–	(3,530)	–	(3,530)
Realisation of reserve when a joint venture became a subsidiary	–	–	–	2,390	–	2,390
Defined benefit plan actuarial gains and losses	3,400	(658)	2,742	(102)	(97)	(199)
<b>Other comprehensive income</b>	<b>(95,309)</b>	<b>(8,031)</b>	<b>(103,340)</b>	123,981	(27,906)	96,075

# Notes to the Financial Statements

Year ended December 31, 2017

## 24. Other Comprehensive Income (cont'd)

	Group	
	2017	2016
	S\$'000	S\$'000
<b>a. Cash flow hedges:</b>		
Net change in fair value of hedging instruments	54,980	105,282
Amount reclassified to profit or loss	(20,378)	50,611
Tax expense	(7,488)	(27,901)
Net movement in the hedging reserve during the year recognised in other comprehensive income	27,114	127,992
<b>b. Available-for-sale financial assets:</b>		
Changes in fair value	37,369	(19,420)
Amount reclassified to profit or loss	(32,658)	8,337
Tax expense	115	92
Net changes in fair value during the year recognised in other comprehensive income	4,826	(10,991)

## 25. Turnover

	Group	
	2017	2016
	S\$'000	S\$'000
Sale of gas, water, electricity and related services	5,067,321	3,763,025
Ship and rig repair, building, conversion, charter hire and related services	2,358,427	3,521,650
Construction and engineering related activities	257,531	210,090
Service concession revenue	532,869	278,092
Others	129,457	134,191
	8,345,605	7,907,048

Included in the service concession revenue is deemed finance income of S\$43.1 million (2016: S\$13.3 million).

## 26. Finance Income and Finance Costs

	Group	
	2017	2016
Note	S\$'000	S\$'000
<b>Finance income</b>		
– associates and joint ventures	9,068	5,726
– bank and others	33,528	24,692
	42,596	30,418
The finance income arose from loan and receivables.		
<b>Finance costs</b>		
Interest paid and payable to, measured at amortised cost:		
– banks and others	480,001	385,973
Amortisation of capitalised transaction costs	15,820	9,605
Unwind of discount on restoration costs	17	4,747
Interest rate swap:		
– termination of interest rate swaps	–	(403)
– changes in fair value through profit or loss	25,214	(143)
	525,782	402,009

## 27. Tax Expense

	Group	
	2017	2016
	S\$'000	S\$'000
<b>Current tax expense</b>		
Current year	114,287	98,564
Over provided in prior years	(65,959)	(35,470)
Foreign withholding tax	4,906	5,128
	53,234	68,222
<b>Deferred tax expense</b>		
Movements in temporary differences	(29,668)	21,045
Under provided in prior years	44,196	13,530
Effect of changes in tax rates	(371)	(2,513)
	14,157	32,062
Tax expense	67,391	100,284

# Notes to the Financial Statements

Year ended December 31, 2017

## 27. Tax Expense (cont'd)

	Group	
	2017	2016
	S\$'000	S\$'000
<b>Reconciliation of effective tax rate</b>		
Profit for the year	244,712	437,154
Total tax expense	67,391	100,284
Share of results of associates and joint ventures, net of tax	(164,058)	(125,121)
Profit before share of results of associates and joint ventures, and tax expense	148,045	412,317
Tax using Singapore tax rate of 17%	25,168	70,094
Effect of changes in tax rates	(371)	(2,513)
Effect of different tax rates in foreign jurisdictions	5,894	(16,361)
Tax incentives and income not subject to tax	(62,504)	(40,740)
Expenses not deductible for tax purposes	42,117	36,557
Utilisation of deferred tax benefits not previously recognised	(4,441)	(607)
Over provided in prior years	(21,763)	(21,940)
Deferred tax benefits not recognised	75,722	69,563
Foreign withholding tax	4,906	5,128
Tax adjustment on changes in undistributed profits from foreign entities	(56)	(1,534)
Others	2,719	2,637
Tax expense	67,391	100,284

## 28. Profit for the year

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

	Note	Group	
		2017	2016
		S\$'000	S\$'000
<b>a. Expenses</b>			
Allowance for / (write-back of) impairment losses (net)			
– property, plant and equipment	3	25,778	(6,707)
– receivables	36(b)	(15,567)	1,735
Reversal of contracts costs (net) on termination, net of write-down of inventories and foreseeable loss on contract work-in-progress		(9,677)	3,080
Amortisation of intangible assets	11	40,330	37,674
Audit fees paid / payable			
– auditors of the Company		1,810	1,996
– other member firms of KPMG International		1,320	1,242
– other auditors		679	470
Non-audit fees paid / payable			
– auditors of the Company		886	823
– other member firms of KPMG International		652	204
– other auditors		1,248	828
Depreciation			
– property, plant and equipment	3	529,897	414,912
– investment properties	4	1,101	1,127
Professional fee paid to directors or a firm in which a director is a member		1	2
Operating lease expenses		26,688	26,337
Property, plant and equipment written off		3,050	3,489
Intangible assets written off	11	147	8,335
Bad debts (written back) / written off		(12)	2,936
Provision for fines		25,390	–
Net change in fair value of cash flow hedges		(24,363)	48,563
<b>Staff costs</b>			
Staff costs		838,725	834,549
Included in staff costs are:			
Equity-settled share-based payments		17,785	18,807
Cash-settled share-based payments		2,764	(131)
Contributions to:			
– defined benefit plan		528	172
– defined contribution plan		51,241	47,247

# Notes to the Financial Statements

Year ended December 31, 2017

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

	Note	Group	
		2017 S\$'000	2016 S\$'000
<b>b. Other operating income</b>			
Grants received			
– income related		7,675	8,488
(Loss) / gain on disposal of property, plant and equipment		(1,752)	73
Net exchange gain		8,434	9,228
Net change in fair value of cash flow hedges		1,524	2,567
Net change in fair value of fair value hedges		(3,454)	4,146
Net change in fair value of financial assets measured at fair value through profit or loss		(3,477)	(37,783)
<b>c. Non-operating income and (expenses)</b>			
Gross dividend income from available-for-sale financial assets		417	275
Gain on disposal / liquidation of:			
– subsidiaries		4,613	–
– joint venture / associate		–	34,758
– other financial assets		21,669	2,796
– assets / investments held for sale		46,816	3,820
Allowance for / (write-back of) impairment losses (net)			
– goodwill	11	26,378	–
– associates		4,163	2,120
– joint ventures		–	(1,134)
Fair value gain on re-measurement of pre-existing equity interest in joint venture and available-for-sale financial assets, which became subsidiaries		–	7,734
Negative goodwill	34	169	2,858
Assumption of liabilities on behalf of a joint venture		(11,000)	–
Impairment losses on available-for-sale financial assets	7	(2,275)	(78,938)

## 29. Non-controlling Interests

The following subsidiaries have material non-controlling interests:

Name of company	Country of incorporation	Operating Segment	Ownership interests held by non-controlling interests	
			2017 %	2016 %
Sembcorp Marine Group	Singapore	Marine	39.0	39.0
Sembcorp Gayatri Power Limited (India Thermal Energy)	India	Utilities	12.0	12.0
Sembcorp Energy India Ltd (formerly known as Thermal Powertech Corporation India Limited) (India Thermal Energy)	India	Utilities	13.1	13.1

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

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

	Sembcorp Marine Group S\$'000	India Thermal Energy S\$'000
<b>2017</b>		
Revenue	2,387,354	1,482,957
Profit / (loss) for the year	9,948	(148,945)
Other comprehensive income	(55,509)	(9,804)
<b>Total comprehensive income</b>	<b>(45,561)</b>	<b>(158,749)</b>
Attributable to non-controlling interests:		
Profit / (loss) for the year	1,362	(17,435)
Other comprehensive income	(21,647)	(1,265)
<b>Total comprehensive income</b>	<b>(20,285)</b>	<b>(18,700)</b>
Non-current assets	4,462,964	3,788,575
Current assets	4,688,484	850,960
Non-current liabilities	(3,489,465)	(2,819,504)
Current liabilities	(3,142,611)	(852,393)
<b>Net assets</b>	<b>2,519,372</b>	<b>967,638</b>
<b>Net assets attributable to non-controlling interests</b>	<b>1,002,067</b>	<b>123,137</b>
Cash flows from operating activities	49,647	282,553
Cash flows from / (used in) investing activities	65,405	(35,922)
Cash flows used in financing activities	(23,751)	(277,489)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>91,301</b>	<b>(30,858)</b>
<b>Dividends paid to non-controlling interests</b>	<b>(16,566)</b>	<b>–</b>
<b>2016</b>		
Revenue	3,544,816	700,428
Profit / (loss) for the year	75,160	(66,410)
Other comprehensive income	51,668	10,249
<b>Total comprehensive income</b>	<b>126,828</b>	<b>(56,161)</b>
Attributable to non-controlling interests:		
Profit / (loss) for the year	27,116	(9,467)
Other comprehensive income	17,467	(3,696)
<b>Total comprehensive income</b>	<b>44,583</b>	<b>(13,163)</b>
Non-current assets	4,396,528	3,955,893
Current assets	5,018,305	729,218
Non-current liabilities	(3,058,930)	(2,756,989)
Current liabilities	(3,748,282)	(801,568)
<b>Net assets</b>	<b>2,607,621</b>	<b>1,126,554</b>
<b>Net assets attributable to non-controlling interests</b>	<b>1,040,215</b>	<b>141,835</b>
Cash flows from operating activities	568,513	64,801
Cash flows used in investing activities	(490,485)	(88,837)
Cash flows from financing activities	534,374	62,903
<b>Net increase in cash and cash equivalents</b>	<b>612,402</b>	<b>38,867</b>
<b>Dividends paid to non-controlling interests</b>	<b>(29,089)</b>	<b>–</b>



# Notes to the Financial Statements

Year ended December 31, 2017

## 30. Earnings Per Share

	Group	
	2017	2016
	S\$'000	S\$'000
<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	230,772	394,889
Less: Profit attributable to perpetual security holders of the Company	(42,886)	(39,013)
Profit attributable to owners of the Company	187,886	355,876
	No. of shares	No. of shares
	'000	'000
ii. Weighted average number of ordinary shares:		
Issued ordinary shares at January 1	1,785,558	1,785,176
Effect of share options exercised, performance shares and restricted shares released	2,654	2,408
Effect of own shares held	(1,201)	(1,028)
Weighted average number of ordinary shares at December 31	1,787,011	1,786,556
	Group	
	2017	2016
	S\$'000	S\$'000
<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	230,772	394,889
Less: Profit attributable to perpetual security holders of the Company	(42,886)	(39,013)
Profit attributable to owners of the Company	187,886	355,876
	No. of shares	No. of shares
	'000	'000
ii. Weighted average number of shares issued used in the calculation of basic earnings per share		
Weighted average number of unissued ordinary shares from:		
– share options	–	9
– performance shares	3,166	3,266
– restricted shares	12,207	12,371
Weighted average number of ordinary shares	1,802,384	1,802,202

## 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 two categories of dilutive potential ordinary shares: performance shares and restricted shares (2016: three categories of dilutive potential ordinary shares: share options, performance shares and restricted shares). All share options have expired on June 9, 2016.

For share options, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the exercise of all outstanding share options granted to employees where such shares would be issued at a price lower than the fair value (average share price during the year). The difference between the weighted average number of shares to be issued at the exercise prices under the options and the weighted average number of shares that would have been issued at the fair value (ie. 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 2.0 cents per share (2016: one-tier tax exempt dividend of 4.0 cents per share) amounting to an estimated net dividend of S\$35,750,000 (2016: S\$71,422,000) in respect of the year ended December 31, 2017, based on the number of issued shares as at December 31, 2017.

The proposed dividend of 2.0 (2016: 4.0) cents per share has not been included as a liability in the financial statements.

	Group and Company	
	2017	2016
	S\$'000	S\$'000
<b>Dividend paid</b>		
Interim one-tier tax exempt dividend of 3.0 cents per share in respect of year 2017 (2016: 4.0 cents per share in respect of year 2016)	53,625	71,478
Final one-tier tax exempt dividend of 4.0 cents per share in respect of year 2016 (2016: 6.0 cents per share in respect of year 2015)	71,492	107,246
	125,117	178,724

# Notes to the Financial Statements

Year ended December 31, 2017

## 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  
Nicky Tan Ng Kuang (*appointed on April 19, 2017*)

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.

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

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:

- 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 2016, 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 have expired on June 9, 2016.

### Sembcorp Industries Ltd Ordinary shares 2016

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2016	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2016	Options exercisable at Jan 1, 2016	Options exercisable at Dec 31, 2016
09/06/2006	S\$2.52	319,549	(169,250)	(150,299)	–	319,549	–
		<b>319,549</b>	<b>(169,250)</b>	<b>(150,299)</b>	<b>–</b>	<b>319,549</b>	<b>–</b>

# Notes to the Financial Statements

Year ended December 31, 2017

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

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

All options granted under the Share Option Plan on ordinary shares of Sembcorp Marine Ltd expired on October 2, 2016.

#### Sembcorp Marine Ltd Ordinary shares 2016

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2016	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2016	Options exercisable at Jan 1, 2016	Options exercisable at Dec 31, 2016
02/10/2006	S\$2.38	973,312	–	(973,312)	–	973,312	–
		<b>973,312</b>	–	<b>(973,312)</b>	–	<b>973,312</b>	–

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

In 2016, Sembcorp Industries Ltd's options exercised in 2016 were all settled by way of issuance of treasury shares. Sembcorp Industries Ltd's options were exercised on a regular basis throughout the year. The weighted average share price in 2016 was S\$2.74. All share options granted under the Share Option Plan on ordinary shares of Sembcorp Industries Ltd expired on June 9, 2016.

In 2016, Sembcorp Marine Ltd's options exercised in 2016 resulted in 414,000 ordinary shares being issued at a weighted average price of S\$3.09. All share options granted under the Share Option Plan on ordinary shares of Sembcorp Marine Ltd expired on October 2, 2016.

### 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 2017 to 2019 will be vested to the senior management participants only if the restricted shares for the performance period 2018 to 2019 are vested, subject to the achievement of the performance conditions for the respective performance periods.

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

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

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

#### i. Sembcorp Industries Ltd Performance Shares

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

	2017	2016
At January 1	<b>2,418,250</b>	2,081,250
Conditional performance shares awarded	<b>889,553</b>	987,000
Conditional performance shares lapsed	<b>(304,500)</b>	(25,000)
Performance shares lapsed arising from targets not met	<b>(600,000)</b>	(625,000)
At December 31	<b>2,403,303</b>	2,418,250

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2014 to 2016 (2016: performance period 2013 to 2015), no performance shares were released via the issuance of treasury shares (2016: nil).

In 2017, 600,000 (2016: 625,000) performance shares were lapsed for under-achievement of the performance targets for the performance period 2014 to 2016 (2016: 2013 to 2015).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2017, was 2,403,303 (2016: 2,418,250). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,604,954 (2016: 3,627,375) performance shares.

#### 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:

	2017	2016
At January 1	<b>4,513,000</b>	3,200,000
Conditional performance shares awarded	<b>1,600,000</b>	1,918,000
Performance shares lapsed arising from targets not met	<b>(1,380,000)</b>	(605,000)
At December 31	<b>4,733,000</b>	4,513,000

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 2014 to 2016 (2016: performance period 2013 to 2015), no performance shares were released via the issuance of treasury shares (2016: nil).

In 2017, 1,380,000 (2016: 605,000) performance shares lapsed for under-achievement of the performance targets for the performance period 2014 to 2016 (2016: 2013 to 2015).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at December 31, 2017, was 4,733,000 (2016: 4,513,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 7,099,500 (2016: 6,769,500) performance shares.

# Notes to the Financial Statements

Year ended December 31, 2017

## 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 15, 2017	Fair value of Sembcorp Industries Ltd performance shares granted on May 10, 2016	Fair value of Sembcorp Marine Ltd performance shares granted on May 26, 2017	Fair value of Sembcorp Marine Ltd performance shares granted on May 27, 2016
Fair value at measurement date	<b>S\$2.69</b>	S\$1.40	<b>S\$1.45</b>	S\$0.85
<b>Assumptions under the Monte Carlo model</b>				
Share price	<b>S\$3.18</b>	S\$2.69	<b>S\$1.69</b>	S\$1.56
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	<b>29.5%</b>	27.1%	<b>35.1%</b>	29.2%
Morgan Stanley Capital International (MSCI) AC Asia Pacific excluding Japan Industrials Index	<b>13.9%</b>	13.9%	<b>14.0%</b>	13.4%
Correlation with MSCI	<b>48.3%</b>	42.6%	<b>44.0%</b>	43.2%
Risk-free interest rate	<b>1.23%</b>	1.11%	<b>1.3%</b>	1.2%
Expected dividend	<b>3.56%</b>	5.95%	<b>2.9%</b>	2.9%

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

During the year, the Group charged S\$2,334,000 (2016: S\$3,576,000) 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 2017.

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.

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

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

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

To align the interests of the non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted 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 Tang Kin Fei, who was the Group President & CEO until March 31, 2017, and who did not receive any directors' fees). In 2017 and 2016, the awards granted consisted of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares 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:

	2017	2016
At January 1	<b>9,095,728</b>	7,829,129
Conditional restricted shares awarded	<b>3,554,234</b>	3,980,832
Conditional restricted shares lapsed	<b>(247,977)</b>	(416,046)
Additional restricted shares awarded arising from targets met	<b>589,655</b>	536,350
Conditional restricted shares released	<b>(3,263,724)</b>	(2,834,537)
At December 31	<b>9,727,916</b>	9,095,728

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2015 to 2016, a total of 1,422,285 restricted shares were released in 2017. For awards in relation to the performance period 2014 to 2015, a total of 940,410 (2016: 910,442) were released in 2017. For awards in relation to the performance period 2013 to 2014, a total of 696,429 (2016: 734,804) restricted shares were released in 2017. For awards in relation to the performance period 2012 to 2013, no restricted shares were released in 2017 (2016: 966,691). In 2017, there were 204,600 (2016: 218,100) shares released to non-executive directors. In 2016, there were additional 4,500 shares released to employees due to sale of a subsidiary. Of the restricted shares released, 36,513 (2016: 32,572) restricted shares were cash-settled. The remaining restricted shares were released via the issuance of treasury shares.



# Notes to the Financial Statements

Year ended December 31, 2017

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

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

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

In 2017, additional 589,655 (2016: 536,350) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2015 to 2016 (2016: performance period 2014 to 2015).

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2017, was 9,727,916 (2016: 9,095,728). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 6,947,566 (2016: 6,686,507). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 10,421,349 (2016: 10,029,760) 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 2015 to 2016 (2016: performance period 2014 to 2015), a total of S\$1,609,946, equivalent to 438,253 (2016: S\$1,239,046, equivalent to 401,914) notional restricted shares, were paid. A total of 660,000 (2016: 566,000) notional restricted shares of Sembcorp Industries Ltd's shares were awarded in 2017 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 2017, was 1,226,000 (2016: 1,002,012). 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 1,839,000 (2016: 1,503,018).

#### 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:

	2017	2016
At January 1	13,716,142	10,101,585
Conditional restricted shares awarded	8,176,450	8,232,700
Conditional restricted shares lapsed	(798,920)	(474,378)
Restricted shares lapsed arising from targets not met	(3,923,317)	(1,471,967)
Conditional restricted shares released	(1,786,942)	(2,671,798)
At December 31	15,383,413	13,716,142

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2015 to 2016, a total of 266,891 restricted shares were released. For awards in relation to the performance period 2014 to 2015, a total of 386,942 (2016: 461,541) restricted shares were released. For awards in relation to the performance period 2013 to 2014, a total of 733,009 (2016: 845,290) restricted shares were released. In 2016, 848,667 restricted shares were released for awards in relation to the performance period 2012 to 2013. In 2017, 400,100 (2016: 516,300) restricted shares were released to non-executive directors. The restricted shares were released via the issuance of treasury shares.

In 2017, 3,923,317 (2016: 1,471,967) Sembcorp Marine Ltd's restricted shares were lapsed for under-achievement of the performance targets for the performance period 2015 to 2016 (2016: performance period 2014 to 2015).

The total number of Sembcorp Marine Ltd's restricted shares outstanding, including awards achieved but not released, as at December 31, 2017, was 15,383,413 (2016: 13,716,142). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 14,674,000 (2016: 12,239,840). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 22,011,000 (2016: 18,359,760) restricted shares.

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

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

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

##### 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 2015 to 2016 (2016: performance period 2014 to 2015), a total of S\$454,284 (2016: S\$766,416), equivalent to 248,950 (2016: 456,064) notional restricted shares, were paid.

A total of 3,074,000 (2016: 3,387,850) notional restricted shares were awarded on May 26, 2017 (2016: May 27, 2016) for the Sembcorp Marine Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Marine Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at December 31, 2017, was 5,230,850 (2016: 4,827,393). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 7,846,275 (2016: 7,241,090).

#### Fair value of restricted shares

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

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

	Fair value of Sembcorp Industries Ltd restricted shares granted on May 15, 2017	Fair value of Sembcorp Industries Ltd restricted shares granted on May 10, 2016	Fair value of Sembcorp Marine Ltd restricted shares granted on May 26, 2017	Fair value of Sembcorp Marine Ltd restricted shares granted on May 27, 2016
Fair value at measurement date	S\$2.81	S\$2.26	S\$1.50	S\$1.40
<b>Assumptions under the Monte Carlo model</b>				
Share price	S\$3.18	S\$2.69	S\$1.69	S\$1.56
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	29.5%	27.1%	35.1%	29.2%
Risk-free interest rate	1.13%–1.34%	0.94%–1.28%	1.1%–1.4%	1.0%–1.4%
Expected dividend	3.56%	5.95%	2.9%	2.9%

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

During the year, the Group charged S\$15,451,000 (2016: S\$15,231,000) 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 charged S\$2,829,000 (2016: wrote back charges of S\$131,000) 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 Significant Subsidiaries and Joint Venture 2016

- In December 2016, the Group's wholly-owned subsidiary, China Water Company (Yancheng) Limited has completed the sale of its entire 49% stake in Yancheng China Water Co. Ltd (joint venture) to Yancheng City Municipal Utilities Investment Company Ltd for RMB260 million (approximately S\$54.9 million). The gain on disposal of S\$34.7 million was recognised in non-operating income.



# Notes to the Financial Statements

Year ended December 31, 2017

## 34. Acquisition of Significant Subsidiaries and Non-controlling Interests

### Acquisition of Significant Subsidiaries

2016

- i. On March 9, 2016, Sembcorp Marine acquired an additional 44% equity stake in Gravifloat AS (Gravifloat), a marine engineering and naval architecture company, to 56% and Gravifloat became a subsidiary of the Group. Consequently, financial statements of Gravifloat were consolidated into the Group's financial statements.

The principal activity of Gravifloat is to design and hold patents for re-deployable modularised LNG and LPG solutions.

#### Revenue and profit contribution

The revenue and profit contribution from the new acquisition were not material.

Had the acquired businesses been consolidated from January 1, 2016, the contribution to the Group's consolidated revenue and consolidated profit for the year ended December 31, 2016, would not have been significant.

#### Consideration transferred

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

		2016
		S\$'000
<b>a. Effect on cash flows of the Group</b>		
Cash paid		47,258
Less: Cash and cash equivalents in subsidiaries acquired		(7)
Cash outflow on acquisition		47,251
<b>b. Identifiable assets acquired and liabilities assumed</b>		
		At fair value
	Note	S\$'000
Intangible assets	11	134,575
Other receivables		8
Cash and cash equivalents		7
Total assets		134,590
Deferred tax liabilities	12	33,633
Total liabilities		33,633
Total net identifiable assets		100,957
Less: Non-controlling interests		(44,421)
Add: Goodwill	11	5,219
Less: Amount previously accounted for as available-for-sale financial asset		(5,004)
Less: Gain on deemed disposal of available-for-sale financial asset	28	(4,243)
Consideration transferred for the businesses		52,508
Amount reflected as other payables	15(b)	(5,250)
Cash paid		47,258

## 34. Acquisition of Significant Subsidiaries and Non-controlling Interests (cont'd)

### Acquisition of Significant Subsidiaries (cont'd)

#### Measurement of fair values

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

Assets acquired	Valuation technique	Key assumptions
Intangible assets	Relief-from-royalty method	<ul style="list-style-type: none"> <li>Royalty rates based on existing patents</li> <li>Useful life of 10 years</li> <li>Discount rate of 24.5%</li> </ul>

#### Non-controlling interests

The Group has elected to measure the non-controlling interest (NCI) of Gravifloat at fair value at the date of acquisition, which amounted to S\$44,421,000.

#### Goodwill

The goodwill of S\$5,219,000 recognised on acquisition is primarily attributed to the control premium to acquire a controlling stake in Gravifloat. This goodwill recognised is not expected to be deductible for tax purpose.

The re-measurement to fair value of the Group's previously held 12% interest in Gravifloat resulted in a gain of S\$4,243,000 in profit or loss on deemed disposal. This amount has been recognised in non-operating income (see Note 28).

#### Acquisition-related costs

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

- ii. On March 11, 2016, Sembcorp's interest in Sembcorp Gayatri Power Limited (SGPL), a thermal power plant in India, was increased from 49% to 65% with the acquisition of shares from the other shareholder and became a subsidiary of the Group. Consequently, the financial statements of SGPL were consolidated into the Group's financial statements from the acquisition date.

The principal activities of SGPL 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 businesses contributed revenue of S\$40,828,000 and loss for the year of S\$32,400,000 to the Group's results for the period from March 11, 2016 to December 31, 2016.

Had the acquired businesses been consolidated from January 1, 2016, the Group's consolidated revenue and consolidated profit for the year ended December 31, 2016 would have been S\$7,907,048,000 and S\$436,277,000 respectively.

# Notes to the Financial Statements

Year ended December 31, 2017

## 34. Acquisition of Significant Subsidiaries and Non-controlling Interests (cont'd)

### Acquisition of Significant Subsidiaries (cont'd)

#### Consideration transferred

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

	2016	
	S\$'000	
<b>a. Effect on cash flows of the Group</b>		
Cash paid		72,575
Less: Cash and cash equivalents in subsidiaries acquired*		(67,408)
Cash outflow on acquisition		5,167
		<b>At fair value</b>
	<b>Note</b>	<b>S\$'000</b>
<b>b. Identifiable assets acquired and liabilities assumed</b>		
Property, plant and equipment	3	1,704,742
Intangible assets	11	106
Trade and other receivables		98,414
Inventories		95
Cash and cash equivalents		78,457
Total assets		1,881,814
Trade and other payables		144,359
Current tax payable		7,146
Borrowings		1,175,099
Total liabilities		1,326,604
Total net identifiable assets		555,210
Less: Non-controlling interests		(102,640)
Add: Goodwill	11	44,073
Less: Amount previously accounted for as joint venture		(418,187)
Less: Foreign currency translation reserve realised when the joint venture became a subsidiary		(2,390)
Less: Fair value gain on step-up acquisition of a joint venture	28	(3,491)
Consideration transferred for the businesses		72,575

\* Excluded restricted cash of S\$11,049,000

#### 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	Land valuation based on prevailing market rates of similar agricultural lands from certified land valuer.

#### Acquired receivables

Included in trade and other receivables are trade receivables stated at fair value of S\$68,088,000. SGPL has not commenced operations at the date of acquisition. Receivables mainly pertain to advances to suppliers.

## 34. Acquisition of Significant Subsidiaries and Non-controlling Interests (cont'd)

### Acquisition of Significant Subsidiaries (cont'd)

#### Non-controlling interests

The Group has elected to measure the non-controlling interest (NCI) based on their proportionate interest of the acquired business' net identifiable assets as recognised by the Group, which amounted to S\$102,640,000.

#### Goodwill

The goodwill of S\$44,073,000 recognised on acquisition is primarily attributed to the control premium to acquire a controlling stake in SGPL. None of the goodwill recognised is expected to be deductible for tax purpose.

The re-measurement to fair value of the Group's existing 49% interest in SGPL resulted in a gain of S\$3,491,000 in profit or loss. This amount has been recognised in "Other Income" in the income statements (see Note 28).

None of the goodwill recognised is expected to be deductible for tax purpose.

#### Acquisition-related costs

Acquisition-related costs were not material and were borne by the Company.

- iii. On August 26, 2016, Sembcorp Marine's wholly-owned subsidiary, Sembcorp Marine Integrated Yard (SMIY) acquired a 100% stake in LMG Marin AS (LMG). Consequently, the financial statements of LMG were consolidated into the Group's financial statements. LMG is a naval architecture as well as ship design and engineering house headquartered in Bergen, Norway, with offices in Poland and France.

In August 2016, a subsidiary in India acquired a 74% stake in Mulanur Renewable Energy Private Limited (Mulanur) for a consideration of INR1,125,000 (approximately S\$23,000). This acquisition is consistent with the Group's plan to expand its renewable energy market.

#### Revenue and profit contribution

The revenue and profit contribution from these new acquisitions were not material.

Had the acquired businesses been consolidated from January 1, 2016, the contribution to the Group's consolidated revenue and consolidated profit for the year ended December 31, 2016, would not have been significant.

# Notes to the Financial Statements

Year ended December 31, 2017

## 34. Acquisition of Significant Subsidiaries and Non-controlling Interests (cont'd)

### Acquisition of Significant Subsidiaries (cont'd)

#### Consideration transferred

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

	2016	
	S\$'000	
<b>a. Effect on cash flows of the Group</b>		
Cash paid		24,564
Less: Cash and cash equivalents in subsidiaries acquired		(5,462)
Cash outflow on acquisition		19,102
		<b>At fair value</b>
	<b>Note</b>	<b>S\$'000</b>
<b>b. Identifiable assets acquired and liabilities assumed</b>		
Property, plant and equipment	3	32,191
Intangible assets	11	34,724
Trade and other receivables		7,831
Cash and cash equivalents		5,462
Total assets		80,208
Trade and other payables		40,875
Current tax payable		22
Deferred tax liabilities		8,586
Total liabilities		49,483
Total net identifiable assets		30,725
Less: Non-controlling interests		(576)
Less: Negative Goodwill	28	(2,858)
Consideration transferred for the businesses		27,291
Amount reflected as other payables	15(b)	(2,727)
Cash paid		24,564

#### 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 Value Approach	<ul style="list-style-type: none"> <li>Freehold land – Prevailing market rates of similar agricultural lands from certified land valuer.</li> <li>Plant and machinery – Current replacement costs derived from market quotes received from suppliers/manufacturers.</li> </ul>
Intangible assets	Relief-from-royalty method	<ul style="list-style-type: none"> <li>Royalty rates based on existing ship design</li> <li>Useful life of 10 years</li> <li>Discount rates range from 26.4% to 34.2%</li> </ul>

#### Acquired receivables

Included in trade and other receivables are trade receivables stated at fair value of S\$5,790,000. The gross contractual amount for trade receivables due is S\$5,638,000, of which S\$168,000 was expected to be uncollectible at the date of acquisition.

## 34. Acquisition of Significant Subsidiaries and Non-controlling Interests (cont'd)

### Acquisition of Significant Subsidiaries (cont'd)

#### Non-controlling interests

The Group has elected to measure the non-controlling interest (NCI) based on their proportionate interest of the acquired business' net identifiable assets as recognised by the Group, which amounted to S\$575,000.

#### Goodwill

The negative goodwill of S\$2,858,000 recognised on acquisitions in Mulanur and LMG were recognised in "Other Income" (see Note 28).

#### Acquisition-related costs

Acquisition-related costs were not material and charged to profit or loss.

### Acquisition of Significant Non-controlling Interests

#### 2017

- In August 2017, the Company increased its shareholding in SGI from 68.74% to 71.57%, via subscription of the rights issues of Sembcorp Green Infra Limited (SGI).

Subsequently, the Group has entered an agreement to acquire the remaining balance of the equity stakes of SGI. The transfer of the legal title of the shares is expected to be completed in early 2018. However, with effect from September 2017, the Group has the beneficiary interests and all risks and rewards associated to these shares. Accordingly, the Group's stake in SGI for consolidation purposes was increased from 71.57% to 100%.

#### 2016

- On August 29, 2016, Sembcorp Marine acquired the remaining 15% in the issued and fully paid-up share capital of PPL Shipyard Pte Ltd (PPLS) for an aggregate cash consideration of US\$115,059,000 (equivalent of S\$156,778,000). Following the acquisition, PPLS became a wholly-owned subsidiary of Sembcorp Marine.
- As at December 31, 2015, the Company's effective holding in Sembcorp Energy India Ltd (SEIL) (formerly known as Thermal Powertech Corporation India Limited) was 67.4%, as the Company had agreed to defer the non-controlling interest (NCI) injection and not to exercise dilution rights and the subscription period remained open till March 31, 2016. In April 2016, the Company increased its shareholding in SEIL to 86.87%.
- In 2016, the Group increased its stake in SGI from 64.06% to 68.74% for a consideration amounting to S\$60,434,000.
- Subsequent to the acquisition in March 2016, the Group increased its stake from 65% to 88% in SGPL as a result of the conversion of Fully and Compulsory Convertible Debenture.

The following summarises the effect of changes in the Group's ownership interest:

	SGI
	S\$'000
<b>2017</b>	
Group's ownership interest at January 1, 2017	306,404
Effect of increase in Group's ownership interest	149,468
Share of comprehensive income and capital injection during the year	59,395
Group's ownership interest at December 31, 2017	515,267

# Notes to the Financial Statements

Year ended December 31, 2017

## 34. Acquisition of Significant Subsidiaries and Non-controlling Interests *(cont'd)*

	PPL	SEIL	SGI	SGPL
	S\$'000	S\$'000	S\$'000	S\$'000
<b>2016</b>				
Group's ownership interest at January 1, 2016	866,130	413,032	230,951	452,570
Effect of increase in Group's ownership interest	152,921	116,596	(2,304)	35,630
Share of comprehensive income and capital injection during the year	(61,568)	(30,397)	77,757	(14,640)
Group's ownership interest at December 31, 2016	957,483	499,231	306,404	473,560

## 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	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Related Corporations</b>				
Sales	9,086	6,569	82,918	46,143
Purchases including rental	268	3,923	211,842	180,760
Loans due from	–	11,775	–	–
Finance income	–	–	2,272	1,952
Finance expense	–	–	24,813	23,336
<b>Associates and Joint Ventures</b>				
Sales	14,562	9,365	66,964	68,147
Purchases including rental	7,881	8,111	4,428	14,008
Payment on behalf	–	–	4,836	6,026
Loans due from	64,472	144,399	–	–

The Group does not provide 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.

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

### 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; the Head of Renewables & Environmental Business; the Head of Global Operations Group; and 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 paid is as follows:

	Group	
	2017	2016
	S\$'000	S\$'000
Directors' fees and remuneration	8,676	6,221
Other key management personnel remuneration	7,661	7,480
	16,337	13,701
Fair value of share-based compensation	4,685	4,525

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.

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.

# Notes to the Financial Statements

Year ended December 31, 2017

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

### 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 swaps to reduce its exposure to interest rate volatility and the duration of such interest rate swaps and cross currency swaps do not exceed the tenor of the underlying debt.

At December 31, 2017, the Group had interest rate swaps and cross currency swaps with an aggregate notional amount of S\$2,250,430,000 (2016: S\$1,677,395,000), of which S\$2,200,441,000 (2016: S\$1,619,167,000) was designated as cash flow hedges. The Group receives a variable interest rate and pays a fixed rate interest ranging from 2.19% to 10.28% (2016: 0.98% to 13.05%) per annum on the notional amount. Interest rate swaps with notional amounts of S\$277,255,000 (2016: S\$506,231,000) are taken with a related corporation.

#### 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 Increase S\$'000	100 bp Decrease S\$'000	100 bp Increase S\$'000	100 bp Decrease S\$'000
<b>Group</b>				
<b>December 31, 2017</b>				
Variable rate financial instruments	(33,944)	33,944	35,015	(35,169)
<b>December 31, 2016</b>				
Variable rate financial instruments	(30,762)	30,762	32,269	(32,603)
<b>Company</b>				
<b>December 31, 2017</b>				
Variable rate financial instruments	7,138	(7,138)	-	-
<b>December 31, 2016</b>				
Variable rate financial instruments	3,850	(3,850)	-	-

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

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

#### ii. Foreign currency risk

The Group operates globally and is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company and its subsidiaries. The currencies in which these transactions are primarily denominated in are Singapore dollars (SGD), United States dollars (USD), Euros (EURO), Pounds Sterling (GBP), Indian Rupee (INR) 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 United Kingdom (UK) subsidiaries are hedged by GBP / SGD Cross Currency Swaps with notional amount of S\$333,758,000 (2016: S\$333,758,000), which mitigates the currency risks arising from the subsidiaries' net assets. In 2016, 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\$26,615,000. In 2017, this USD / SGD foreign exchange swap contract has been settled. On consolidation, the effective portions of the fair value gain of S\$166,000 (2016: Fair value gain of S\$59,810,000), fair value gain of S\$1,292,000 (2016: fair value loss of S\$637,000) arising from the GBP / SGD Cross Currency Swaps, 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, 2017.

Foreign exchange forward contracts and cross currency swaps with notional amounts of S\$260,499,000 (2016: S\$334,883,000) and S\$339,607,000 (2016: S\$339,607,000) respectively are taken with a related corporation.



# Notes to the Financial Statements

Year ended December 31, 2017

## 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 United Kingdom (UK) and Middle East (ME)) as provided to the management of the Group based on its risk management policy was as follows:

	SGD	USD	EURO	GBP	INR	BRL	Others
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>							
<b>2017</b>							
<b>Financial assets</b>							
Cash and cash equivalents	29,398	326,341	19,419	226,369	–	2,192	80,588
Trade and other receivables	77,215	1,066,753	6,144	6,242	965,929	9,109	92,398
Due from customers on construction contracts	4,626	853,244	–	–	–	156,030	–
Other financial assets	–	24,679	–	–	18,200	–	–
	111,239	2,271,017	25,563	232,611	984,129	167,331	172,986
<b>Financial liabilities</b>							
Trade and other payables	101,020	668,201	56,808	119,069	296,071	67,173	45,902
Interest-bearing borrowings	–	616,186	–	–	–	95,094	100,374
	101,020	1,284,387	56,808	119,069	296,071	162,267	146,276
Net financial assets / (liabilities)	10,219	986,630	(31,245)	113,542	688,058	5,064	26,710
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(135)	269,842	(247,226)	30,931	–	(28,402)	(130,346)
Less: Cross currency swap	–	–	–	–	(890,188)	–	–
Less: Foreign exchange forward contracts	16,171	(109,321)	5,302	(160,725)	(53,595)	–	969,346
Net currency exposure	26,255	1,147,151	(273,169)	(16,252)	(255,725)	(23,338)	(865,710)
<b>2016</b>							
<b>Financial assets</b>							
Cash and cash equivalents	47,566	434,208	37,387	241,385	–	–	23,873
Trade and other receivables	15,110	1,292,008	27,754	21,159	173,557	–	155,089
Due from customers on construction contracts	1,359	1,028,923	8,833	14,026	–	156,030	29,798
Other financial assets	–	23,277	–	–	20,475	–	–
	64,035	2,778,416	73,974	276,570	194,032	156,030	208,760
<b>Financial liabilities</b>							
Trade and other payables	108,561	747,675	58,088	72,266	9	36,690	101,922
Interest-bearing borrowings	–	1,275,228	–	–	–	–	5,640
	108,561	2,022,903	58,088	72,266	9	36,690	107,562
Net financial (liabilities) / assets	(44,526)	755,513	15,886	204,304	194,023	119,340	101,198
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(33,346)	336,546	(363,857)	389,118	–	(79,316)	14,165
Less: Cross currency swap	–	–	–	–	(167,548)	–	–
Less: Foreign exchange forward contracts	32,208	(581,441)	57,853	(639,516)	–	–	(8,417)
Net currency exposure	(45,664)	510,618	(290,118)	(46,094)	26,475	40,024	(106,946)

# Notes to the Financial Statements

Year ended December 31, 2017

## 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
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Company</b>				
<b>2017</b>				
<b>Financial assets</b>				
Cash and cash equivalents	35,231	–	1	–
Trade and other receivables	83,360	–	–	–
Long-term trade receivables	–	–	–	–
	118,591	–	1	–
<b>Financial liabilities</b>				
Trade and other payables	26,236	35	1,473	183
Net financial assets / (liabilities)	92,355	(35)	(1,472)	(183)
Net currency exposure	92,355	(35)	(1,472)	(183)
<b>2016</b>				
<b>Financial assets</b>				
Cash and cash equivalents	13,984	–	21	–
Trade and other receivables	126,128	–	52	–
Long-term trade receivables	–	–	–	–
	140,112	–	73	–
<b>Financial liabilities</b>				
Trade and other payables	36,080	22	217	285
Net financial assets / (liabilities)	104,032	(22)	(144)	(285)
Net currency exposure	104,032	(22)	(144)	(285)

## 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 2016.

	Group		Company	
	Equity	Profit before tax	Equity	Profit before tax
	S\$'000	S\$'000	S\$'000	S\$'000
<b>2017</b>				
SGD	1,358	1,022	–	–
USD	5,543	109,979	–	9,236
EURO	152	(2,760)	–	(4)
GBP	(5,421)	2,972	–	(147)
INR	(92,558)	(27,393)	–	–
BRL	–	506	–	–
Others	8,425	2,162	–	(18)
<b>2016</b>				
SGD	2,644	(4,452)	–	–
USD	(14,930)	62,244	–	10,403
EURO	3,535	3,160	–	(2)
GBP	(38,718)	8,976	–	(14)
INR	(12,028)	600	–	–
BRL	–	11,934	–	–
Others	27	(4,270)	–	(29)

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, except for amounts of S\$1,820,000 (2016: S\$2,048,000) relating to INR which would be recognised in profit before tax instead of equity, on the basis of impairment noted on the equity securities. This analysis is performed on the same basis for 2016 and assumes that all other variables remain constant.

# Notes to the Financial Statements

Year ended December 31, 2017

## 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	
	2017	2016
	S\$'000	S\$'000
Equity	18,665	19,117

A 10% decrease in the underlying unit trust and funds, and equity securities prices would have had the equal but opposite effect to the amounts shown above, except for amounts of S\$1,820,000 (2016: S\$3,495,000) which would be recognised in profit before tax instead of equity, on the basis of impairment noted on the equity securities. The analysis is performed on the same basis for 2016 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 and contracts for differences.

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	
	2017	2016
	S\$'000	S\$'000
Equity	23,737	12,806

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 2016 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	
	2017	2016
	Notional amount	Notional amount
	S\$'000	S\$'000
Fuel oil swap agreements	247,158	133,109

In 2017, fuel oil swap contracts with notional amounts of S\$1,588,000 (2016: Nil) are entered 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.

The maximum exposure to credit risk is the carrying amount of each financial asset, including derivatives, in the balance sheet, before taking into account any collateral held.

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	
		2017	2016	2017	2016
		S\$'000	S\$'000	S\$'000	S\$'000
<b>By business activity</b>					
Utilities		2,056,612	1,742,770	357,969	366,971
Marine		2,352,233	2,751,652	–	–
Urban Development		27,399	7,976	–	–
Others		63,197	82,736	–	–
		4,499,441	4,585,134	357,969	366,971
<b>Loans and receivables</b>					
Non-current*		1,093,599	664,696	221,000	200,000
Current		3,405,842	3,920,438	136,969	166,971
	8, 13	4,499,441	4,585,134	357,969	366,971

\* Not past due.

# Notes to the Financial Statements

Year ended December 31, 2017

## 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
	2017	2017	2016	2016
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>				
Not past due	2,926,850	1,434	3,449,492	9,419
Past due 0 to 3 months	322,626	4,006	261,231	2,333
Past due 3 to 6 months	103,366	548	97,564	571
Past due 6 to 12 months	42,195	4,064	65,390	2,716
More than 1 year	215,591	194,734	272,818	211,018
	<b>3,610,628</b>	<b>204,786</b>	4,146,495	226,057
<b>Company</b>				
Not past due	121,651	–	113,109	–
Past due 0 to 3 months	14,360	–	3,309	–
Past due 3 to 6 months	419	–	351	–
Past due 6 to 12 months	105	–	2,403	–
More than 1 year	1,944	1,510	68,485	20,686
	<b>138,479</b>	<b>1,510</b>	187,657	20,686

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

	Group		Company	
	2017	2016	2017	2016
Note	S\$'000	S\$'000	S\$'000	S\$'000
Balance at January 1	235,415	226,873	20,686	20,686
Currency translation difference	(7,340)	9,000	–	–
Allowance made	15,947	9,683	–	–
Allowance utilised	(6,501)	(2,361)	(4,948)	–
Allowance written back	(31,514)	(7,948)	(14,228)	–
Acquisition of subsidiary	–	168	–	–
Disposal of subsidiary	(38)	–	–	–
Balance at December 31	8	205,969	235,415	1,510

In 2017, impairment losses amounting to S\$14,221,000 were written back as the past due receivables from a customer that was undergoing restructuring was received by the Group, upon completion of the restructuring exercise during the current year. Impairment losses relating to the past due receivables recognised previously amounted to S\$19,169,000.

In 2017, S\$15,997,000 (2016: S\$7,492,000) was written back (being monies received) relating to a receivable that was previously impaired by approximately S\$24,969,000.

The total net write-back of impairment losses of S\$15,567,000 (2016: impairment losses of S\$1,735,000) 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 cash flows associated with the cash flow hedges of the Group are expected to occur within 1 year and between 1-5 years. Correspondingly, the cash flows related to the hedging instruments (foreign exchange contracts, fuel oil swaps, interest rate swaps, cross currency swaps and electricity future market contracts) that are designated as cash flows hedges are expected to impact profit and loss within 1 year, between 1-5 years and upon disposal of its investment in subsidiaries.

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>2017</b>					
<b>Derivatives</b>					
Derivative financial liabilities	67,165				
– inflow		1,545,146	517,806	1,027,340	–
– outflow		(1,677,308)	(584,755)	(1,078,646)	(13,907)
Derivative financial assets	(127,450)				
– inflow		1,619,466	1,092,847	521,116	5,503
– outflow		(1,499,259)	(996,440)	(502,819)	–
<b>Non-derivative financial liabilities</b>					
Trade and other payables*	3,477,019	(3,477,019)	(3,338,390)	(45,184)	(93,445)
Interest-bearing borrowings	9,847,604	(12,584,654)	(2,095,481)	(6,237,102)	(4,252,071)
	13,264,338	(16,073,628)	(5,404,413)	(6,315,295)	(4,353,920)
<b>2016</b>					
<b>Derivatives</b>					
Derivative financial liabilities	77,745				
– inflow		2,093,037	1,093,883	999,154	–
– outflow		(2,197,301)	(1,148,859)	(1,045,098)	(3,344)
Derivative financial assets	(122,407)				
– inflow		1,270,403	743,969	515,393	11,041
– outflow		(1,147,521)	(661,803)	(485,718)	–
<b>Non-derivative financial liabilities</b>					
Trade and other payables*	3,454,853	(3,454,853)	(3,341,692)	(35,208)	(77,953)
Put liability to acquire non-controlling interest	215,885	(215,885)	–	(215,885)	–
Interest-bearing borrowings	9,221,304	(12,491,711)	(2,594,864)	(5,569,862)	(4,326,985)
	12,847,380	(16,143,831)	(5,909,366)	(5,837,224)	(4,397,241)

\* 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, 2017

## 36. Financial Instruments (cont'd)

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

	Cash Flows				
	Carrying amount	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>Company</b>					
<b>2017</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables*	405,378	(448,611)	(141,218)	(154,827)	(152,566)
<b>2016</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables*	400,513	(452,962)	(141,951)	(153,042)	(157,969)

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

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

	Cash Flows				
	Carrying amount	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>2017</b>					
<b>Derivative financial liabilities</b>					
- inflow	55,928	1,282,105	254,765	1,027,340	-
- outflow		(1,401,521)	(303,836)	(1,090,235)	(7,450)
<b>Derivative financial assets</b>					
- inflow	(104,433)	1,079,157	543,859	535,298	-
- outflow		(978,600)	(475,781)	(502,819)	-
	(48,505)	(18,859)	19,007	(30,416)	(7,450)
<b>2016</b>					
<b>Derivative financial liabilities</b>					
- inflow	53,451	1,376,080	376,926	999,154	-
- outflow		(1,451,071)	(403,158)	(1,044,944)	(2,969)
<b>Derivative financial assets</b>					
- inflow	(79,441)	691,700	510,472	180,772	456
- outflow		(613,513)	(447,678)	(165,835)	-
	(25,990)	3,196	36,562	(30,853)	(2,513)

## 36. Financial Instruments (cont'd)

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

	Cash Flows				
	Carrying amount	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>Company</b>					
<b>2016</b>					
<b>Derivative financial liabilities</b>					
	326				
- inflow		28,038	28,038	-	-
- outflow		(28,364)	(28,364)	-	-
	326	(326)	(326)	-	-

### d. Estimation of fair values

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

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

### Securities

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



# Notes to the Financial Statements

Year ended December 31, 2017

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

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

#### 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.

The fair value of the put liability derivatives is accounted based on the share price and volatility in share price of the option.

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

Carrying amount of non-derivative non-current financial assets and liabilities which bear floating interest are assumed to approximate their fair value because of the short period to repricing. Fair values determined for the remaining 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.

#### 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.

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

### 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, 2017. These financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgement, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

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

	Fair value measurement using:			
	Level 1	Level 2	Level 3	Total
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>				
<b>At December 31, 2017</b>				
Available-for-sale financial assets	146,573	694	39,379	186,646
Derivative financial assets	–	128,142	–	128,142
	146,573	128,836	39,379	314,788
Derivative financial liabilities	–	(67,165)	–	(67,165)
	146,573	61,671	39,379	247,623
<b>At December 31, 2016</b>				
Available-for-sale financial assets	153,252	537	37,377	191,166
Derivative financial assets	–	126,553	–	126,553
	153,252	127,090	37,377	317,719
Put liability	–	–	(215,885)	(215,885)
Derivative financial liabilities	–	(77,745)	–	(77,745)
	153,252	49,345	(178,508)	24,089
<b>Company</b>				
<b>At December 31, 2017</b>				
Derivative financial assets	–	141	–	141
<b>At December 31, 2016</b>				
Derivative financial liabilities	–	(326)	–	(326)

In 2017 and 2016, there have been no transfers between the different levels of the fair value hierarchy.

# Notes to the Financial Statements

Year ended December 31, 2017

## 36. Financial Instruments (cont'd)

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

#### 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, 2017</b>	37,377
Additions	984
Net change in fair value recognised in other comprehensive income	1,018
<b>At December 31, 2017</b>	39,379
<b>At January 1, 2016</b>	34,477
Additions	2,661
Net change in fair value recognised in other comprehensive income	239
<b>At December 31, 2016</b>	37,377

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).

#### ii. 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
	S\$'000
<b>Group</b>	
<b>At January 1, 2016</b>	193,113
Net changes in present value recognised in capital reserve	22,772
<b>At December 31, 2016</b>	215,885

As at December 31, 2017, the Group no longer has a put liability to acquire non-controlling interest.

## 36. Financial Instruments (cont'd)

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

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

#### ii. Put liability (cont'd)

##### 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, 2016</b>		
Capital reserve	2,231	(2,269)

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

#### 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, 2017</b>				
Investment properties	–	129,500	23,196	152,696
Interests in an associate	308,466	–	–	308,466
Long-term service concession receivables	–	896,500	–	896,500
Due from customers on construction contracts	–	1,637,441	–	1,637,441
Long-term interest-bearing borrowings	–	(8,264,339)	–	(8,264,339)
<b>At December 31, 2016</b>				
Investment properties	–	58,328	32,465	90,793
Interests in an associate	327,633	–	–	327,633
Long-term service concession receivables	–	476,949	–	476,949
Due from customers on construction contracts	–	2,236,715	–	2,236,715
Long-term interest-bearing borrowings	–	(7,006,831)	–	(7,006,831)
<b>Company</b>				
<b>At December 31, 2017</b>				
Interest in a subsidiary	2,344,658	–	–	2,344,658
Amounts due from related parties	–	225,266	–	225,266
<b>At December 31, 2016</b>				
Interest in a subsidiary	1,758,494	–	–	1,758,494
Amounts due from related parties	–	198,276	–	198,276

\* 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.

# Notes to the Financial Statements

Year ended December 31, 2017

## 36. Financial Instruments (cont'd)

### f. Fair value versus carrying amounts

	Note	Designated at fair value S\$'000	Fair value – hedging instruments S\$'000	Available-for-sale S\$'000	Loans and receivables S\$'000	Other financial liabilities within the scope of FRS 39 S\$'000	Other financial liabilities outside the scope of FRS 39 S\$'000	Total carrying amount S\$'000	Fair value S\$'000
<b>Group</b>									
<b>December 31, 2017</b>									
Cash and cash equivalents	14	–	–	–	2,686,658	–	–	2,686,658	2,686,658
Trade receivables	8	–	–	–	1,199,232	–	–	1,199,232	1,199,199
Service concession receivables	8	–	–	–	892,797	–	–	892,797	896,500
Other loans and receivables*	8	–	–	–	597,467	–	–	597,467	597,467
Amounts due from related parties	9	–	–	–	73,713	–	–	73,713	73,713
Due from customers on construction contracts	13	–	–	–	1,654,771	–	–	1,654,771	1,637,441
Available-for-sale financial assets:									
– Equity shares	7	–	–	122,047	–	–	–	122,047	119,405
– Unit trusts and funds	7	–	–	67,241	–	–	–	67,241	67,241
Financial assets at fair value through profit or loss, on initial recognition:									
– Forward foreign exchange contracts	7	218	–	–	–	–	–	218	218
– Cross currency swaps	7	5,811	–	–	–	–	–	5,811	5,811
– Interest rate swaps	7	73	–	–	–	–	–	73	73
– Foreign exchange swap contracts	7	1,291	–	–	–	–	–	1,291	1,291
– Commodity swap	7	2,078	–	–	–	–	–	2,078	2,078
– Foreign exchange option contracts	7	77	–	–	–	–	–	77	77
Hedge of net investment in foreign operations:									
– Cross currency swaps	7	–	13,469	–	–	–	–	13,469	13,469
Cash flow hedges:									
– Forward foreign exchange contracts	7	–	57,615	–	–	–	–	57,615	57,615
– Fuel oil swaps	7	–	42,227	–	–	–	–	42,227	42,227
– Interest rate swaps	7	–	525	–	–	–	–	525	525
– Cross currency swaps	7	–	4,066	–	–	–	–	4,066	4,066
Fair value hedges:									
– Forward foreign exchange contracts	7	–	692	–	–	–	–	692	692
		9,548	118,594	189,288	7,104,638	–	–	7,422,068	7,405,766

\* Excludes Goods and Services Tax.

# Notes to the Financial Statements

Year ended December 31, 2017

## 36. Financial Instruments (cont'd)

### f. Fair value versus carrying amounts (cont'd)

	Note	Designated at fair value S\$'000	Fair value – hedging instruments S\$'000	Available-for-sale S\$'000	Loans and receivables S\$'000	Other financial liabilities within the scope of FRS 39 S\$'000	Other financial liabilities outside the scope of FRS 39 S\$'000	Total carrying amount S\$'000	Fair value S\$'000
<b>Group</b>									
<b>December 31, 2017</b>									
Trade payables	15	–	–	–	–	2,036,217	–	2,036,217	2,036,217
Amounts due to non-controlling interests**	15	–	–	–	–	284	–	284	284
Other payables**	15	–	–	–	–	1,313,117	–	1,313,117	1,313,117
Other long-term payables**	15	–	–	–	–	34,309	–	34,309	34,309
Amounts due to related parties**	16	–	–	–	–	6,045	–	6,045	6,045
Financial liabilities at fair value through profit or loss, on initial recognition:									
– Forward foreign exchange contracts	18	3,377	–	–	–	–	–	3,377	3,377
– Foreign exchange swap contracts	18	252	–	–	–	–	–	252	252
– Interest rate swaps	18	213	–	–	–	–	–	213	213
– Electricity futures market contracts	18	33	–	–	–	–	–	33	33
– Commodity swap contracts	18	201	–	–	–	–	–	201	201
– Foreign exchange option contracts	18	64	–	–	–	–	–	64	64
– Cross currency swaps	18	7,097	–	–	–	–	–	7,097	7,097
Cash flow hedges:									
– Interest rate swaps	18	–	15,331	–	–	–	–	15,331	15,331
– Forward foreign exchange contracts	18	–	6,527	–	–	–	–	6,527	6,527
– Fuel oil swaps	18	–	3,401	–	–	–	–	3,401	3,401
– Cross currency swap	18	–	30,669	–	–	–	–	30,669	30,669
Interest-bearing borrowings:									
– Short-term borrowings	20	–	–	–	–	1,571,456	–	1,571,456	1,571,456
– Long-term borrowings	20	–	–	–	–	8,271,778	–	8,271,778	8,264,339
– Finance lease liabilities	20	–	–	–	–	–	4,370	4,370	4,370
		11,237	55,928	–	–	13,233,206	4,370	13,304,741	13,297,302

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

# Notes to the Financial Statements

Year ended December 31, 2017

## 36. Financial Instruments (cont'd)

### f. Fair value versus carrying amounts (cont'd)

	Note	Designated at fair value S\$'000	Fair value – hedging instruments S\$'000	Available-for-sale S\$'000	Loans and receivables S\$'000	Other financial liabilities within the scope of FRS 39 S\$'000	Other financial liabilities outside the scope of FRS 39 S\$'000	Total carrying amount S\$'000	Fair value S\$'000
<b>Group</b>									
<b>December 31, 2016</b>									
Cash and cash equivalents	14	–	–	–	1,882,547	–	–	1,882,547	1,882,547
Trade receivables	8	–	–	–	951,200	–	–	951,200	951,200
Service concession receivables	8	–	–	–	472,914	–	–	472,914	476,949
Other loans and receivables*	8	–	–	–	691,866	–	–	691,866	691,866
Amounts due from related parties	9	–	–	–	145,221	–	–	145,221	145,221
Due from customers on construction contracts	13	–	–	–	2,242,882	–	–	2,242,882	2,236,715
Available-for-sale financial assets:									
– Equity shares	7	–	–	151,151	–	–	–	151,151	148,509
– Unit trusts and funds	7	–	–	42,657	–	–	–	42,657	42,657
Financial assets at fair value through profit or loss, on initial recognition:									
– Forward foreign exchange contracts	7	18,829	–	–	–	–	–	18,829	18,829
– Cross currency swaps	7	10,533	–	–	–	–	–	10,533	10,533
– Interest rate swaps	7	52	–	–	–	–	–	52	52
– Foreign exchange swap contracts	7	228	–	–	–	–	–	228	228
– Electricity futures market contracts	7	40	–	–	–	–	–	40	40
Hedge of net investment in foreign operations:									
– Cross currency swaps	7	–	13,284	–	–	–	–	13,284	13,284
Cash flow hedges:									
– Forward foreign exchange contracts	7	–	47,031	–	–	–	–	47,031	47,031
– Fuel oil swaps	7	–	29,929	–	–	–	–	29,929	29,929
– Interest rate swaps	7	–	2,481	–	–	–	–	2,481	2,481
Fair value hedges:									
– Forward foreign exchange contracts	7	–	4,146	–	–	–	–	4,146	4,146
		29,682	96,871	193,808	6,386,630	–	–	6,706,991	6,702,217

\* Excludes Goods and Services Tax.



# Notes to the Financial Statements

Year ended December 31, 2017

## 36. Financial Instruments (cont'd)

### f. Fair value versus carrying amounts (cont'd)

	Note	Designated at fair value S\$'000	Fair value – hedging instruments S\$'000	Available-for-sale S\$'000	Loans and receivables S\$'000	Other financial liabilities within the scope of FRS 39 S\$'000	Other financial liabilities outside the scope of FRS 39 S\$'000	Total carrying amount S\$'000	Fair value S\$'000
<b>Group</b>									
<b>December 31, 2016</b>									
Trade payables	15	–	–	–	–	2,305,645	–	2,305,645	2,305,645
Amounts due to non-controlling interests**	15	–	–	–	–	279	–	279	279
Other payables**	15	–	–	–	–	1,025,948	–	1,025,948	1,025,948
Other long-term payables**	15	–	–	–	–	23,106	–	23,106	19,112
Amounts due to related parties**	16	–	–	–	–	9,820	–	9,820	9,820
Financial liabilities at fair value through profit or loss, on initial recognition:									
– Forward foreign exchange contracts	18	17,475	–	–	–	–	–	17,475	17,475
– Foreign exchange swap contracts	18	5,161	–	–	–	–	–	5,161	5,161
– Interest rate swaps	18	63	–	–	–	–	–	63	63
– Electricity futures market contracts	18	237	–	–	–	–	–	237	237
– Foreign exchange option contracts	18	314	–	–	–	–	–	314	314
– Cross currency swaps	18	1,044	–	–	–	–	–	1,044	1,044
Cash flow hedges:									
– Interest rate swaps	18	–	4,418	–	–	–	–	4,418	4,418
– Forward foreign exchange contracts	18	–	32,026	–	–	–	–	32,026	32,026
– Fuel oil swaps	18	–	8,747	–	–	–	–	8,747	8,747
– Cross currency swap	18	–	8,217	–	–	–	–	8,217	8,217
– Electricity futures market contracts	18	–	43	–	–	–	–	43	43
Put liability to acquire non-controlling interests	18	–	–	–	–	215,885	–	215,885	215,885
Interest-bearing borrowings:									
– Short-term borrowings	20	–	–	–	–	2,125,087	–	2,125,087	2,125,087
– Long-term borrowings	20	–	–	–	–	7,093,369	–	7,093,369	7,006,831
– Finance lease liabilities	20	–	–	–	–	–	2,848	2,848	2,848
		24,294	53,451	–	–	12,799,139	2,848	12,879,732	12,789,200

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

# Notes to the Financial Statements

Year ended December 31, 2017

## 36. Financial Instruments (cont'd)

### f. Fair value versus carrying amounts (cont'd)

	Note	Fair value – hedging instruments S\$'000	Loans and receivables S\$'000	Other financial liabilities within the scope of FRS 39 S\$'000	Other financial liabilities outside the scope of FRS 39 S\$'000	Total carrying amount S\$'000	Fair value S\$'000
<b>Company</b>							
<b>December 31, 2017</b>							
Cash and cash equivalents	14	–	720,138	–	–	720,138	720,138
Trade receivables	8	–	40,782	–	–	40,782	40,782
Other loans and receivables*	8	–	87,514	–	–	87,514	87,514
Amounts due from related parties	9	–	229,528	–	–	229,528	233,794
Cash flow hedges:							
– Forward foreign exchange contracts	7	141	–	–	–	141	141
		141	1,077,962	–	–	1,078,103	1,082,369
Trade payables	15	–	–	7,383	–	7,383	7,383
Other payables**	15	–	–	112,903	–	112,903	112,903
Amounts due to related parties	16	–	–	256,715	–	256,715	263,211
		–	–	377,001	–	377,001	383,497
<b>December 31, 2016</b>							
Cash and cash equivalents	14	–	389,905	–	–	389,905	389,905
Trade receivables	8	–	77,744	–	–	77,744	77,744
Other loans and receivables*	8	–	83,838	–	–	83,838	83,838
Amounts due from related parties	9	–	205,355	–	–	205,355	203,631
		–	756,842	–	–	756,842	755,118
Trade payables	15	–	–	8,790	–	8,790	8,790
Other payables**	15	–	–	119,627	–	119,627	119,627
Amounts due to related parties	16	–	–	249,319	–	249,319	243,835
Cash flow hedges:							
– Forward foreign exchange contracts	18	326	–	–	–	326	326
		326	–	377,736	–	378,062	372,578

\* 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's 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	
	2017	2016
	S\$'000	S\$'000
Debt	9,847,604	9,221,304
Total equity	8,215,754	8,162,714
Total debt and equity	18,063,358	17,384,018
Debt-to-capitalisation ratio	0.55	0.53

There were no changes in the Group's approach to capital management during the year.

Some of its subsidiaries are required to maintain certain ratios of consolidated net borrowings to consolidated net assets. These externally imposed capital requirements have been complied with as at the respective reporting dates.

# Notes to the Financial Statements

Year ended December 31, 2017

## 37. Contingent Liabilities (Unsecured)

### 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. 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 this risk, management continually monitors the risk 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.

As at the balance sheet date, the Group had the following contingent liabilities:

	Group	
	2017	2016
	S\$'000	S\$'000
Guarantees given to banks to secure banking facilities provided to:		
– Joint ventures	437,863	517,416
– Others	70,596	35,139
Performance guarantees to external parties	333,069	518,857

The periods in which the financial guarantees expire are as follows:

	Group	
	2017	2016
	S\$'000	S\$'000
Less than 1 year	114,265	139,151
Between 1 to 5 years	307,759	325,785
More than 5 years	86,435	87,619
	508,459	552,555

- a. Certain of the Group's subsidiaries are involved in claims, litigations, land disputes and other regulatory matters in certain emerging countries as at the year end. Due to the nature of these disputes and matters and also in view of the uncertainty of the outcome, the Group believes that the amount of exposure cannot currently be determinable. Therefore no impairment, revision of useful life or provision for restoration cost, where applicable, has been recorded.

Of the above, the Group's subsidiaries are involved in certain tax disputes, where the amount of potential expense has been estimated to be approximately S\$18,154,000. Due to the nature of these tax disputes, the potential outcome and obligation is uncertain. No provisions have been recorded in this regard.

## 37. Contingent Liabilities (Unsecured) (cont'd)

### Group (cont'd)

- b. In 2015, a customer, Marco Polo Drilling (I) Pte. Ltd. (MPD), alleged that a subsidiary of the Group has not complied with certain of its material contractual obligations and purported to terminate the contract and consequently sought refund of 50% of the initial instalment being the sum of S\$30,094,000 (US\$21,430,000) from the subsidiary and related interest charges. The subsidiary terminated the contract after MPD continued not to make payment of this balance 50% of the initial instalment, due since February 2014.

The subsidiary continues to disagree with MPD's allegations and strongly believes its contractual right of payment extends to the full initial instalment received and receivable from MPD.

In 2017, the subsidiary, MPD and Marco Polo Marine Ltd (MPM) (guarantor to perform MPD's obligations in full under the contract), have entered into a settlement agreement on a without admission of fault or liability basis on the terms that a Consent Award be entered into in favour of the subsidiary for the part of the subsidiary's claim and interest in the arbitration proceedings, and with MPD and MPM withdrawing their respective claims. The settlement amount of approximately S\$1.6 million has been received in January 2018.

### Company

- a. 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\$4,400 million (2016: S\$3,530 million), which include S\$2,006 million (2016: S\$1,099 million) drawn down as at balance sheet date. The periods in which the financial guarantees expire are as follows:

	Company	
	2017	2016
	S\$'000	S\$'000
Less than 1 year	20,492	194,952
Between 1 to 5 years	1,339,009	453,628
More than 5 years	646,576	450,000
	2,006,077	1,098,580

# Notes to the Financial Statements

Year ended December 31, 2017

## 37. Contingent Liabilities (Unsecured) (cont'd)

### Company (cont'd)

b. The Company has provided corporate guarantees of S\$87.0 million (2016: S\$79.8 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, Sembcorp Gas Pte Ltd (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	
	2017	2016
	S\$'000	S\$'000
- Commitments in respect of contracts placed	704,574	761,562
- Uncalled capital and commitments to subscribe for additional shares in joint ventures and other investments	156,354	112,266
	860,928	873,828

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	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Lease payments due:				
Within 1 year	34,862	38,138	8,990	9,406
Between 1 and 5 years	99,700	112,377	24,251	29,999
After 5 years	424,688	453,188	36,711	45,572
	559,250	603,703	69,952	84,977

Lease payments on the above leases are usually adjusted annually to reflect market rentals.

There are no significant contingent rentals on the above leases. Certain leases contain escalation clauses to reflect market rentals. Certain leases include renewal options for additional lease period of 10 to 30 years and at rental rates based on prevailing market rates.

## 38. Commitments (cont'd)

On January 15, 1999, 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.

In 2010, SembCogen 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, Sembcorp Energy India Ltd (SEIL) (formerly known as Thermal Powertech Corporation India Limited) 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, SEIL 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. For the leases of the marine vessel, the initial lease term is 5 years, with an option to extend for another 5 years. The lease agreement provides for additional lease payments annually based on changes to a price index. Non-cancellable operating lease rentals are receivable as follows:

	Group	
	2017	2016
	S\$'000	S\$'000
Lease receivable:		
Within 1 year	43,371	72,980
Between 1 and 5 years	5,452	43,572
More than 5 years	3,118	2,898
	51,941	119,450

## 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 and water to industrial, commercial and municipal customers. Key activities in the energy sector include power generation, process steam production, as well as natural gas importation. In the water sector, the business offers wastewater treatment as well as the production of reclaimed, desalinated and potable water and water for industrial use. In addition, the business also provides on-site logistics, solid waste management and specialised project management, engineering, and procurement services.
- ii. The Marine segment focuses principally on providing integrated solutions for the offshore and marine 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. The 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, 2017

## 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 Development	Others / Corporate	Elimination	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>2017</b>						
<b>Turnover</b>						
External sales	5,670,149	2,387,354	7,758	280,344	–	8,345,605
Inter-segment sales	29,446	–	3,993	64,609	(98,048)	–
<b>Total</b>	<b>5,699,595</b>	<b>2,387,354</b>	<b>11,751</b>	<b>344,953</b>	<b>(98,048)</b>	<b>8,345,605</b>
<b>Results</b>						
Segment results	580,561	68,287	(13,220)	(4,397)	–	631,231
Share of results of associates and joint ventures, net of tax	69,298	(3,617)	102,608	(4,231)	–	164,058
<b>Profit from operations</b>	<b>649,859</b>	<b>64,670</b>	<b>89,388</b>	<b>(8,628)</b>	<b>–</b>	<b>795,289</b>
Finance income	31,208	11,548	213	69,636	(70,009)	42,596
Finance costs	(440,626)	(95,522)	(4,075)	(55,568)	70,009	(525,782)
	240,441	(19,304)	85,526	5,440	–	312,103
Tax (expense) / credit	(89,308)	25,795	808	(4,686)	–	(67,391)
Non-controlling interests	(11,096)	336	(3,106)	(74)	–	(13,940)
<b>Net profit for the year</b>	<b>140,037</b>	<b>6,827</b>	<b>83,228</b>	<b>680</b>	<b>–</b>	<b>230,772</b>
<b>Assets</b>						
Segment assets	11,734,243	9,078,716	383,400	2,940,990	(2,774,016)	21,363,333
Interests in associates and joint ventures	869,110	67,965	735,142	93,203	–	1,765,420
Tax assets	61,903	17,081	2,605	2,836	–	84,425
<b>Total assets</b>	<b>12,665,256</b>	<b>9,163,762</b>	<b>1,121,147</b>	<b>3,037,029</b>	<b>(2,774,016)</b>	<b>23,213,178</b>
<b>Liabilities</b>						
Segment liabilities	8,028,045	6,541,028	273,730	2,341,251	(2,774,016)	14,410,038
Tax liabilities	483,861	88,242	440	14,843	–	587,386
<b>Total liabilities</b>	<b>8,511,906</b>	<b>6,629,270</b>	<b>274,170</b>	<b>2,356,094</b>	<b>(2,774,016)</b>	<b>14,997,424</b>
<b>Capital expenditure</b>	<b>479,084</b>	<b>193,455</b>	<b>167</b>	<b>16,380</b>	<b>–</b>	<b>689,086</b>
<b>Significant non-cash items</b>						
Depreciation and amortisation	360,729	196,576	2,684	11,339	–	571,328
Allowance for impairment in value of assets and assets written off (net)	28,426	2,775	–	49	–	31,250
Impairment of goodwill	26,378	–	–	–	–	26,378
Impairment of investment in an associate	4,163	–	–	–	–	4,163
(Write-back of) / allowance for doubtful debts and bad debts (net)	(15,687)	175	(61)	(6)	–	(15,579)
Gain on disposal of assets held for sale	–	(46,816)	–	–	–	(46,816)
Assumption of liabilities on behalf of a joint venture	–	11,000	–	–	–	11,000
Gain on disposal / liquidation of investment in subsidiaries	(3,860)	(753)	–	–	–	(4,613)
Reversal of contract costs (net) on termination, net of write-down of inventories and foreseeable loss on contract work-in-progress	9,639	(19,622)	–	306	–	(9,677)
Provision for fines	25,390	–	–	–	–	25,390
Gain on disposal of other financial assets	(3,179)	(17,200)	–	(1,290)	–	(21,669)



# Notes to the Financial Statements

Year ended December 31, 2017

## 39. Segment Reporting *(cont'd)*

### a. Operating Segments *(cont'd)*

	Utilities	Marine	Urban Development	Others / Corporate	Elimination	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>2016</b>						
<b>Turnover</b>						
External sales	4,111,054	3,544,155	7,051	244,788	–	7,907,048
Inter-segment sales	21,829	661	4,173	31,248	(57,911)	–
<b>Total</b>	<b>4,132,883</b>	<b>3,544,816</b>	<b>11,224</b>	<b>276,036</b>	<b>(57,911)</b>	<b>7,907,048</b>
<b>Results</b>						
Segment results	632,980	205,871	(11,923)	(43,020)	–	783,908
Share of results of associates and joint ventures, net of tax	104,241	(35,134)	50,315	5,699	–	125,121
<b>Profit from operations</b>	<b>737,221</b>	<b>170,737</b>	<b>38,392</b>	<b>(37,321)</b>	<b>–</b>	<b>909,029</b>
Finance income	23,495	7,922	214	52,591	(53,804)	30,418
Finance costs	(318,332)	(88,651)	(2,933)	(45,897)	53,804	(402,009)
	442,384	90,008	35,673	(30,627)	–	537,438
Tax expense	(80,746)	(15,121)	(552)	(3,865)	–	(100,284)
Non-controlling interests	(13,610)	(26,626)	(1,823)	(206)	–	(42,265)
<b>Net profit / (loss) for the year</b>	<b>348,028</b>	<b>48,261</b>	<b>33,298</b>	<b>(34,698)</b>	<b>–</b>	<b>394,889</b>
<b>Assets</b>						
Segment assets	11,080,613	9,335,419	371,503	1,795,808	(2,115,609)	20,467,734
Interests in associates and joint ventures	903,769	74,816	668,392	98,772	–	1,745,749
Tax assets	54,722	20,572	927	531	–	76,752
<b>Total assets</b>	<b>12,039,104</b>	<b>9,430,807</b>	<b>1,040,822</b>	<b>1,895,111</b>	<b>(2,115,609)</b>	<b>22,290,235</b>
<b>Liabilities</b>						
Segment liabilities	7,167,664	6,680,087	273,475	1,530,002	(2,115,609)	13,535,619
Tax liabilities	453,127	124,522	1,530	12,723	–	591,902
<b>Total liabilities</b>	<b>7,620,791</b>	<b>6,804,609</b>	<b>275,005</b>	<b>1,542,725</b>	<b>(2,115,609)</b>	<b>14,127,521</b>
<b>Capital expenditure</b>	<b>582,807</b>	<b>419,879</b>	<b>5,117</b>	<b>15,946</b>	<b>–</b>	<b>1,023,749</b>
<b>Significant non-cash items</b>						
Depreciation and amortisation	282,439	159,457	2,325	9,492	–	453,713
Allowance for / (write-back of) impairment in value of assets and assets written off (net)	4,904	21,277	(1,029)	57,769	–	82,921
Impairment of investment in associates	–	2,120	–	–	–	2,120
(Write-back of) / allowance for doubtful debts and bad debts (net)	(371)	5,255	35	(248)	–	4,671
Gain on disposal of investments in subsidiary, joint ventures and associate	(34,572)	(186)	–	–	–	(34,758)
Gain on disposal of assets held for sale	(3,820)	–	–	–	–	(3,820)
Inventories written down / (written back)	4,648	(1,166)	–	(402)	–	3,080
Gain on disposal of other financial assets	(2,796)	–	–	–	–	(2,796)

# Notes to the Financial Statements

Year ended December 31, 2017

## 39. Segment Reporting *(cont'd)*

### b. Geographical Segments

The Group's geographical segments are presented in ten principal geographical areas: Singapore, China, India, Rest of Asia, 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.

	Singapore	China	India	Rest of Asia	Middle East & Africa	UK	Rest of Europe	Brazil	U.S.A	Other 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>2017</b>											
Revenue from external customers	3,519,296	155,280	1,595,727	307,710	162,533	1,056,637	1,629,516	213,192	185,447	(479,733)*	8,345,605
Total assets	10,247,836	1,847,751	6,464,172	1,683,153	445,506	340,783	401,559	1,612,524	6,490	163,404	23,213,178
Non-current assets	4,442,553	1,522,049	5,282,436	1,388,611	388,518	122,985	355,524	1,431,890	4,941	177,807	15,117,314
Capital expenditure	160,903	29,113	367,597	2,972	3,772	9,626	38	96,213	4	18,848	689,086
<b>2016</b>											
Revenue from external customers	2,963,985	193,212	848,705	558,067	111,813	915,726	1,482,631	83,942	697,744	51,223	7,907,048
Total assets	10,014,848	2,069,257	6,249,517	1,211,123	448,804	261,289	451,270	1,392,270	7,292	184,565	22,290,235
Non-current assets	4,508,611	1,428,532	5,195,087	1,022,156	440,916	144,637	398,681	1,346,186	5,282	175,916	14,666,004
Capital expenditure	269,123	118,965	369,211	23,128	9,515	10,580	61	193,331	8	29,827	1,023,749

\* During the financial year, certain construction contracts were terminated, and the contract revenue previously recognised was reversed through profit or loss. Refer to Note 13.

## 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 assesses 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 Note 3 and 11.

# Notes to the Financial Statements

Year ended December 31, 2017

## 40. Significant Accounting Estimates and Judgements *(cont'd)*

### **Key sources of estimation uncertainty** *(cont'd)*

#### **b. Taxes**

The Group is subjected to taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for taxes. In determining the amount of current and deferred taxes, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due.

There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. The Group believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. Where the final tax outcome of these matters is different from the amounts that are 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.

#### *Deferred tax assets*

Certain subsidiaries of the Group have tax benefits arising from unutilised tax losses, tax credits and deductible temporary differences, which are available for set-off against future taxable profits. Of these, the utilisation of these tax benefits, for which deferred tax asset was recognised, is presumed on the Group's ability to generate taxable profits in the foreseeable future. This is, however, highly dependent on macroeconomic conditions impacting the offshore and marine sector, expected movements and recovery of oil prices, and financial strength of the Group's customers, which would then significantly affect the realisability of these deferred tax assets.

#### **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 60 years. The carrying amounts 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.

## 40. Significant Accounting Estimates and Judgements *(cont'd)*

### **Key sources of estimation uncertainty** *(cont'd)*

#### **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).

#### **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.

#### *Warranty*

The provision for warranty is based on estimates from known and expected warranty work and contractual obligation for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made. Movements in provision for warranty are detailed in Note 17.

#### *Contingent liabilities*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. 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 and work-in-progress**

The net realisable value of certain inventories and work-in-progress is estimated by reference to latest quotations, independent brokers' valuations and discounted cash flow model. However, such net realisable value estimated (where a reasonably possible range of outcomes are possible), may not be the actual realisable value, given the limited transactions involving the sale and purchase of oil rigs in recent times. In addition, the conventional methods of valuation are inherently difficult to apply, as a result of the volatility and illiquidity of the market, and limited actual number of transactions. A combination of valuation techniques are typically adopted with no singular valuation technique being preferred, resulting in the wider range of valuation outcomes observed. Such uncertainties may significantly affect the eventual net realisable value of inventories; and there is a significant risk of a material adjustment to the carrying amounts of inventories in future periods.

# Notes to the Financial Statements

Year ended December 31, 2017

## 40. Significant Accounting Estimates and Judgements *(cont'd)*

### **Critical accounting judgements in applying the Group's accounting policies**

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

#### **a. Revenue recognition and assessment of risk of foreseeable losses on long-term construction contracts**

The Group has recognised revenue on infrastructure 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 or by reference to the ratio of costs incurred to-date to the estimated total costs for each contract. Significant judgement is required in determining the appropriate stage of completion and estimating a reasonable contribution margin for revenue and costs recognition; and likewise, judgement is required in determining the triggering point of suspension of revenue recognition when it is no longer probable that inflow of economic benefits associated with the contracts will occur. Such considerations include the Group's assessment of the credit-worthiness of customers and an evaluation of the contract performance obligations discharged by the customers. Revenue from infrastructure construction contract, ship and rig repair, building and conversion is disclosed in Note 25.

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.

#### *Cost allocation method on long-term land development contracts*

Land development costs incurred are capitalised as work-in-progress and allocated to the respective parcels of land based on the relative sales method.

#### **b. Impairment of investments and financial assets**

The Group follows the guidance of FRS 39 *Financial Instruments: Recognition and Measurement* in determining whether there is any objective evidence that an investment or financial asset is impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment and financial asset is less than its cost; and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The carrying amounts of investments and financial assets are disclosed in the following notes:

- Note 7 – 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, and other qualitative factors such as the financial performance of the investment.

In assessing the level of impairment allowance required on the Group's trade and other receivables, the Group considers the financial restructuring (where relevant), credit-worthiness and financial health of its customers whose conditions are subject to changes, which may require changes in the level of impairment allowance in future periods.

## 40. Significant Accounting Estimates and Judgements *(cont'd)*

### **Critical accounting judgements in applying the Group's accounting policies *(cont'd)***

#### **c. Impairment assessment of property, plant and equipment and associates**

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 and derivation of the relevant inputs 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.

#### *Impairment assessment of the Group's shipyards*

Owing to the continuing difficult market 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 (yards in Singapore, together with their 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 beyond the projection periods (up to a maximum of 40 years). The forecasted order book and the related project margins are the key drivers supporting the recoverable amounts. The projected cash flows are supported by the Group's historical experience, market observable data surrounding the state-owned and international oil majors' capital commitment and projected capital expenditures in oil and gas production and exploration activities, regulations relating to local content requirements in Brazil, market expectations and developments for contract order prices, and other external analysts' forecast reports in oil price movements and demands for drilling and production solutions. These cash flows are then discounted using the applicable discount rates based on their pre-tax weighted average cost of capital of 9.5% (2016: 9.7%) and 10.0% (2016: 15.9%) for the Singapore CGU and Brazil CGU respectively; and the Group assessed that no impairment loss is required for these individual CGUs.

The forecasted order book and the forecasted margins assumed in the value in use calculation are, however, subject to estimation uncertainties that may have a significant risk of resulting in material adjustments in any future periods affected.

The estimation uncertainties of the forecasted order book of the Singapore CGU are, however, reduced by a certain level of order books already secured by the Group. Nevertheless, there are remaining estimation uncertainties surrounding the remaining unsecured order book, and forecast project margins, that may result in significant adjustments in the future periods.

Certain phases of the Brazil CGU are presently undergoing yard construction and the yard will gradually ramp up to its full operational capacity. The Group has factored in the long-term fundamentals of the oil and gas industry in Brazil and accordingly, prepared a 10 years cash flow projection. Changes in the recoverable amount are sensitive to impairment losses if the forecast order book and the forecasted margins beyond the near term were to deviate significantly from the original forecast. The recoverable amount of the Brazil CGU is further subject to political risk and will be reviewed at regular intervals.

#### *Impairment assessment of the Group's associate*

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

# Notes to the Financial Statements

Year ended December 31, 2017

## 40. Significant Accounting Estimates and Judgements *(cont'd)*

### Critical accounting judgements in applying the Group's accounting policies *(cont'd)*

#### d. 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.

## 41. Subsidiaries

Details of key subsidiaries are as follows:

Name of key subsidiaries	Country of incorporation	Effective equity held by the Group	
		2017	2016
		%	%
<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 Energy India Ltd (formerly known as Thermal Powertech Corporation India Limited) <sup>2</sup>	India	86.87	86.87
Sembcorp Green Infra Limited <sup>2</sup>	India	100 <sup>3</sup>	68.74
Sembcorp Gayatri Power Limited <sup>2</sup>	India	88.00	88.00
Sembcorp Myingyan Power Company Limited <sup>2</sup>	Myanmar	100	100
<b>Marine</b>			
Sembcorp Marine Ltd <sup>1</sup>	Singapore	60.98	60.99
Jurong Shipyard Pte Ltd <sup>1</sup>	Singapore	60.98	60.99
PPL Shipyard Pte Ltd <sup>1</sup>	Singapore	60.98	60.99
Sembcorp Marine Repairs & Upgrades Pte. Ltd. <sup>1</sup>	Singapore	60.98	60.99
Sembcorp Marine Offshore Platforms Pte Ltd <sup>1</sup>	Singapore	60.98	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	96.59	92.88
Singapore Technologies Industrial Corp Ltd <sup>1</sup>	Singapore	100	100
Nanjing Riverside Quay Co., Ltd <sup>2</sup>	China	100	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

<sup>1</sup> Audited by KPMG LLP, Singapore.

<sup>2</sup> Audited by member firms of KPMG International.

<sup>3</sup> In 2017, the Group has acquired the remaining equity stakes of SGI (refer to Note 34).

## 42. 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	
		2017	2016
		%	%
<b>Utilities</b>			
<sup>^^</sup> Sembcorp Salalah Power and Water Company SAOG	Oman	40.00	40.00
<b>Urban Development</b>			
<sup>^^</sup> Wuxi-Singapore Industrial Park Development Co., Ltd	People's Republic of China	45.36	45.36
<b>Name of key joint ventures</b>			
<b>Utilities</b>			
<sup>^</sup> Phu My 3 BOT Power Company Ltd.	Vietnam	66.67	66.67
<sup>#</sup> Shanghai Cao Jing Co-generation Co. Ltd	People's Republic of China	30.00	30.00
<sup>^^</sup> Emirates Sembcorp Water & Power Company P.J.S.C	United Arab Emirates	40.00	40.00
<sup>#</sup> Chongqing Songzao Sembcorp Electric Power Co., Ltd	People's Republic of China	49.00	49.00
<b>Urban Development</b>			
<sup>^^</sup> Vietnam Singapore Industrial Park J.V. Co., Ltd.	Vietnam	49.26	47.37
<sup>**</sup> Sino-Singapore Nanjing Eco Hi-tech Island Development Co., Ltd	People's Republic of China	21.50	21.50
<sup>^^</sup> Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	People's Republic of China	25.00	25.00
<sup>***</sup> PT Kawasan Industri Kendal	Indonesia	49.00	49.00
<b>Name of key joint operations</b>			
<b>Others</b>			
<sup>###</sup> Sinohydro-Sembcorp Joint Venture	Singapore	50.00	50.00

The auditors of key associates, joint ventures and joint operations are as follows:

<sup>^^</sup> Audited by member firms of KPMG International.

<sup>^</sup> Audited by Ernst & Young Vietnam Limited.

<sup>#</sup> Audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company.

<sup>\*\*</sup> Audited by Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd, China.

<sup>###</sup> Audited by KPMG LLP, Singapore.

<sup>\*\*\*</sup> Audited by BDO Indonesia.

<sup>^^^</sup> Audited by PricewaterhouseCoopers LLC.

See Note 6 for details on pledge on the Company's interests in its joint ventures.



# Notes to the Financial Statements

Year ended December 31, 2017

## 43. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and Adoption of New Standards

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

The Group's financial statements for the financial year ending December 31, 2018 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

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

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

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

### i. SFRS(I) 1

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

## 43. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and Adoption of New Standards (cont'd)

### ii. SFRS(I) 15

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

The Group plans to adopt SFRS(I) 15 in its financial statements for the year ending December 31, 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of SFRS(I) 15 retrospectively, except as described below, and the comparative period presented in the 2018 financial statements will be restated.

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

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

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

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

The expected key impacts upon the adoption of SFRS(I) 15 are described below:

### Long-term contracts

#### a. Timing of revenue and cost recognition

The Group currently recognises revenue from long-term contracts from its rig & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding under Marine's operating segment and other infrastructure construction using the percentage of completion method, provided the outcome of the contract can be reliably estimated.

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

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

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

# Notes to the Financial Statements

Year ended December 31, 2017

## 43. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and Adoption of New Standards *(cont'd)*

### ii. SFRS(I) 15 *(cont'd)*

#### b. Contract costs

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

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

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

#### *Consideration payable to customer*

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

#### *Significant financing component*

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

The Group is currently in the process of finalising the effects of SFRS(I) 15 and the quantum of the final transition adjustments may be different upon finalisation.

### iii. SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

The Group plans to take advantage of the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at January 1, 2018.

The following assessments have to be made on the basis of facts and circumstances that existed at January 1, 2018.

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

## 43. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and Adoption of New Standards *(cont'd)*

### iii. SFRS(I) 9 *(cont'd)*

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

The information below reflects the Group's expectation of the implications arising from changes in the accounting treatment. The actual tax effect may change when the transition adjustments are finalised.

#### a. Classification and measurement: financial assets

For financial assets currently held at amortised costs and at fair value, the Group expects to continue measuring these assets at amortised costs and at fair value under SFRS(I) 9. The Group plans to elect to present in OCI the changes in fair value of the AFS equity securities that are held by the Group and the Company because these investments are not held for trading. The changes in fair value recognised in OCI will not be reclassified to profit or loss upon disposal of the AFS equity. The Group does not expect any significant impact on the financial statements from the Group's election to present in OCI the changes in fair value of its AFS equity securities.

The Group's investments in unit trusts and funds, which is currently classified as available-for-sale financial assets, will be classified as fair value through profit or loss upon the adoption of SFRS(I) 9 and the fair value reserve relating to the fair value changes of the unit trusts and funds will be reclassified to revenue reserves. The amount to be reclassified as at January 1, 2018 is approximately S\$119,000. Going forward, the changes in fair value for the unit trusts and funds will be recognised in profit or loss.

#### b. Impairment

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

The Group plans to apply the simplified approach and record lifetime ECL on its trade and other receivables (excluding service concession receivables) and contract assets arising from the application of SFRS(I) 15.

The Group plans to apply general approach for service concession receivables where the loss allowances are equal to the 12-month ECL.

The Group does not expect any material tax impact on the increase in impairment arising from SFRS(I) 9 adoption.

The Group is currently in the process of finalising its computation based on its expected credit loss model and the quantum of the final transition adjustments may be different upon finalisation.

#### Summary of Quantitative Impact

The Group is currently finalising the transition adjustments. The following reconciliations provide an estimate of the expected impacts on initial application of SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9 on the Group's and the Company's financial position as at December 31, 2017 and January 1, 2018 and the Group's profit or loss and other comprehensive income for the year ended December 31, 2017.

# Notes to the Financial Statements

Year ended December 31, 2017

## 43. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and Adoption of New Standards (cont'd)

Summary of Quantitative Impact (cont'd)

Balance Sheet

	As at December 31, 2017			As at January 1, 2018	
	Current framework	SFRS(I) 15	SFRS(I) framework	SFRS(I) 9	SFRS(I) framework
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>					
<b>Non-current assets</b>					
Interests in associates and joint ventures	1,765,420	–	1,765,420	(2,511)	1,762,909
Trade and other receivables	1,184,276	–	1,184,276	(7,931)	1,176,345
Others	12,167,618	–	12,167,618	–	12,167,618
	15,117,314	–	15,117,314	(10,442)	15,106,872
<b>Current assets</b>					
Inventories and work-in-progress	3,214,296	(2,687,648)	526,648	–	526,648
Trade and other receivables	2,031,555	261,931	2,293,486	(1,648)	2,291,838
Contract costs	–	2,465,252	2,465,252	–	2,465,252
Contract assets	–	660,052	660,052	–	660,052
Others	2,850,013	–	2,850,013	–	2,850,013
	8,095,864	699,587	8,795,451	(1,648)	8,793,803
<b>Total assets</b>	23,213,178	699,587	23,912,765	(12,090)	23,900,675
<b>Current liabilities</b>					
Trade and other payables	3,818,766	(447,024)	3,371,742	–	3,371,742
Excess of progress billings over work-in-progress	180,894	(180,894)	–	–	–
Contract liabilities	–	1,375,465	1,375,465	–	1,375,465
Current tax payables	159,046	(8,055)	150,991	–	150,991
Others	1,677,773	–	1,677,773	–	1,677,773
	5,836,479	739,492	6,575,971	–	6,575,971
<b>Non-current liabilities</b>					
Deferred tax liabilities	428,340	–	428,340	(274)	428,066
Other long-term payables	294,511	1,162	295,673	–	295,673
Others	8,438,094	–	8,438,094	–	8,438,094
	9,160,945	1,162	9,162,107	(274)	9,161,833
<b>Total liabilities</b>	14,997,424	740,654	15,738,078	(274)	15,737,804
<b>Net assets</b>	8,215,754	(41,067)	8,174,687	(11,816)	8,162,871
<b>Equity attributable to owners of the Company</b>					
Other reserves	(82,676)	(3,037)	(85,713)	119	(85,594)
Revenue reserve	5,483,190	(22,461) <sup>1</sup>	5,460,729	(11,581) <sup>2</sup>	5,449,148
Others	1,568,811	–	1,568,811	–	1,568,811
<b>Non-controlling interests</b>	1,246,429	(15,569)	1,230,860	(354)	1,230,506
<b>Total equity</b>	8,215,754	(41,067)	8,174,687	(11,816)	8,162,871

<sup>1</sup> Amount relates mainly to reversal of cumulative profits of certain contracts, recognised in prior years according to existing policies in Note 2(u)(ii) where such revenue and related costs of sales would be recognised on delivery to customers upon adoption of SFRS(I) 15.

<sup>2</sup> Amount relates mainly to the expected increase in impairment loss for trade and other receivables (including service concession receivables) as a result of the application of the expected credit loss model upon adoption of SFRS(I) 9 instead of the current "incurred loss" model.

## 43. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and Adoption of New Standards (cont'd)

Summary of Quantitative Impact (cont'd)

Consolidated Income Statement

	Year ended December 31, 2017		
	Current framework	SFRS(I) 15	SFRS(I) framework
	S\$'000	S\$'000	S\$'000
<b>Group</b>			
<b>Turnover</b>	8,345,605	658,312 <sup>3</sup>	9,003,917
Cost of sales	(7,399,538)	(369,291) <sup>3</sup>	(7,768,829)
<b>Gross profit</b>	946,067	289,021	1,235,088
Other operating income	75,550	11,259	86,809
Finance costs	(525,782)	(420)	(526,202)
Others	(183,732)	–	(183,732)
<b>Profit before tax</b>	312,103	299,860	611,963
Tax expense	(67,391)	(50,382)	(117,773)
<b>Profit for the year</b>	244,712	249,478	494,190
<b>Attributable to:</b>			
Owners of the Company	230,772	153,241	384,013
Non-controlling interests	13,940	96,237	110,177
<b>Profit for the year</b>	244,712	249,478	494,190

### Consolidated Statement of Comprehensive Income

	Year ended December 31, 2017		
	Current framework	SFRS(I) 15	SFRS(I) framework
	S\$'000	S\$'000	S\$'000
<b>Group</b>			
<b>Profit for the year</b>	244,712	249,478	494,190
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Others	(106,082)	–	(106,082)
<b>Items that may not be reclassified subsequently to profit or loss:</b>			
Others	2,742	–	2,742
<b>Total comprehensive income for the year</b>	141,372	249,478	390,850
<b>Attributable to:</b>			
Owners of the Company	160,025	153,241	313,266
Non-controlling interests	(18,653)	96,237	77,584
<b>Total comprehensive income for the year</b>	141,372	249,478	390,850

<sup>3</sup> Amount relates mainly to the reversal of adjustments (in relation to contract terminations) recorded in 2017 set-off partially by reversal of revenue and related costs of sales for other contracts recognised in 2017 according to existing policies in Note 2(u)(ii), which would be recognised on delivery to customers upon adoption of SFRS(I) 15.

# Notes to the Financial Statements

Year ended December 31, 2017

## 43. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and Adoption of New Standards *(cont'd)*

### Summary of Quantitative Impact *(cont'd)*

#### Balance Sheet

	As at December 31, 2017		
	Current framework	SFRS(I) 15	SFRS(I) framework
	S\$'000	S\$'000	S\$'000
<b>Company</b>			
<b>Non-current assets</b>	3,346,706	–	3,346,706
<b>Current assets</b>	870,327	–	870,327
<b>Total assets</b>	4,217,033	–	4,217,033
<b>Current liabilities</b>			
Current tax payable	49,746	(18)	49,728
Others	153,581	–	153,581
	203,327	(18)	203,309
<b>Non-current liabilities</b>			
Other long-term payables	286,199	1,162	287,361
Others	68,704	–	68,704
	354,903	1,162	356,065
<b>Total liabilities</b>	558,230	1,144	559,374
<b>Net assets</b>	3,658,803	(1,144)	3,657,659
<b>Equity attributable to owners of the Company</b>			
Revenue reserve	2,087,875	(1,144)	2,086,731
Others	1,570,928	–	1,570,928
<b>Total equity</b>	3,658,803	(1,144)	3,657,659

## 43. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and Adoption of New Standards *(cont'd)*

### Applicable to financial statements for the year 2019 and thereafter

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

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

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

#### SFRS(I) 16

SFRS(I) 16 replaces existing lease accounting guidance. SFRS(I) 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if SFRS(I) 15 is also applied. SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group also expects the ROU assets recognised at date of initial application to be equal to their lease liabilities.

The Group has performed a preliminary assessment of the impact on its financial statements based on its existing operating lease arrangements (refer to Note 38).

Until 2018, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.



# Notes to the Financial Statements

Year ended December 31, 2017

## 43. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and Adoption of New Standards *(cont'd)*

### SFRS(I) 16 *(cont'd)*

#### i. The Group as lessee

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. The operating lease commitments on an undiscounted basis amount to approximately 2.4% of the consolidated total assets and 3.7% of consolidated total liabilities. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will now change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

#### ii. The Group as lessor

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

## 44. Subsequent Events

### i. Reorganisation of India energy businesses and proposed initial public offering

On February 19, 2018, the Group announced the reorganisation of its India energy business. The following transfers have taken place as part of the reorganisation:

- Transfer of SCU's 88.0% stake in SGPL to SEIL;
- Transfer of NCI's 12.0% stake in SGPL to SEIL; and
- Transfer of SCU's entire stake in SGI to SEIL.

The consideration for the transfers was settled by SEIL through the issuance of new shares.

Upon completion of the reorganisation, the Group's stake in SEIL increased from 86.87% to 93.70% and SGPL and SGI will become wholly owned subsidiaries of SEIL.

On February 23, 2018, the Group announced that it has initiated the process for an initial public offering of SEIL on BSE Limited (BSE) and the National Stock Exchange of India (NSE).

### ii. Divestment of municipal water operations in South Africa

On February 23, 2018, the Group announced that it has entered into a conditional sale agreement to divest its 100% stake in Sembcorp Utilities South Africa, its 100% effective stake in Sembcorp Silulumanzi and its 73.4% stake in Sembcorp Siza Water to South African Water Works Pty Ltd for gross proceeds of ZAR 790 million (approximately S\$89 million).

Upon completion, Sembcorp Utilities South Africa, Sembcorp Silulumanzi and Sembcorp Siza Water will cease to be part of the Group.

This divestment is not expected to have a material impact to the Group in 2018.

# Supplementary Information

Year ended December 31, 2017

## (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, 2017

Name of Director	Salary <sup>1</sup> S\$'000	Bonus earned S\$'000	Fair value of share-based compensation granted for the year <sup>3</sup> S\$'000	Directors' fees <sup>4</sup>		Brought forward bonus bank <sup>2</sup> S\$'000
				Cash-based <sup>5</sup> S\$'000	Share-based <sup>6</sup> S\$'000	
<b>Payable by Company</b>						
Ang Kong Hua	–	–	–	447	191	–
Tang Kin Fei <sup>7</sup>	386	–	–	–	–	3,980
Tang Kin Fei <sup>5,7</sup>	–	–	–	25	–	–
Neil McGregor <sup>5</sup>	–	–	–	22	9	–
Neil McGregor <sup>8</sup>	1,144 <sup>9</sup>	521	2,326	–	–	–
Bobby Chin Yoke Choong <i>(retired on April 19, 2017)</i>	–	–	–	70	–	–
Margaret Lui <sup>5</sup>	–	–	–	120	52	–
Tan Sri Mohd Hassan Marican	–	–	–	107	46	–
Tham Kui Seng	–	–	–	106	46	–
Dr Teh Kok Peng	–	–	–	122	52	–
Ajaib Haridass	–	–	–	116	50	–
Nicky Tan <sup>5</sup>	–	–	–	106	45	–
Yap Chee Keong	–	–	–	115	50	–
Jonathan Asherson OBE <i>(appointed on July 17, 2017)</i>	–	–	–	29	13	–
<b>Payable by Subsidiaries</b>						
Tang Kin Fei <sup>5</sup> <i>(retired on April 18, 2017)</i>	–	–	–	96	–	–
Neil McGregor <sup>5</sup> <i>(appointed on April 20, 2017)</i>	–	–	–	153	37	–
Tan Sri Mohd Hassan Marican	–	–	–	420	180	–
Ajaib Haridass	–	–	–	190	82	–
Tham Kui Seng	–	–	–	53	–	–
<b>Name of Key Executive</b>						
Tan Cheng Guan <sup>5</sup>	663	202	550	44	–	1,633
Koh Chiap Khiong <sup>5</sup>	613	233	550	180	61	1,804
Ng Meng Poh <sup>5</sup>	611	189	550	95	–	1,748
Wong Weng Sun	867	852	1,069	–	–	2,676
Kelvin Teo <sup>5</sup>	413	248	234	10	–	403



# Supplementary Information

Year ended December 31, 2017

## (Under SGX-ST Listing Manual requirements) (cont'd)

### A. Directors' and Key Executives' Remuneration Earned for the Year (cont'd)

Notes:

- <sup>1</sup> The amount shown is inclusive of basic salary, fixed allowances, AWS and other emoluments.
- <sup>2</sup> The Brought Forward Bonus Bank is the outstanding balance of bonus as at December 31, 2017 (incorporating any adjustment made to the bank balance but excluding the bonus earned during the financial year). Typically, one-third of the accumulated bonus comprising Bonus Earned in the financial year and the Brought Forward Bonus is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank in future will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the Bonus Bank.
- <sup>3</sup> 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.
- <sup>4</sup> Based on the Directors' Fee framework, the computation of non-executive directors' fees totalled S\$2,258,625 in 2017 (2016: S\$2,365,750). After applying the 15% voluntary reduction in fees payable to existing non-executive directors, the resulting non-executive directors' fees for the financial year 2017 totalled S\$1,938,769.
- <sup>5</sup> Directors' fees for Margaret Lui are payable to Azalea Investment 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 Neil McGregor, Tan Cheng Guan, Koh Chiap Khiong and Ng Meng Poh are payable to SCI. Directors' fees in cash of S\$74,000 from subsidiaries for Tang Kin Fei are payable to SCI. Directors' fees in cash from subsidiaries for Kelvin Teo are payable to Sembcorp Parks Management Pte Ltd and Batamindo Shipping & Warehousing Pte Ltd.
- <sup>6</sup> 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 Tang Kin Fei, who was the Group President & CEO, and who did 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 the value of their 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 section on Share-based Incentive Plans in the Directors' Report.
- <sup>7</sup> Tang Kin Fei retired as Group President & CEO of SCI on March 31, 2017 and retired as Director of SCI on May 31, 2017.
- <sup>8</sup> Neil McGregor was appointed as Group President & CEO on April 1, 2017.
- <sup>9</sup> The amount excludes sign on bonus of S\$800,000.

## (Under SGX-ST Listing Manual requirements) (cont'd)

### 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:

<b>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)</b>	
	<b>2017</b>
	<b>S\$'000</b>
<b>Sale of goods and services</b>	
Temasek Holdings (Private) Limited and its Associates	
– Accuron Technologies Limited and its Associates	1,351
– PSA International Pte Ltd and its Associates	90,767
– Singapore Power Limited and its Associates	2,621
– Temasek Capital (Private) Limited and its Associates	1,633
– Wildlife Reserves Singapore Pte Ltd and its Associates	3,391
	99,763
Olam International Ltd and its Associates	3,503
Starhub Ltd and its Associates	21,610
SATS Ltd and its Associates	4,507
Singapore Telecommunications Ltd and its Associates	5,083
Singapore Technologies Engineering Ltd and its Associates	33,013
	167,479
<b>Purchase of goods and services</b>	
Temasek Holdings (Private) Limited and its Associates	
– Singapore Power Limited and its Associates	5,342
– Temasek Capital (Private) Limited and its Associates <sup>1</sup>	486,762
– Certis CISCO Security Pte Ltd and its Associates	203
	492,307
Singapore Telecommunications Ltd and its Associates	6,055
Singapore Technologies Engineering Ltd and its Associates	3,002
	501,364
<b>Provision of management and support services</b>	
Temasek Holdings (Private) Limited and its Associates	
– Temasek Capital (Private) Limited and its Associates	2,729
<b>Obtaining of management and support services</b>	
Temasek Holdings (Private) Limited and its Associates	
– Temasek International (Private) Limited and its Associates	275
<b>Treasury transactions</b>	
Temasek Holdings (Private) Limited and its Associates	
– Clifford Capital Pte Ltd	33,473
	705,320
<b>Total interested person transactions</b>	<b>705,320</b>

## Supplementary Information

Year ended December 31, 2017

### (Under SGX-ST Listing Manual requirements) (cont'd)

#### B. Interested Person Transactions (cont'd)

Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	
	2017 S\$'000
<b>Establishment of Joint Venture</b>	
Temasek Holdings (Private) Limited and its Associates	
– Ascendas-Singbridge Pte. Ltd. and its Associates	33,488

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

	2017 S\$'000	2016 S\$'000
<b>Net operating profit before tax expense</b>	<b>148,045</b>	412,317
Adjusted for:		
Share of associates' and joint ventures' profits	<b>218,942</b>	153,668
Interest expense	1 <b>524,055</b>	406,048
Others	2 <b>41,424</b>	72,491
<b>Adjusted profit before interest and tax</b>	<b>932,466</b>	1,044,524
Cash operating taxes	3 <b>(192,029)</b>	(173,969)
<b>Net operating profit after tax (NOPAT)</b>	<b>740,437</b>	870,555
Average capital employed	4 <b>19,176,171</b>	17,467,795
Weighted average cost of capital	5 <b>6.5%</b>	6.7%
<b>Capital charge</b>	<b>1,246,451</b>	1,170,342
Add: Capital Charge Deferral (net)	6 <b>149,928</b>	201,274
<b>Economic Value Added (EVA)</b>	<b>(356,086)</b>	(98,513)
Non-controlling share of EVA	<b>122,825</b>	106,139
<b>EVA attributable to shareholders</b>	<b>(233,261)</b>	7,626
Less: Unusual items (UI) gains	7 <b>(50,481)</b>	(38,173)
<b>EVA attributable to shareholders (exclude UI)</b>	<b>(283,742)</b>	(30,547)

Notes:

- Interest expense includes imputed interest on present value of operating leases and capitalised interest charged to profit or loss upon disposal of the assets.
- 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.
- The reported current tax is adjusted for the statutory tax impact of interest expense.
- 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.

	2017 S\$'000	2016 S\$'000
<b>Major Capital Components:</b>		
Property, plant and equipment	<b>11,711,143</b>	10,570,175
Investments	<b>2,225,739</b>	2,372,686
Other long-term assets	<b>1,405,947</b>	914,641
Net working capital and long-term liabilities	<b>3,833,342</b>	3,610,293
Average capital employed	<b>19,176,171</b>	17,467,795

- The Weighted Average Cost of Capital is calculated in accordance with the Sembcorp Group EVA Policy as follows:
  - Cost of Equity using Capital Asset Pricing Model with market risk premium at 5.0% (2016: 5.0%);
  - Risk-free rate 2.22% (2016: 2.28%) based on yield-to-maturity of Singapore Government 10-year Bonds;
  - Ungeared beta ranging from 0.5 to 1.0 (2016: 0.5 to 1.0) based on Sembcorp Industries' risk categorisation; and
  - Cost of Debt rate at 4.25% (2016: 3.45%).
- Capital charge deferral (net) refers to deferral of capital charge on investments made for projects where returns are not immediate at the time of investment (e.g. Greenfield projects) less cost of deferral at weighted average cost of capital.
- 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

As at March 1, 2018

## Statistics of Shareholders

Issued and fully paid-up capital:	S\$565,571,683.28
Number of issued shares:	1,787,547,732
Number / percentage of treasury shares:	1,042,827 (0.06%)
Number of shareholders:	36,909
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, 2018, 50.5%<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	49.48

## Top 20 Shareholders

No.	Name	No. of Ordinary Shares Held	% <sup>2</sup>
1.	Temasek Holdings (Private) Limited	871,200,328	48.77
2.	Citibank Nominees Singapore Pte Ltd	215,182,505	12.04
3.	DBS Nominees Pte Ltd	193,845,700	10.85
4.	DBSN Services Pte Ltd	67,020,642	3.75
5.	HSBC (Singapore) Nominees Pte Ltd	46,271,776	2.59
6.	United Overseas Bank Nominees Private Limited	42,802,169	2.40
7.	Raffles Nominees (Pte) Ltd	27,229,925	1.53
8.	Startree Investments Pte Ltd	9,400,000	0.53
9.	OCBC Nominees Singapore Private Limited	8,822,690	0.49
10.	DB Nominees (S) Pte Ltd	7,921,598	0.44
11.	Tang Kin Fei	4,488,806	0.25
12.	OCBC Securities Private Ltd	4,380,877	0.25
13.	CGS-CIMB Securities (Singapore) Pte Ltd	4,101,171	0.23
14.	BPSS Nominees Singapore (Pte.) Ltd.	3,468,031	0.19
15.	Phillip Securities Pte Ltd	2,959,037	0.17
16.	UOB Kay Hian Private Limited	2,712,543	0.15
17.	DBS Vickers Securities (Singapore) Pte Ltd	2,562,735	0.14
18.	Low Sin Leng	1,604,437	0.09
19.	Maybank Kim Eng Securities Pte Ltd	1,500,708	0.08
20.	Societe Generale Singapore Branch	1,440,757	0.08
		1,518,916,435	85.02

<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, 2018 excluding 1,042,827 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

## Analysis of Shareholdings

Range of Shareholdings	No. of Ordinary Shareholders	%	No. of Ordinary Shares Held (Excluding Treasury Shares)	%
1 – 99	586	1.59	22,183	0.00
100 – 1,000	6,573	17.81	5,421,630	0.31
1,001 – 10,000	24,918	67.51	98,124,370	5.49
10,001 – 1,000,000	4,811	13.03	162,920,242	9.12
1,000,001 and above	21	0.06	1,520,016,480	85.08
	36,909	100.00	1,786,504,905	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 2017, 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 has reviewed 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. Upon the need for a new director arising, the NC would consult with management and would identify a list of potential candidates. These candidates would be sourced through an extensive network of contacts and external databases where appropriate, based on the skill sets, experience, knowledge and attributes required to lead the growth of the company. Thereafter, the NC would 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>

# Governance Disclosure Guide

Guideline	Questions	How has Sembcorp complied?
<b>Members of the Board</b> <i>(cont'd)</i>		
Guideline 4.6	<p>Please describe the board nomination process for the company in the last financial year for:</p> <p>a. Selecting and appointing new directors and</p> <p>b. Re-electing incumbent directors</p>	<p>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 lead the growth of the company. Thereafter, the NC will interview the candidates and make its recommendation to the board for approval.</p> <p>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 has adopted an internal guideline that seeks to address the competing time commitments that may be faced when a director holds multiple board directorship representations.</p> <p>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.</p>

Guideline	Questions	How has Sembcorp complied?
<b>Members of the Board</b> <i>(cont'd)</i>		
Guideline 1.6	<p>a. Are new directors given formal training? If not, please explain why.</p> <p>b. What are the types of information and training provided to:</p> <p>i. new directors and</p> <p>ii. existing directors</p> <p>to keep them up to date?</p>	<p>a. Yes, the company conducts comprehensive orientation programmes for new directors.</p> <p>b. 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. The company conducts comprehensive orientation programmes for new directors. These include briefings on board policies and processes, presentations by senior management about Sembcorp, its overall strategic plans and direction, financial performance and business activities in various markets, as well as facility visits.</p> <p>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 121 of the Corporate Governance Statement in this Annual Report.</p> <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 which are funded by the company. Details may be found on page 116 of the Corporate Governance Statement in this Annual Report.</p>



# Governance Disclosure Guide

Guideline	Questions	How has Sembcorp complied?
<b>Members of the Board</b> <i>(cont'd)</i>		
Guideline 4.4	<p>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?</p> <p>b. If a maximum number has not been determined, what are the reasons?</p> <p>c. What are the specific considerations in deciding on the capacity of directors?</p>	<p>a. The board has determined that the maximum number of listed company board representations held by any Sembcorp Industries director should not exceed five. 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.</p> <p>b. Not applicable.</p> <p>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.</p>
<b>Board Evaluation</b>		
Guideline 5.1	<p>a. What was the process upon which the board reached the conclusion on its performance for the financial year?</p> <p>b. Has the board met its performance objectives?</p>	<p>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.</p> <p>b. Yes. The board believes that it has met its performance objectives. This is reflected in the overall long-term performance of the Group.</p>
<b>Independence of Directors</b>		
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, eight of whom are independent directors.

Guideline	Questions	How has Sembcorp complied?
<b>Independence of Directors</b> <i>(cont'd)</i>		
Guideline 2.3	<p>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.</p> <p>b. What are the board's reasons for considering him independent? Please provide a detailed explanation.</p>	<p>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.</p> <p>Mr Tham sits on the board of Sembcorp Design and Construction, a wholly-owned subsidiary of the company from which the company has received payment in excess of S\$200,000 for consultancy services.</p> <p>In addition, 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.</p> <p>b. The board has assessed these matters and is of the view that the payments received from these subsidiaries are not significant in the context of the Group's earnings. The board believes that Tan Sri Mohd Hassan Marican, Mr Haridass and Mr Tham's directorships in these subsidiaries 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.</p> <p>Tan Sri Mohd Hassan and Mr Tham's roles as advisors at Temasek International Advisors are non-executive in nature and they are not involved in its' day-to-day conduct of business. They are also not accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Temasek. The board believes that they have acted and will continue to act in the best interest of Sembcorp.</p> <p>Hence, the board has determined that Tan Sri Mohd Hassan Marican, Mr Haridass and Mr Tham are independent notwithstanding their relationship with Temasek and the Group's subsidiaries.</p>
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.	<p>No. The company does not have any director who has served beyond nine years from the date of his / her first appointment to the board.</p> <p>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.</p>

# Governance Disclosure Guide

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 2017 to the top five key management personnel, excluding our Group President &amp; CEO, amounted to approximately S\$7.7 million comprising salaries and bonuses.</p>
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 2017 the company had no employees who were immediate family members of a director or the Group President & CEO.

Guideline	Questions	How has Sembcorp complied?
<b>Disclosure on Remuneration (cont'd)</b>		
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, not all the performance conditions were met against a background of adverse market conditions. Arising from the under-achievement of performance targets, 600,000 performance shares lapsed in 2017 and were not paid out.</p>

# Governance Disclosure Guide

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, discharge their duties 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 and key risk indicators, 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 116 and 121 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 (cont'd)</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 and governance assurance framework (GAF). Supporting the ERM framework and GAF 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 and GAF are also complemented by a risk-based control self-assessment and certification 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 risk management systems and internal controls were adequate and effective as at December 31, 2017 to address the financial, operational, compliance and information technology risks of the Group.</p> <p>b. Yes. For the financial year 2017, 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> <i>(cont'd)</i>																				
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"> <thead> <tr> <th></th> <th style="text-align: right;">S\$'000</th> </tr> </thead> <tbody> <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;">1,810</td> </tr> <tr> <td>– To other member firms of KPMG International</td> <td style="text-align: right;">1,320</td> </tr> <tr> <td></td> <td style="text-align: right;">3,130</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;">886</td> </tr> <tr> <td>– To other member firms of KPMG International</td> <td style="text-align: right;">652</td> </tr> <tr> <td></td> <td style="text-align: right;">1,538</td> </tr> </tbody> </table> <p>b. Non-audit fees amount to only 49% of the total annual audit fees and are not deemed substantial.</p>		S\$'000	<b>Audit fees paid / payable</b>		– To auditors of the company	1,810	– To other member firms of KPMG International	1,320		3,130	<b>Non-audit fees paid / payable</b>		– To auditors of the company	886	– To other member firms of KPMG International	652		1,538
	S\$'000																			
<b>Audit fees paid / payable</b>																				
– To auditors of the company	1,810																			
– To other member firms of KPMG International	1,320																			
	3,130																			
<b>Non-audit fees paid / payable</b>																				
– To auditors of the company	886																			
– To other member firms of KPMG International	652																			
	1,538																			

### Communication with Shareholders

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 in 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 2017, a final tax exempt one-tier dividend of 2 cents per ordinary share has been proposed subject to shareholders' approval. Together with the interim dividend of 3 cents per ordinary share that has already been paid out, this would bring our total dividend for the financial year to 5 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*

Neil McGregor  
*Group President & CEO*

Margaret Lui  
Tan Sri Mohd Hassan Marican  
Tham Kui Seng  
Dr Teh Kok Peng  
Ajaib Haridass  
Nicky Tan Ng Kuang  
Yap Chee Keong  
Jonathan Asherson OBE

### Executive Committee

Ang Kong Hua  
*Chairman*

Neil McGregor  
Margaret Lui  
Nicky Tan Ng Kuang

### Audit Committee

Yap Chee Keong  
*Chairman*

Tham Kui Seng  
Dr Teh Kok Peng  
Ajaib Haridass

### Risk Committee

Ajaib Haridass  
*Chairman*

Tham Kui Seng  
Yap Chee Keong  
Dr Teh Kok Peng

### Executive Resource & Compensation Committee

Ang Kong Hua  
*Chairman*

Margaret Lui  
Tan Sri Mohd Hassan Marican  
Nicky Tan Ng Kuang

### Nominating Committee

Ang Kong Hua  
*Chairman*

Margaret Lui  
Tan Sri Mohd Hassan Marican  
Nicky Tan Ng Kuang

### Technology Advisory Panel

Ang Kong Hua  
*Chairman*

Neil McGregor  
Dr Teh Kok Peng  
Dr Josephine Kwa Lay Keng  
Prof 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

Citibank N.A.

Credit Agricole Corporate & Investment Bank

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

Public Accountants and Chartered 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 Twentieth 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 Friday, April 20, 2018 at 10.00 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, 2017 and the Auditors’ Report thereon. **Resolution 1**
2. To declare a final ordinary one-tier tax exempt dividend of 2 cents per share for the year ended December 31, 2017. **Resolution 2**
3. To re-elect the following directors, each of whom will retire by rotation pursuant to article 94 of the Company’s Constitution and who, being eligible, will offer themselves for re-election:
  - a. Ang Kong Hua **Resolution 3**
  - b. Margaret Lui **Resolution 4**
  - c. Dr Teh Kok Peng (*Independent Member of Audit Committee*) **Resolution 5**
4. To re-elect Jonathan Asherson OBE, a director who will retire pursuant to article 100 of the Company’s Constitution and who, being eligible, will offer himself for re-election. **Resolution 6**
5. To approve directors’ fees of up to S\$2,500,000 for the year ending December 31, 2018 (2017: up to S\$2,500,000). **Resolution 7**
6. To re-appoint KPMG LLP as Auditors of the Company and to authorise the directors to fix their remuneration. **Resolution 8**

## Special Business

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

7. 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, **Resolution 9**

## Special Business *(cont’d)*

**provided that:**

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 5% of the total number of issued shares excluding treasury shares and subsidiary holdings (as calculated in accordance with paragraph (2) below);
  - (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”)) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares excluding treasury shares and subsidiary holdings at the time this Resolution is passed, after adjusting for:
    - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
    - (ii) any subsequent bonus issue or consolidation or subdivision of shares,and, in paragraph (1) above and this paragraph (2), “subsidiary holdings” has the meaning given to it in the Listing Manual of the SGX-ST;
  - (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
  - (4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
8. That approval be and is hereby given to the directors to: **Resolution 10**
    - 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 and subsidiary holdings) from time to time; and
- (2) the aggregate number of ordinary shares under awards to be granted pursuant to the Share Plans during the period commencing from this Annual General Meeting and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 1% of the total number of issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) from time to time,

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



# Notice of Annual General Meeting

## Special Business (cont'd)

9. That:
- a. approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual (“**Chapter 9**”) of the Singapore Exchange Securities Trading Limited, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to the Company’s Letter to Shareholders dated March 29, 2018 (the “**Letter**”) with any party who is of the class of interested persons described in the Appendix to the Letter, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;
  - b. the approval given in paragraph a. above (the “**IPT Mandate**”) shall, unless revoked or varied by the Company in General Meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and
  - c. the directors and / or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and / or he may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and / or this Resolution.
10. 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;

## Resolution 11

## Resolution 12

## Special Business (cont'd)

- 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 treasury shares and subsidiary holdings (as defined in the Listing Manual of the SGX-ST)); and
- “**Maximum Price**”, in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed, whether pursuant to a market purchase or an off-market purchase, 105% of the Average Closing Price of the Shares; and
- d. the directors and / or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and / or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and / or authorised by this Resolution.

By Order of the Board

Kwong Sook May  
Company Secretary

Singapore  
March 29, 2018

# Notice of Annual General Meeting

## Explanatory Notes:

Resolutions 3 to 6 – detailed information on these directors can be found under the Board of Directors and Corporate Governance Statement sections in the Annual Report 2017. These directors (save for Mrs Margaret Lui who is Chief Executive Officer and a director of Azalea Investment Management Pte. Ltd., a related corporation 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.

If re-elected, Dr Teh Kok Peng will remain as a member of the Audit Committee. He is an independent director.

Resolution 7 – 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, 2018. The exact amount of directors' fees received by each director for the financial year ended December 31, 2017 is disclosed in full in the Supplementary Information section of the Annual Report 2017. Directors and their associates will abstain from voting on Resolution 7.

The amount of the directors' fees is based on the anticipated number of board and committee meetings for year 2018, assuming full attendance by all of the non-executive directors. The amount also caters for additional ad-hoc board and committee meetings. In the event that the amount proposed is insufficient, approval will be sought at the next Annual General Meeting in year 2019 ("2019 AGM") before any payments are made to directors for the shortfall.

The current intention is that the directors' fees for the non-executive directors for year 2018 will comprise a cash component and a share component, with up to 30% being paid out in the form of restricted share awards under the Sembcorp 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 2017 for more details.

The cash component of the directors' fees for year 2018 is intended to be paid half-yearly in arrears. The share component of the directors' fees for year 2018 is intended to be paid after the 2019 AGM has been held. The actual number of shares to be awarded to each non-executive director holding office at the time of the payment is intended to be determined by reference to the volume weighted average price of a share on the Singapore Exchange Securities Trading Limited (the "SGX-ST") over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the 2019 AGM (or, if no final dividend is proposed at the 2019 AGM, or the resolution to approve any such final dividend is not approved at the 2019 AGM, over the 14 trading days immediately following the date of the 2019 AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. A non-executive director who steps down before the payment of the share component will receive all of his directors' fees for year 2018 (calculated on a pro-rated basis, where applicable) in cash.

## Statement pursuant to article 57 of the Constitution of the Company:

Resolution 9 – is to empower the directors to issue shares of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50% of the total number of issued shares of the Company excluding treasury shares and subsidiary holdings, of which up to 5% may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of issued shares of the Company excluding treasury shares and subsidiary holdings at the time that Resolution 9 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 9 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares. As at March 1, 2018 (the "**Latest Practicable Date**"), the Company had 1,042,827 treasury shares and no subsidiary holdings.

## Explanatory Notes: (cont'd)

Resolution 10 – 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 and subsidiary holdings) from time to time; and (b) the aggregate number of ordinary shares under awards to be granted pursuant to the Share Plans during the period commencing from this Annual General Meeting to the next Annual General Meeting shall not exceed 1% of the total number of issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) from time to time. Approval for the adoption of the Share Plans was given by shareholders at an Extraordinary General Meeting of the Company held on April 22, 2010. The grant of awards under the Share Plans will be made in accordance with their respective provisions.

Resolution 11 – 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 29, 2018 (the "**Letter**"). Please refer to the Letter for more details.

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

The Company intends to use 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 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 35,730,098 ordinary shares.

In the case of both market purchases and off-market purchases by the Company and assuming that the Company purchases or acquires 35,730,098 ordinary shares at the maximum price of S\$3.37 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 35,730,098 ordinary shares is S\$120,410,430.

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, 2017 based on these assumptions are set out in paragraph 3.7 of the Letter.

Please refer to the Letter for more details.

# Notice of Annual General Meeting

## Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be lodged at the office of the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902 not less than 72 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 30, 2018 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 27, 2018 (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 15, 2018.

# Proxy Form

## IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF / SRS investors who have used their CPF / SRS moneys to buy shares in Sembcorp Industries Ltd, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF / SRS investors should contact their respective Agent Banks / SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and / or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated March 29, 2018.

## Sembcorp Industries Ltd

Co Regn No. 199802418D  
(Incorporated in the Republic of Singapore)

## Twentieth Annual General Meeting

I / We \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC / Passport / Co Regn 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 Twentieth Annual General Meeting ("20<sup>th</sup> AGM") of the Company to be held on Friday, April 20, 2018 at 10.00 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 the 20<sup>th</sup> AGM. 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 20<sup>th</sup> AGM.)*

	Ordinary Resolutions	For	Against
<b>ROUTINE BUSINESS</b>			
1.	To adopt the Directors' Statement and Audited Financial Statements		
2.	To declare a final dividend		
3.	To re-elect Ang Kong Hua		
4.	To re-elect Margaret Lui		
5.	To re-elect Dr Teh Kok Peng		
6.	To re-elect Jonathan Asherson OBE		
7.	To approve directors' fees for the year ending December 31, 2018		
8.	To re-appoint KPMG LLP as Auditors and to authorise the directors to fix their remuneration		
<b>SPECIAL BUSINESS</b>			
9.	To approve the proposed renewal of the Share Issue Mandate		
10.	To authorise the directors to grant awards and issue shares under the Sembcorp Industries Share Plans		
11.	To approve the proposed renewal of the IPT Mandate		
12.	To approve the proposed renewal of the Share Purchase Mandate		

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

\_\_\_\_\_  
Date

Total Number of Shares Held

Notes:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.
2. a. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.  
b. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.  
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902 not less than 72 hours before the time appointed for the Annual General Meeting.
5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting in person at the Annual General Meeting if he finds that he is able to do so. In such event, the relevant instrument appointing a proxy or proxies will be deemed to be revoked.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by the Central Depository (Pte) Limited to the Company.

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

Fold here